

The Morning Email: TERM TEDS & Dirty TEDS

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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	102.5781	102.185	4.492	1.80	
ZF	105.7188	105.230	4.525	3.86	
ZN	107.6875	107.220	4.605	5.70	
2y	100.250	100.0800	4.493	1.89	
5y	100.366	100.1170	4.542	4.42	
10y	98.266	98.0850	4.723	7.74	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.745	5.255	47	0.128	SEP	White Pack	
EDAZ07	94.955	5.045	138	0.377	DEC		
EDAH08	95.120	4.880	229	0.627	MAR		
EDAM08	95.210	4.790	320	0.876	JUN	Red Pack	
EDAU08	95.225	4.775	411	1.125	SEP		
EDAZ08	95.205	4.795	502	1.375	DEC		
EDAH09	95.160	4.840	593	1.624	MAR	Green Pack	
EDAM09	95.085	4.915	684	1.873	JUN		
EDAU09	95.000	5.000	775	2.123	SEP		
EDAZ09	94.910	5.090	866	2.372	DEC	Blue Pack	
EDAH10	94.840	5.160	957	2.621	MAR		
EDAM10	94.775	5.225	1048	2.871	JUN		
EDAU10	94.695	5.305	1139	3.120	SEP	Gold Pack	
EDAZ10	94.685	5.315	1230	3.369	DEC		
EDAH11	94.590	5.410	1321	3.619	MAR		
EDAM11	94.590	5.410	1412	3.868	JUN		
EDAU11	94.530	5.470	1510	4.136	SEP		
EDAZ11	94.400	5.600	1601	4.386	DEC		
EDAH12	94.370	5.630	1692	4.635	MAR		
EDAM12	94.340	5.660	1783	4.884	JUN		

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	5.126	4.875	9500.750	Pack Prices
Q.ED.Red	4.958	5.875	9516.875	
Q.ED.Green	5.257	4.375	9488.125	
Q.ED.Blue		3.000	9463.375	
Q.ED.Gold		0.875	9444.000	
Q.ED.Purple		0.875	9444.000	

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

Overview of Hedging

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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

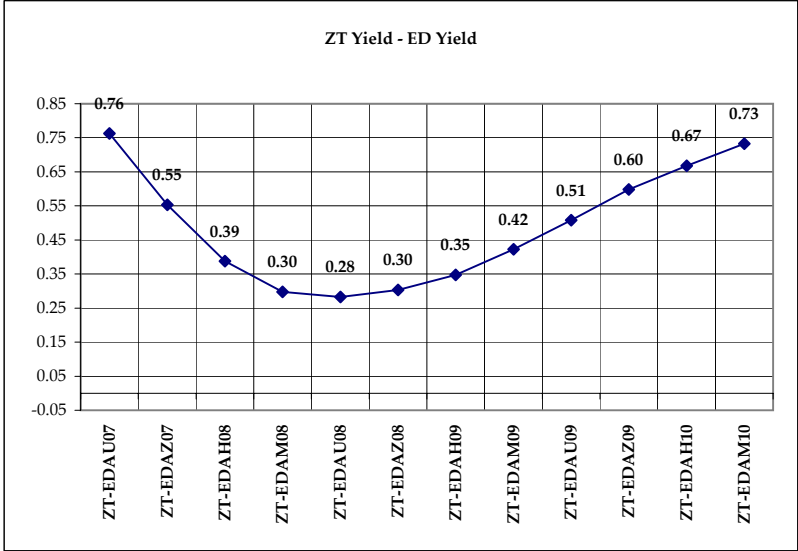
Eurodollar Color Codes for Individual Year Strips:

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

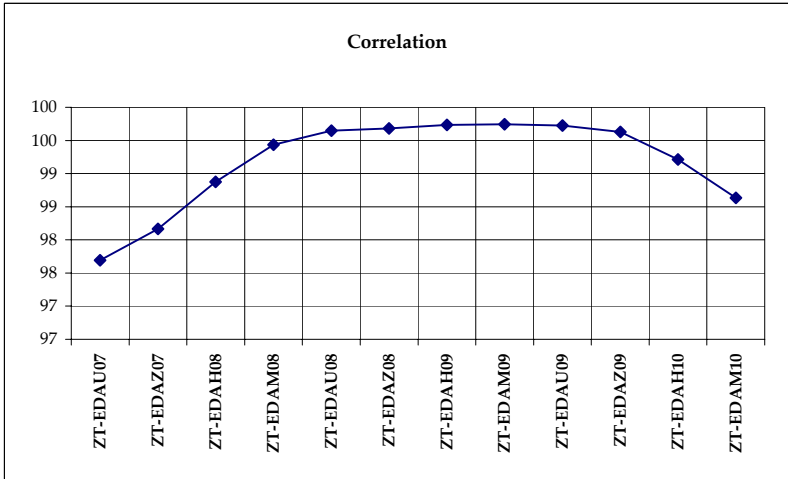
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.833	0.76	ZT-EDAU07	97.691
EDAZ07	7.623	0.55	ZT-EDAZ07	98.163
EDAH08	7.458	0.39	ZT-EDAH08	98.874
EDAM08	7.368	0.30	ZT-EDAM08	99.436
EDAU08	7.353	0.28	ZT-EDAU08	99.649
EDAZ08	7.373	0.30	ZT-EDAZ08	99.683
EDAH09	7.418	0.35	ZT-EDAH09	99.733
EDAM09	7.493	0.42	ZT-EDAM09	99.745
EDAU09	7.578	0.51	ZT-EDAU09	99.725
EDAZ09	7.668	0.60	ZT-EDAZ09	99.628
EDAH10	7.738	0.67	ZT-EDAH10	99.214
EDAM10	7.803	0.73	ZT-EDAM10	98.633

