

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	102.4531	102.145	4.512	1.78
ZF	105.5156	105.165	4.583	3.85
ZN	107.5313	107.170	4.689	5.67
2y	100.209	100.0670	4.504	1.87
5y	100.219	100.0700	4.572	4.40
10y	98.031	98.0100	4.751	7.72

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.755	5.245	41	0.112	SEP	White Pack
EDAZ07	94.990	5.010	132	0.361	DEC	
EDAH08	95.150	4.850	223	0.610	MAR	
EDAM08	95.205	4.795	314	0.860	JUN	Red Pack
EDAU08	95.200	4.800	405	1.109	SEP	
EDAZ08	95.165	4.835	496	1.358	DEC	
EDAH09	95.115	4.885	587	1.608	MAR	
EDAM09	95.055	4.945	678	1.857	JUN	Green Pack
EDAU09	94.990	5.010	769	2.106	SEP	
EDAZ09	94.920	5.080	860	2.355	DEC	
EDAH10	94.860	5.140	951	2.605	MAR	
EDAM10	94.810	5.190	1042	2.854	JUN	Blue Pack
EDAU10	94.755	5.245	1133	3.103	SEP	
EDAZ10	94.705	5.295	1224	3.353	DEC	
EDAH11	94.650	5.350	1315	3.602	MAR	
EDAM11	94.600	5.400	1406	3.851	JUN	Gold Pack
EDAU11	94.550	5.450	1504	4.120	SEP	
EDAZ11	94.495	5.505	1595	4.369	DEC	
EDAH12	94.460	5.540	1686	4.619	MAR	
EDAM12	94.445	5.555	1777	4.868	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	5.108	-1.375	9502.500	Pack Prices
Q.ED.Red	4.995	-0.500	9513.375	
Q.ED.Green	5.243	-0.125	9489.500	
Q.ED.Blue		0.000	9467.750	
Q.ED.Gold		0.000	9450.000	
Q.ED.Purple		0.000	9450.000	

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.

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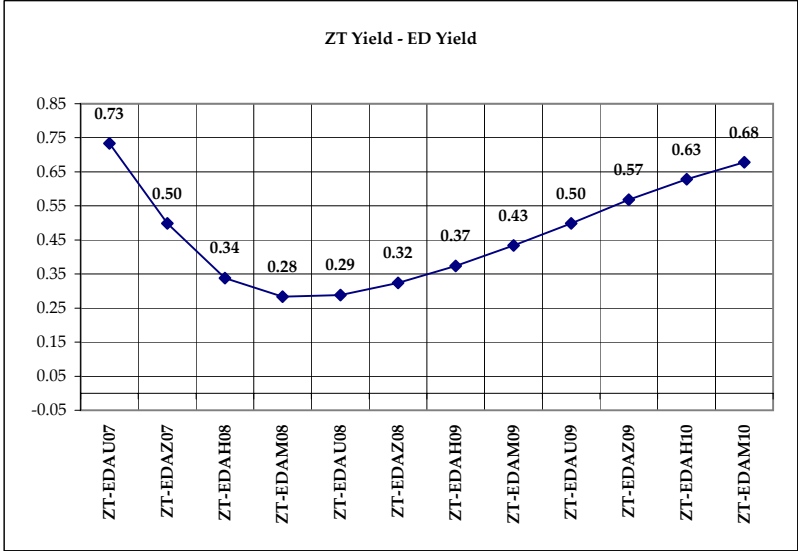
Eurodollar Color Codes for Individual Year Strips:

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

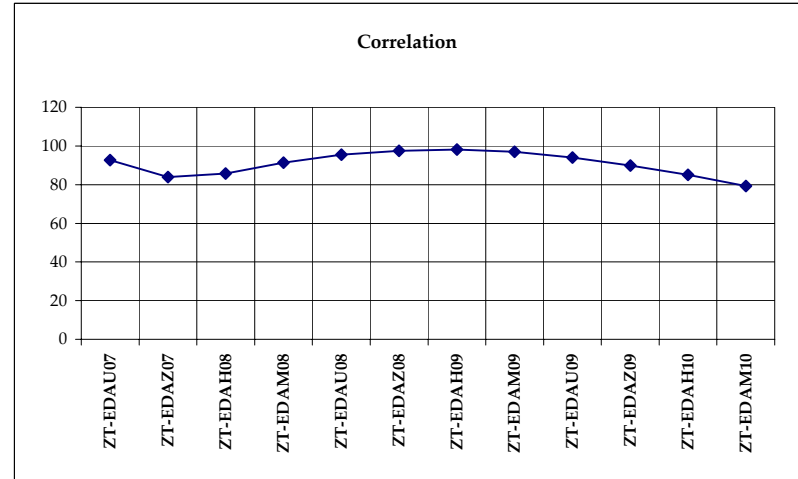
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.698	0.73	ZT-EDAU07	92.695
EDAZ07	7.463	0.50	ZT-EDAZ07	83.918
EDAH08	7.303	0.34	ZT-EDAH08	85.742
EDAM08	7.248	0.28	ZT-EDAM08	91.420
EDAU08	7.253	0.29	ZT-EDAU08	95.512
EDAZ08	7.288	0.32	ZT-EDAZ08	97.480
EDAH09	7.338	0.37	ZT-EDAH09	98.205
EDAM09	7.398	0.43	ZT-EDAM09	97.036
EDAU09	7.463	0.50	ZT-EDAU09	94.072
EDAZ09	7.533	0.57	ZT-EDAZ09	89.847
EDAH10	7.593	0.63	ZT-EDAH10	85.024
EDAM10	7.643	0.68	ZT-EDAM10	79.203

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	0.112	1.78	1.67	ZT-EDAU07
EDAZ07	0.361	1.78	1.42	ZT-EDAZ07
EDAH08	0.610	1.78	1.17	ZT-EDAH08
EDAM08	0.860	1.78	0.92	ZT-EDAM08
EDAU08	1.109	1.78	0.67	ZT-EDAU08
EDAZ08	1.358	1.78	0.43	ZT-EDAZ08
EDAH09	1.608	1.78	0.18	ZT-EDAH09
EDAM09	1.857	1.78	(0.07)	ZT-EDAM09
EDAU09	2.106	1.78	(0.32)	ZT-EDAU09
EDAZ09	2.355	1.78	(0.57)	ZT-EDAZ09
EDAH10	2.605	1.78	(0.82)	ZT-EDAH10
EDAM10	2.854	1.78	(1.07)	ZT-EDAM10

