

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	102.5625	102.180	4.443	1.77	
ZF	105.4688	105.150	4.561	3.83	
ZN	107.4688	107.150	4.692	5.66	
2y	100.344	100.1100	4.440	1.85	
5y	100.234	100.0750	4.570	4.38	
10y	99.750	99.2400	4.780	7.70	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.765	5.235	35	0.095	SEP	White Pack	
EDAZ07	95.095	4.905	126	0.345	DEC		
EDAH08	95.265	4.735	217	0.594	MAR		
EDAM08	95.290	4.710	308	0.843	JUN	Red Pack	
EDAU08	95.260	4.740	399	1.092	SEP		
EDAZ08	95.185	4.815	490	1.342	DEC		
EDAH09	95.115	4.885	581	1.591	MAR	Green Pack	
EDAM09	95.045	4.955	672	1.840	JUN		
EDAU09	94.975	5.025	763	2.090	SEP		
EDAZ09	94.900	5.100	854	2.339	DEC	Blue Pack	
EDAH10	94.835	5.165	945	2.588	MAR		
EDAM10	94.760	5.240	1036	2.838	JUN		
EDAU10	#VALUE!	#VALUE!	1127	3.087	SEP	Gold Pack	
EDAZ10	#VALUE!	#VALUE!	1218	3.336	DEC		
EDAH11	#VALUE!	#VALUE!	1309	3.586	MAR		
EDAM11	94.530	5.470	1400	3.835	JUN		
EDAU11	94.505	5.495	1498	4.103	SEP		
EDAZ11	94.460	5.540	1589	4.353	DEC		
EDAH12	94.430	5.570	1680	4.602	MAR		
EDAM12	94.380	5.620	1771	4.851	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	5.026	1.125	9510.375	Pack Prices
Q.ED.Red	4.976	1.000	9515.125	
Q.ED.Green	5.271	-0.625	9486.750	
Q.ED.Blue		0.000	9466.375	
Q.ED.Gold		0.000	9448.125	
Q.ED.Purple		0.000	9448.125	

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

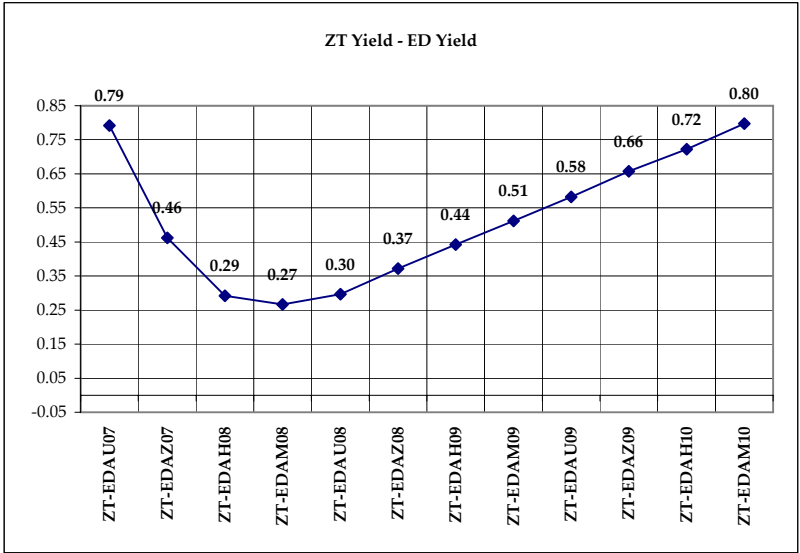
Eurodollar Color Codes for Individual Year Strips:

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

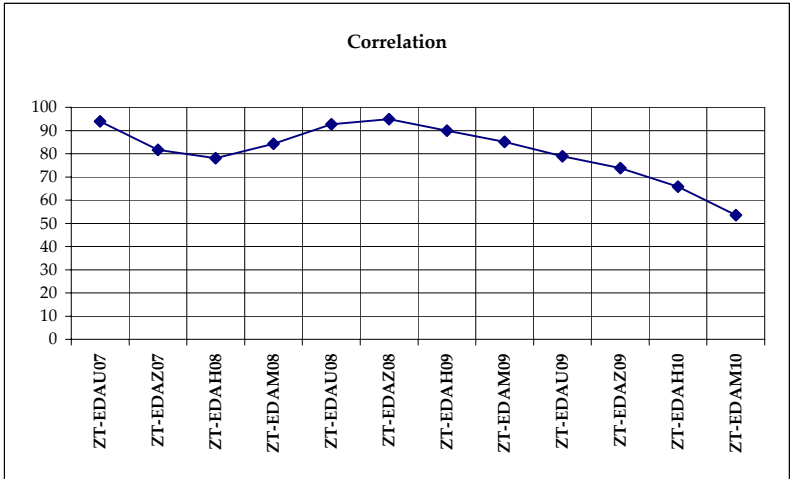
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.798	0.79	ZT-EDAU07	93.990
EDAZ07	7.468	0.46	ZT-EDAZ07	81.589
EDAH08	7.298	0.29	ZT-EDAH08	78.067
EDAM08	7.273	0.27	ZT-EDAM08	84.298
EDAU08	7.303	0.30	ZT-EDAU08	92.714
EDAZ08	7.378	0.37	ZT-EDAZ08	94.839
EDAH09	7.448	0.44	ZT-EDAH09	89.901
EDAM09	7.518	0.51	ZT-EDAM09	85.054
EDAU09	7.588	0.58	ZT-EDAU09	78.843
EDAZ09	7.663	0.66	ZT-EDAZ09	73.754
EDAH10	7.728	0.72	ZT-EDAH10	65.815
EDAM10	7.803	0.80	ZT-EDAM10	53.461