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		
EDAU07	0.128	1.80	1.67	ZT-EDAU07
EDAZ07	0.377	1.80	1.42	ZT-EDAZ07
EDAH08	0.627	1.80	1.17	ZT-EDAH08
EDAM08	0.876	1.80	0.92	ZT-EDAM08
EDAU08	1.125	1.80	0.67	ZT-EDAU08
EDAZ08	1.375	1.80	0.43	ZT-EDAZ08
EDAH09	1.624	1.80	0.18	ZT-EDAH09
EDAM09	1.873	1.80	(0.07)	ZT-EDAM09
EDAU09	2.123	1.80	(0.32)	ZT-EDAU09
EDAZ09	2.372	1.80	(0.57)	ZT-EDAZ09
EDAH10	2.621	1.80	(0.82)	ZT-EDAH10
EDAM10	2.871	1.80	(1.07)	ZT-EDAM10

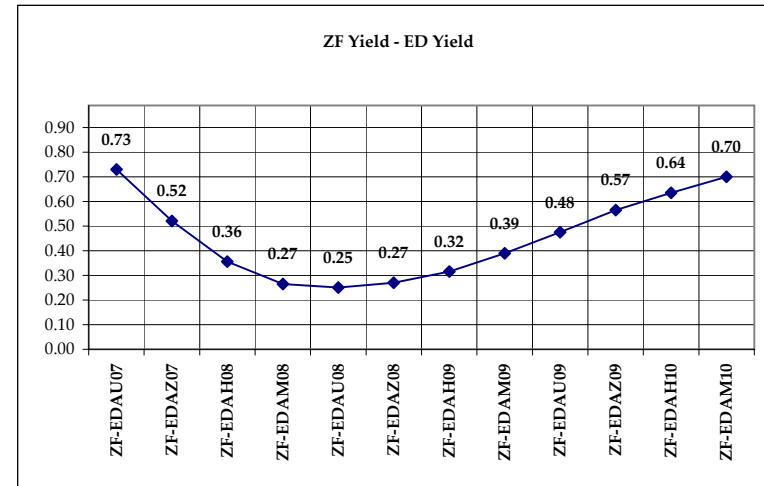
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	10.97	0.73	ZF-EDAU07	96.755
EDAZ07	10.76	0.52	ZF-EDAZ07	97.519
EDAH08	10.60	0.36	ZF-EDAH08	98.451
EDAM08	10.51	0.27	ZF-EDAM08	99.197
EDAU08	10.49	0.25	ZF-EDAU08	99.428
EDAZ08	10.51	0.27	ZF-EDAZ08	99.466
EDAH09	10.56	0.32	ZF-EDAH09	99.497
EDAM09	10.63	0.39	ZF-EDAM09	99.619
EDAU09	10.72	0.48	ZF-EDAU09	99.710
EDAZ09	10.81	0.57	ZF-EDAZ09	99.808
EDAH10	10.88	0.64	ZF-EDAH10	99.672
EDAM10	10.94	0.70	ZF-EDAM10	99.290

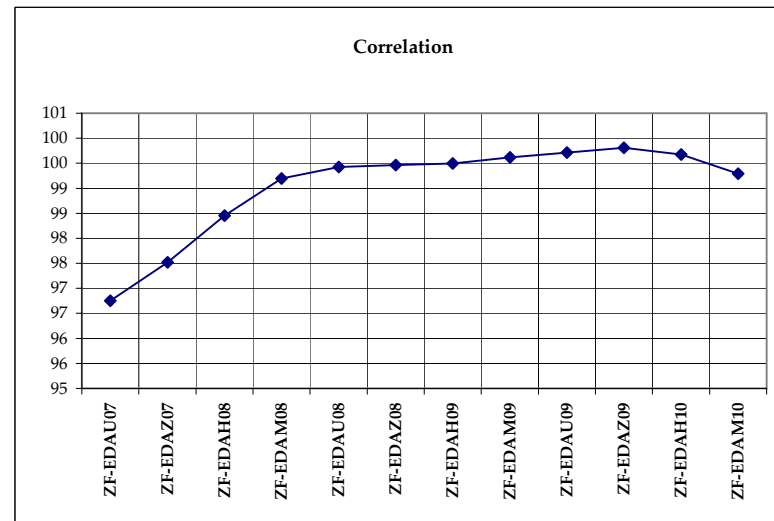
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.128	3.86	ZF-EDAU07
EDAZ07	0.377	3.86	ZF-EDAZ07
EDAH08	0.627	3.86	ZF-EDAH08
EDAM08	0.876	3.86	ZF-EDAM08
EDAU08	1.125	3.86	ZF-EDAU08
EDAZ08	1.375	3.86	ZF-EDAZ08
EDAH09	1.624	3.86	ZF-EDAH09
EDAM09	1.873	3.86	ZF-EDAM09
EDAU09	2.123	3.86	ZF-EDAU09
EDAZ09	2.372	3.86	ZF-EDAZ09
EDAH10	2.621	3.86	ZF-EDAH10
EDAM10	2.871	3.86	ZF-EDAM10

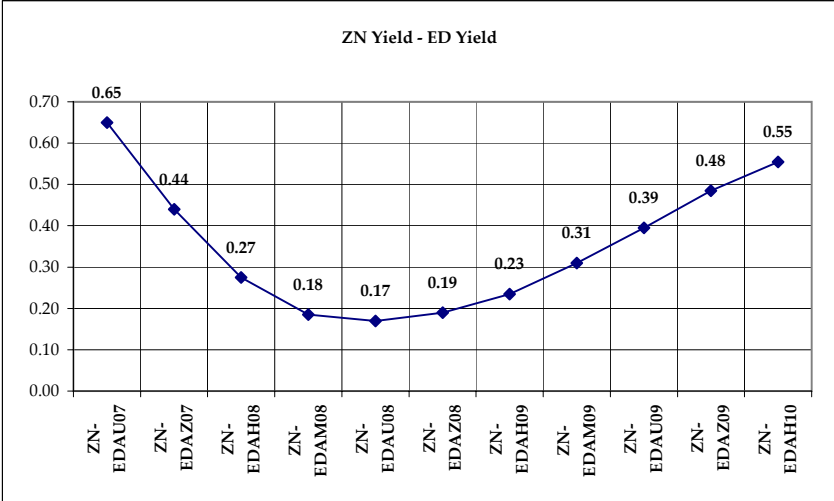
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

