

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	102.7563	102.242	4.337	1.76	
ZF	105.9844	105.315	4.452	3.83	
ZN	108.0781	108.025	4.561	5.66	
2y	100.538	100.1720	4.330	1.85	
5y	100.741	100.2370	4.455	4.38	
10y	100.359	100.1150	4.703	7.89	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.710	5.290	33	0.090	SEP	White Pack	
EDAZ07	95.075	4.925	124	0.339	DEC		
EDAH08	95.305	4.695	215	0.588	MAR		
EDAM08	95.360	4.640	306	0.838	JUN	Red Pack	
EDAU08	95.315	4.685	397	1.087	SEP		
EDAZ08	95.245	4.755	488	1.336	DEC		
EDAH09	95.175	4.825	579	1.586	MAR	Green Pack	
EDAM09	95.100	4.900	670	1.835	JUN		
EDAU09	95.025	4.975	761	2.084	SEP		
EDAZ09	94.930	5.070	852	2.334	DEC	Blue Pack	
EDAH10	94.880	5.120	943	2.583	MAR		
EDAM10	94.800	5.200	1034	2.832	JUN		
EDAU10	94.735	5.265	1125	3.082	SEP	Gold Pack	
EDAZ10	94.680	5.320	1216	3.331	DEC		
EDAH11	94.630	5.370	1307	3.580	MAR		
EDAM11	94.575	5.425	1398	3.829	JUN		
EDAU11	94.530	5.470	1496	4.098	SEP		
EDAZ11	94.505	5.495	1587	4.347	DEC		
EDAH12	94.475	5.525	1678	4.597	MAR		
EDAM12	94.405	5.595	1769	4.846	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	5.017	1.250	9511.250	Pack Prices
Q.ED.Red	4.917	2.750	9520.875	
Q.ED.Green	5.229	2.125	9490.875	
Q.ED.Blue		0.000	9465.375	
Q.ED.Gold		0.000	9446.625	
Q.ED.Purple		0.000	9446.625	

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

8/15/2007 5:46

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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

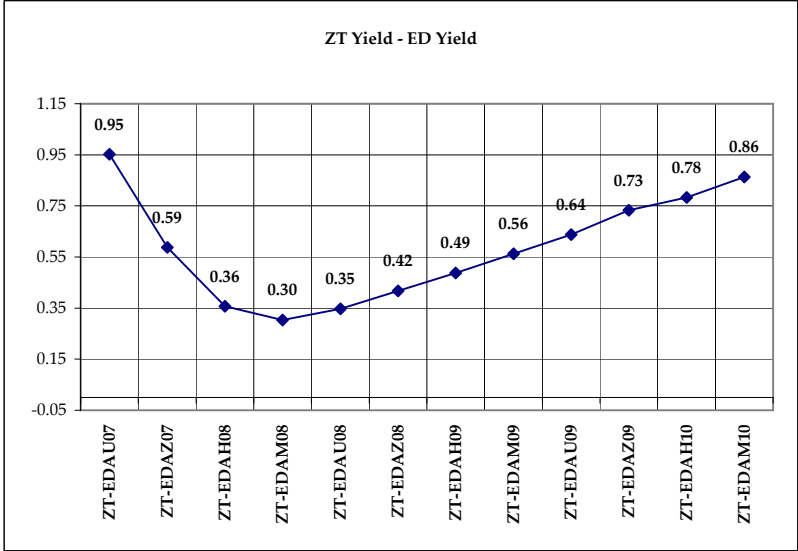
Eurodollar Color Codes for Individual Year Strips:

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

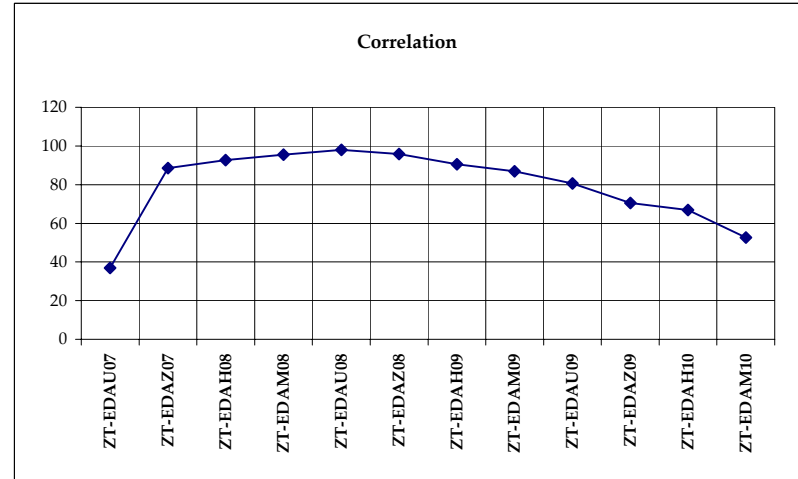
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	8.046	0.95	ZT-EDAU07	36.835
EDAZ07	7.681	0.59	ZT-EDAZ07	88.527
EDAH08	7.451	0.36	ZT-EDAH08	92.641
EDAM08	7.396	0.30	ZT-EDAM08	95.456
EDAU08	7.441	0.35	ZT-EDAU08	97.976
EDAZ08	7.511	0.42	ZT-EDAZ08	95.764
EDAH09	7.581	0.49	ZT-EDAH09	90.597
EDAM09	7.656	0.56	ZT-EDAM09	86.935
EDAU09	7.731	0.64	ZT-EDAU09	80.689
EDAZ09	7.826	0.73	ZT-EDAZ09	70.556
EDAH10	7.876	0.78	ZT-EDAH10	66.881
EDAM10	7.956	0.86	ZT-EDAM10	52.644

