

7/23/09 5:39 AM

## The Morning Email: Eurodollar Correlations & R-Squared

### Table of Contents

- Pg 1 Eurodollars v.s. Treasuries
- Pg 2 Eurodollars v.s. Index Futures, Energy, Metals, & German Bond Futures
- Pg 3 Eurodollars v.s. Spreads
- Pg 4 Eurodollars v.s. Currencies
  
- Pg 5
- Pg 6
- Pg 7
- Pg 8
- Pg 9
  
- Pg 10

One contract may be correlating with another but does that mean there's causation. You must ask, "is one causing the other?"

That's what the R-Squared is for. Read R-Squared as follows: let's say, CLA and DJIA have an R-Squared of 0.44. That means there's a 44% chance that one is causing the market movement of the other.

You will always see a positive number for the R-Squared. If a correlation is a (negative) number, for example, (87.9) that means the two commodities are mirroring each other, not correlating. For example, today (which is 06/06/2007) the RBA and DJIA have a (87.9)% correlation. The R-Squared is 0.77. Therefore the two instruments are mirroring each other 88% of the time, and there's a 77% chance that one is causing the other.

### Conditionally formatted cells:

If there's an R-Squared equal to or greater than 80%, then, the cell will turn BLUE. That tells us that there's an 80% chance that one of the instruments is causing the other to move. --Thanks, Jim

Want something added? Let me know: [jgoulding@ghco.com](mailto: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.

