

The Morning Email: TERM TEDS & Dirty TEDS

Table of Contents

PgA	Quotes	Pg9	2y Basis TED Curve
Pg1	Dirty TED: ZT vs Eurodollar Contracts	Pg10	5y Basis TED Curve
Pg2	Dirty TED: ZF vs Eurodollar Contracts	Pg11	10y Basis TED Curve
Pg3	Dirty TED: ZN vs Eurodollar Contracts	Pg12	Packs
Pg4	TERM TED: 2y vs Eurodollar Contracts		
Pg5	TERM TED: 5y vs Eurodollar Contracts		
Pg6	TERM TED: 10y vs Eurodollar Contracts		
Pg7	Dirty TED Curve		
Pg8	TED Curve		

Correlations for the US Cash Treasuries are done on a YIELD basis. Therefore, you'll see negative values. The reason for this is due to the new issues. Every new issue takes too long to 'catch up' because the correlation formula looks back 10days.

Want something added? Let me know: jgoulding@ghco.com

Disclaimer: All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

Quotes

F.I. Futures and Cash					
	Last Decimal	Last 32	Last Yield*	MDuration	
ZT	107.0469	107.015	1.690	1.89	
ZF	113.7188	113.230	2.458	4.04	
ZN	118.6406	118.205	3.304	6.63	
2y	100.506	100.1620	1.727	1.88	
5y	100.881	100.2820	2.557	4.58	
10y	100.188	100.0600	3.475	8.27	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAM08	97.690	2.310	82	0.224	JUN	White Pack	
EDAU08	97.820	2.180	173	0.473	SEP		
EDAZ08	97.735	2.265	264	0.723	DEC		
EDAH09	97.685	2.315	355	0.972	MAR	Red Pack	
EDAM09	97.465	2.535	446	1.221	JUN		
EDAU09	97.225	2.775	537	1.471	SEP		
EDAZ09	96.960	3.040	628	1.720	DEC	Green Pack	
EDAH10	96.760	3.240	719	1.969	MAR		
EDAM10	96.565	3.435	810	2.219	JUN		
EDAU10	96.375	3.625	901	2.468	SEP	Blue Pack	
EDAZ10	96.160	3.840	992	2.717	DEC		
EDAH11	96.050	3.950	1083	2.966	MAR		
EDAM11	95.935	4.065	1174	3.216	JUN	Gold Pack	
EDAU11	95.785	4.215	1272	3.484	SEP		
EDAZ11	95.670	4.330	1363	3.734	DEC		
EDAH12	95.595	4.405	1454	3.983	MAR		
EDAM12	95.490	4.510	1545	4.232	JUN		
EDAU12	95.370	4.630	1636	4.482	SEP		
EDAZ12	95.300	4.700	1727	4.731	DEC		
EDAH13	95.275	4.725	1818	4.980	MAR		

Notes

Futures use CTD for Last Yield

Mduration = Modified Macaulay Duration

#VALUE! = no quote being provided by exchange.

	Last Yield	Net Yield	Last Price	
Q.ED.White	2.312	3.000	9773.250	Pack Prices
Q.ED.Red	2.959	4.750	9710.250	
Q.ED.Green	3.799	2.375	9628.750	
Q.ED.Blue		0.625	9575.125	
Q.ED.Gold		0.000	9537.500	

Red pack is a 2yr proxy
 Gold pack is a 10yr proxy
 Red /Gold is a 2/10 proxy
 Blue pack is a 5yr proxy
 Blue/Gold is a 5/10 proxy

Overview of Hedging

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Page A

How many ways can you hedge the TED? Let me count...there's lots and lots, like:

- 1 Regression
 - 2 Engineered
 - 3 Strip with and without Stubs
 - 4 Convexity Bias
 - 5 Weighted
 - 6 Unweighted
- and more...

Most of us are interested in the *unweighted hedge* which is simply a curve trade hedge. There are so many ways to hedge the TED trade that I can't possibly list them all.

If you email me and ask for a specific hedge, I'll get it to you.

jgoulding@ghco.com

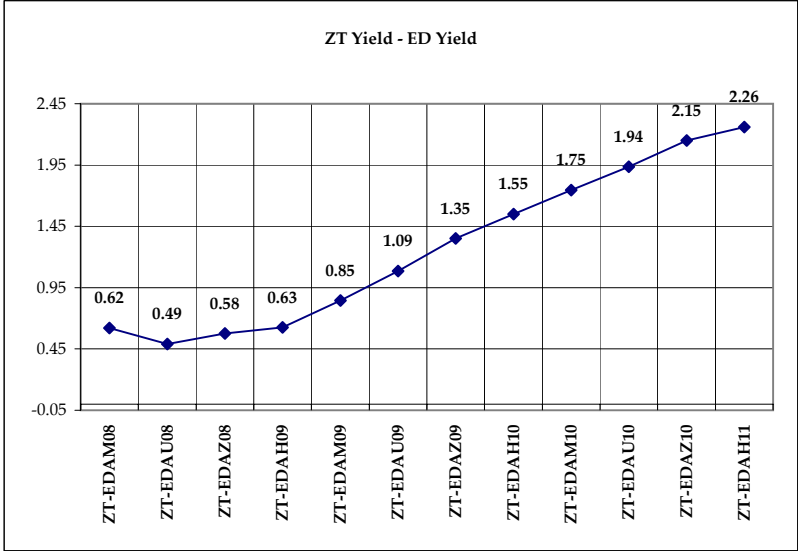
Eurodollar Color Codes for Individual Year Strips:

Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZT vs Eurodollar Contracts

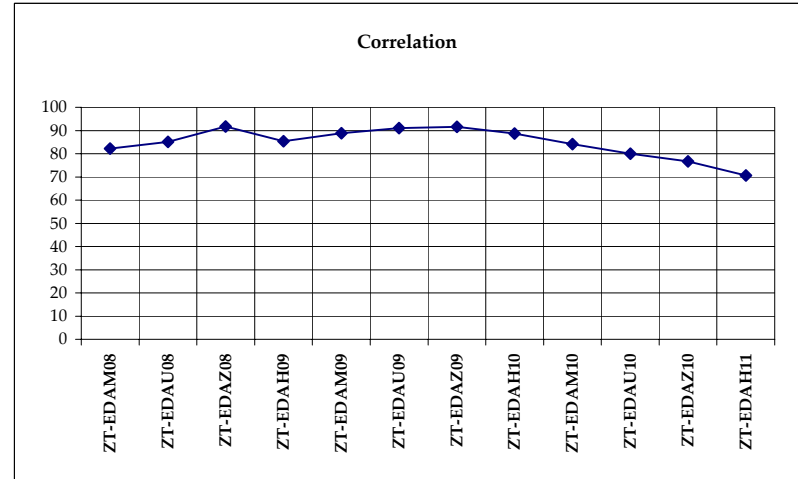
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	9.357	0.62	ZT-EDAM08	82.210
EDAU08	9.227	0.49	ZT-EDAU08	85.148
EDAZ08	9.312	0.58	ZT-EDAZ08	91.665
EDAH09	9.362	0.63	ZT-EDAH09	85.398
EDAM09	9.582	0.85	ZT-EDAM09	88.866
EDAU09	9.822	1.09	ZT-EDAU09	91.075
EDAZ09	10.087	1.35	ZT-EDAZ09	91.632
EDAH10	10.287	1.55	ZT-EDAH10	88.730
EDAM10	10.482	1.75	ZT-EDAM10	84.174
EDAU10	10.672	1.94	ZT-EDAU10	79.967
EDAZ10	10.887	2.15	ZT-EDAZ10	76.680
EDAH11	10.997	2.26	ZT-EDAH11	70.568

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year				
	ZT Duration	Spread Duration		
EDAM08	0.224	1.89	1.67	ZT-EDAM08
EDAU08	0.473	1.89	1.42	ZT-EDAU08
EDAZ08	0.723	1.89	1.17	ZT-EDAZ08
EDAH09	0.972	1.89	0.92	ZT-EDAH09
EDAM09	1.221	1.89	0.67	ZT-EDAM09
EDAU09	1.471	1.89	0.42	ZT-EDAU09
EDAZ09	1.720	1.89	0.17	ZT-EDAZ09
EDAH10	1.969	1.89	(0.07)	ZT-EDAH10
EDAM10	2.219	1.89	(0.32)	ZT-EDAM10
EDAU10	2.468	1.89	(0.57)	ZT-EDAU10
EDAZ10	2.717	1.89	(0.82)	ZT-EDAZ10
EDAH11	2.966	1.89	(1.07)	ZT-EDAH11

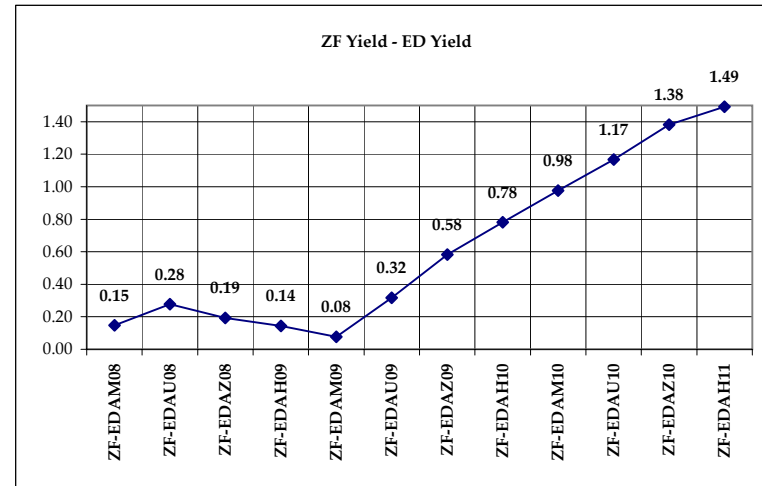
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	16.03	0.15	ZF-EDAM08	89.045
EDAU08	15.90	0.28	ZF-EDAU08	90.827
EDAZ08	15.98	0.19	ZF-EDAZ08	95.290
EDAH09	16.03	0.14	ZF-EDAH09	95.652
EDAM09	16.25	0.08	ZF-EDAM09	97.202
EDAU09	16.49	0.32	ZF-EDAU09	97.654
EDAZ09	16.76	0.58	ZF-EDAZ09	97.672
EDAH10	16.96	0.78	ZF-EDAH10	97.101
EDAM10	17.15	0.98	ZF-EDAM10	95.701
EDAU10	17.34	1.17	ZF-EDAU10	93.857
EDAZ10	17.56	1.38	ZF-EDAZ10	92.162
EDAH11	17.67	1.49	ZF-EDAH11	89.146

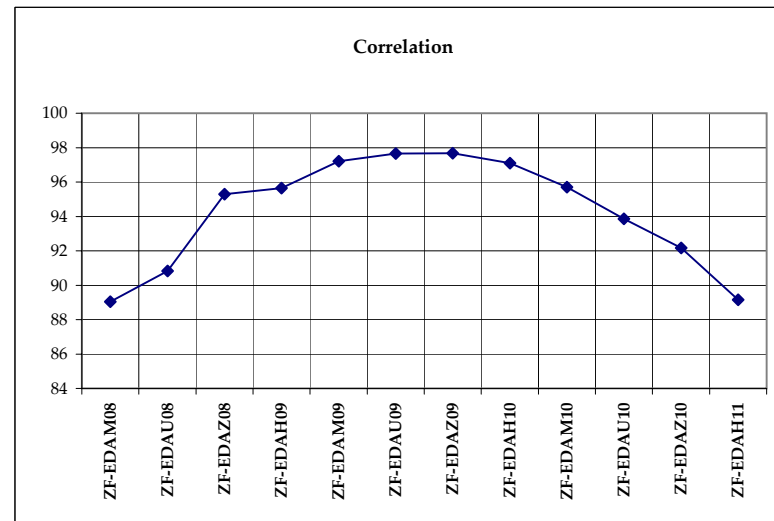
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAM08	0.224	4.04	3.82	ZF-EDAM08
EDAU08	0.473	4.04	3.57	ZF-EDAU08
EDAZ08	0.723	4.04	3.32	ZF-EDAZ08
EDAH09	0.972	4.04	3.07	ZF-EDAH09
EDAM09	1.221	4.04	2.82	ZF-EDAM09
EDAU09	1.471	4.04	2.57	ZF-EDAU09
EDAZ09	1.720	4.04	2.32	ZF-EDAZ09
EDAH10	1.969	4.04	2.07	ZF-EDAH10
EDAM10	2.219	4.04	1.83	ZF-EDAM10
EDAU10	2.468	4.04	1.58	ZF-EDAU10
EDAZ10	2.717	4.04	1.33	ZF-EDAZ10
EDAH11	2.966	4.04	1.08	ZF-EDAH11