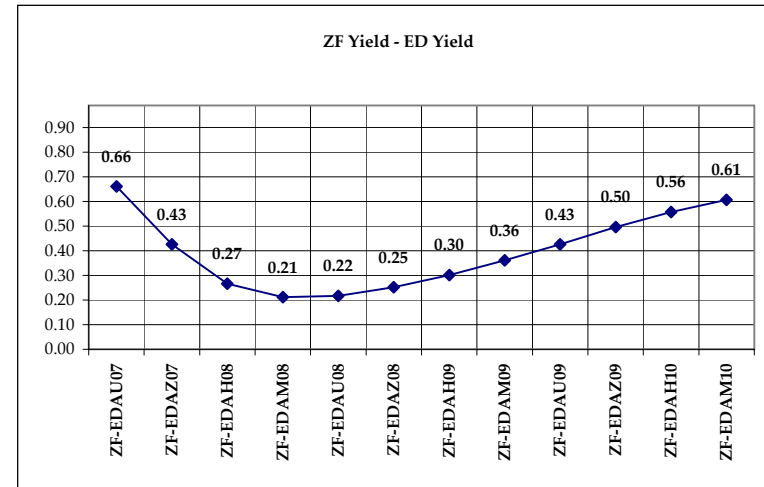
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	10.76	0.66	ZF-EDAU07	96.534
EDAZ07	10.53	0.43	ZF-EDAZ07	90.512
EDAH08	10.37	0.27	ZF-EDAH08	91.744
EDAM08	10.31	0.21	ZF-EDAM08	95.527
EDAU08	10.32	0.22	ZF-EDAU08	97.633
EDAZ08	10.35	0.25	ZF-EDAZ08	97.914
EDAH09	10.40	0.30	ZF-EDAH09	98.003
EDAM09	10.46	0.36	ZF-EDAM09	98.620
EDAU09	10.53	0.43	ZF-EDAU09	98.016
EDAZ09	10.60	0.50	ZF-EDAZ09	96.030
EDAH10	10.66	0.56	ZF-EDAH10	93.172
EDAM10	10.71	0.61	ZF-EDAM10	89.132

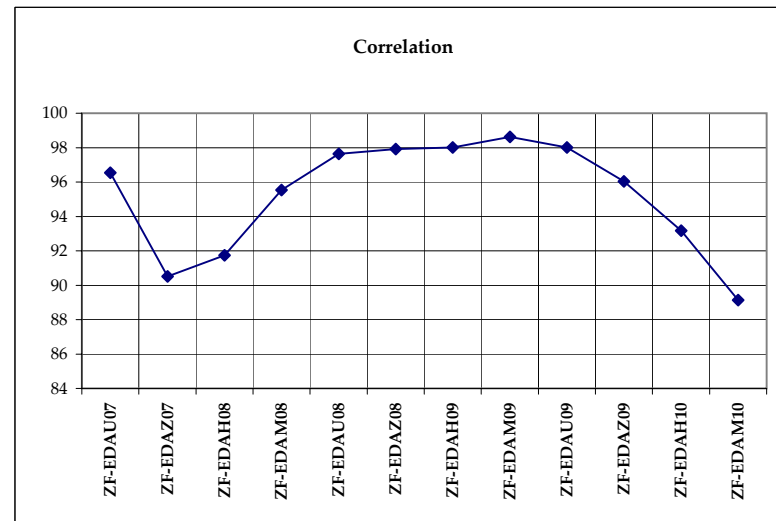
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAU07	0.112	3.85	3.73	ZF-EDAU07
EDAZ07	0.361	3.85	3.49	ZF-EDAZ07
EDAH08	0.610	3.85	3.24	ZF-EDAH08
EDAM08	0.860	3.85	2.99	ZF-EDAM08
EDAU08	1.109	3.85	2.74	ZF-EDAU08
EDAZ08	1.358	3.85	2.49	ZF-EDAZ08
EDAH09	1.608	3.85	2.24	ZF-EDAH09
EDAM09	1.857	3.85	1.99	ZF-EDAM09
EDAU09	2.106	3.85	1.74	ZF-EDAU09
EDAZ09	2.355	3.85	1.49	ZF-EDAZ09
EDAH10	2.605	3.85	1.24	ZF-EDAH10
EDAM10	2.854	3.85	0.99	ZF-EDAM10

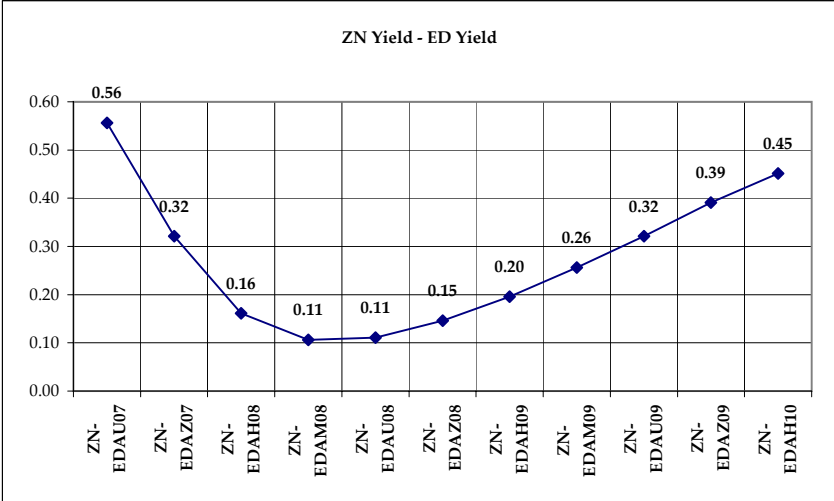
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