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	0.090	1.76	1.67	ZT-EDAU07
EDAZ07	0.339	1.76	1.43	ZT-EDAZ07
EDAH08	0.588	1.76	1.18	ZT-EDAH08
EDAM08	0.838	1.76	0.93	ZT-EDAM08
EDAU08	1.087	1.76	0.68	ZT-EDAU08
EDAZ08	1.336	1.76	0.43	ZT-EDAZ08
EDAH09	1.586	1.76	0.18	ZT-EDAH09
EDAM09	1.835	1.76	(0.07)	ZT-EDAM09
EDAU09	2.084	1.76	(0.32)	ZT-EDAU09
EDAZ09	2.334	1.76	(0.57)	ZT-EDAZ09
EDAH10	2.583	1.76	(0.82)	ZT-EDAH10
EDAM10	2.832	1.76	(1.07)	ZT-EDAM10

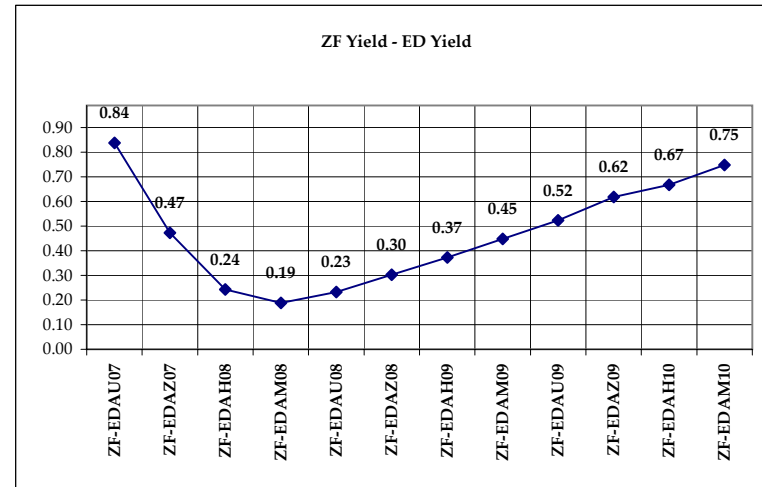
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	11.27	0.84	ZF-EDAU07	39.738
EDAZ07	10.91	0.47	ZF-EDAZ07	73.339
EDAH08	10.68	0.24	ZF-EDAH08	77.385
EDAM08	10.62	0.19	ZF-EDAM08	83.117
EDAU08	10.67	0.23	ZF-EDAU08	91.061
EDAZ08	10.74	0.30	ZF-EDAZ08	96.538
EDAH09	10.81	0.37	ZF-EDAH09	97.115
EDAM09	10.88	0.45	ZF-EDAM09	96.032
EDAU09	10.96	0.52	ZF-EDAU09	93.018
EDAZ09	11.05	0.62	ZF-EDAZ09	85.210
EDAH10	11.10	0.67	ZF-EDAH10	82.270
EDAM10	11.18	0.75	ZF-EDAM10	70.164

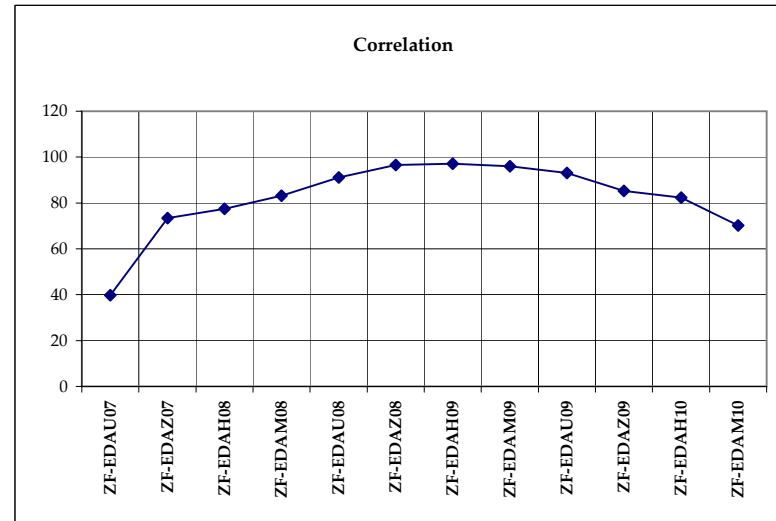
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.090	3.83	ZF-EDAU07
EDAZ07	0.339	3.83	ZF-EDAZ07
EDAH08	0.588	3.83	ZF-EDAH08
EDAM08	0.838	3.83	ZF-EDAM08
EDAU08	1.087	3.83	ZF-EDAU08
EDAZ08	1.336	3.83	ZF-EDAZ08
EDAH09	1.586	3.83	ZF-EDAH09
EDAM09	1.835	3.83	ZF-EDAM09
EDAU09	2.084	3.83	ZF-EDAU09
EDAZ09	2.334	3.83	ZF-EDAZ09
EDAH10	2.583	3.83	ZF-EDAH10
EDAM10	2.832	3.83	ZF-EDAM10

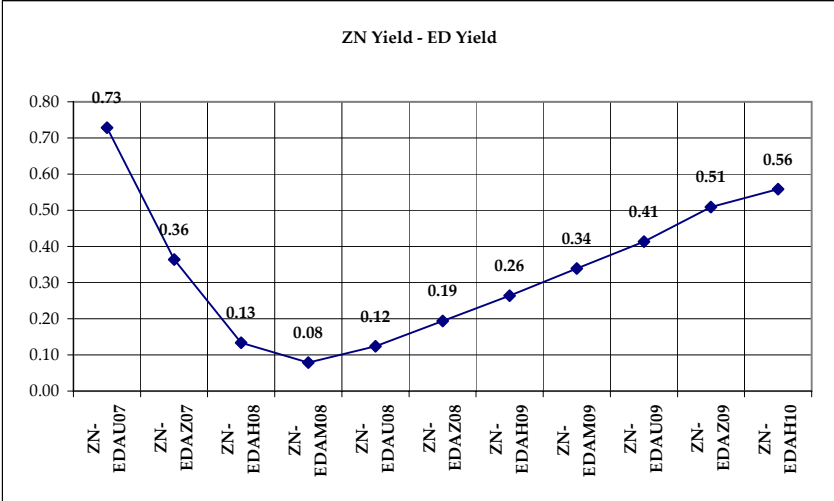
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