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	0.095	1.77	1.67	ZT-EDAU07
EDAZ07	0.345	1.77	1.42	ZT-EDAZ07
EDAH08	0.594	1.77	1.17	ZT-EDAH08
EDAM08	0.843	1.77	0.93	ZT-EDAM08
EDAU08	1.092	1.77	0.68	ZT-EDAU08
EDAZ08	1.342	1.77	0.43	ZT-EDAZ08
EDAH09	1.591	1.77	0.18	ZT-EDAH09
EDAM09	1.840	1.77	(0.07)	ZT-EDAM09
EDAU09	2.090	1.77	(0.32)	ZT-EDAU09
EDAZ09	2.339	1.77	(0.57)	ZT-EDAZ09
EDAH10	2.588	1.77	(0.82)	ZT-EDAH10
EDAM10	2.838	1.77	(1.07)	ZT-EDAM10

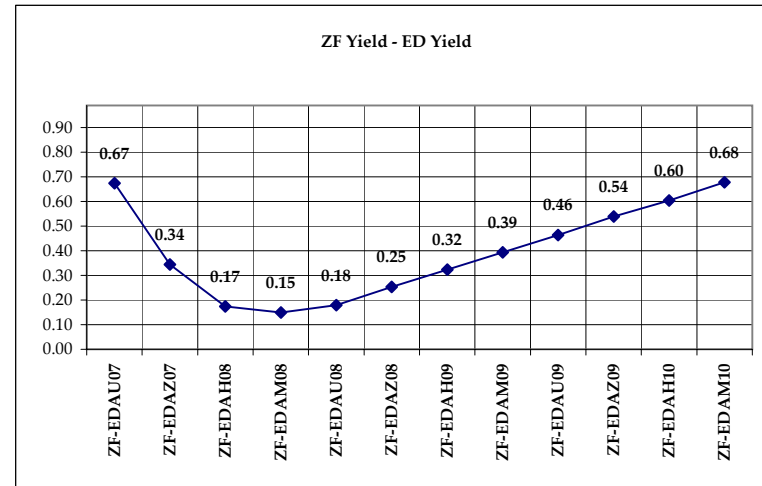
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	10.70	0.67	ZF-EDAU07	82.527
EDAZ07	10.37	0.34	ZF-EDAZ07	50.797
EDAH08	10.20	0.17	ZF-EDAH08	48.101
EDAM08	10.18	0.15	ZF-EDAM08	58.403
EDAU08	10.21	0.18	ZF-EDAU08	74.730
EDAZ08	10.28	0.25	ZF-EDAZ08	91.283
EDAH09	10.35	0.32	ZF-EDAH09	96.724
EDAM09	10.42	0.39	ZF-EDAM09	96.113
EDAU09	10.49	0.46	ZF-EDAU09	92.628
EDAZ09	10.57	0.54	ZF-EDAZ09	87.130
EDAH10	10.63	0.60	ZF-EDAH10	80.720
EDAM10	10.71	0.68	ZF-EDAM10	72.144

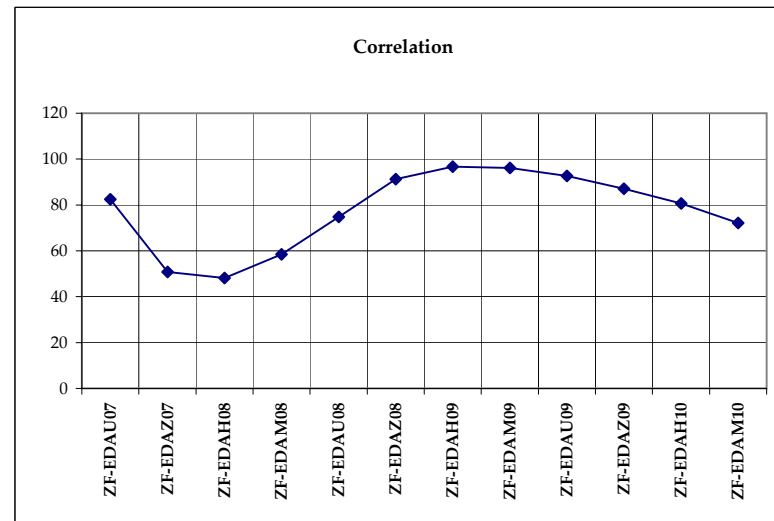
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.095	3.83	ZF-EDAU07
EDAZ07	0.345	3.83	ZF-EDAZ07
EDAH08	0.594	3.83	ZF-EDAH08
EDAM08	0.843	3.83	ZF-EDAM08
EDAU08	1.092	3.83	ZF-EDAU08
EDAZ08	1.342	3.83	ZF-EDAZ08
EDAH09	1.591	3.83	ZF-EDAH09
EDAM09	1.840	3.83	ZF-EDAM09
EDAU09	2.090	3.83	ZF-EDAU09
EDAZ09	2.339	3.83	ZF-EDAZ09
EDAH10	2.588	3.83	ZF-EDAH10
EDAM10	2.838	3.83	ZF-EDAM10

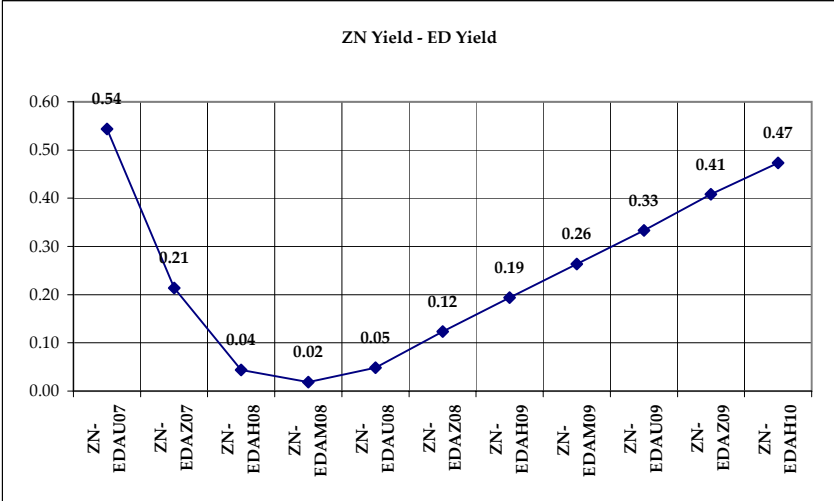
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