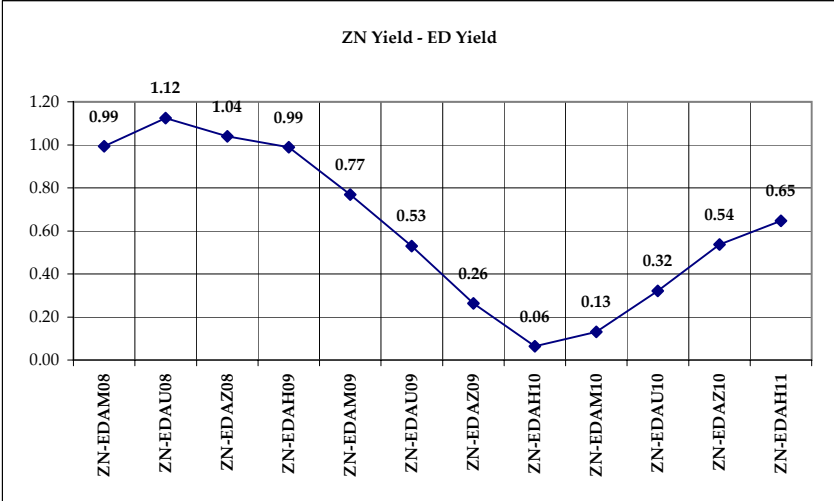
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

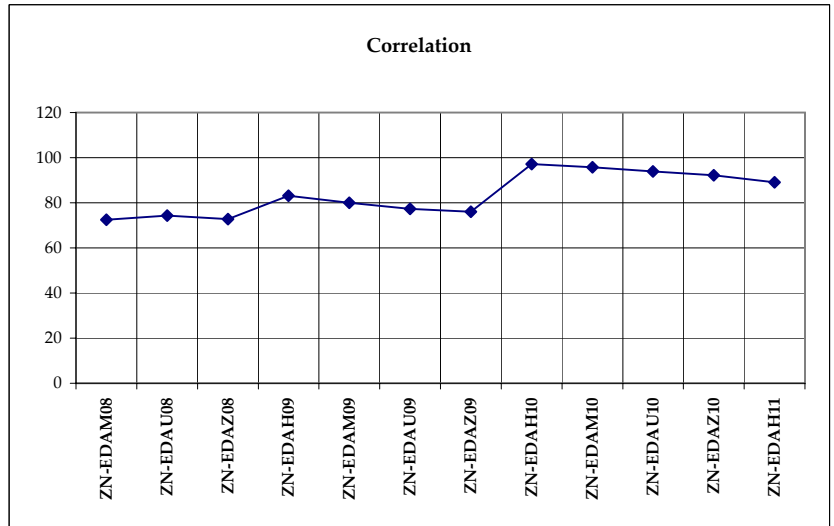
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	20.95	0.99	ZN-EDAM08	72.46
EDAU08	20.82	1.12	ZN-EDAU08	74.35
EDAZ08	20.91	1.04	ZN-EDAZ08	72.80
EDAH09	20.96	0.99	ZN-EDAH09	83.08
EDAM09	21.18	0.77	ZN-EDAM09	79.99
EDAU09	21.42	0.53	ZN-EDAU09	77.29
EDAZ09	21.68	0.26	ZN-EDAZ09	75.98
EDAH10	21.88	0.06	ZN-EDAH10	97.10
EDAM10	22.08	0.13	ZN-EDAM10	95.70
EDAU10	22.27	0.32	ZN-EDAU10	93.86
EDAZ10	22.48	0.54	ZN-EDAZ10	92.16
EDAH11	22.59	0.65	ZN-EDAH11	89.15

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



	GE Duration as Fraction of year	ZN Duration	Spread Duration	
EDAM08	0.224	6.63	6.41	ZN-EDAM08
EDAU08	0.473	6.63	6.16	ZN-EDAU08
EDAZ08	0.723	6.63	5.91	ZN-EDAZ08
EDAH09	0.972	6.63	5.66	ZN-EDAH09
EDAM09	1.221	6.63	5.41	ZN-EDAM09
EDAU09	1.471	6.63	5.16	ZN-EDAU09
EDAZ09	1.720	6.63	4.91	ZN-EDAZ09
EDAH10	1.969	6.63	4.66	ZN-EDAH10
EDAM10	2.219	6.63	4.41	ZN-EDAM10
EDAU10	2.468	6.63	4.16	ZN-EDAU10
EDAZ10	2.717	6.63	3.91	ZN-EDAZ10
EDAH11	2.966	6.63	3.66	ZN-EDAH11

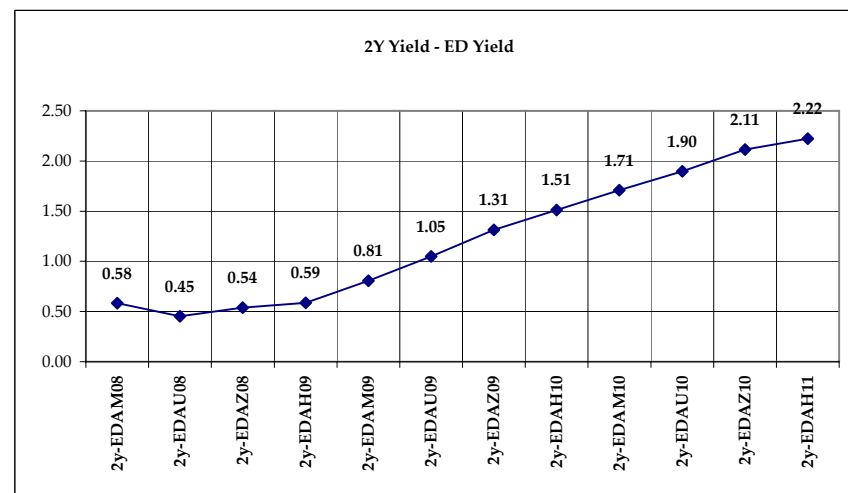
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	2.82	0.58	2y-EDAM08	-86.101
EDAU08	2.69	0.45	2y-EDAU08	-89.942
EDAZ08	2.77	0.54	2y-EDAZ08	-86.101
EDAH09	2.82	0.59	2y-EDAH09	-90.541
EDAM09	3.04	0.81	2y-EDAM09	-93.097
EDAU09	3.28	1.05	2y-EDAU09	-94.934
EDAZ09	3.55	1.31	2y-EDAZ09	-95.579
EDAH10	3.75	1.51	2y-EDAH10	-94.041
EDAM10	3.94	1.71	2y-EDAM10	-90.949
EDAU10	4.13	1.90	2y-EDAU10	-87.742
EDAZ10	4.35	2.11	2y-EDAZ10	-85.135
EDAH11	4.46	2.22	2y-EDAH11	-80.107

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days.
 These are measuring YIELD correlations.