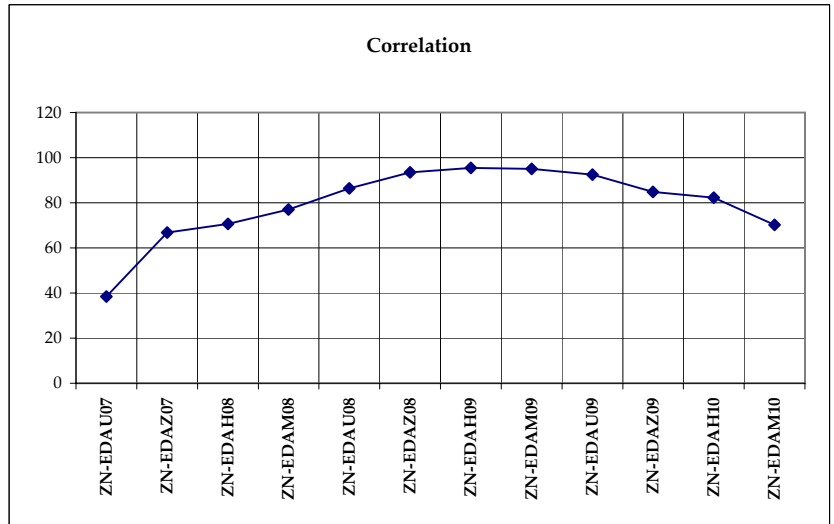
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	13.37	0.73	ZN-EDAU07	38.49
EDAZ07	13.00	0.36	ZN-EDAZ07	66.85
EDAH08	12.77	0.13	ZN-EDAH08	70.70
EDAM08	12.72	0.08	ZN-EDAM08	76.99
EDAU08	12.76	0.12	ZN-EDAU08	86.33
EDAZ08	12.83	0.19	ZN-EDAZ08	93.44
EDAH09	12.90	0.26	ZN-EDAH09	95.40
EDAM09	12.98	0.34	ZN-EDAM09	95.09
EDAU09	13.05	0.41	ZN-EDAU09	92.41
EDAZ09	13.15	0.51	ZN-EDAZ09	84.88
EDAH10	13.20	0.56	ZN-EDAH10	82.27
EDAM10	13.28	0.64	ZN-EDAM10	70.16

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	0.090	5.66	5.57	ZN-EDAU07
EDAZ07	0.339	5.66	5.32	ZN-EDAZ07
EDAH08	0.588	5.66	5.07	ZN-EDAH08
EDAM08	0.838	5.66	4.82	ZN-EDAM08
EDAU08	1.087	5.66	4.57	ZN-EDAU08
EDAZ08	1.336	5.66	4.32	ZN-EDAZ08
EDAH09	1.586	5.66	4.08	ZN-EDAH09
EDAM09	1.835	5.66	3.83	ZN-EDAM09
EDAU09	2.084	5.66	3.58	ZN-EDAU09
EDAZ09	2.334	5.66	3.33	ZN-EDAZ09
EDAH10	2.583	5.66	3.08	ZN-EDAH10
EDAM10	2.832	5.66	2.83	ZN-EDAM10

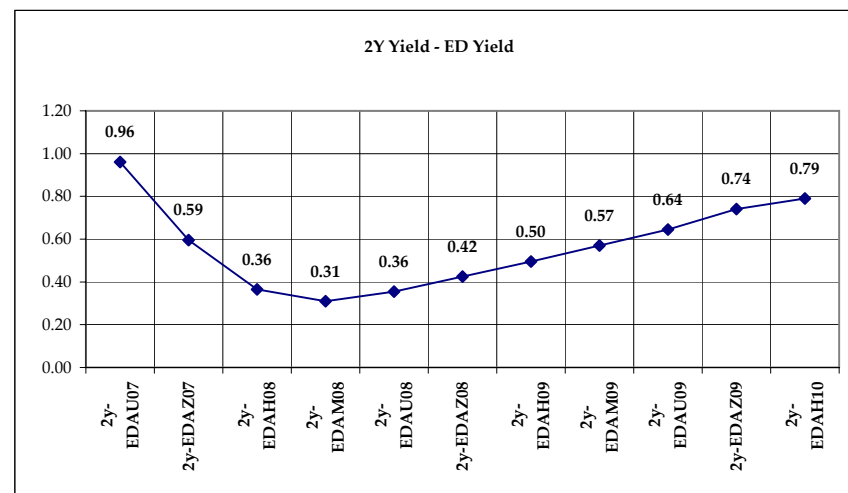
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.83	0.96	2y-EDAU07	-40.389
EDAZ07	5.46	0.59	2y-EDAZ07	-90.452
EDAH08	5.23	0.36	2y-EDAH08	-94.405
EDAM08	5.18	0.31	2y-EDAM08	-96.105
EDAU08	5.22	0.36	2y-EDAU08	-97.699
EDAZ08	5.29	0.42	2y-EDAZ08	-96.105
EDAH09	5.36	0.50	2y-EDAH09	-87.718
EDAM09	5.44	0.57	2y-EDAM09	-84.230
EDAU09	5.51	0.64	2y-EDAU09	-78.013
EDAZ09	5.61	0.74	2y-EDAZ09	-69.355
EDAH10	5.66	0.79	2y-EDAH10	-63.713
EDAM10	5.74	0.87	2y-EDAM10	-51.232

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.