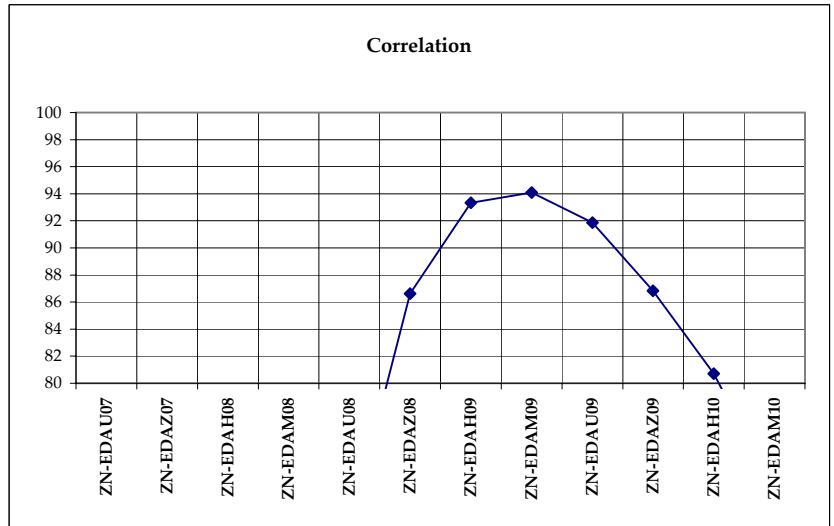
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	12.70	0.54	ZN-EDAU07	77.11
EDAZ07	12.37	0.21	ZN-EDAZ07	45.13
EDAH08	12.20	0.04	ZN-EDAH08	42.11
EDAM08	12.18	0.02	ZN-EDAM08	51.98
EDAU08	12.21	0.05	ZN-EDAU08	69.15
EDAZ08	12.28	0.12	ZN-EDAZ08	86.61
EDAH09	12.35	0.19	ZN-EDAH09	93.34
EDAM09	12.42	0.26	ZN-EDAM09	94.09
EDAU09	12.49	0.33	ZN-EDAU09	91.86
EDAZ09	12.57	0.41	ZN-EDAZ09	86.84
EDAH10	12.63	0.47	ZN-EDAH10	80.72
EDAM10	12.71	0.55	ZN-EDAM10	72.14

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	0.095	5.66	ZN-EDAU07
EDAZ07	0.345	5.66	ZN-EDAZ07
EDAH08	0.594	5.66	ZN-EDAH08
EDAM08	0.843	5.66	ZN-EDAM08
EDAU08	1.092	5.66	ZN-EDAU08
EDAZ08	1.342	5.66	ZN-EDAZ08
EDAH09	1.591	5.66	ZN-EDAH09
EDAM09	1.840	5.66	ZN-EDAM09
EDAU09	2.090	5.66	ZN-EDAU09
EDAZ09	2.339	5.66	ZN-EDAZ09
EDAH10	2.588	5.66	ZN-EDAH10
EDAM10	2.838	5.66	ZN-EDAM10

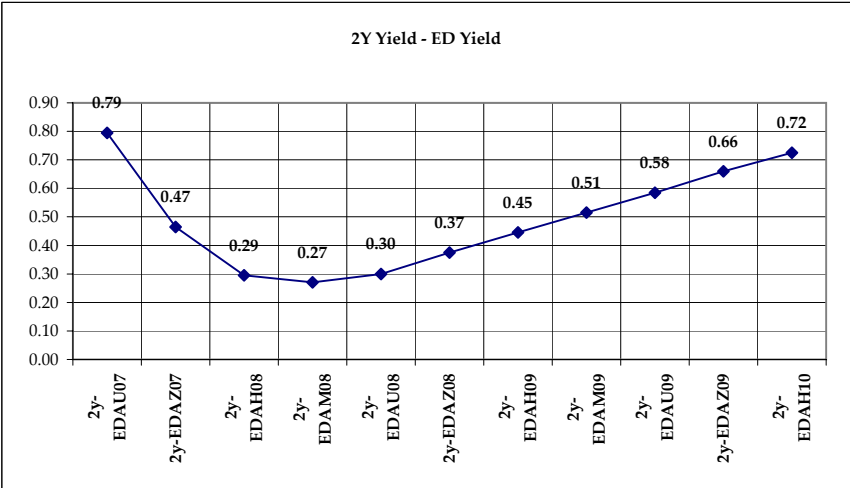
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.58	0.79	2y-EDAU07	-83.792
EDAZ07	5.25	0.47	2y-EDAZ07	-81.724
EDAH08	5.08	0.29	2y-EDAH08	-81.315
EDAM08	5.05	0.27	2y-EDAM08	-86.830
EDAU08	5.08	0.30	2y-EDAU08	-91.741
EDAZ08	5.16	0.37	2y-EDAZ08	-86.830
EDAH09	5.23	0.45	2y-EDAH09	-81.915
EDAM09	5.30	0.51	2y-EDAM09	-78.911
EDAU09	5.37	0.58	2y-EDAU09	-77.392
EDAZ09	5.44	0.66	2y-EDAZ09	-75.563
EDAH10	5.51	0.72	2y-EDAH10	-70.267
EDAM10	5.58	0.80	2y-EDAM10	-60.651

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.