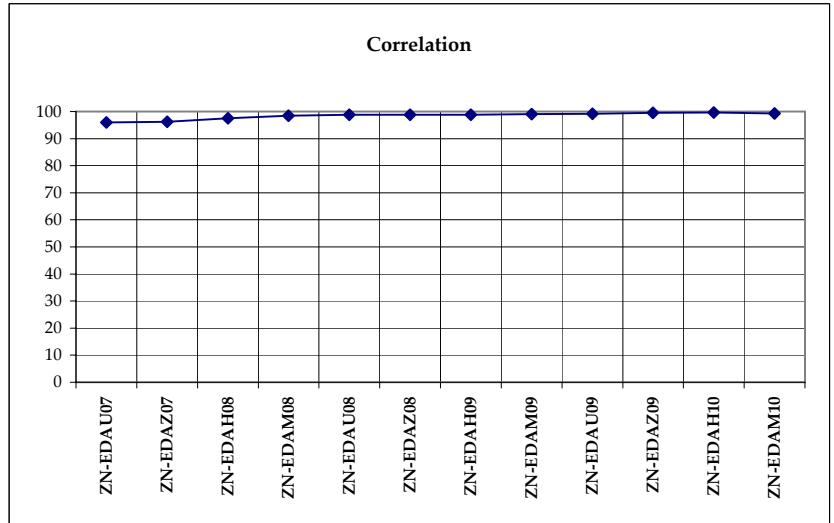
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	12.94	0.65	ZN-EDAU07	95.93
EDAZ07	12.73	0.44	ZN-EDAZ07	96.27
EDAH08	12.57	0.27	ZN-EDAH08	97.48
EDAM08	12.48	0.18	ZN-EDAM08	98.48
EDAU08	12.46	0.17	ZN-EDAU08	98.79
EDAZ08	12.48	0.19	ZN-EDAZ08	98.82
EDAH09	12.53	0.23	ZN-EDAH09	98.85
EDAM09	12.60	0.31	ZN-EDAM09	99.01
EDAU09	12.69	0.39	ZN-EDAU09	99.19
EDAZ09	12.78	0.48	ZN-EDAZ09	99.47
EDAH10	12.85	0.55	ZN-EDAH10	99.67
EDAM10	12.91	0.62	ZN-EDAM10	99.29

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	
EDAU07	0.128	5.70	5.57	ZN-EDAU07
EDAZ07	0.377	5.70	5.32	ZN-EDAZ07
EDAH08	0.627	5.70	5.07	ZN-EDAH08
EDAM08	0.876	5.70	4.82	ZN-EDAM08
EDAU08	1.125	5.70	4.57	ZN-EDAU08
EDAZ08	1.375	5.70	4.32	ZN-EDAZ08
EDAH09	1.624	5.70	4.07	ZN-EDAH09
EDAM09	1.873	5.70	3.82	ZN-EDAM09
EDAU09	2.123	5.70	3.57	ZN-EDAU09
EDAZ09	2.372	5.70	3.32	ZN-EDAZ09
EDAH10	2.621	5.70	3.07	ZN-EDAH10
EDAM10	2.871	5.70	2.82	ZN-EDAM10

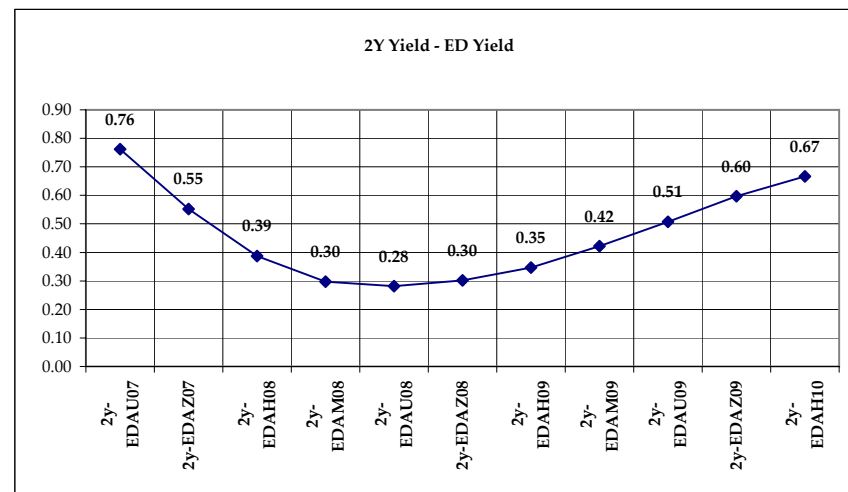
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.51	0.76	2y-EDAU07	-95.563
EDAZ07	5.30	0.55	2y-EDAZ07	-97.310
EDAH08	5.13	0.39	2y-EDAH08	-98.076
EDAM08	5.04	0.30	2y-EDAM08	-98.489
EDAU08	5.02	0.28	2y-EDAU08	-98.534
EDAZ08	5.05	0.30	2y-EDAZ08	-98.489
EDAH09	5.09	0.35	2y-EDAH09	-98.402
EDAM09	5.16	0.42	2y-EDAM09	-98.374
EDAU09	5.25	0.51	2y-EDAU09	-98.301
EDAZ09	5.34	0.60	2y-EDAZ09	-98.015
EDAH10	5.41	0.67	2y-EDAH10	-97.292
EDAM10	5.47	0.73	2y-EDAM10	-96.426

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.