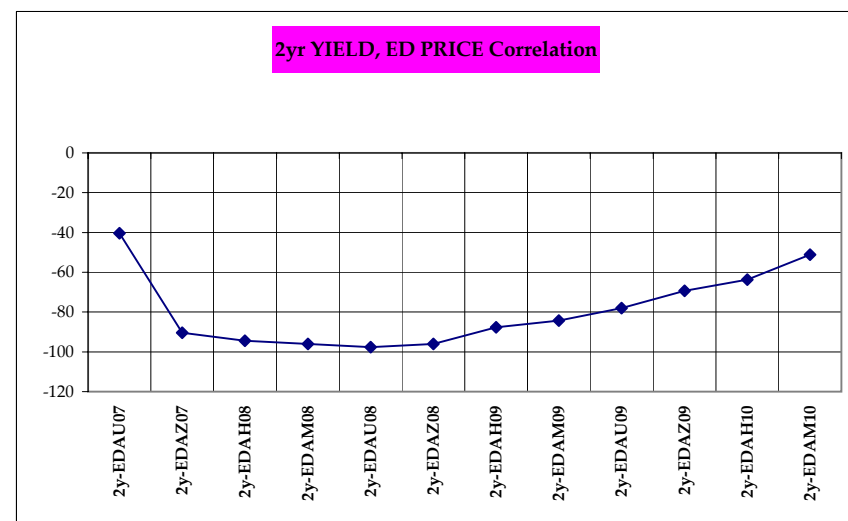


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.090	1.76	2y-EDAU07
EDAZ07	0.339	1.51	2y-EDAZ07
EDAH08	0.588	1.26	2y-EDAH08
EDAM08	0.838	1.01	2y-EDAM08
EDAU08	1.087	0.76	2y-EDAU08
EDAZ08	1.336	0.51	2y-EDAZ08
EDAH09	1.586	0.26	2y-EDAH09
EDAM09	1.835	0.01	2y-EDAM09
EDAU09	2.084	(0.23)	2y-EDAU09
EDAZ09	2.334	(0.48)	2y-EDAZ09
EDAH10	2.583	(0.73)	2y-EDAH10
EDAM10	2.832	(0.98)	2y-EDAM10

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

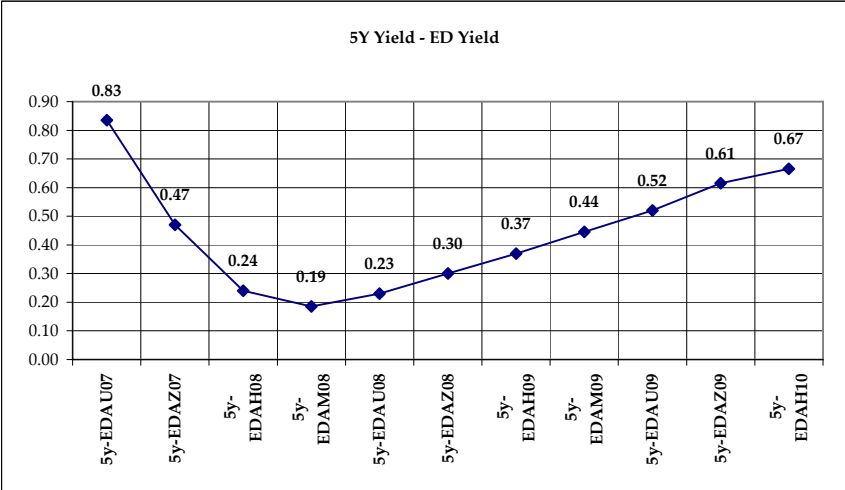
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.03	0.83	5y-EDAU07	-42.055
EDAZ07	5.67	0.47	5y-EDAZ07	-76.689
EDAH08	5.44	0.24	5y-EDAH08	-81.055
EDAM08	5.38	0.19	5y-EDAM08	-86.017
EDAU08	5.43	0.23	5y-EDAU08	-92.942
EDAZ08	5.50	0.30	5y-EDAZ08	-86.017
EDAH09	5.57	0.37	5y-EDAH09	-95.218
EDAM09	5.64	0.44	5y-EDAM09	-93.825
EDAU09	5.72	0.52	5y-EDAU09	-89.589
EDAZ09	5.81	0.61	5y-EDAZ09	-81.365
EDAH10	5.86	0.67	5y-EDAH10	-75.709
EDAM10	5.94	0.75	5y-EDAM10	-63.678

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.

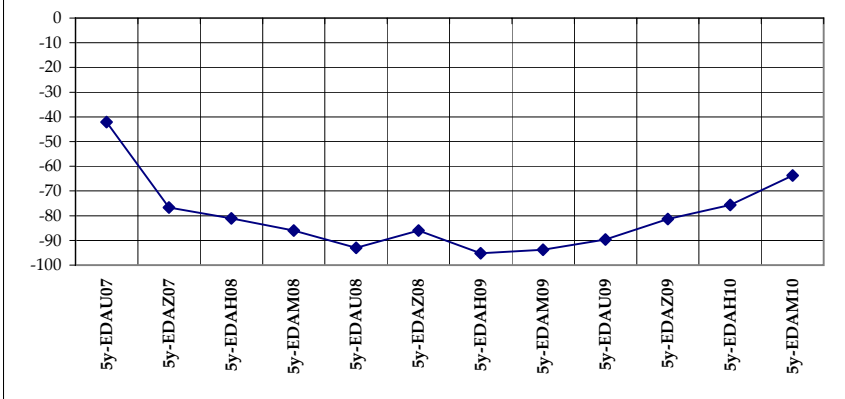


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAU07	0.090	4.38	4.29 5y-EDAU07
EDAZ07	0.339	4.38	4.04 5y-EDAZ07
EDAH08	0.588	4.38	3.79 5y-EDAH08
EDAM08	0.838	4.38	3.54 5y-EDAM08
EDAU08	1.087	4.38	3.29 5y-EDAU08
EDAZ08	1.336	4.38	3.05 5y-EDAZ08
EDAH09	1.586	4.38	2.80 5y-EDAH09
EDAM09	1.835	4.38	2.55 5y-EDAM09
EDAU09	2.084	4.38	2.30 5y-EDAU09
EDAZ09	2.334	4.38	2.05 5y-EDAZ09
EDAH10	2.583	4.38	1.80 5y-EDAH10
EDAM10	2.832	4.38	1.55 5y-EDAM10