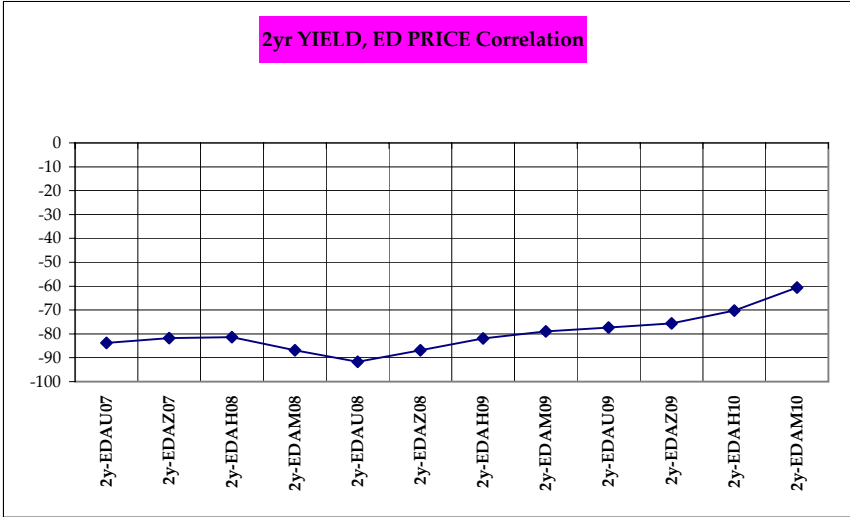


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.095	1.76	2y-EDAU07
EDAZ07	0.345	1.51	2y-EDAZ07
EDAH08	0.594	1.26	2y-EDAH08
EDAM08	0.843	1.01	2y-EDAM08
EDAU08	1.092	0.76	2y-EDAU08
EDAZ08	1.342	0.51	2y-EDAZ08
EDAH09	1.591	0.26	2y-EDAH09
EDAM09	1.840	0.01	2y-EDAM09
EDAU09	2.090	(0.24)	2y-EDAU09
EDAZ09	2.339	(0.48)	2y-EDAZ09
EDAH10	2.588	(0.73)	2y-EDAH10
EDAM10	2.838	(0.98)	2y-EDAM10

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

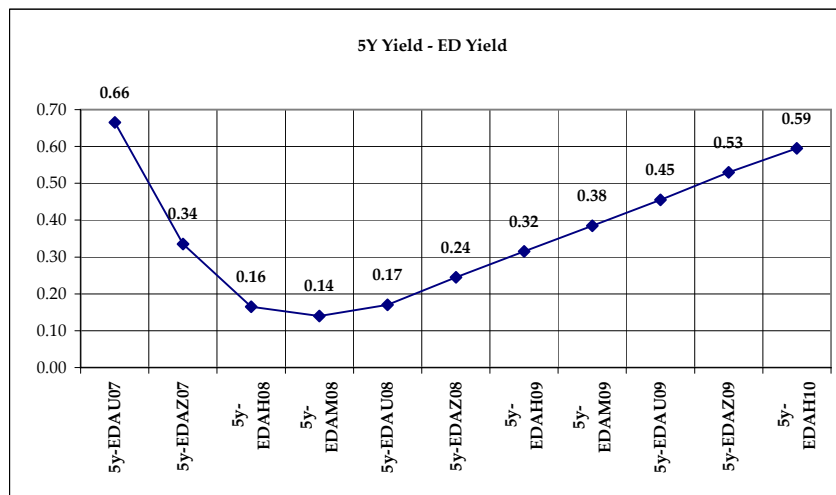
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.47	0.66	5y-EDAU07	-77.515
EDAZ07	5.14	0.34	5y-EDAZ07	-52.243
EDAH08	4.97	0.16	5y-EDAH08	-50.680
EDAM08	4.94	0.14	5y-EDAM08	-61.093
EDAU08	4.97	0.17	5y-EDAU08	-75.856
EDAZ08	5.05	0.24	5y-EDAZ08	-61.093
EDAH09	5.12	0.32	5y-EDAH09	-91.533
EDAM09	5.19	0.38	5y-EDAM09	-90.738
EDAU09	5.26	0.45	5y-EDAU09	-87.651
EDAZ09	5.33	0.53	5y-EDAZ09	-81.375
EDAH10	5.40	0.59	5y-EDAH10	-73.612
EDAM10	5.47	0.67	5y-EDAM10	-63.699

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.

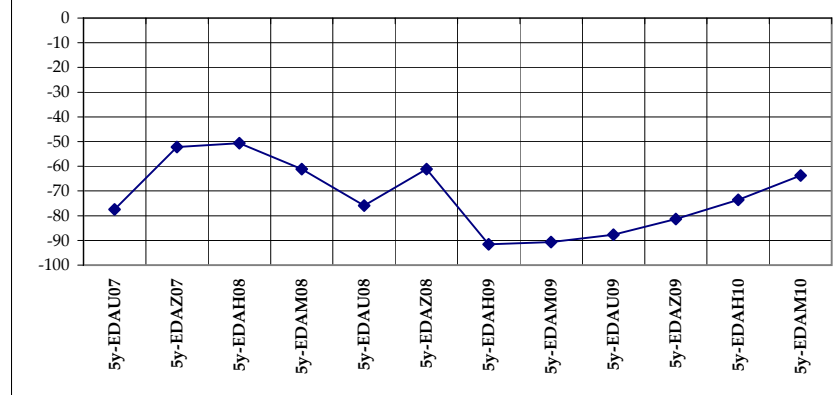


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.095	4.38	4.29	5y-EDAU07
EDAZ07	0.345	4.38	4.04	5y-EDAZ07
EDAH08	0.594	4.38	3.79	5y-EDAH08
EDAM08	0.843	4.38	3.54	5y-EDAM08
EDAU08	1.092	4.38	3.29	5y-EDAU08
EDAZ08	1.342	4.38	3.04	5y-EDAZ08
EDAH09	1.591	4.38	2.79	5y-EDAH09
EDAM09	1.840	4.38	2.54	5y-EDAM09
EDAU09	2.090	4.38	2.29	5y-EDAU09
EDAZ09	2.339	4.38	2.04	5y-EDAZ09
EDAH10	2.588	4.38	1.79	5y-EDAH10
EDAM10	2.838	4.38	1.55	5y-EDAM10