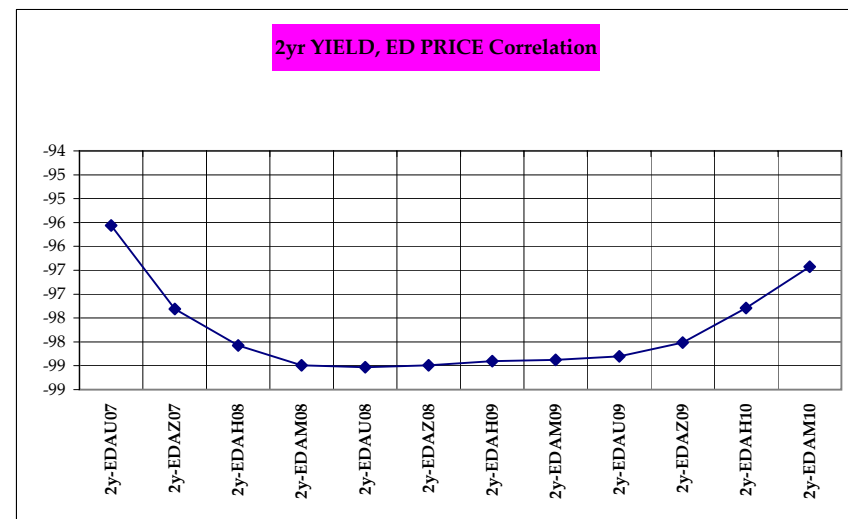


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.128	1.76	2y-EDAU07
EDAZ07	0.377	1.51	2y-EDAZ07
EDAH08	0.627	1.26	2y-EDAH08
EDAM08	0.876	1.01	2y-EDAM08
EDAU08	1.125	0.76	2y-EDAU08
EDAZ08	1.375	0.51	2y-EDAZ08
EDAH09	1.624	0.26	2y-EDAH09
EDAM09	1.873	0.01	2y-EDAM09
EDAU09	2.123	(0.24)	2y-EDAU09
EDAZ09	2.372	(0.49)	2y-EDAZ09
EDAH10	2.621	(0.74)	2y-EDAH10
EDAM10	2.871	(0.99)	2y-EDAM10

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

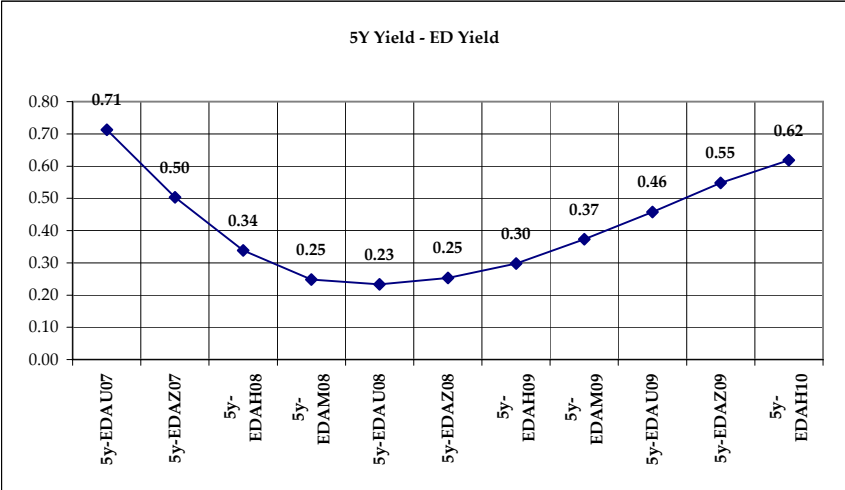
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.62	0.71	5y-EDAU07	-94.534
EDAZ07	5.41	0.50	5y-EDAZ07	-96.803
EDAH08	5.25	0.34	5y-EDAH08	-97.909
EDAM08	5.16	0.25	5y-EDAM08	-98.563
EDAU08	5.14	0.23	5y-EDAU08	-98.612
EDAZ08	5.16	0.25	5y-EDAZ08	-98.563
EDAH09	5.21	0.30	5y-EDAH09	-98.411
EDAM09	5.28	0.37	5y-EDAM09	-98.435
EDAU09	5.37	0.46	5y-EDAU09	-98.442
EDAZ09	5.46	0.55	5y-EDAZ09	-98.329
EDAH10	5.53	0.62	5y-EDAH10	-97.862
EDAM10	5.59	0.68	5y-EDAM10	-97.079

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.

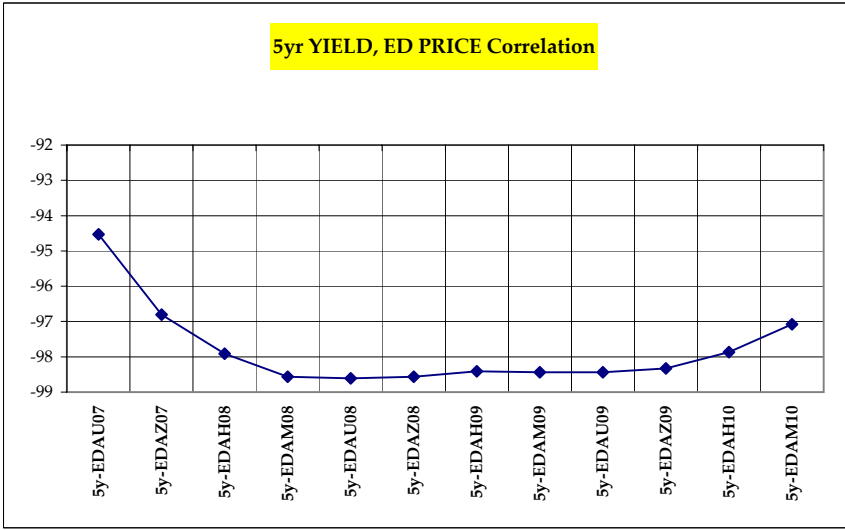


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.128	4.42	4.29	5y-EDAU07
EDAZ07	0.377	4.42	4.04	5y-EDAZ07
EDAH08	0.627	4.42	3.79	5y-EDAH08
EDAM08	0.876	4.42	3.54	5y-EDAM08
EDAU08	1.125	4.42	3.29	5y-EDAU08
EDAZ08	1.375	4.42	3.04	5y-EDAZ08
EDAH09	1.624	4.42	2.79	5y-EDAH09
EDAM09	1.873	4.42	2.54	5y-EDAM09
EDAU09	2.123	4.42	2.29	5y-EDAU09
EDAZ09	2.372	4.42	2.04	5y-EDAZ09
EDAH10	2.621	4.42	1.79	5y-EDAH10
EDAM10	2.871	4.42	1.55	5y-EDAM10