	TU	Z3N	FV	TY	ZB	2Y Yld	3Y Yld	5Y Yld	7Y Yld	10Y Yld	30Y Yld		
EDAU09	14.5	3.4	-7.1	-18.3	-28.1	-6.7	-2.9	14.2	18.5	28.1	30.8	Correlations	Whites
EDAZ09	47.3	35.8	25.3	14.0	0.7	-38.2	-36.8	-17.8	-13.1	-1.2	2.9		
EDAH10	86.7	79.4	71.3	63.4	50.7	-80.4	-80.6	-66.9	-62.6	-52.8	-49.2		
EDAM10	97.5	95.1	90.8	87.1	78.0	-94.8	-95.9	-89.6	-86.7	-80.8	-78.4		
EDAU10	96.7	97.1	94.9	93.4	86.6	-96.0	-97.4	-95.3	-93.3	-89.6	-88.0		Reds
EDAZ10	96.1	96.8	95.1	94.0	87.7	-95.5	-97.0	-95.6	-93.9	-90.6	-89.0		
EDAH11	96.3	97.4	96.1	95.2	89.5	-95.8	-97.4	-96.6	-95.1	-92.0	-90.5		
EDAM11	96.8	98.1	96.9	95.9	90.5	-96.3	-97.9	-97.2	-95.8	-92.7	-91.2		
EDAU11	96.8	98.5	97.6	96.7	91.8	-96.4	-98.2	-97.9	-96.6	-93.6	-92.1		Greens
EDAZ11	96.6	98.7	98.1	97.3	92.9	-96.2	-98.2	-98.4	-97.3	-94.5	-92.9		
EDAH12	96.2	98.6	98.5	97.9	93.9	-95.8	-98.1	-98.7	-97.8	-95.2	-93.5		
EDAM12	95.2	98.2	98.7	98.6	95.4	-95.1	-97.5	-99.2	-98.6	-96.4	-94.9		
EDAU12	93.1	97.2	98.7	99.3	97.4	-93.4	-96.2	-99.5	-99.4	-98.0	-96.6		Blues
EDAZ12	90.9	95.8	98.3	99.5	98.7	-91.5	-94.6	-99.3	-99.7	-99.0	-97.7		
EDAH13	89.4	94.7	97.7	99.4	99.2	-90.3	-93.4	-99.0	-99.6	-99.4	-98.3		
EDAM13	88.8	94.3	97.5	99.3	99.4	-89.7	-92.9	-98.9	-99.5	-99.5	-98.4		
EDAU13	87.8	93.6	97.0	99.0	99.5	-88.8	-92.1	-98.5	-99.3	-99.6	-98.6	Golds	
EDAZ13	86.6	92.8	96.4	98.7	99.7	-87.8	-91.0	-98.1	-99.0	-99.7	-98.8		
EDAH14	84.7	91.3	95.5	98.2	99.7	-86.0	-89.4	-97.3	-98.5	-99.6	-98.8		
EDAM14	82.8	89.9	94.5	97.5	99.6	-84.4	-87.8	-96.5	-97.9	-99.4	-98.7		
EDAU09	2.1	0.1	0.5	3.4	7.9	0.5	0.1	2.0	3.4	7.9	9.5	R - Squared	Whites
EDAU10	22.4	12.8	6.4	2.0	0.0	14.6	13.6	3.2	1.7	0.0	0.1		
EDAU11	75.1	63.0	50.9	40.2	25.7	64.7	65.0	44.7	39.2	27.9	24.2		
EDAU12	95.0	90.4	82.5	75.9	60.8	89.9	92.0	80.3	75.2	65.3	61.4		
EDAU10	93.5	94.2	90.1	87.2	75.1	92.2	94.9	90.8	87.1	80.3	77.5		Reds
EDAZ10	92.4	93.7	90.4	88.4	76.9	91.2	94.2	91.4	88.1	82.0	79.3		
EDAH11	92.7	94.8	92.4	90.7	80.0	91.8	95.0	93.3	90.4	84.6	81.9		
EDAM11	93.6	96.2	94.0	91.9	81.9	92.8	95.9	94.5	91.8	85.9	83.1		
EDAU11	93.7	97.0	95.3	93.4	84.3	93.0	96.4	95.9	93.4	87.7	84.8		Greens
EDAZ11	93.3	97.3	96.3	94.7	86.4	92.6	96.4	96.8	94.7	89.3	86.3		
EDAH12	92.6	97.2	97.0	95.8	88.2	91.9	96.2	97.5	95.7	90.6	87.5		
EDAM12	90.7	96.5	97.4	97.1	91.0	90.3	95.2	98.4	97.2	93.0	90.0		
EDAU12	86.7	94.4	97.5	98.7	94.9	87.2	92.6	99.0	98.8	96.1	93.3		Blues
EDAZ12	82.6	91.8	96.5	99.0	97.4	83.7	89.5	98.7	99.3	98.0	95.5		
EDAH13	79.9	89.8	95.5	98.7	98.4	81.5	87.3	98.0	99.2	98.9	96.6		
EDAM13	78.8	89.0	95.1	98.6	98.8	80.5	86.3	97.7	99.1	99.1	96.9		
EDAU13	77.0	87.6	94.1	98.1	99.1	78.9	84.7	97.1	98.6	99.3	97.3	Golds	
EDAZ13	75.0	86.0	93.0	97.4	99.3	77.1	82.9	96.2	98.0	99.4	97.5		
EDAH14	71.7	83.4	91.2	96.3	99.4	74.0	80.0	94.7	97.0	99.3	97.7		
EDAM14	68.5	80.9	89.3	95.0	99.3	71.2	77.1	93.2	95.8	98.9	97.4		

	Mini			Nymex Crude	Gold Futures	Eurex			Correlations	
	S&Ps	Dow (5\$)	Nasdaq			Bund	Bobl	Schatz		
EDAU09	61.9	67.9	70.3	83.6	62.0	-36.3	-20.2	6.2		Whites
EDAZ09	48.5	55.2	57.6	69.9	53.6	-16.8	-1.3	13.4		
EDAH10	3.0	10.0	12.7	22.1	12.5	30.4	41.9	36.8		
EDAM10	-32.4	-26.4	-24.4	-18.0	-22.9	61.4	67.8	50.0		Reds
EDAU10	-48.6	-43.4	-41.8	-37.0	-39.7	73.5	76.9	54.5		
EDAZ10	-50.8	-45.8	-44.2	-39.9	-41.3	74.6	77.6	53.5		
EDAH11	-53.2	-48.3	-46.8	-46.8	-43.6	76.4	78.9	53.7		Greens
EDAM11	-54.3	-49.3	-47.8	-42.0	-44.7	77.4	79.9	54.6		
EDAU11	-56.2	-51.2	-49.6	-43.0	-46.8	78.3	80.3	54.5		
EDAZ11	-58.0	-52.9	-51.4	-44.0	-48.6	79.4	81.0	54.4	Blues	
EDAH12	-59.6	-54.6	-53.2	-45.4	-50.3	80.1	81.3	53.9		
EDAM12	-63.3	-58.5	-57.1	-49.2	-54.2	82.1	82.3	53.8		
EDAU12	-68.7	-64.2	-63.1	-55.0	-60.1	85.2	84.0	54.0		
EDAZ12	-73.1	-68.9	-68.0	-59.8	-65.1	87.6	85.3	54.4		
EDAH13	-75.5	-71.5	-70.7	-62.5	-67.9	89.1	86.3	54.9		
EDAM13	-76.3	-72.3	-71.6	-63.0	-68.9	89.6	86.6	55.1		