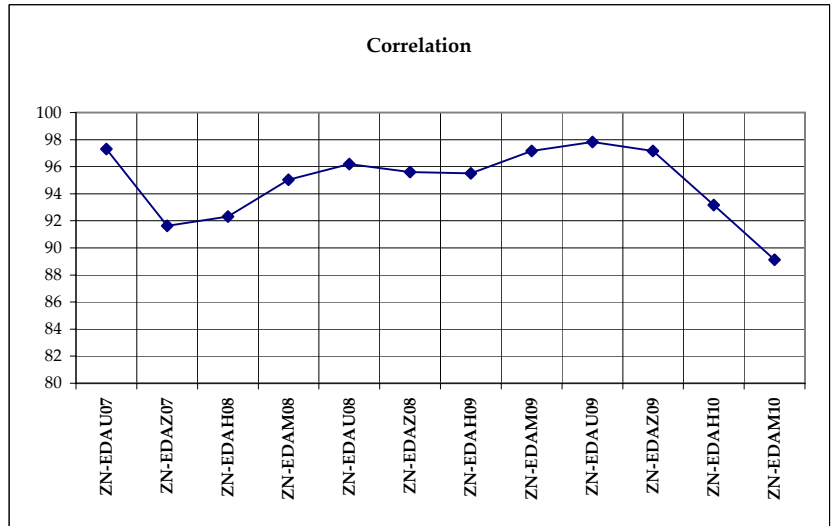
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	12.78	0.56	ZN-EDAU07	97.30
EDAZ07	12.54	0.32	ZN-EDAZ07	91.62
EDAH08	12.38	0.16	ZN-EDAH08	92.32
EDAM08	12.33	0.11	ZN-EDAM08	95.03
EDAU08	12.33	0.11	ZN-EDAU08	96.20
EDAZ08	12.37	0.15	ZN-EDAZ08	95.60
EDAH09	12.42	0.20	ZN-EDAH09	95.51
EDAM09	12.48	0.26	ZN-EDAM09	97.15
EDAU09	12.54	0.32	ZN-EDAU09	97.83
EDAZ09	12.61	0.39	ZN-EDAZ09	97.17
EDAH10	12.67	0.45	ZN-EDAH10	93.17
EDAM10	12.72	0.50	ZN-EDAM10	89.13

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	0.112	5.67	5.56	ZN-EDAU07
EDAZ07	0.361	5.67	5.31	ZN-EDAZ07
EDAH08	0.610	5.67	5.06	ZN-EDAH08
EDAM08	0.860	5.67	4.81	ZN-EDAM08
EDAU08	1.109	5.67	4.57	ZN-EDAU08
EDAZ08	1.358	5.67	4.32	ZN-EDAZ08
EDAH09	1.608	5.67	4.07	ZN-EDAH09
EDAM09	1.857	5.67	3.82	ZN-EDAM09
EDAU09	2.106	5.67	3.57	ZN-EDAU09
EDAZ09	2.355	5.67	3.32	ZN-EDAZ09
EDAH10	2.605	5.67	3.07	ZN-EDAH10
EDAM10	2.854	5.67	2.82	ZN-EDAM10

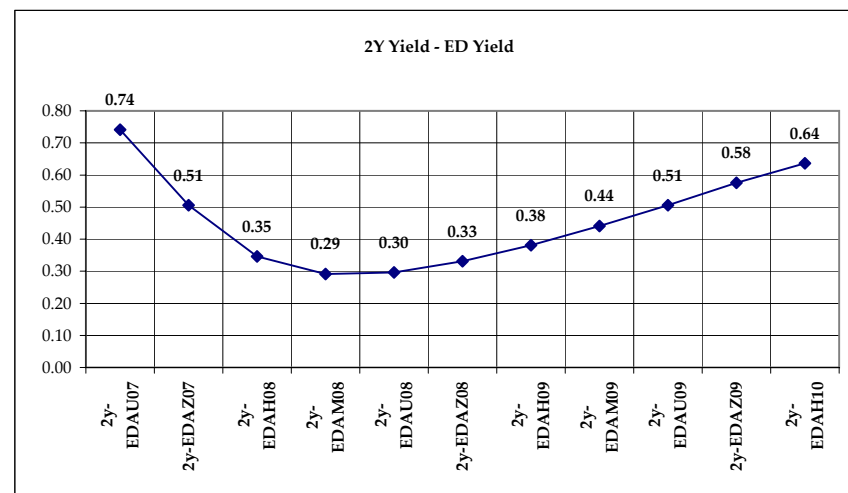
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.45	0.74	2y-EDAU07	-88.304
EDAZ07	5.22	0.51	2y-EDAZ07	-86.314
EDAH08	5.06	0.35	2y-EDAH08	-87.959
EDAM08	5.00	0.29	2y-EDAM08	-91.473
EDAU08	5.01	0.30	2y-EDAU08	-92.467
EDAZ08	5.04	0.33	2y-EDAZ08	-91.473
EDAH09	5.09	0.38	2y-EDAH09	-91.169
EDAM09	5.15	0.44	2y-EDAM09	-91.778
EDAU09	5.22	0.51	2y-EDAU09	-91.735
EDAZ09	5.29	0.58	2y-EDAZ09	-89.570
EDAH10	5.35	0.64	2y-EDAH10	-86.678
EDAM10	5.40	0.69	2y-EDAM10	-83.126

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.