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

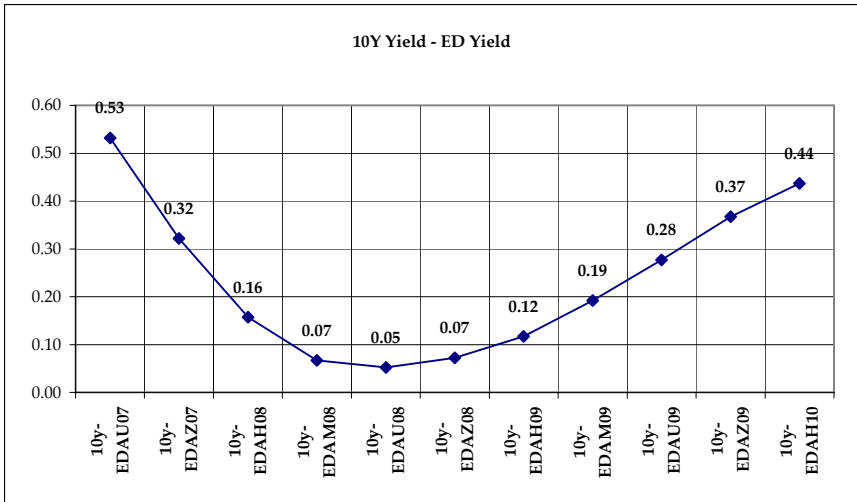
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.62	0.53	10y-EDAU07	-91.812
EDAZ07	5.41	0.32	10y-EDAZ07	-95.654
EDAH08	5.25	0.16	10y-EDAH08	-97.010
EDAM08	5.16	0.07	10y-EDAM08	-97.711
EDAU08	5.14	0.05	10y-EDAU08	-97.622
EDAZ08	5.16	0.07	10y-EDAZ08	-97.711
EDAH09	5.21	0.12	10y-EDAH09	-97.248
EDAM09	5.28	0.19	10y-EDAM09	-97.332
EDAU09	5.37	0.28	10y-EDAU09	-97.471
EDAZ09	5.46	0.37	10y-EDAZ09	-97.520
EDAH10	5.53	0.44	10y-EDAH10	-97.230
EDAM10	5.59	0.50	10y-EDAM10	-96.569

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.

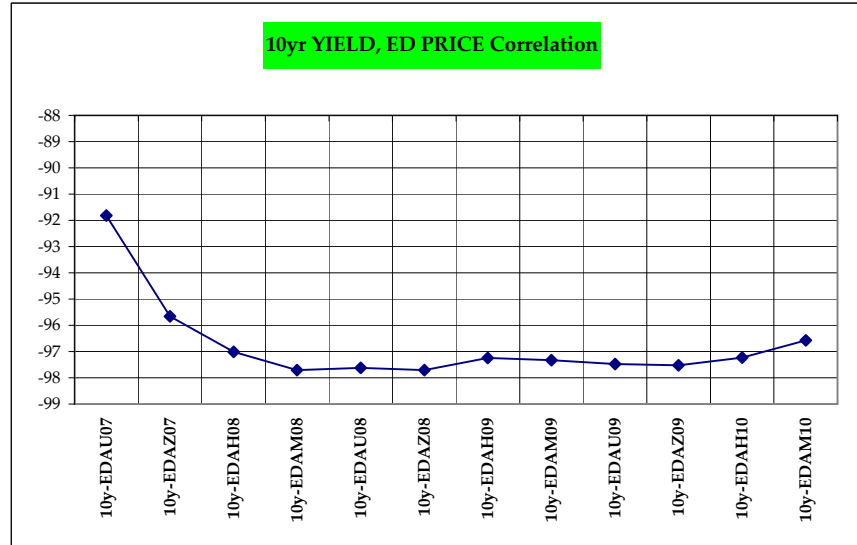


GE Duration as Fraction of year

	10Y Duration	Spread Duration	
EDAU07	0.128	7.74	10y-EDAU07
EDAZ07	0.377	7.74	10y-EDAZ07
EDAH08	0.627	7.74	10y-EDAH08
EDAM08	0.876	7.74	10y-EDAM08
EDAU08	1.125	7.74	10y-EDAU08
EDAZ08	1.375	7.74	10y-EDAZ08
EDAH09	1.624	7.74	10y-EDAH09
EDAM09	1.873	7.74	10y-EDAM09
EDAU09	2.123	7.74	10y-EDAU09
EDAZ09	2.372	7.74	10y-EDAZ09
EDAH10	2.621	7.74	10y-EDAH10
EDAM10	2.871	7.74	10y-EDAM10