	Mini			Nymex Crude	Gold	Eurex			R - Squared	
	S&Ps	Dow (5\$)	Nasdaq			Bund	Bobl	Schatz		
EDAU09	38.4	46.1	49.4	70.0	38.5	13.2	4.1	0.4		Whites
EDAU10	23.5	30.5	33.2	48.9	28.7	2.8	0.0	1.8		
EDAU11	0.1	1.0	1.6	4.9	1.6	9.2	17.5	13.6		
EDAU12	10.5	7.0	6.0	3.3	5.2	37.6	45.9	25.0		Reds
EDAU10	23.6	18.8	17.5	13.7	15.7	54.0	59.2	29.7		
EDAZ10	25.8	21.0	19.5	15.9	17.0	55.7	60.2	28.6		
EDAH11	28.3	23.4	21.9	21.9	19.0	58.3	62.3	28.9		Greens
EDAM11	29.4	24.3	22.8	17.7	20.0	60.0	63.9	29.8		
EDAU11	31.6	26.2	24.6	18.5	21.9	61.4	64.5	29.7		
EDAZ11	33.6	28.0	26.4	19.3	23.6	63.0	65.6	29.6	Blues	
EDAH12	35.5	29.9	28.3	20.6	25.3	64.2	66.0	29.0		
EDAM12	40.0	34.2	32.6	24.2	29.4	67.4	67.7	29.0		
EDAU12	47.2	41.2	39.8	30.3	36.1	72.5	70.6	29.2		
EDAZ12	53.5	47.5	46.3	35.7	42.4	76.7	72.8	29.6		
EDAH13	57.0	51.1	50.0	39.0	46.1	79.3	74.5	30.1		
EDAM13	58.2	52.3	51.2	39.7	47.5	80.2	75.0	30.3		



	Cash Markets						US \$ Index	Futures					Correlations
	EURUSD	EURJPY	EURGBP	EURCHF	USDJPY	GBPUSD		US Dollar	Euro	Yen	Swiss	Canadian	
EDAU09	69.8	56.0	69.1	18.8	30.4	54.9	-69.0	-68.2	70.1	-28.5	69.4	53.5	
EDAZ09	59.0	38.5	63.1	7.7	7.8	44.7	-55.9	-54.9	54.0	-5.4	55.9	40.5	
EDAH10	15.5	-9.6	39.8	-18.0	-38.1	2.9	-11.6	-10.4	7.0	40.9	14.1	-3.3	
EDAM10	-20.6	-44.2	15.5	-34.9	-65.5	-29.8	24.3	25.5	-29.6	68.2	-19.7	-37.1	
EDAU10	-37.7	-59.4	2.0	-41.5	-76.2	-44.5	41.0	42.0	-46.2	78.7	-35.4	-52.1	
EDAZ10	-39.7	-60.9	-1.2	-42.0	-76.8	-45.7	43.0	44.0	-48.1	79.2	-37.4	-53.8	
EDAH11	-41.9	-63.1	-2.6	-43.4	-78.7	-47.7	45.4	46.3	-50.3	80.7	-39.3	-56.5	
EDAM11	-42.6	-64.0	-2.3	-44.2	-79.9	-48.6	46.3	47.2	-50.8	81.7	-39.7	-58.1	
EDAU11	-44.4	-65.9	-2.3	-45.6	-81.5	-50.8	48.2	49.1	-52.4	83.0	-41.1	-60.3	
EDAZ11	-45.9	-67.3	-2.9	-46.9	-82.8	-52.3	49.8	50.7	-53.7	84.0	-42.2	-62.3	
EDAH12	-47.5	-68.7	-4.2	-47.7	-83.8	-53.7	51.5	52.4	-55.2	84.8	-43.6	-64.0	
EDAM12	-51.4	-71.9	-7.3	-48.7	-85.6	-57.1	55.4	56.3	-58.9	86.5	-47.3	-67.5	
EDAU12	-57.1	-76.6	-12.3	-50.2	-88.4	-61.8	61.2	62.0	-64.3	88.9	-52.7	-72.7	
EDAZ12	-61.8	-80.4	-16.2	-51.5	-90.5	-65.9	65.9	66.7	-68.7	90.9	-57.0	-77.0	
EDAH13	-64.4	-82.2	-18.4	-52.0	-91.3	-68.0	68.4	69.2	-71.0	91.6	-59.3	-79.4	
EDAM13	-65.1	-82.9	-18.9	-52.7	-91.9	-68.6	69.1	69.8	-71.5	92.1	-59.7	-80.2	