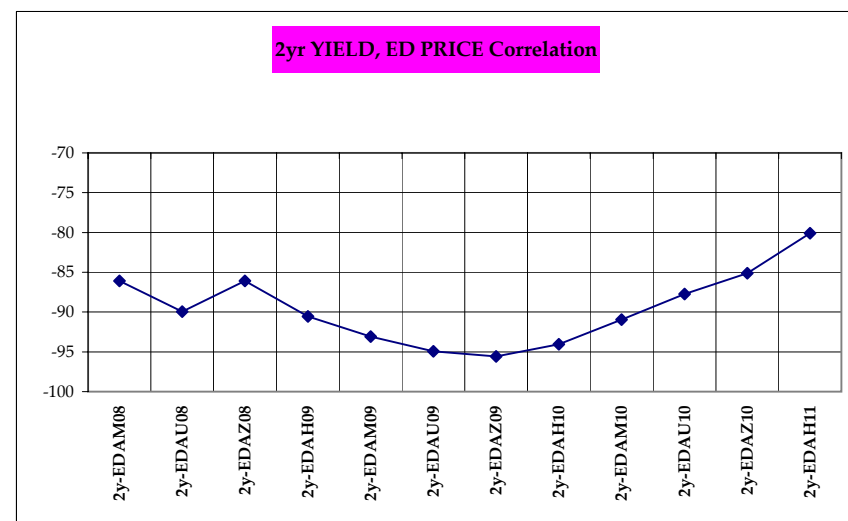


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAM08	0.224	1.88	2y-EDAM08
EDAU08	0.473	1.88	2y-EDAU08
EDAZ08	0.723	1.88	2y-EDAZ08
EDAH09	0.972	1.88	2y-EDAH09
EDAM09	1.221	1.88	2y-EDAM09
EDAU09	1.471	1.88	2y-EDAU09
EDAZ09	1.720	1.88	2y-EDAZ09
EDAH10	1.969	1.88	2y-EDAH10
EDAM10	2.219	1.88	2y-EDAM10
EDAU10	2.468	1.88	2y-EDAU10
EDAZ10	2.717	1.88	2y-EDAZ10
EDAH11	2.966	1.88	2y-EDAH11

The farther away from 0 the spread duration is the riskier the trade.

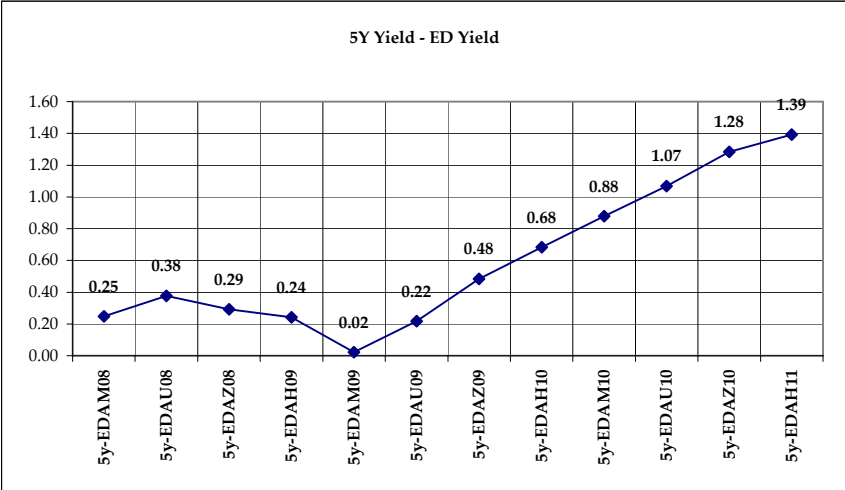
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

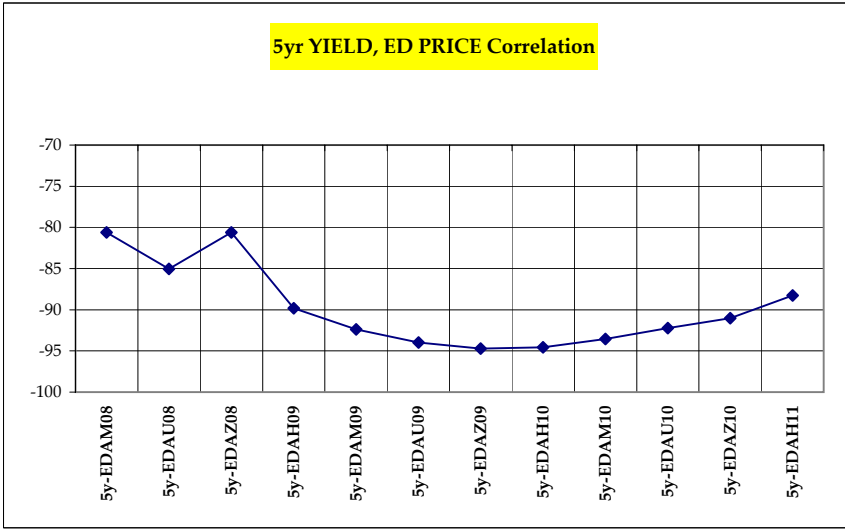
	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	3.19	0.25	5y-EDAM08	-80.601
EDAU08	3.06	0.38	5y-EDAU08	-85.057
EDAZ08	3.15	0.29	5y-EDAZ08	-80.601
EDAH09	3.20	0.24	5y-EDAH09	-89.810
EDAM09	3.42	0.02	5y-EDAM09	-92.377
EDAU09	3.66	0.22	5y-EDAU09	-93.958
EDAZ09	3.92	0.48	5y-EDAZ09	-94.705
EDAH10	4.12	0.68	5y-EDAH10	-94.574
EDAM10	4.32	0.88	5y-EDAM10	-93.555
EDAU10	4.51	1.07	5y-EDAU10	-92.235
EDAZ10	4.72	1.28	5y-EDAZ10	-91.012
EDAH11	4.83	1.39	5y-EDAH11	-88.274

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.