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

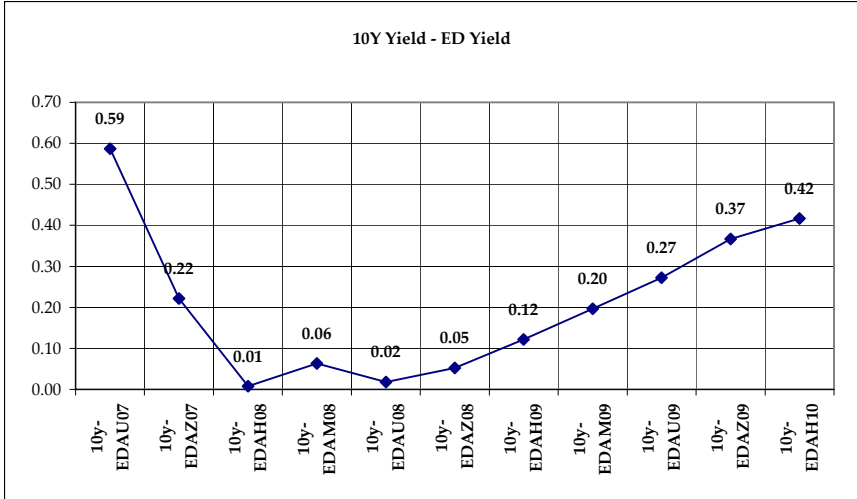
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

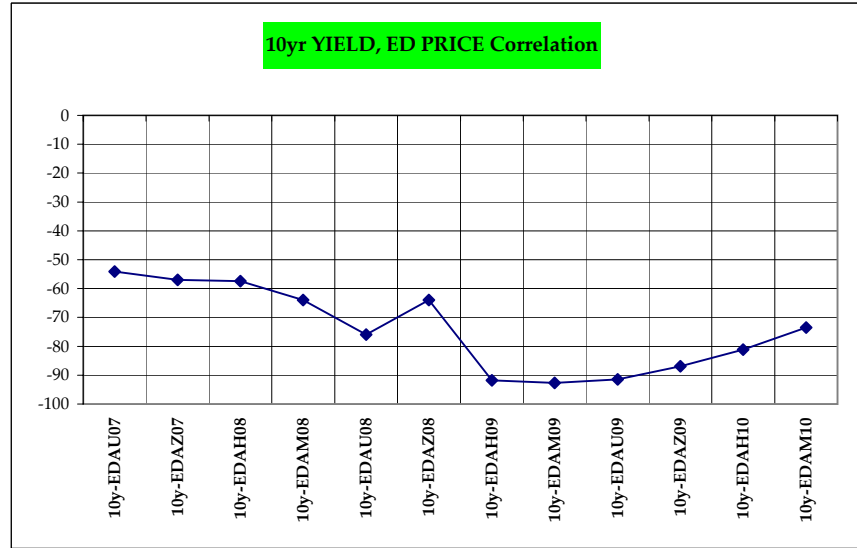
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.03	0.59	10y-EDAU07	-54.122
EDAZ07	5.67	0.22	10y-EDAZ07	-56.943
EDAH08	5.44	0.01	10y-EDAH08	-57.397
EDAM08	5.38	0.06	10y-EDAM08	-63.954
EDAU08	5.43	0.02	10y-EDAU08	-75.922
EDAZ08	5.50	0.05	10y-EDAZ08	-63.954
EDAH09	5.57	0.12	10y-EDAH09	-91.832
EDAM09	5.64	0.20	10y-EDAM09	-92.666
EDAU09	5.72	0.27	10y-EDAU09	-91.412
EDAZ09	5.81	0.37	10y-EDAZ09	-86.897
EDAH10	5.86	0.42	10y-EDAH10	-81.101
EDAM10	5.94	0.50	10y-EDAM10	-73.547

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.



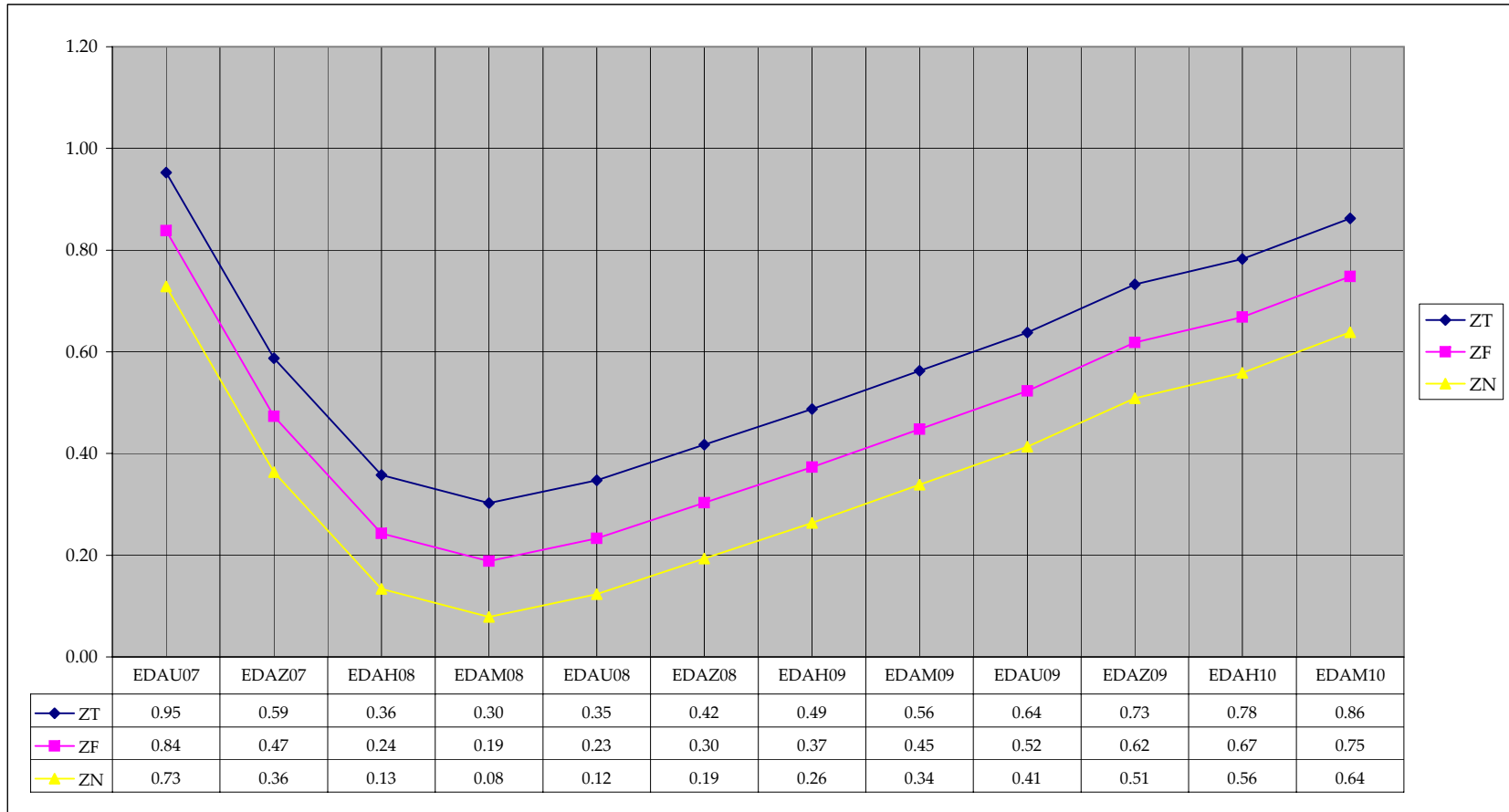
	GE Duration as Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.090	7.89	7.80	10y-EDAU07
EDAZ07	0.339	7.89	7.55	10y-EDAZ07
EDAH08	0.588	7.89	7.30	10y-EDAH08
EDAM08	0.838	7.89	7.05	10y-EDAM08
EDAU08	1.087	7.89	6.80	10y-EDAU08
EDAZ08	1.336	7.89	6.55	10y-EDAZ08
EDAH09	1.586	7.89	6.31	10y-EDAH09
EDAM09	1.835	7.89	6.06	10y-EDAM09
EDAU09	2.084	7.89	5.81	10y-EDAU09
EDAZ09	2.334	7.89	5.56	10y-EDAZ09
EDAH10	2.583	7.89	5.31	10y-EDAH10
EDAM10	2.832	7.89	5.06	10y-EDAM10