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

10yr YIELD, ED PRICE Correlation

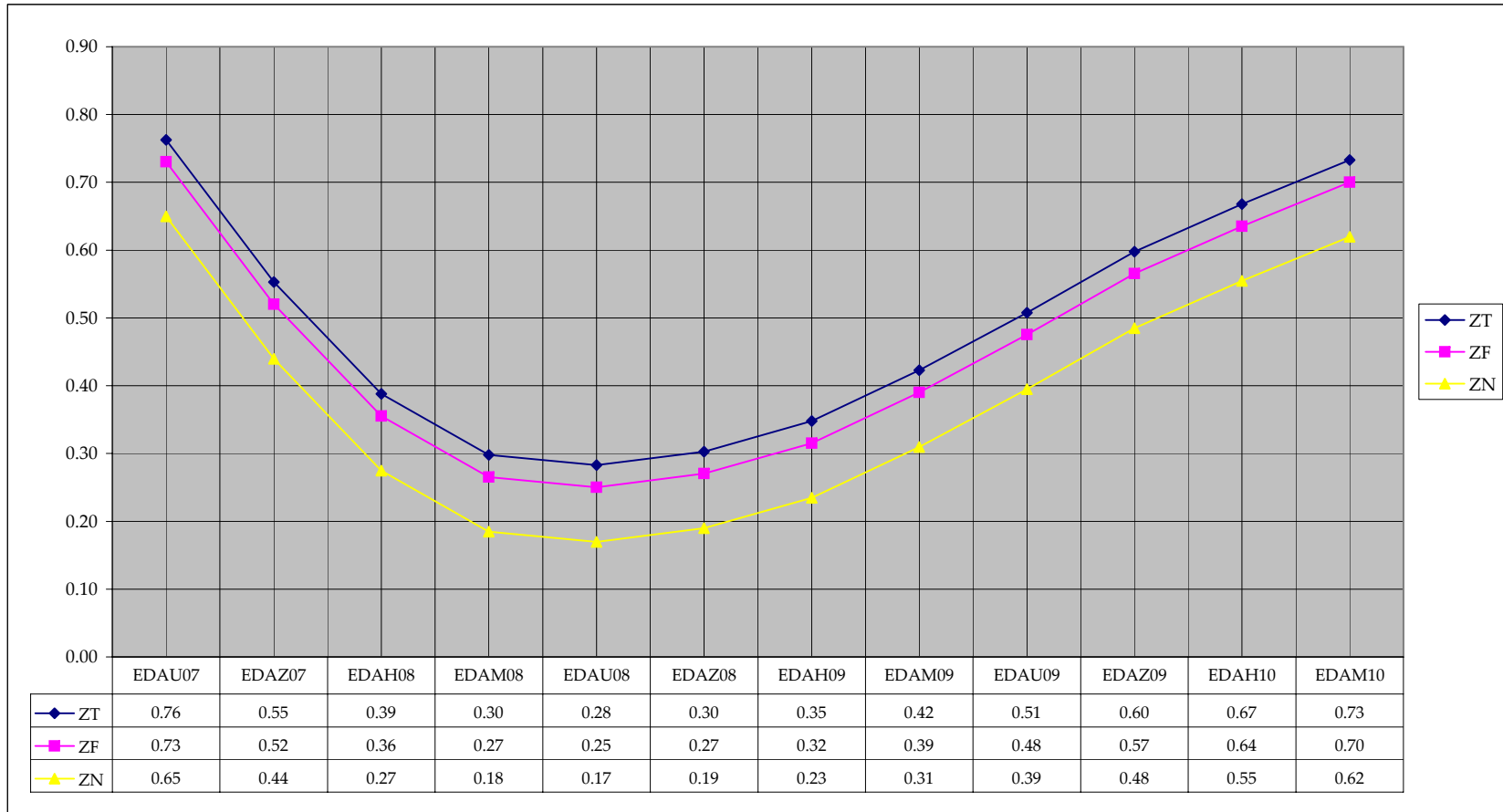


Dirty TED Curve

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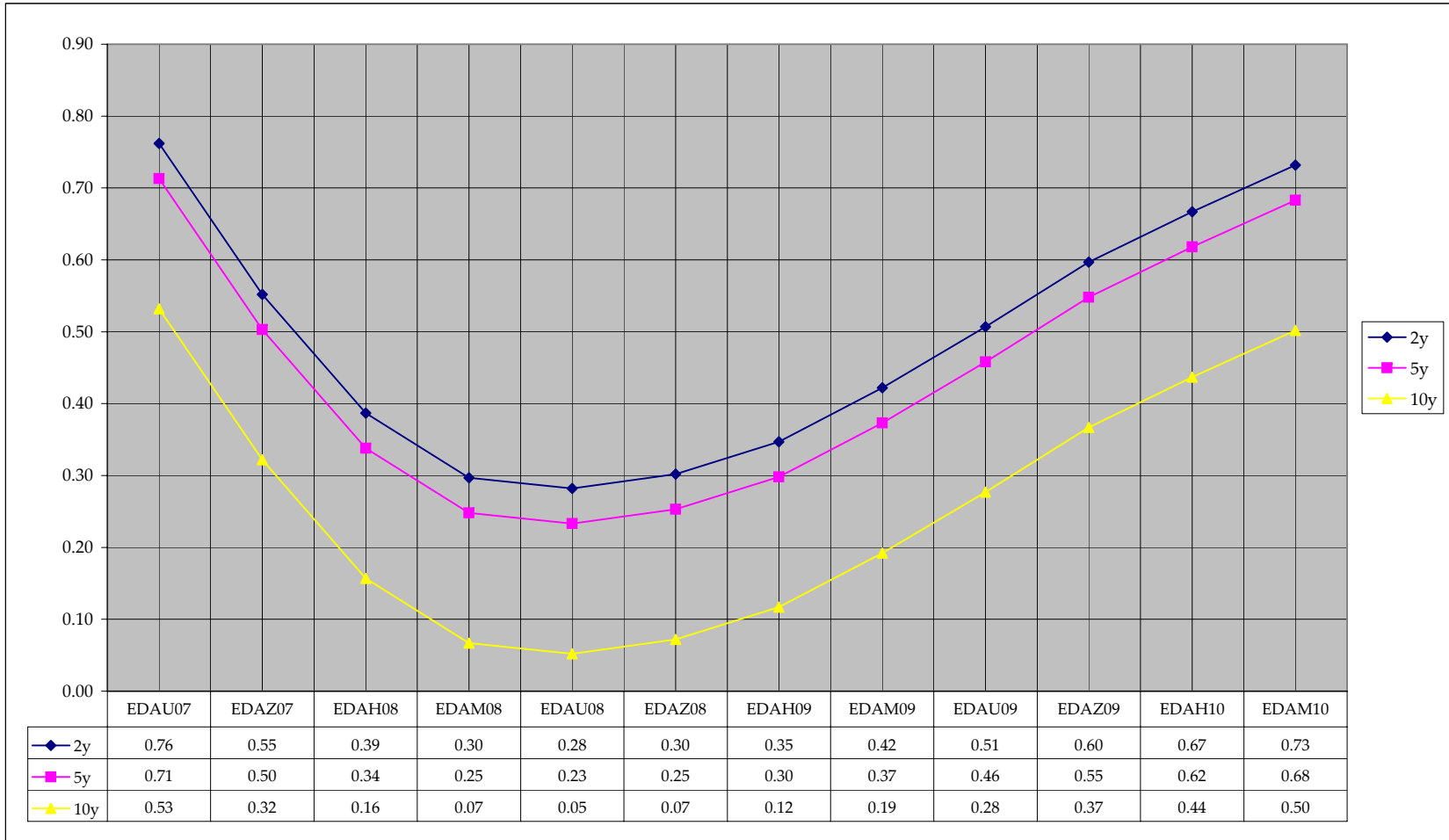
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