	GE Duration as Fraction of year	5Y Duration	Spread Duration	
EDAM08	0.224	4.58	4.35	5y-EDAM08
EDAU08	0.473	4.58	4.10	5y-EDAU08
EDAZ08	0.723	4.58	3.85	5y-EDAZ08
EDAH09	0.972	4.58	3.60	5y-EDAH09
EDAM09	1.221	4.58	3.35	5y-EDAM09
EDAU09	1.471	4.58	3.10	5y-EDAU09
EDAZ09	1.720	4.58	2.86	5y-EDAZ09
EDAH10	1.969	4.58	2.61	5y-EDAH10
EDAM10	2.219	4.58	2.36	5y-EDAM10
EDAU10	2.468	4.58	2.11	5y-EDAU10
EDAZ10	2.717	4.58	1.86	5y-EDAZ10
EDAH11	2.966	4.58	1.61	5y-EDAH11

The farther away from 0 the spread duration is the riskier the trade.



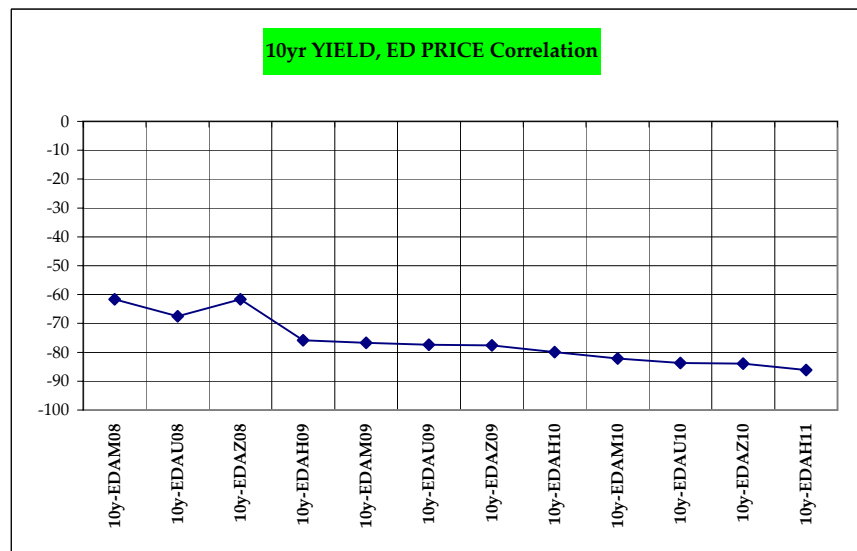
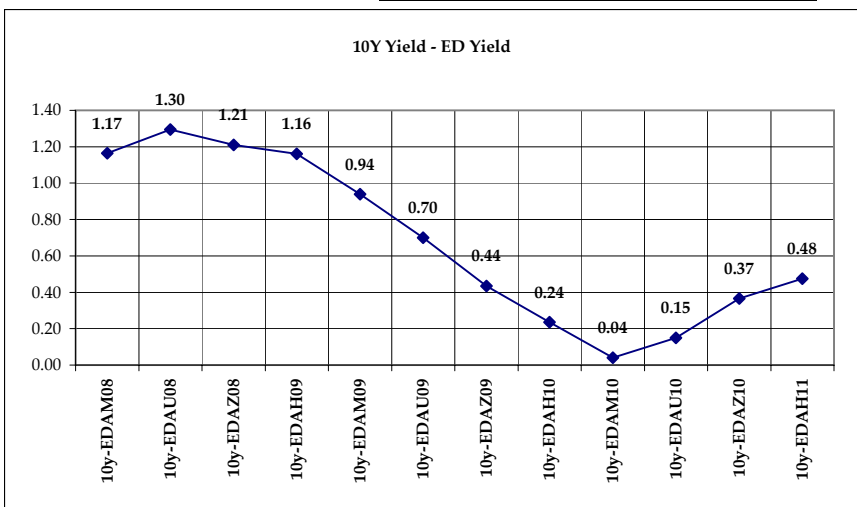
TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	3.19	1.17	10y-EDAM08	-61.602
EDAU08	3.06	1.30	10y-EDAU08	-67.507
EDAZ08	3.15	1.21	10y-EDAZ08	-61.602
EDAH09	3.20	1.16	10y-EDAH09	-75.846
EDAM09	3.42	0.94	10y-EDAM09	-76.748
EDAU09	3.66	0.70	10y-EDAU09	-77.355
EDAZ09	3.92	0.44	10y-EDAZ09	-77.660
EDAH10	4.12	0.24	10y-EDAH10	-79.885
EDAM10	4.32	0.04	10y-EDAM10	-82.201
EDAU10	4.51	0.15	10y-EDAU10	-83.710
EDAZ10	4.72	0.37	10y-EDAZ10	-83.945
EDAH11	4.83	0.48	10y-EDAH11	-86.148

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.