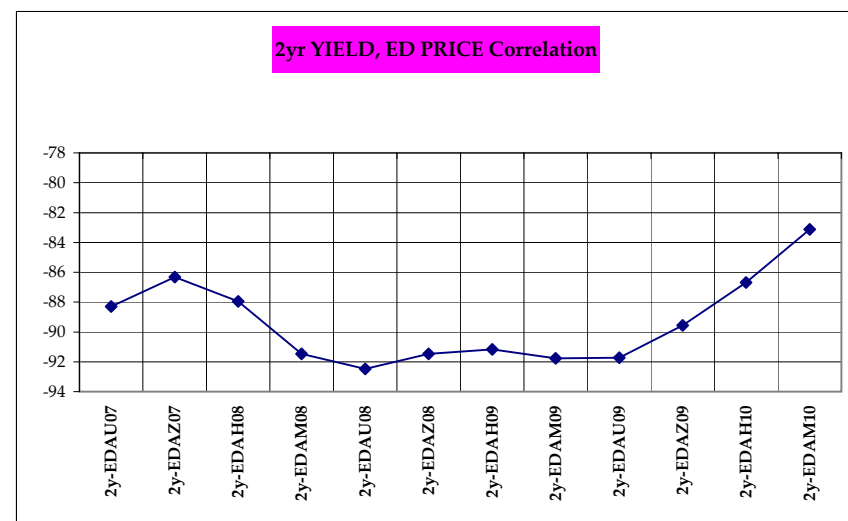


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.112	1.87	2y-EDAU07
EDAZ07	0.361	1.87	2y-EDAZ07
EDAH08	0.610	1.87	2y-EDAH08
EDAM08	0.860	1.87	2y-EDAM08
EDAU08	1.109	1.87	2y-EDAU08
EDAZ08	1.358	1.87	2y-EDAZ08
EDAH09	1.608	1.87	2y-EDAH09
EDAM09	1.857	1.87	2y-EDAM09
EDAU09	2.106	1.87	2y-EDAU09
EDAZ09	2.355	1.87	2y-EDAZ09
EDAH10	2.605	1.87	2y-EDAH10
EDAM10	2.854	1.87	2y-EDAM10

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

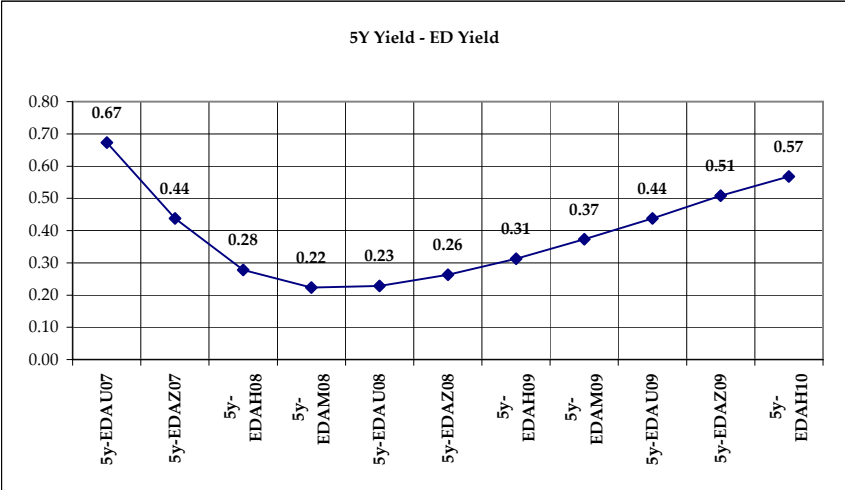
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

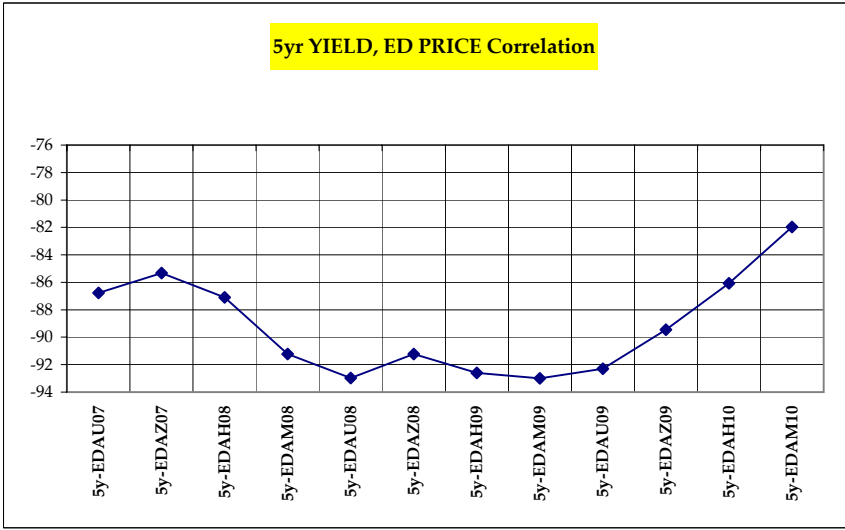
	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.46	0.67	5y-EDAU07	-86.773
EDAZ07	5.23	0.44	5y-EDAZ07	-85.321
EDAH08	5.07	0.28	5y-EDAH08	-87.087
EDAM08	5.01	0.22	5y-EDAM08	-91.224
EDAU08	5.02	0.23	5y-EDAU08	-92.970
EDAZ08	5.05	0.26	5y-EDAZ08	-91.224
EDAH09	5.10	0.31	5y-EDAH09	-92.598
EDAM09	5.16	0.37	5y-EDAM09	-92.988
EDAU09	5.23	0.44	5y-EDAU09	-92.291
EDAZ09	5.30	0.51	5y-EDAZ09	-89.460
EDAH10	5.36	0.57	5y-EDAH10	-86.067
EDAM10	5.41	0.62	5y-EDAM10	-81.977

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	0.112	4.40	4.29	5y-EDAU07
EDAZ07	0.361	4.40	4.04	5y-EDAZ07
EDAH08	0.610	4.40	3.79	5y-EDAH08
EDAM08	0.860	4.40	3.54	5y-EDAM08
EDAU08	1.109	4.40	3.29	5y-EDAU08
EDAZ08	1.358	4.40	3.04	5y-EDAZ08
EDAH09	1.608	4.40	2.79	5y-EDAH09
EDAM09	1.857	4.40	2.54	5y-EDAM09
EDAU09	2.106	4.40	2.29	5y-EDAU09
EDAZ09	2.355	4.40	2.04	5y-EDAZ09
EDAH10	2.605	4.40	1.79	5y-EDAH10
EDAM10	2.854	4.40	1.55	5y-EDAM10