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



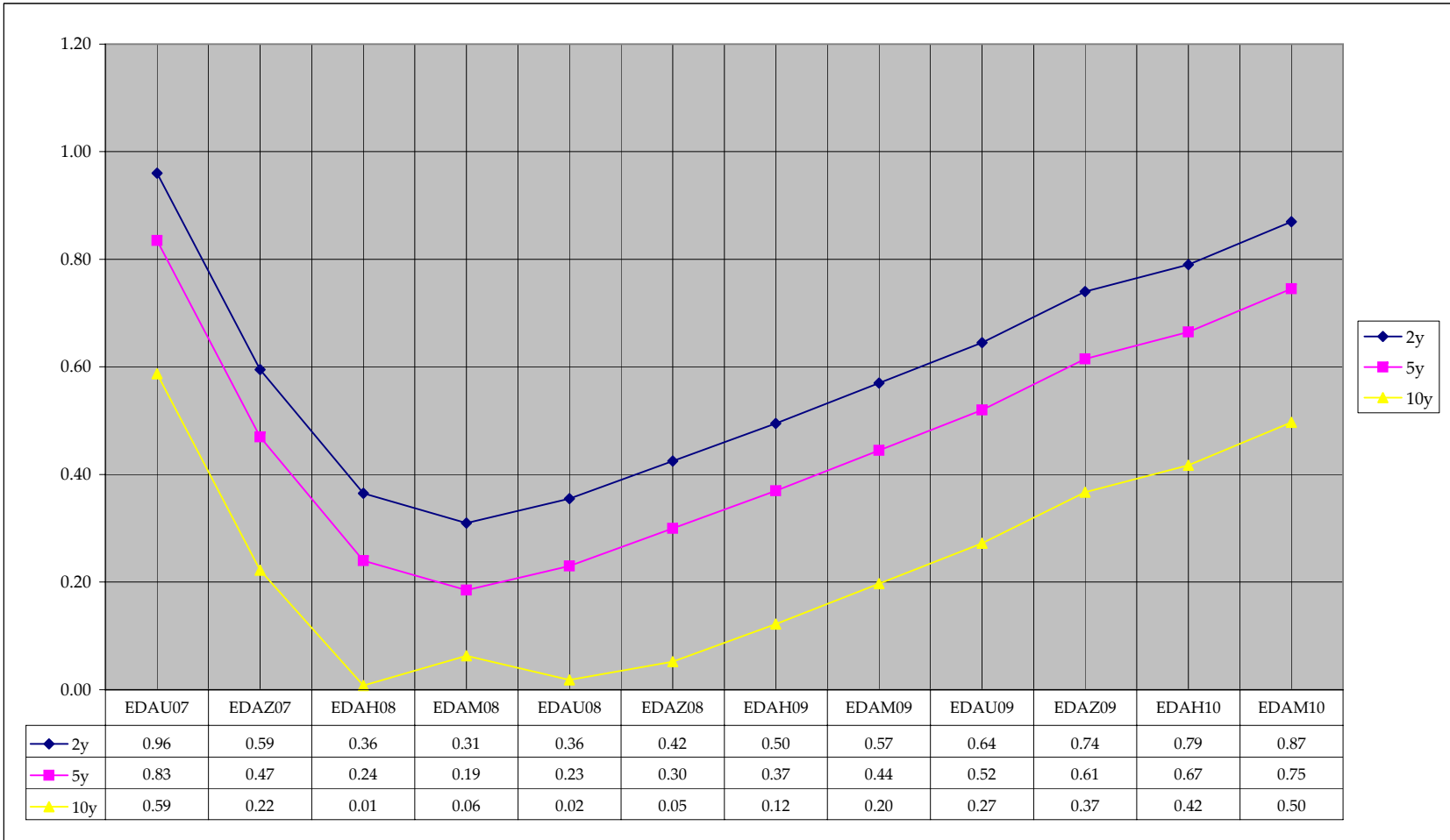
Dirty TED Curve

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.