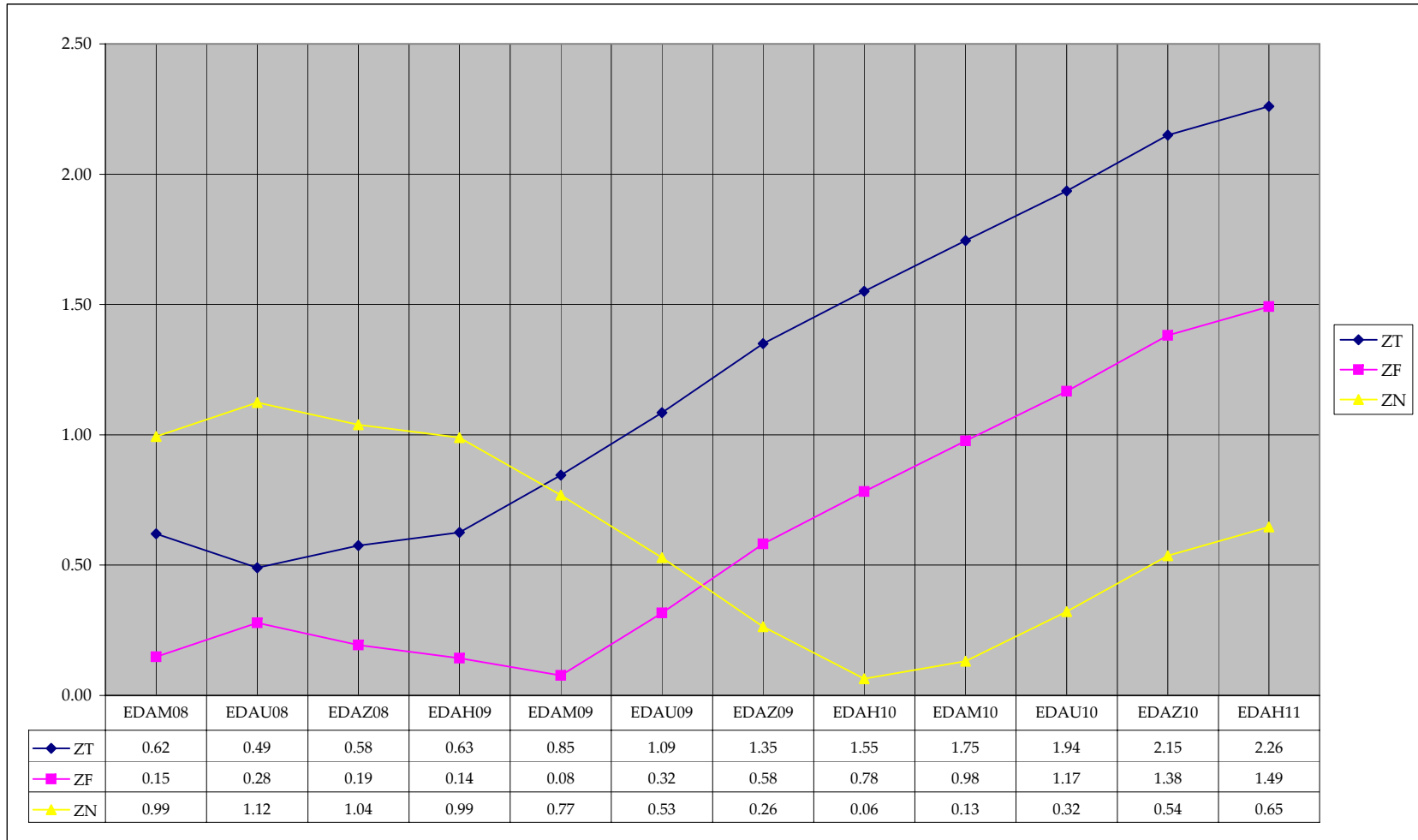
	GE Duration as Fraction of year	10Y Duration	Spread Duration	
EDAM08	0.224	8.27	8.04	10y-EDAM08
EDAU08	0.473	8.27	7.80	10y-EDAU08
EDAZ08	0.723	8.27	7.55	10y-EDAZ08
EDAH09	0.972	8.27	7.30	10y-EDAH09
EDAM09	1.221	8.27	7.05	10y-EDAM09
EDAU09	1.471	8.27	6.80	10y-EDAU09
EDAZ09	1.720	8.27	6.55	10y-EDAZ09
EDAH10	1.969	8.27	6.30	10y-EDAH10
EDAM10	2.219	8.27	6.05	10y-EDAM10
EDAU10	2.468	8.27	5.80	10y-EDAU10
EDAZ10	2.717	8.27	5.55	10y-EDAZ10
EDAH11	2.966	8.27	5.30	10y-EDAH11

The farther away from 0 the spread duration is the riskier the trade.



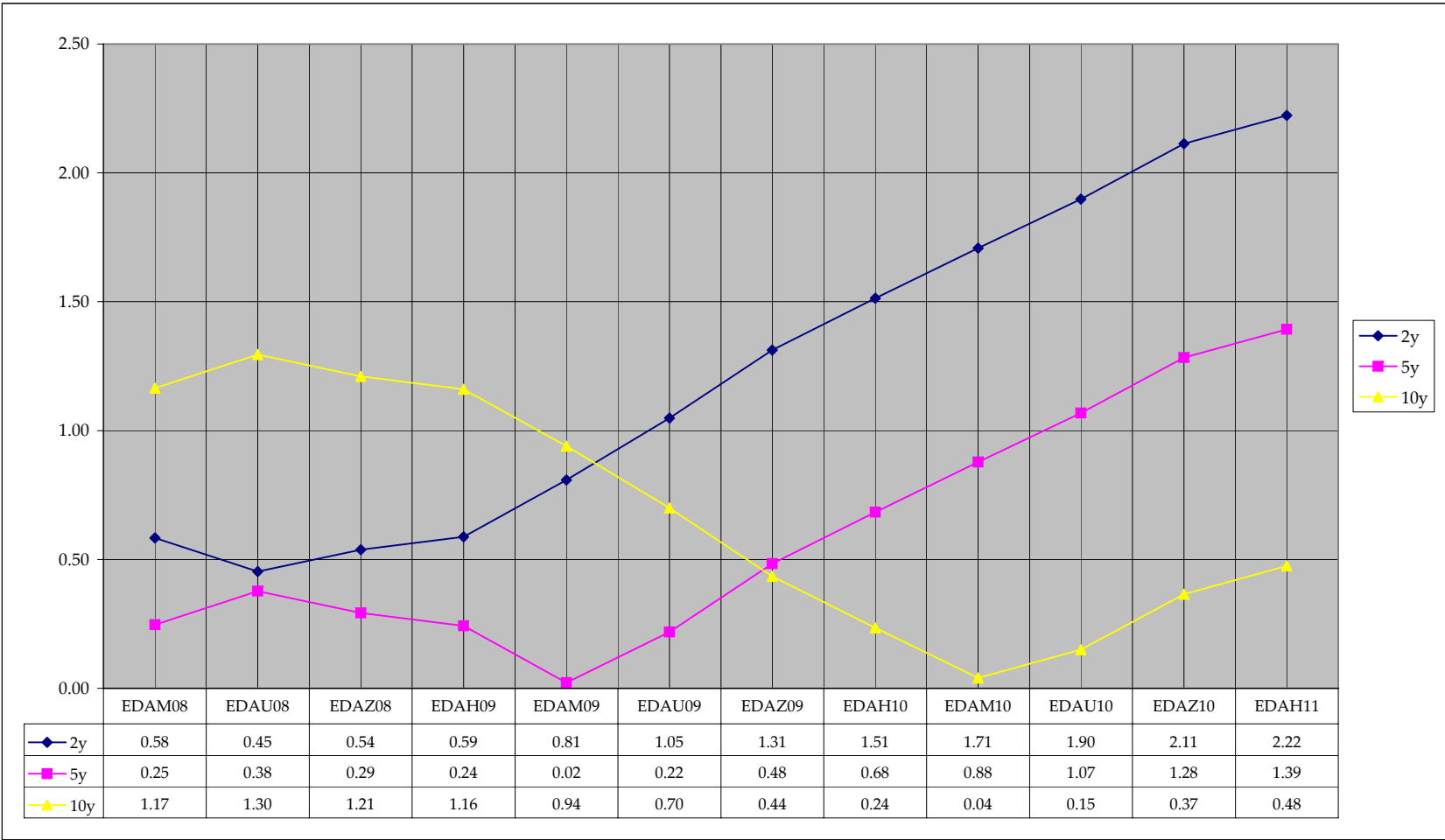
Dirty TED Curve

Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.