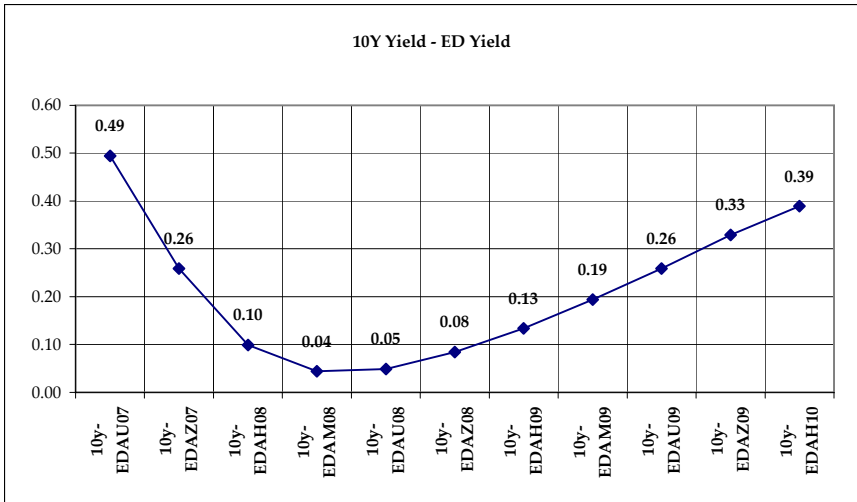
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.46	0.49	10y-EDAU07	-86.034
EDAZ07	5.23	0.26	10y-EDAZ07	-88.324
EDAH08	5.07	0.10	10y-EDAH08	-89.596
EDAM08	5.01	0.04	10y-EDAM08	-92.133
EDAU08	5.02	0.05	10y-EDAU08	-92.612
EDAZ08	5.05	0.08	10y-EDAZ08	-92.133
EDAH09	5.10	0.13	10y-EDAH09	-90.824
EDAM09	5.16	0.19	10y-EDAM09	-92.092
EDAU09	5.23	0.26	10y-EDAU09	-92.604
EDAZ09	5.30	0.33	10y-EDAZ09	-90.950
EDAH10	5.36	0.39	10y-EDAH10	-88.678
EDAM10	5.41	0.44	10y-EDAM10	-85.231

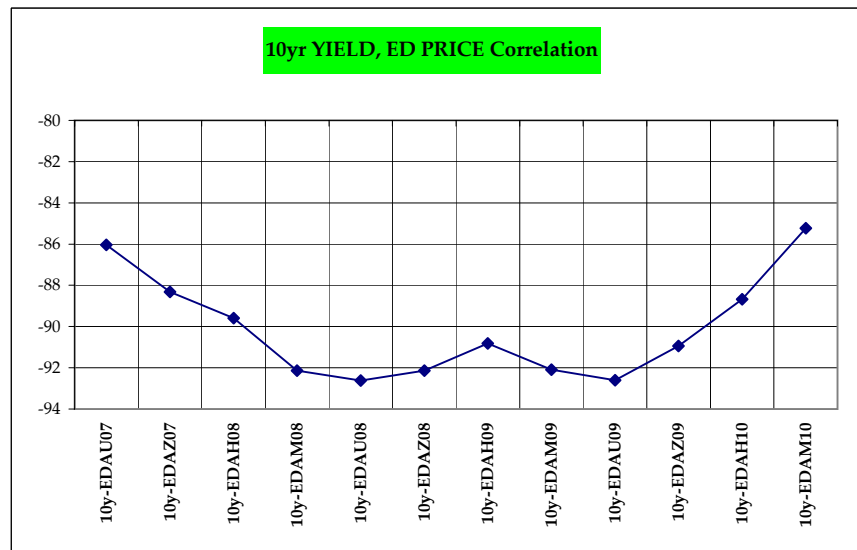
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.



GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.112	7.72	7.61	10y-EDAU07
EDAZ07	0.361	7.72	7.36	10y-EDAZ07
EDAH08	0.610	7.72	7.11	10y-EDAH08
EDAM08	0.860	7.72	6.87	10y-EDAM08
EDAU08	1.109	7.72	6.62	10y-EDAU08
EDAZ08	1.358	7.72	6.37	10y-EDAZ08
EDAH09	1.608	7.72	6.12	10y-EDAH09
EDAM09	1.857	7.72	5.87	10y-EDAM09
EDAU09	2.106	7.72	5.62	10y-EDAU09
EDAZ09	2.355	7.72	5.37	10y-EDAZ09
EDAH10	2.605	7.72	5.12	10y-EDAH10
EDAM10	2.854	7.72	4.87	10y-EDAM10