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

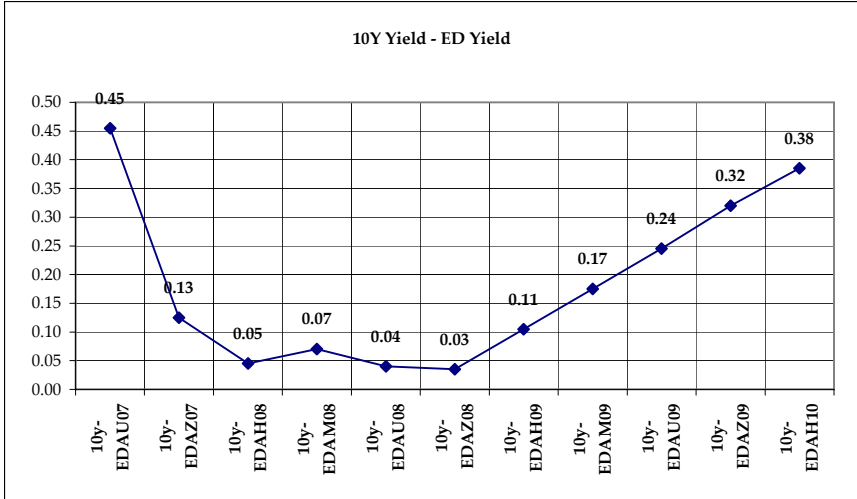
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

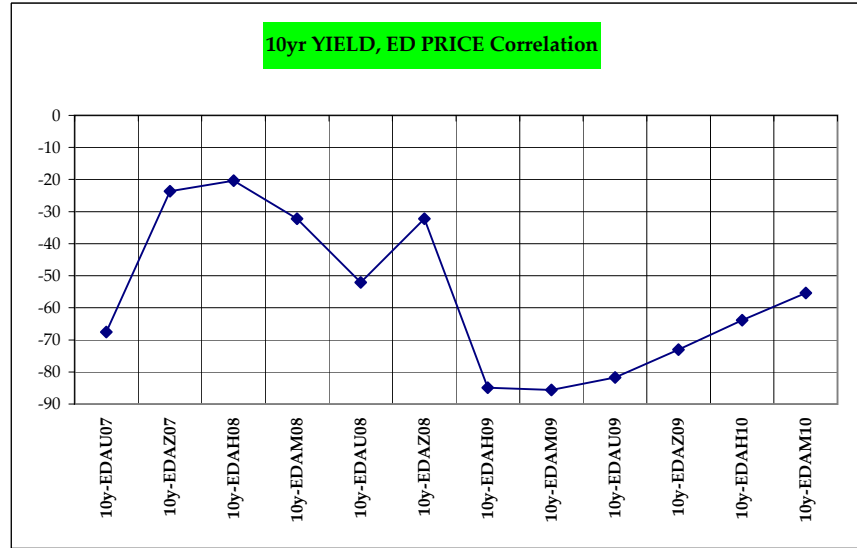
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.47	0.45	10y-EDAU07	-67.596
EDAZ07	5.14	0.13	10y-EDAZ07	-23.683
EDAH08	4.97	0.05	10y-EDAH08	-20.381
EDAM08	4.94	0.07	10y-EDAM08	-32.217
EDAU08	4.97	0.04	10y-EDAU08	-52.041
EDAZ08	5.05	0.03	10y-EDAZ08	-32.217
EDAH09	5.12	0.11	10y-EDAH09	-84.938
EDAM09	5.19	0.17	10y-EDAM09	-85.588
EDAU09	5.26	0.24	10y-EDAU09	-81.680
EDAZ09	5.33	0.32	10y-EDAZ09	-72.991
EDAH10	5.40	0.38	10y-EDAH10	-63.890
EDAM10	5.47	0.46	10y-EDAM10	-55.346

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	0.095	7.70	7.61	10y-EDAU07
EDAZ07	0.345	7.70	7.36	10y-EDAZ07
EDAH08	0.594	7.70	7.11	10y-EDAH08
EDAM08	0.843	7.70	6.86	10y-EDAM08
EDAU08	1.092	7.70	6.61	10y-EDAU08
EDAZ08	1.342	7.70	6.36	10y-EDAZ08
EDAH09	1.591	7.70	6.11	10y-EDAH09
EDAM09	1.840	7.70	5.86	10y-EDAM09
EDAU09	2.090	7.70	5.61	10y-EDAU09
EDAZ09	2.339	7.70	5.36	10y-EDAZ09
EDAH10	2.588	7.70	5.11	10y-EDAH10
EDAM10	2.838	7.70	4.87	10y-EDAM10