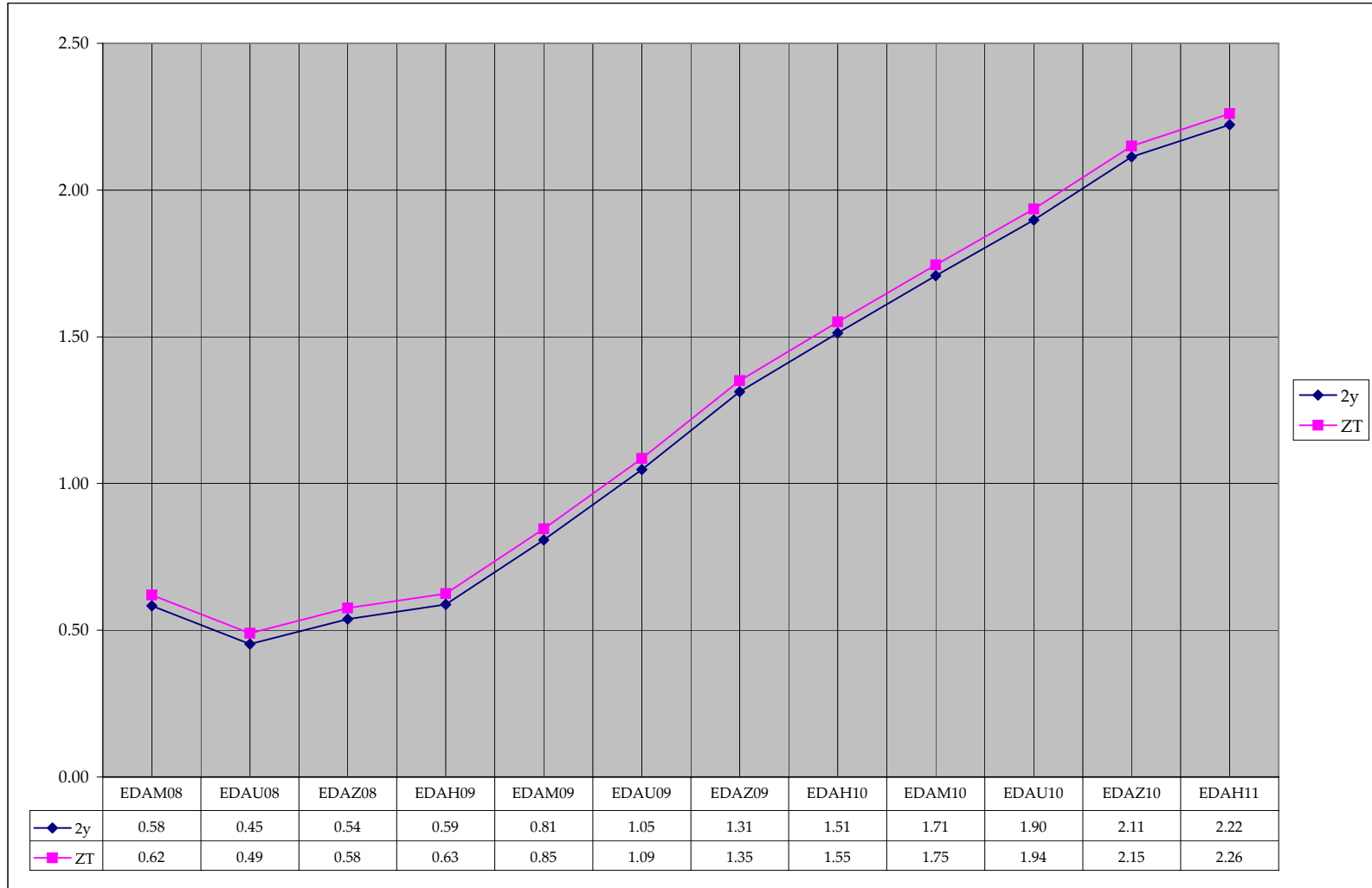


TED Curve

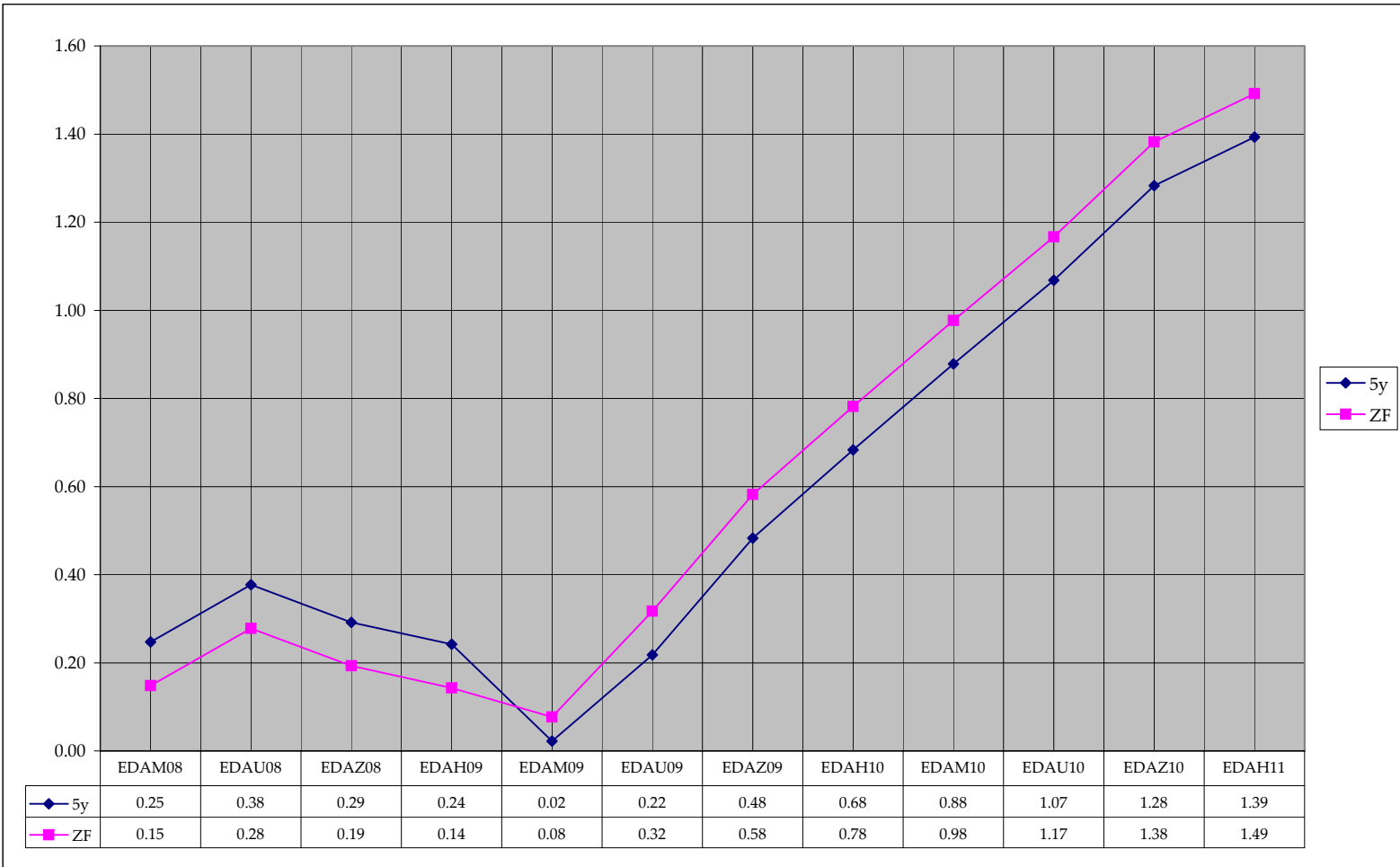
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



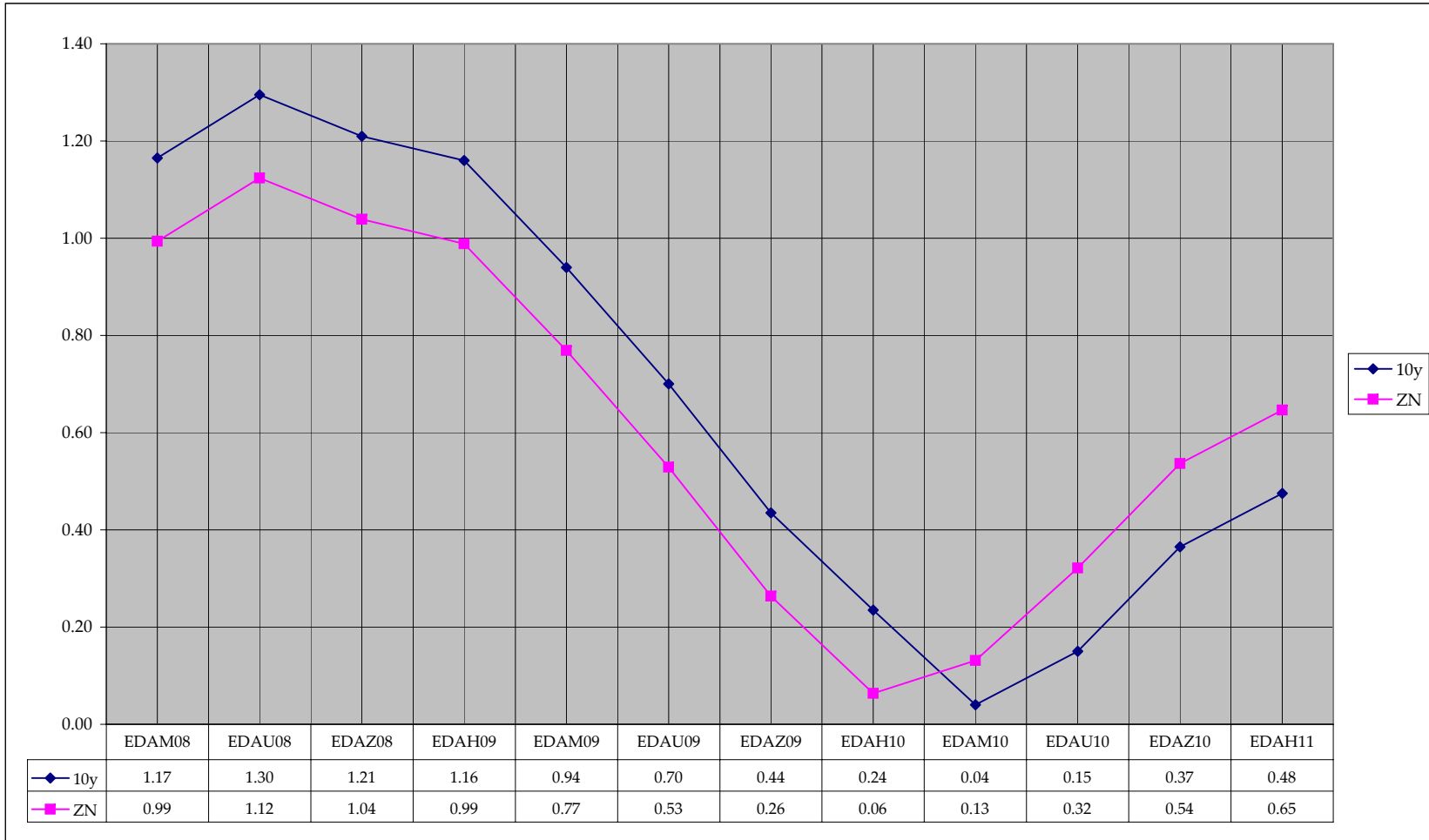
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	2.312	3.000	9773.250
Q.ED.Red	2.959	4.750	9710.250
Q.ED.Green	3.799	2.375	9628.750
Q.ED.Blue	0.625	0.625	9575.125
Q.ED.Gold	0.000	0.000	9537.500