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

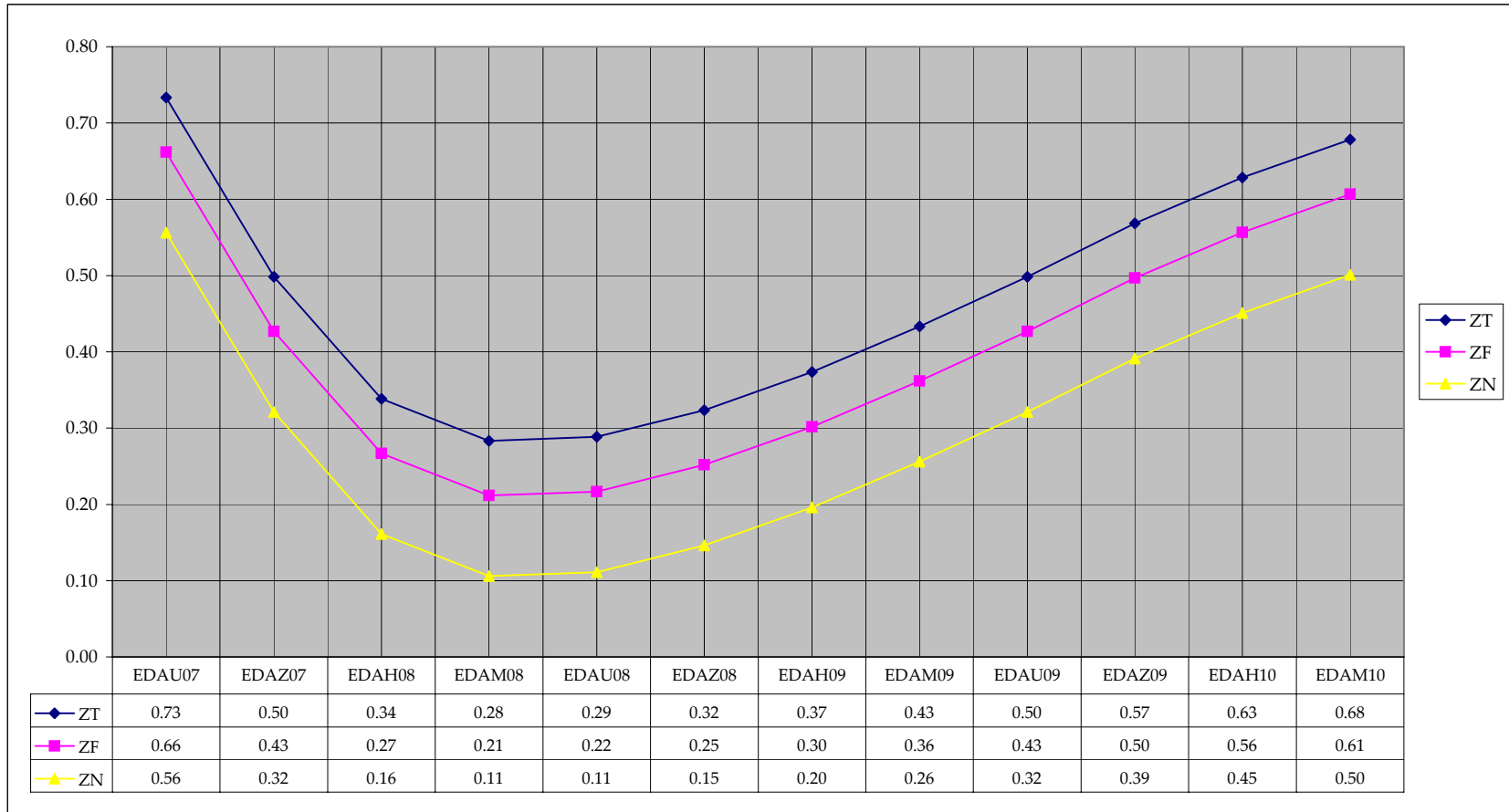


Dirty TED Curve

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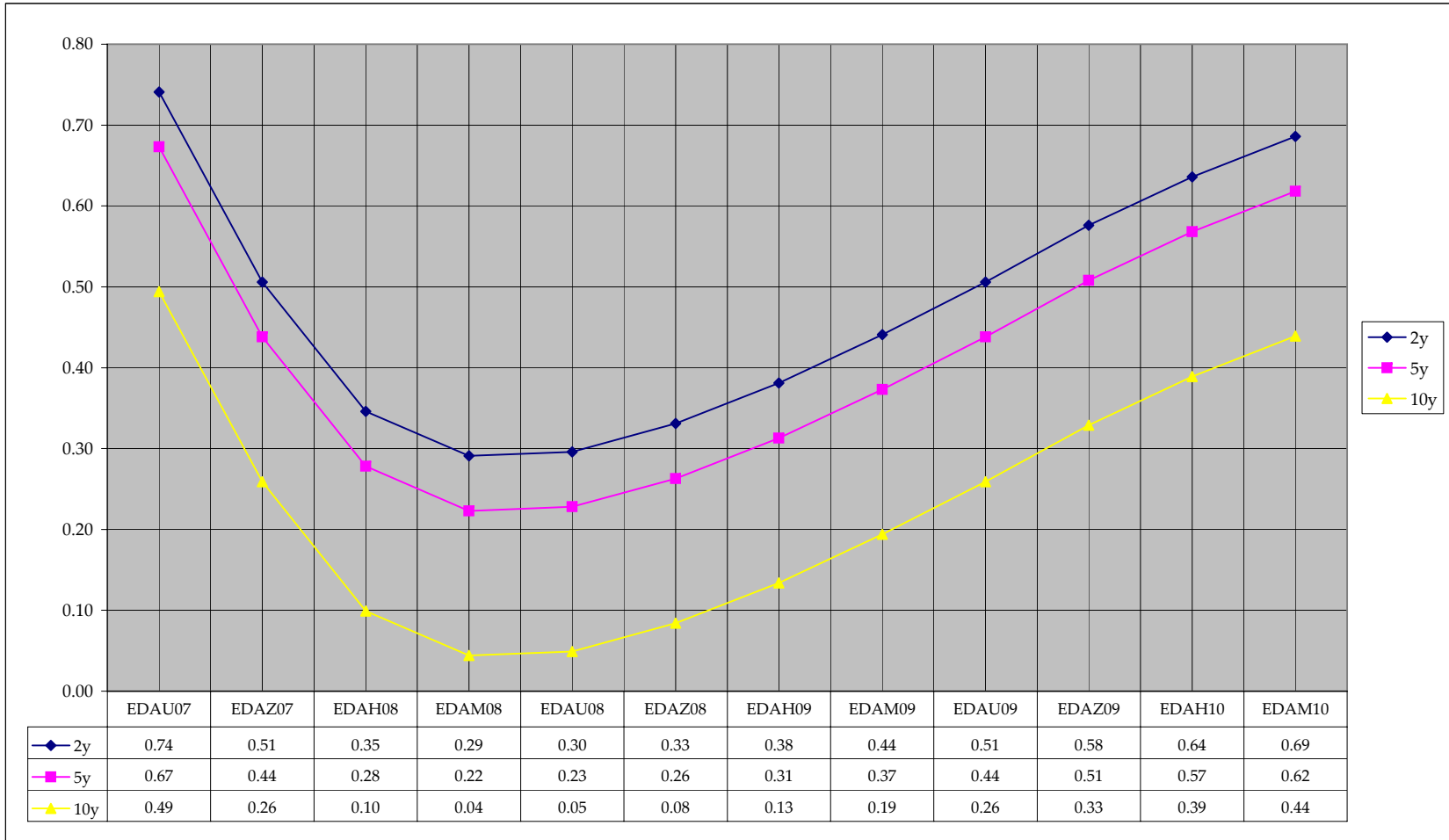
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