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

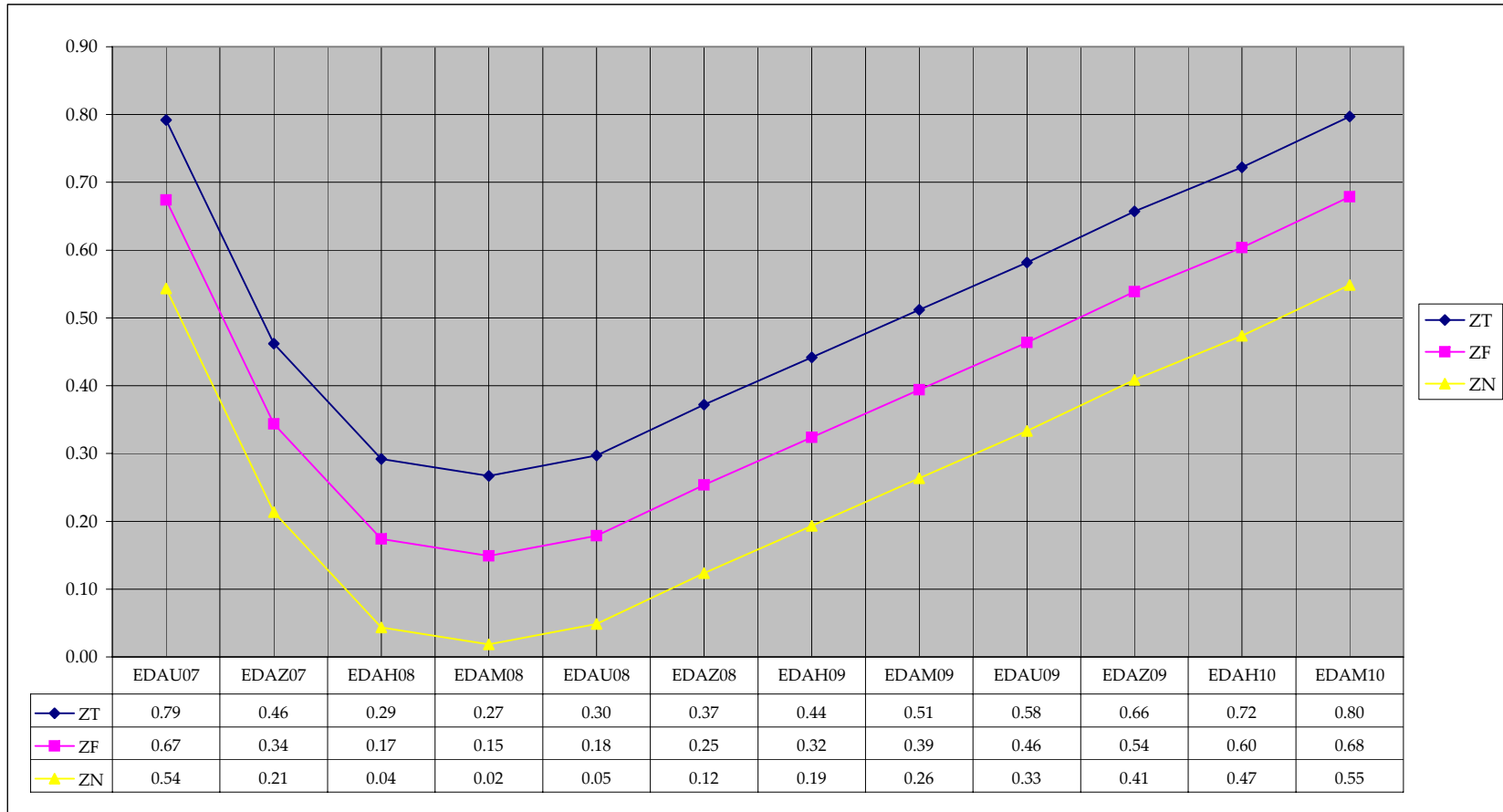


Dirty TED Curve

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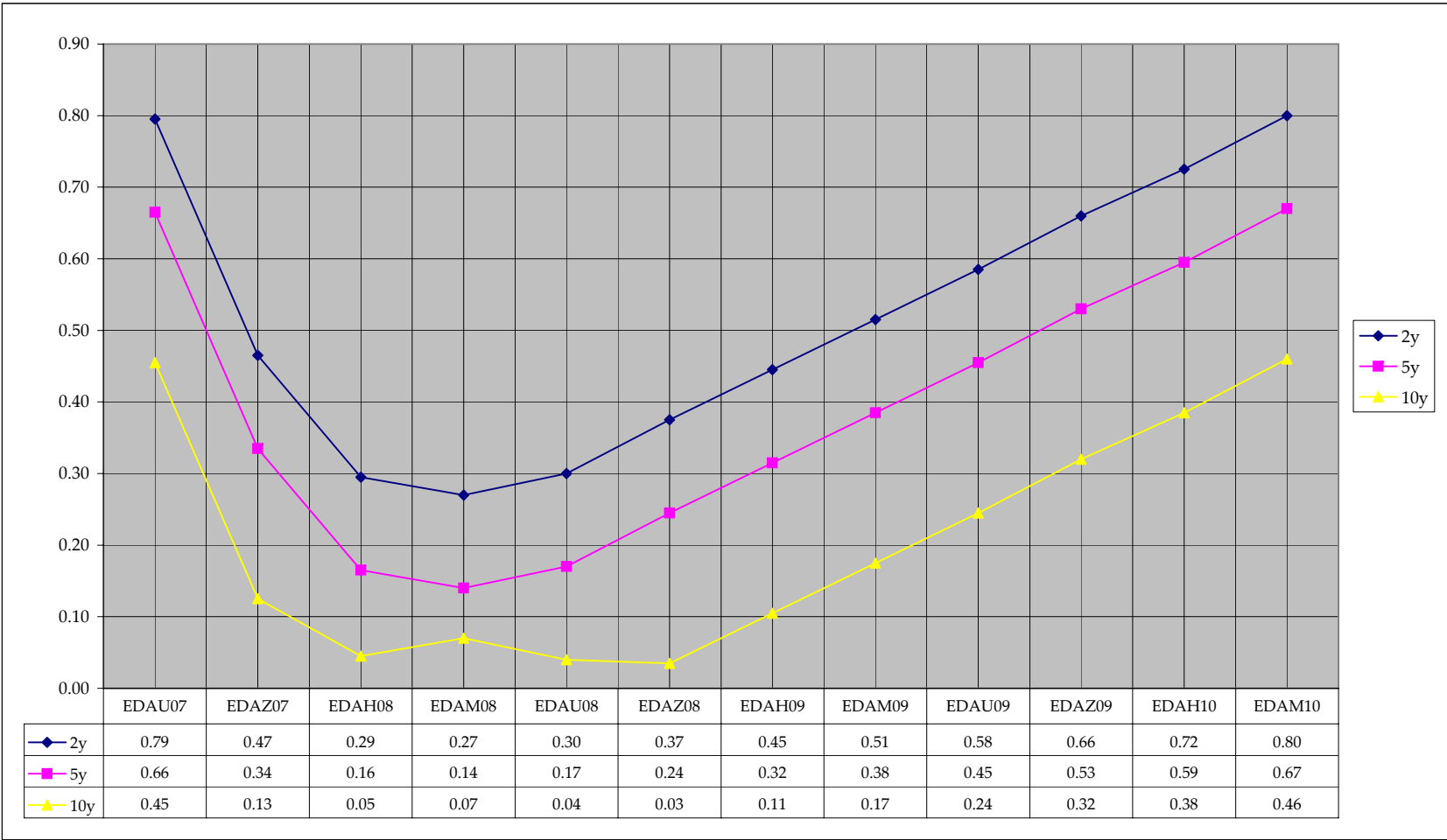
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