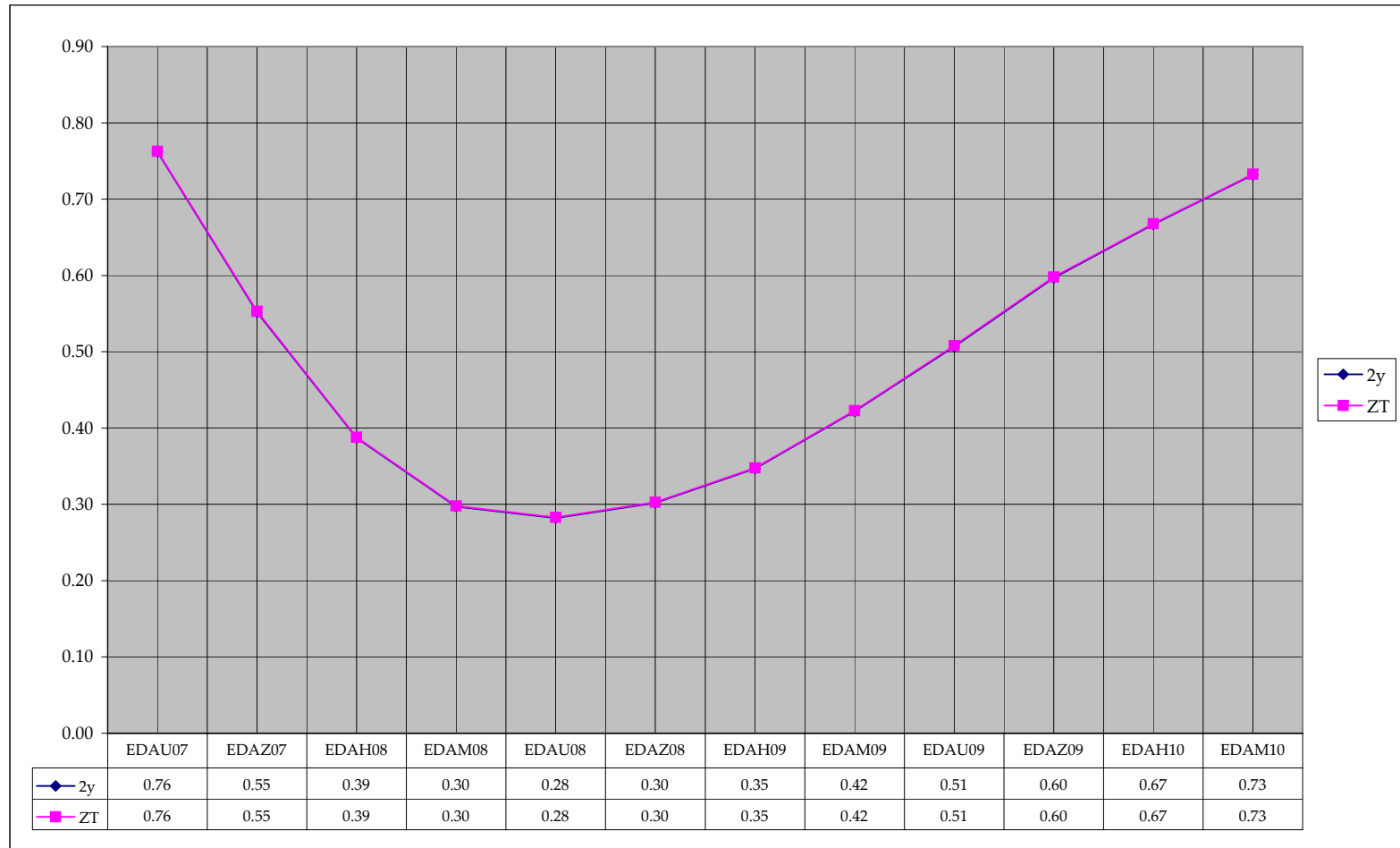


TED Curve

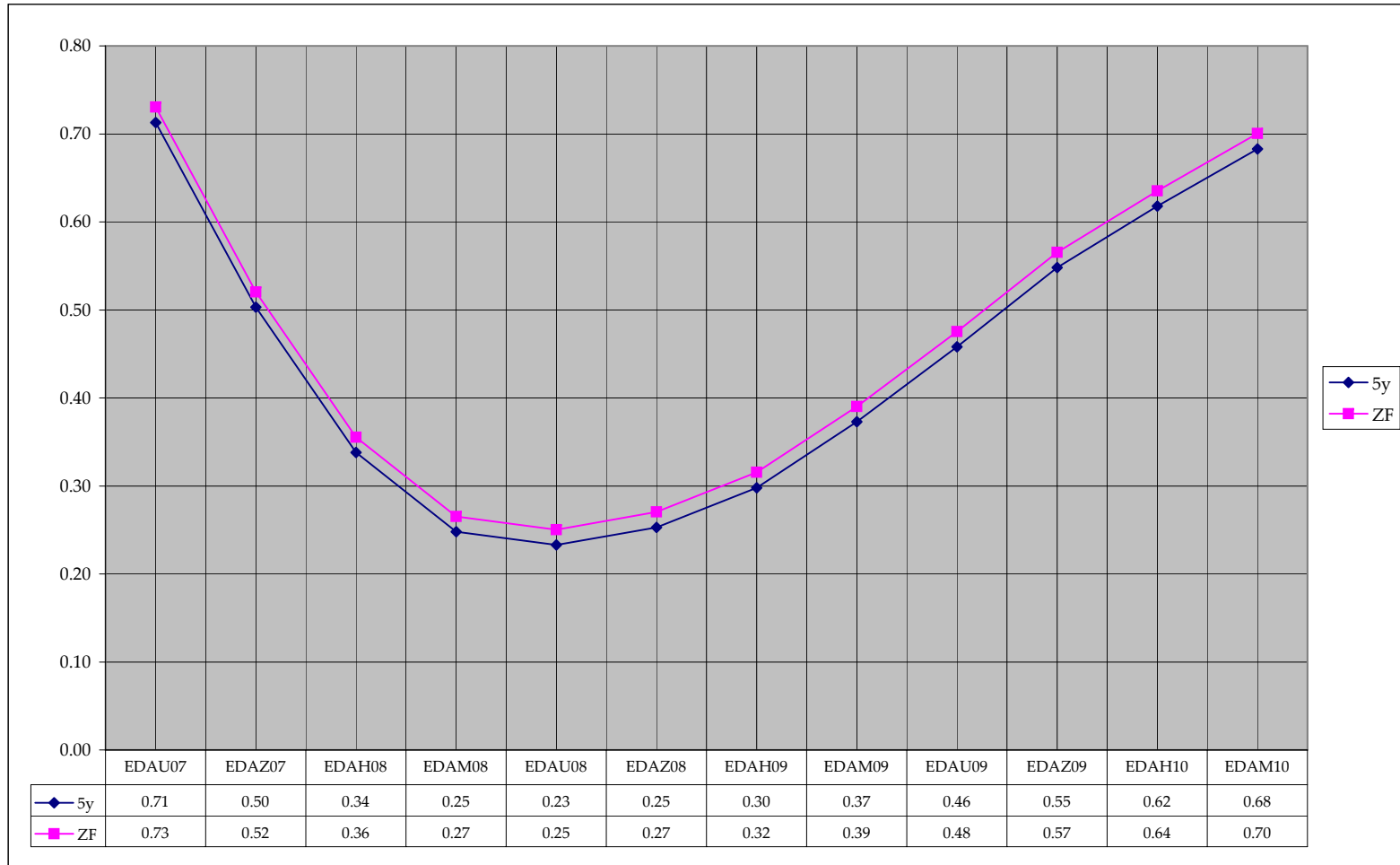
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