	Cash Markets						US \$ Index	Futures					R - Squared
	EURUSD	EURJPY	EURGBP	EURCHF	USDJPY	GBPUSD		US Dollar	Euro	Yen	Swiss	Canadian	
EDAU09	48.7	31.4	47.7	3.5	9.2	30.1	47.6	46.5	49.2	8.1	48.2	28.6	
EDAU10	34.8	14.8	39.9	0.6	0.6	19.9	31.3	30.1	29.1	0.3	31.3	16.4	
EDAU11	2.4	0.9	15.8	3.3	14.5	0.1	1.4	1.1	0.5	16.8	2.0	0.1	
EDAU12	4.2	19.5	2.4	12.2	42.9	8.9	5.9	6.5	8.7	46.6	3.9	13.8	
EDAU10	14.2	35.2	0.0	17.2	58.0	19.8	16.8	17.6	21.3	62.0	12.6	27.2	
EDAZ10	15.8	37.1	0.0	17.6	59.0	20.8	18.5	19.3	23.2	62.7	14.0	29.0	
EDAH11	17.6	39.8	0.1	18.9	61.9	22.8	20.6	21.5	25.3	65.1	15.4	31.9	
EDAM11	18.1	41.0	0.1	19.5	63.8	23.7	21.4	22.3	25.8	66.8	15.8	33.8	
EDAU11	19.7	43.4	0.1	20.8	66.4	25.8	23.2	24.2	27.5	68.8	16.9	36.4	
EDAZ11	21.1	45.4	0.1	22.0	68.5	27.4	24.8	25.7	28.8	70.6	17.8	38.8	
EDAH12	22.6	47.3	0.2	22.7	70.2	28.8	26.6	27.5	30.5	71.9	19.0	41.0	
EDAM12	26.4	51.7	0.5	23.7	73.3	32.6	30.7	31.7	34.7	74.8	22.3	45.5	
EDAU12	32.6	58.6	1.5	25.2	78.1	38.2	37.4	38.4	41.4	79.1	27.7	52.9	
EDAZ12	38.3	64.6	2.6	26.5	81.9	43.4	43.4	44.5	47.2	82.6	32.5	59.4	
EDAH13	41.5	67.6	3.4	27.0	83.3	46.3	46.8	47.8	50.4	83.9	35.1	63.0	
EDAM13	42.4	68.8	3.6	27.8	84.4	47.1	47.7	48.7	51.1	84.8	35.6	64.4	

This page is

Under Construction

	Last Yield	Net Yield	Last Price	
Q.ED.White	0.87273611	0.0875	9914.125	
Q.ED.Red	2.2215436	0.1375	9782.125	
Q.ED.Green	3.52335	0.15	9655.5	Pack Prices
Q.ED.Blue	4.308725	0.075	9579.5	
Q.ED.Gold	4.79595	0.05	9532.5	

Red /Gold is a 2/10 proxy

Blue/Gold is a 5/10 proxy

Concerning spread ratios : Don't use these ratios unless you talk to me. Or, use at your own risk. However, if you decide to use them and don't take care of convexity bias when you increase your size, you're doomed.

[jgoulding@ghco.com](mailto:jgoulding@ghco.com)