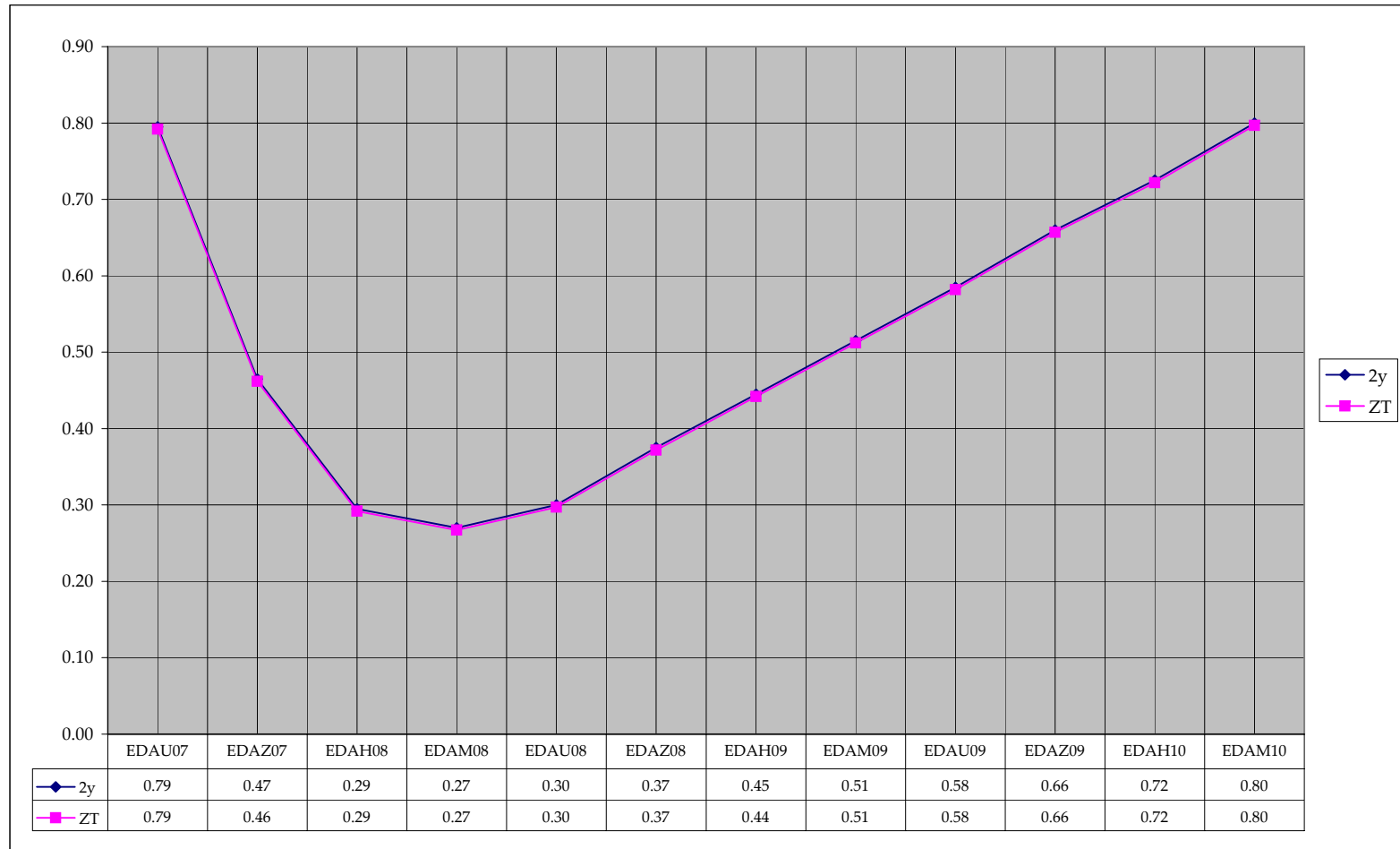


TED Curve

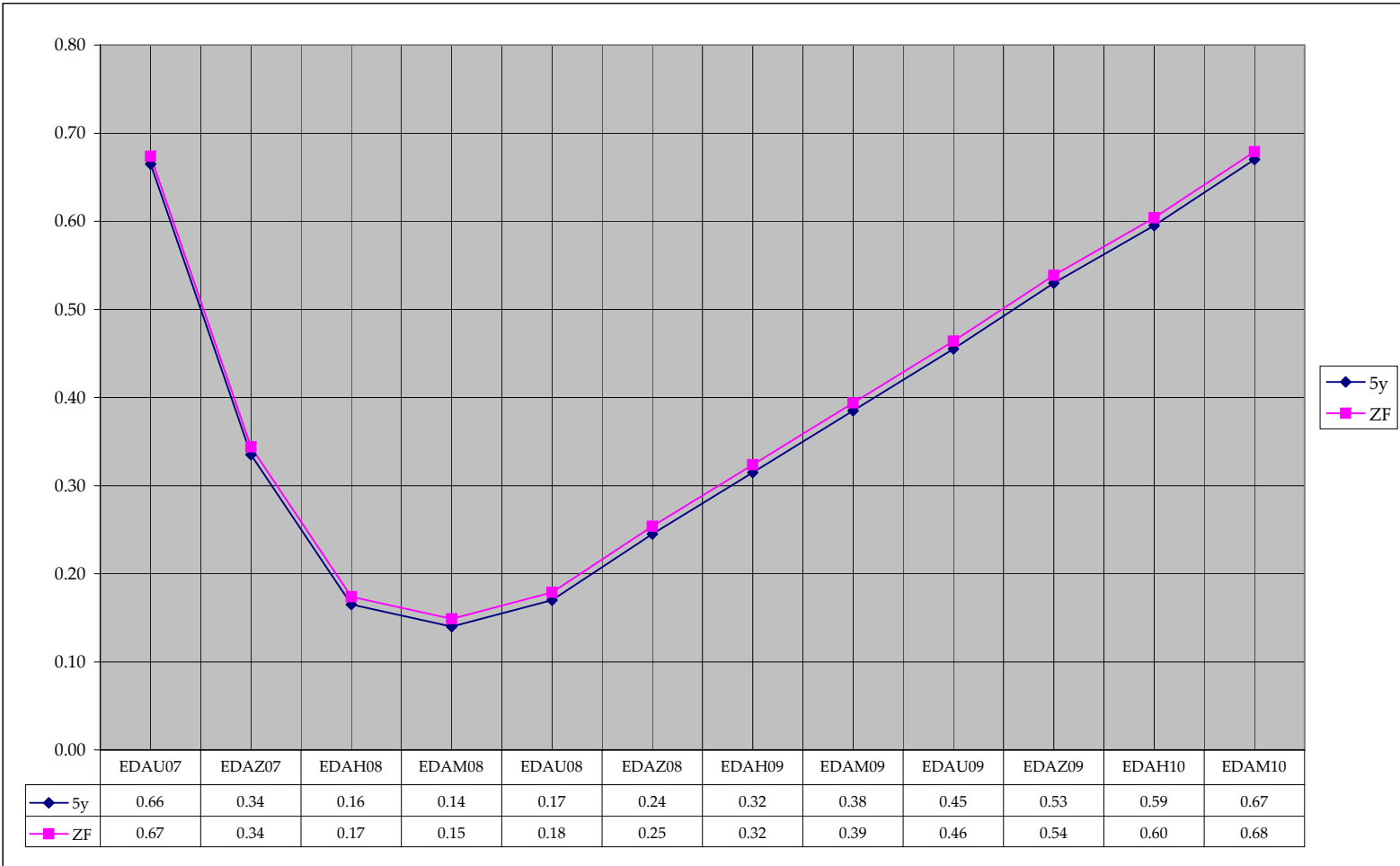
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