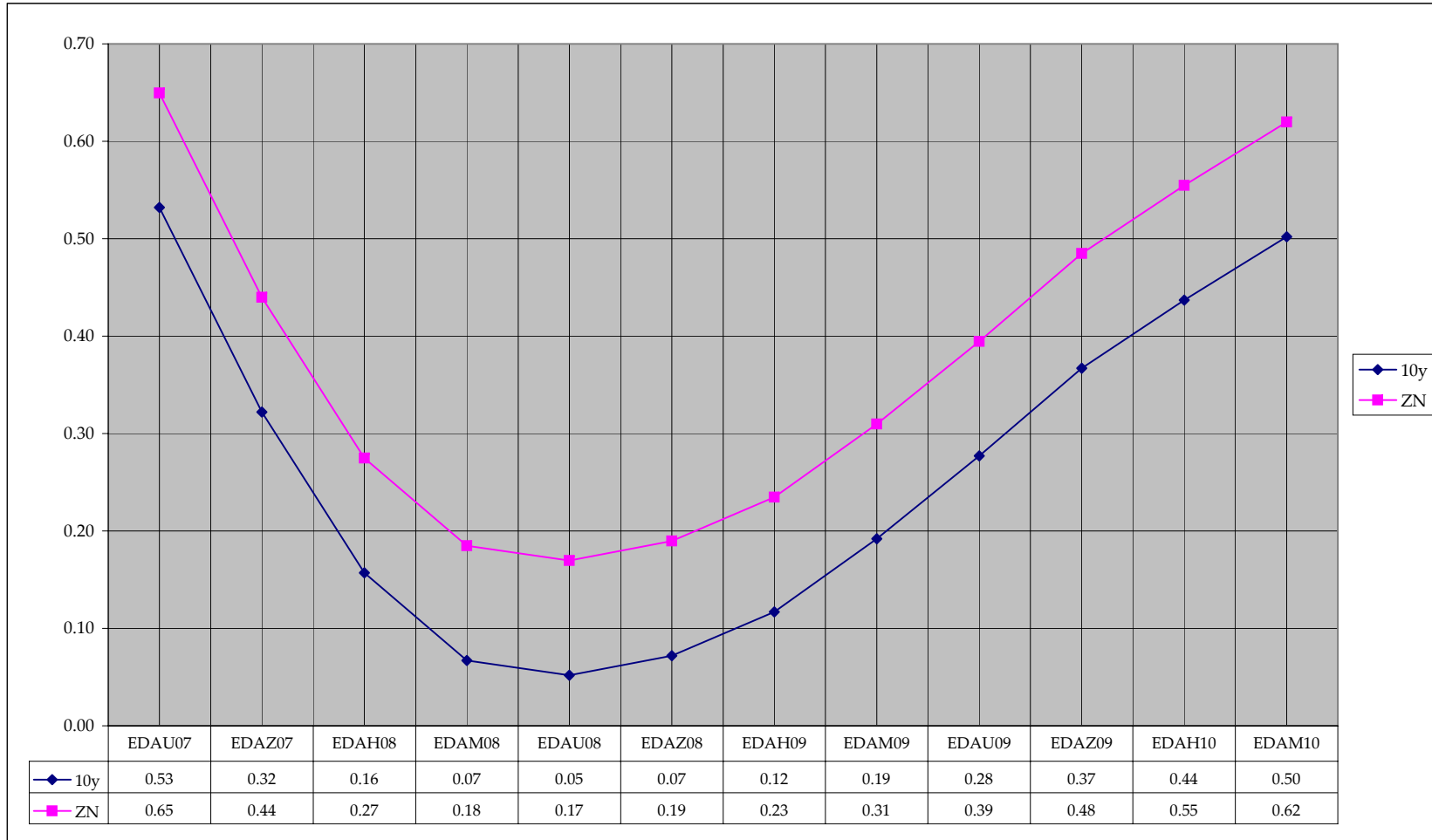
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	5.126	4.875	9500.750
Q.ED.Red	4.958	5.875	9516.875
Q.ED.Green	5.257	4.375	9488.125
Q.ED.Blue	3.000		9463.375
Q.ED.Gold		0.875	9444.000
Q.ED.Purple		0.875	9444.000