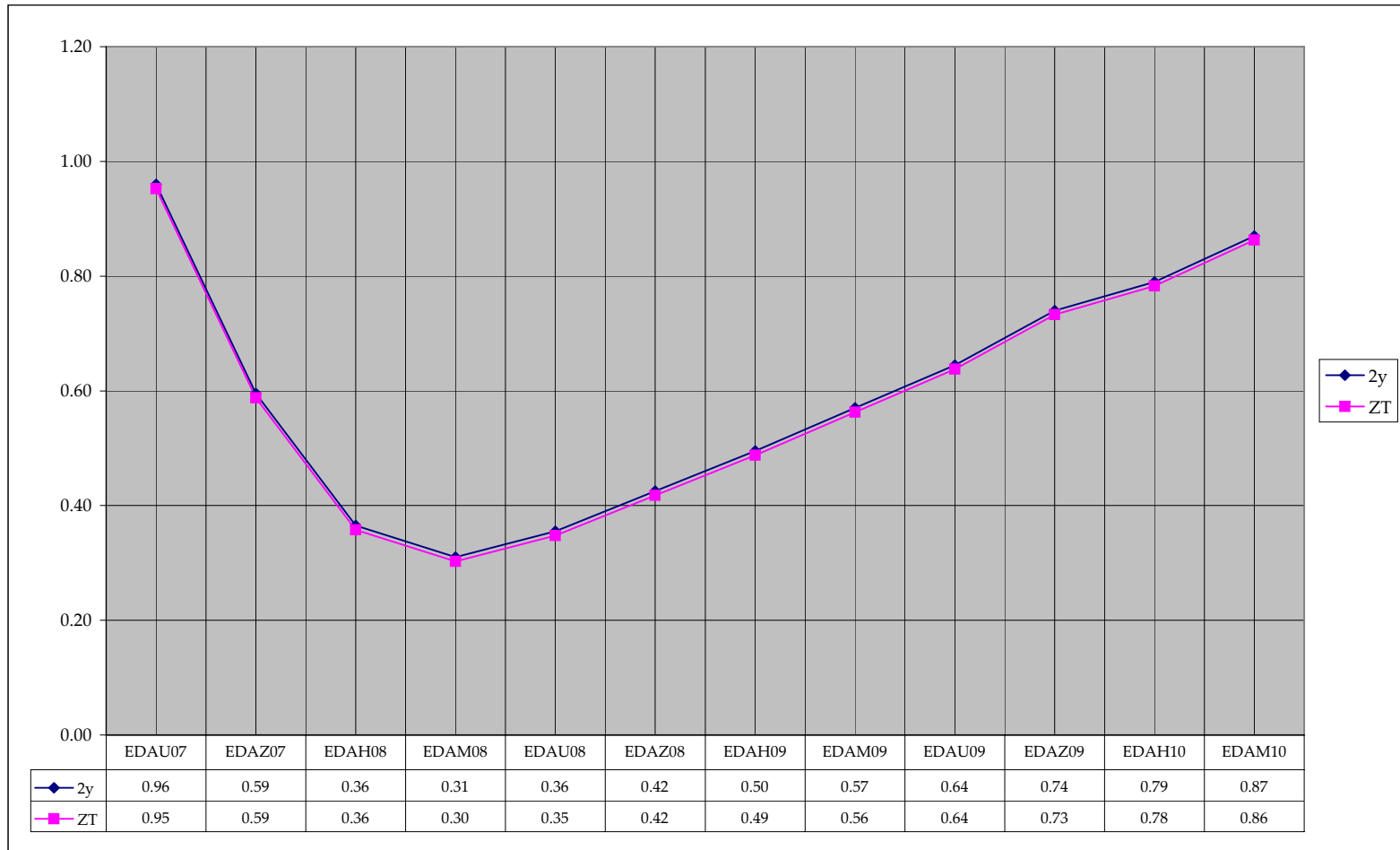


TED Curve

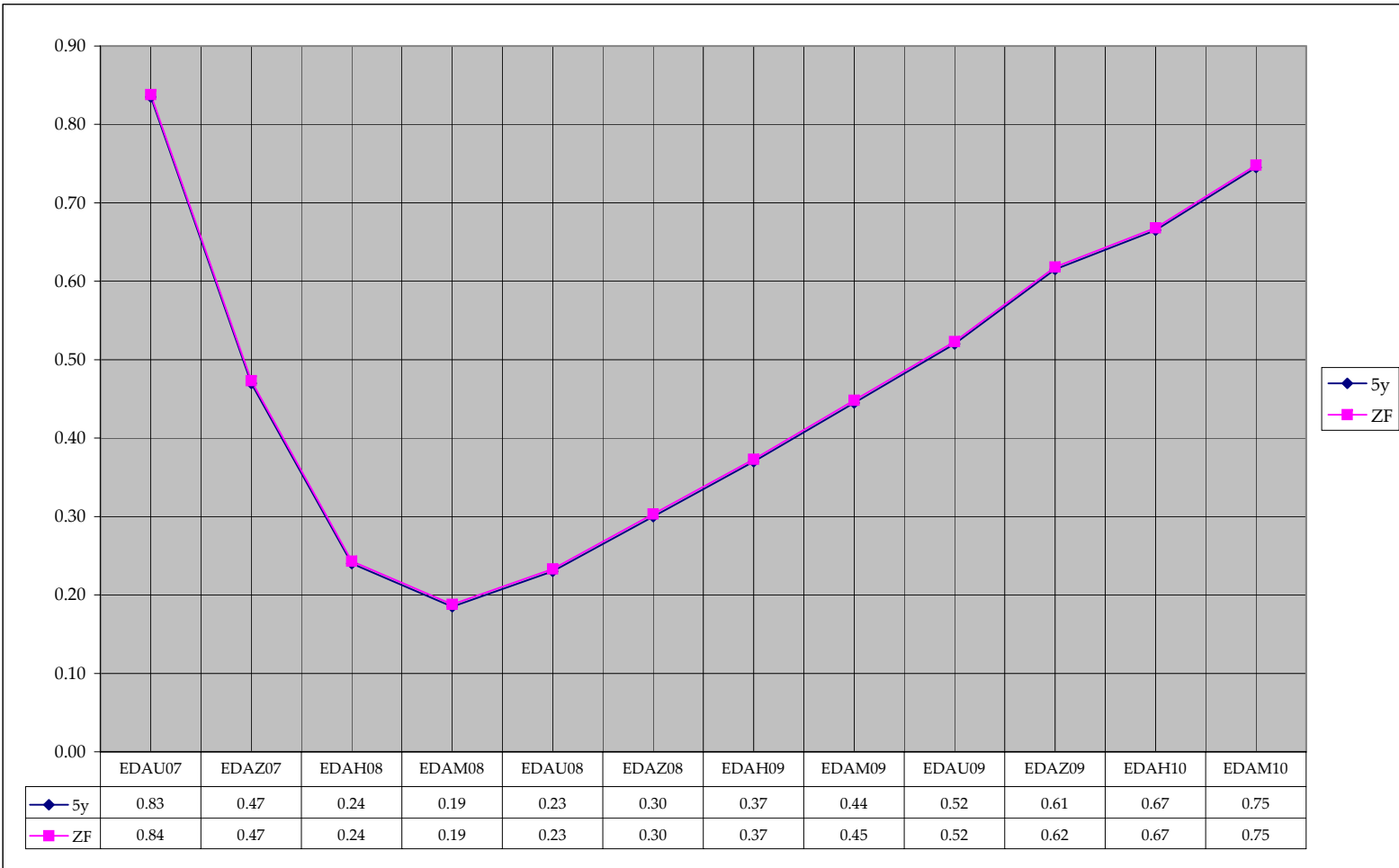
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