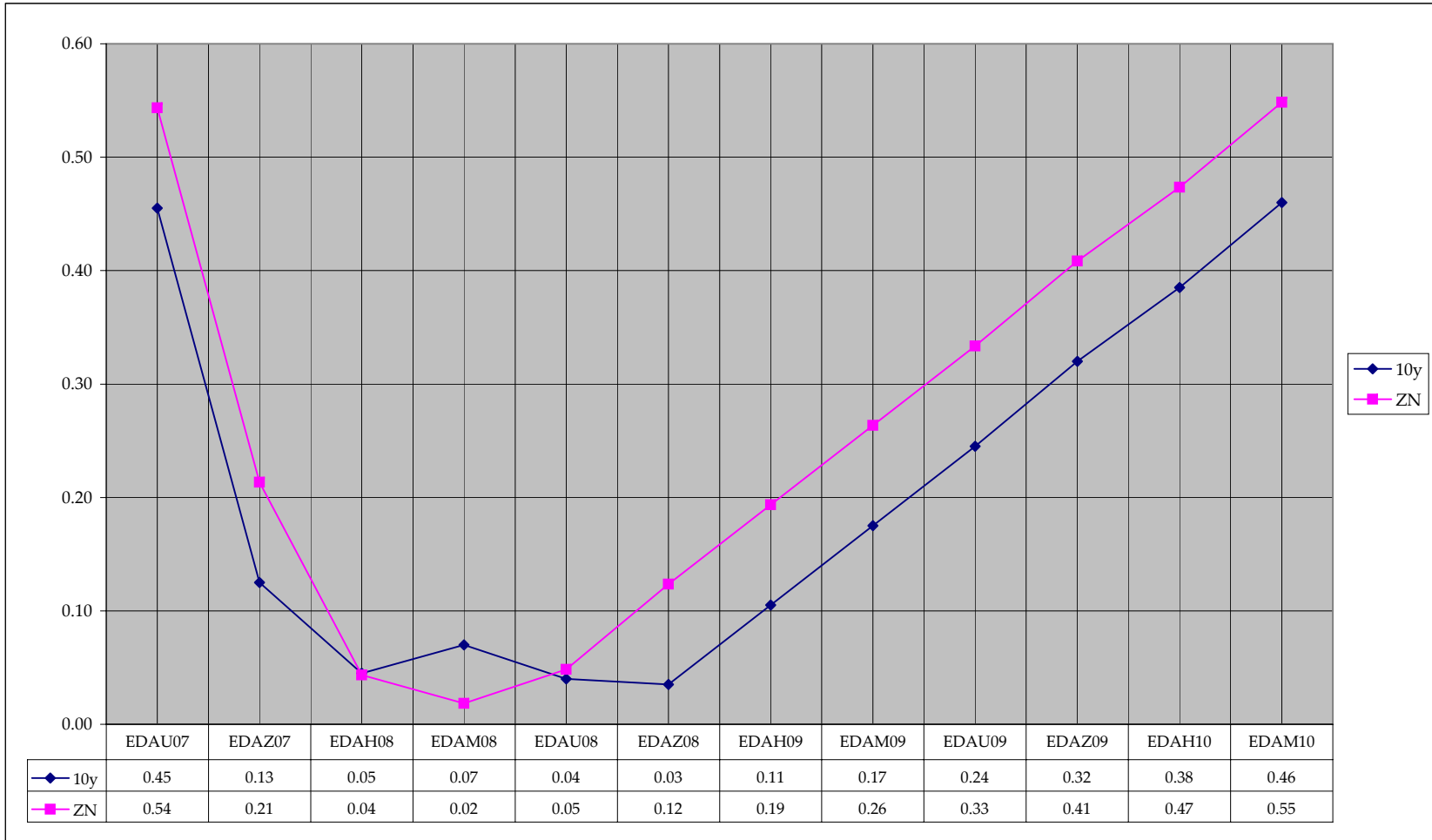
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	5.026	1.125	9510.375
Q.ED.Red	4.976	1.000	9515.125
Q.ED.Green	5.271	-0.625	9486.750
Q.ED.Blue	0.000	0.000	9466.375
Q.ED.Gold	0.000	0.000	9448.125
Q.ED.Purple	0.000	0.000	9448.125