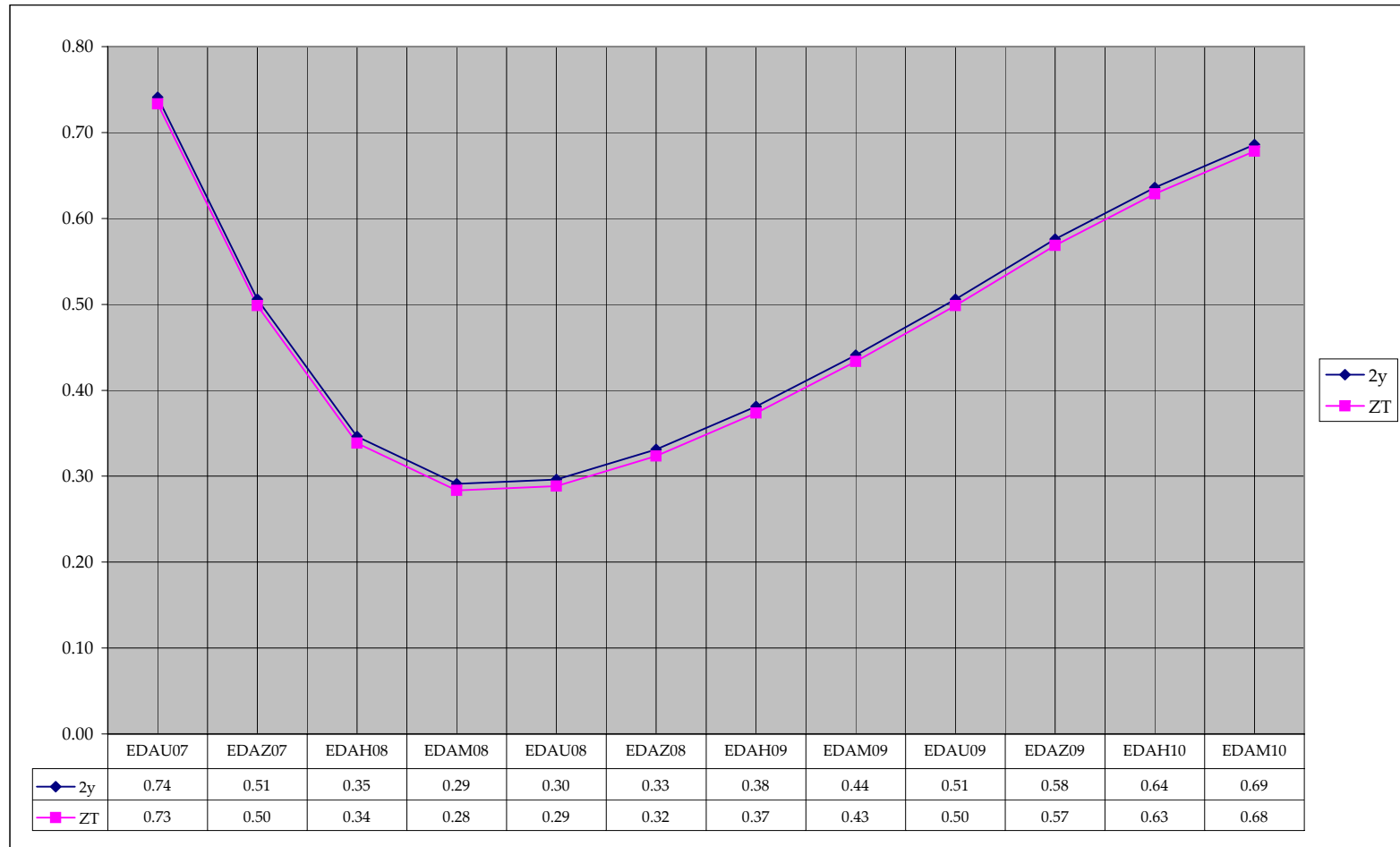


TED Curve

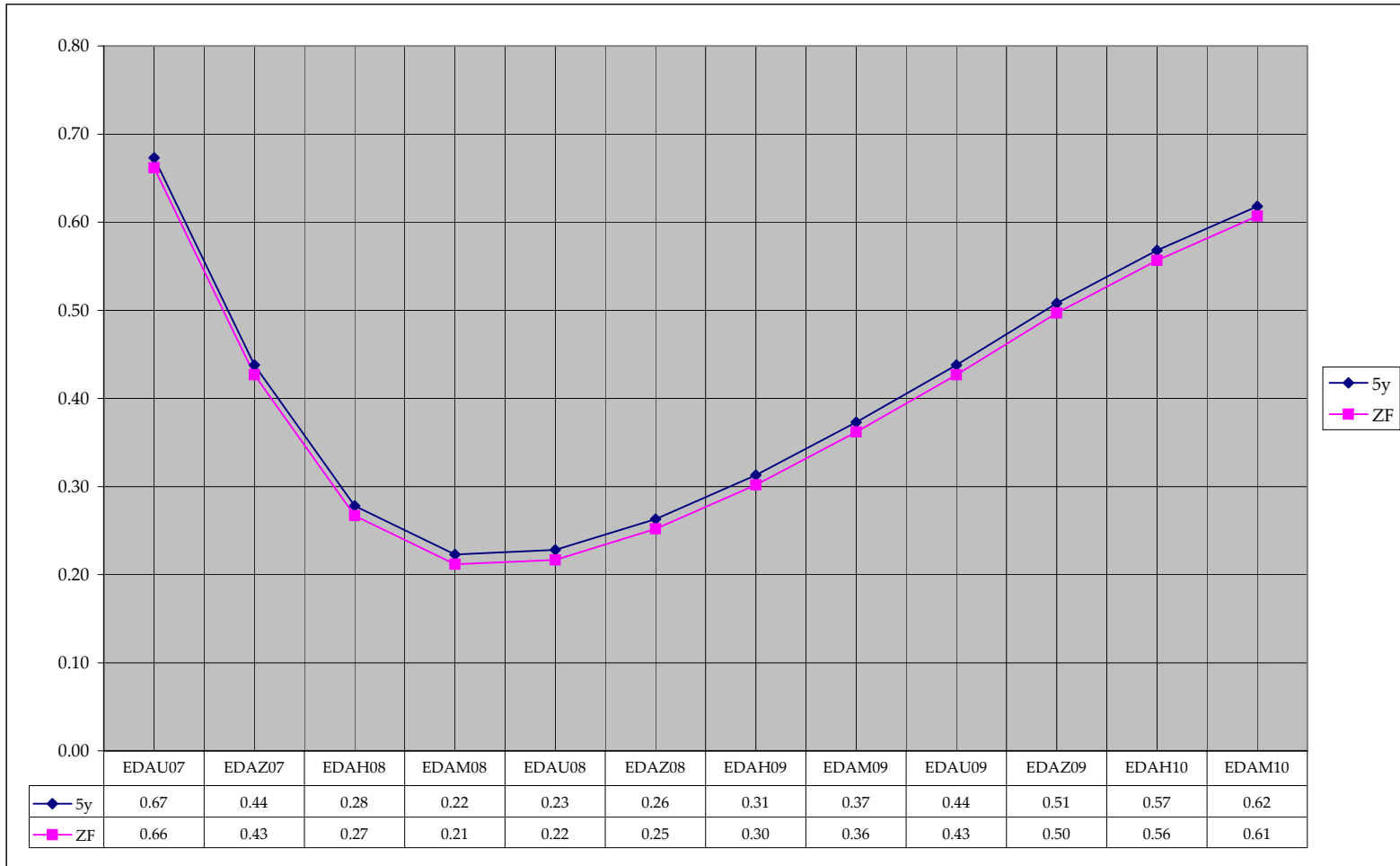
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