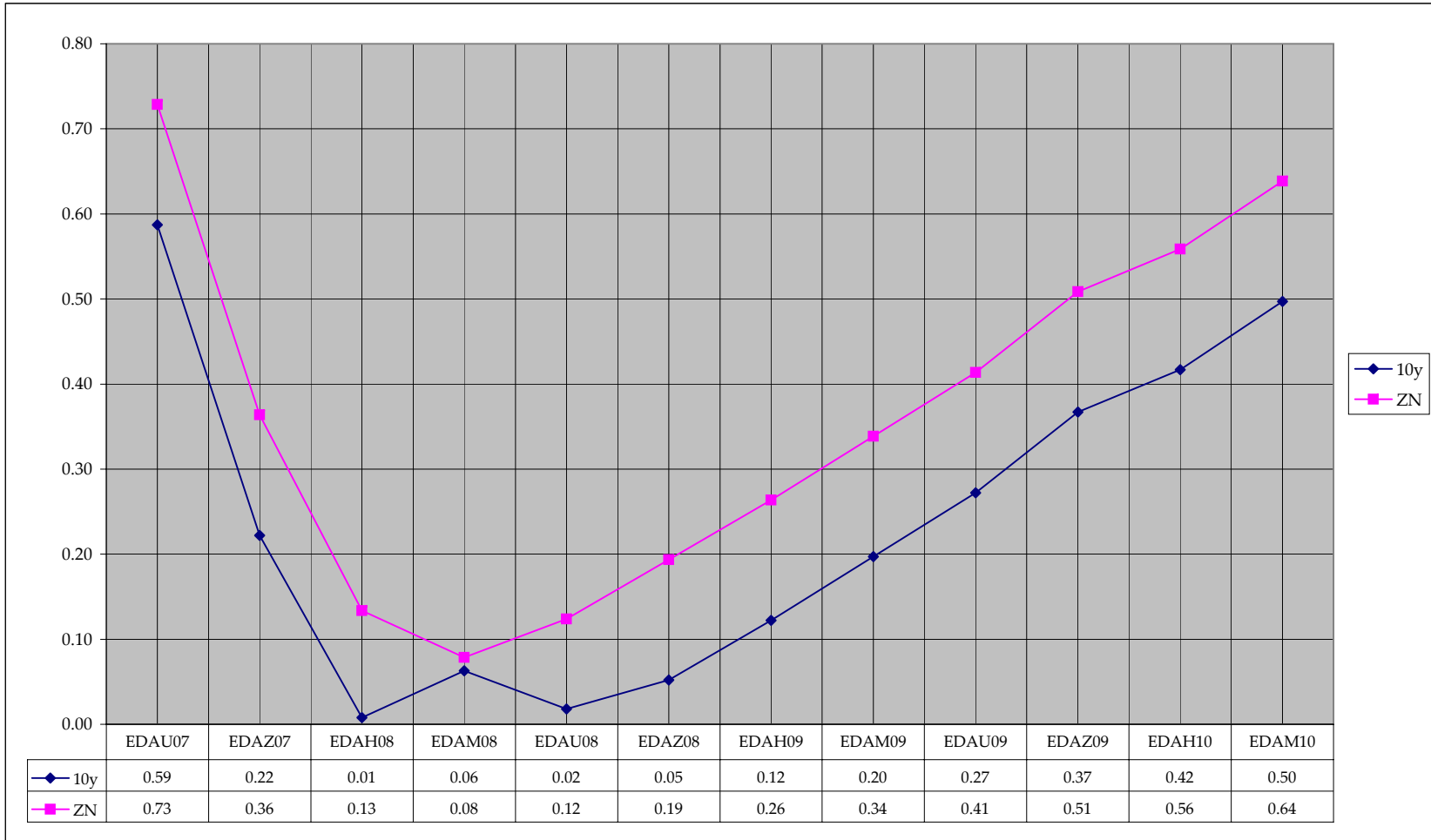
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	5.017	1.250	9511.250
Q.ED.Red	4.917	2.750	9520.875
Q.ED.Green	5.229	2.125	9490.875
Q.ED.Blue	0.000	0.000	9465.375
Q.ED.Gold	0.000	0.000	9446.625
Q.ED.Purple	0.000	0.000	9446.625