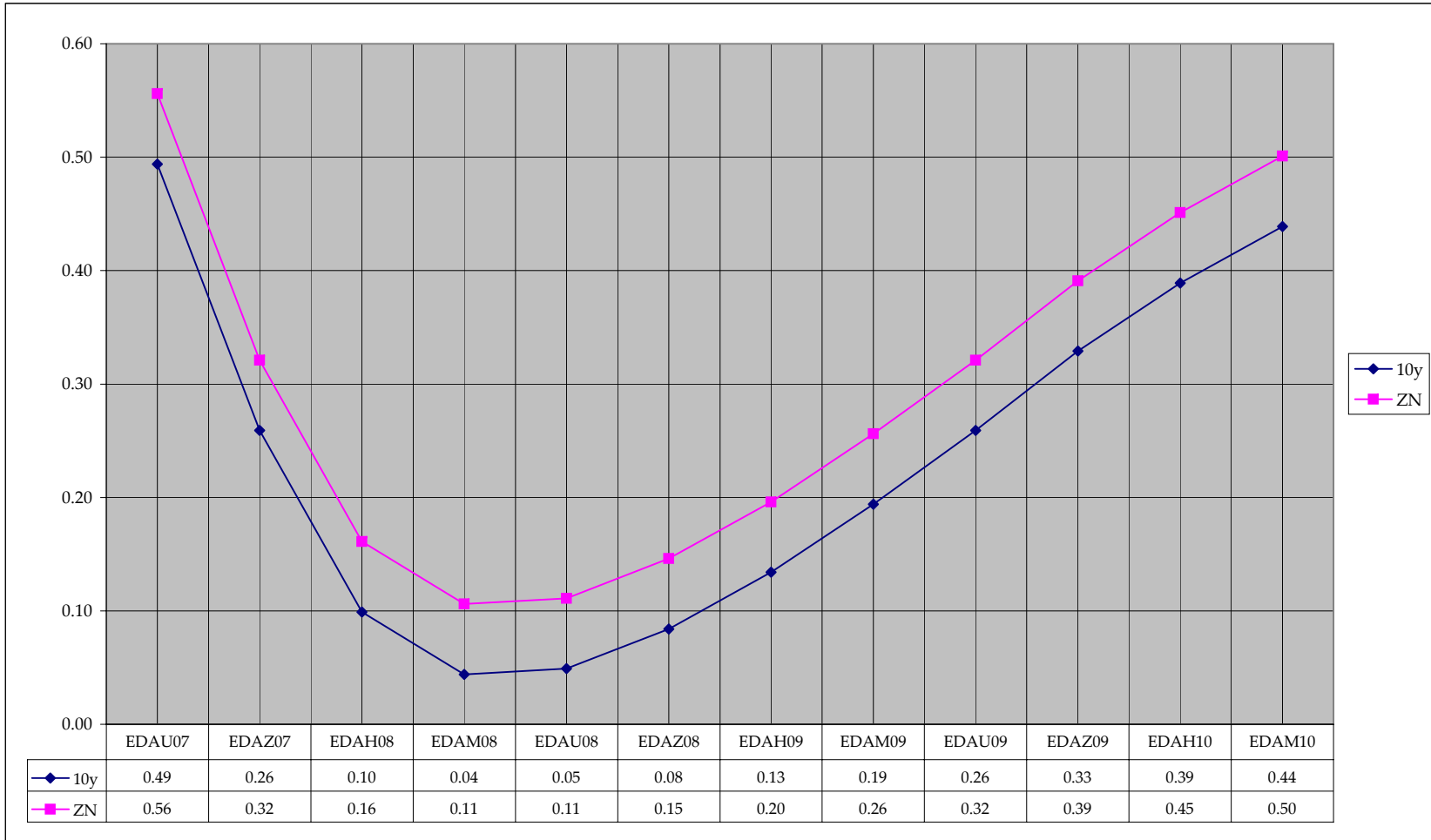
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	5.108	-1.375	9502.500
Q.ED.Red	4.995	-0.500	9513.375
Q.ED.Green	5.243	-0.125	9489.500
Q.ED.Blue		0.000	9467.750
Q.ED.Gold		0.000	9450.000
Q.ED.Purple		0.000	9450.000

