

The Morning Email: Eurodollars & Fed Funds

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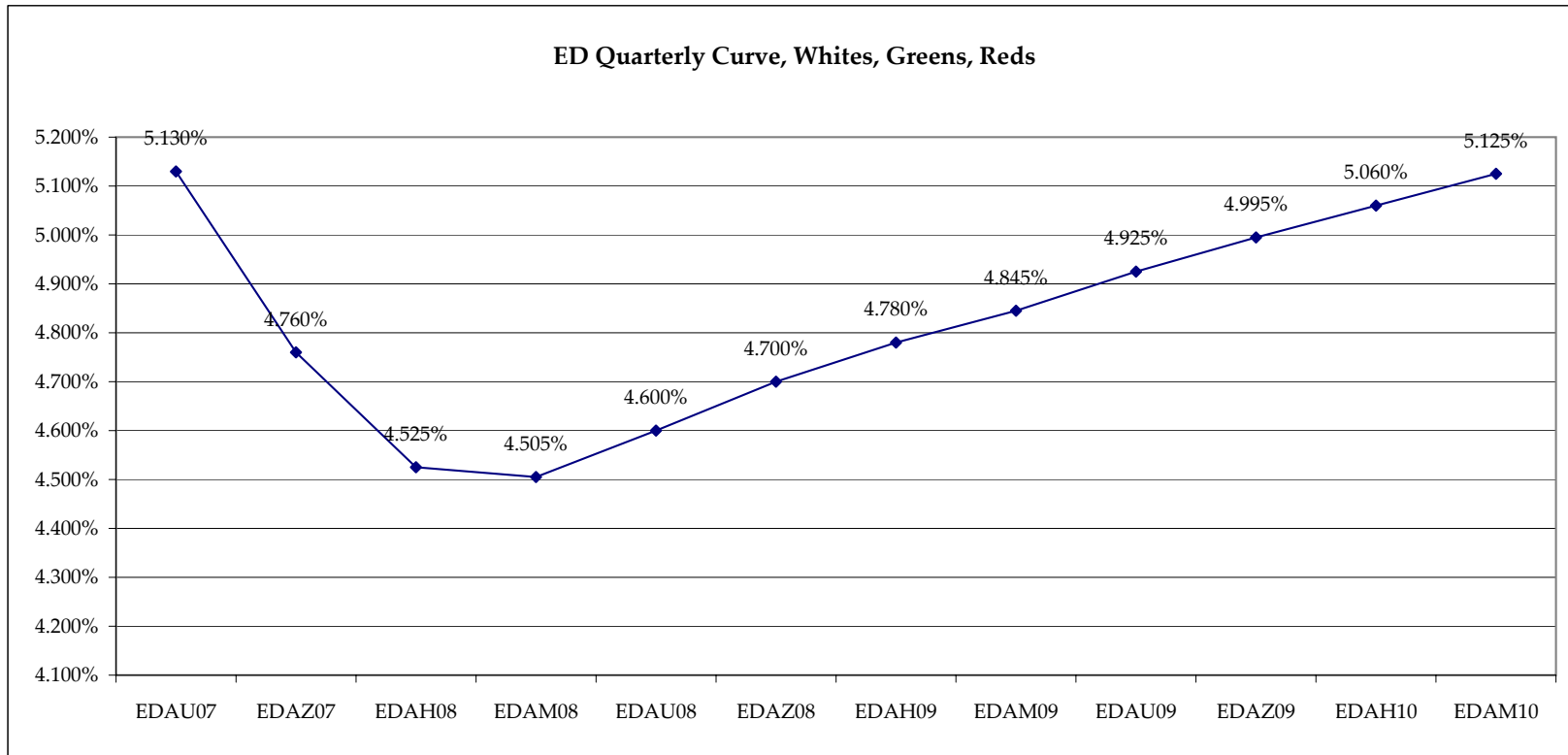
Want something added? Let me know: jgoulding@ghco.com

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| | Last | High | Low | Open | Month | Net | Exp Date | Implied | | |
|--------|--------|---------|---------|---------|-------|---------|------------|---------|---------|--------------|
| EDAU07 | 94.870 | 94.888 | 94.860 | 94.875 | SEP | -1.7 | 9/17/2007 | 5.130% | Whites | 1st Year |
| EDAZ07 | 95.240 | 95.280 | 95.225 | 95.270 | DEC | -4.5 | 12/17/2007 | 4.760% | | |
| EDAH08 | 95.475 | 95.510 | 95.460 | 95.500 | MAR | -5.5 | 3/17/2008 | 4.525% | | |
| EDAM08 | 95.495 | 95.520 | 95.470 | 95.510 | JUN | -4.0 | 6/16/2008 | 4.505% | Reds | 1-2 yrs out |
| EDAU08 | 95.400 | 95.420 | 95.365 | 95.400 | SEP | -3.5 | 9/15/2008 | 4.600% | | |
| EDAZ08 | 95.300 | 95.315 | 95.265 | 95.300 | DEC | -2.5 | 12/15/2008 | 4.700% | | |
| EDAH09 | 95.220 | 95.220 | 95.185 | 95.215 | MAR | -1.0 | 3/16/2009 | 4.780% | | |
| EDAM09 | 95.155 | 95.155 | 95.115 | 95.150 | JUN | -1.5 | 6/15/2009 | 4.845% | Greens | 2-3 yrs out |
| EDAU09 | 95.075 | 95.085 | 95.050 | 95.085 | SEP | -0.5 | 9/14/2009 | 4.925% | | |
| EDAZ09 | 95.005 | 95.005 | 94.985 | 95.000 | DEC | 0.0 | 12/14/2009 | 4.995% | | |
| EDAH10 | 94.940 | 94.940 | 94.940 | 94.940 | MAR | 0.0 | 3/15/2010 | 5.060% | | |
| EDAM10 | 94.875 | 94.875 | 94.875 | 94.875 | JUN | -1.0 | 6/14/2010 | 5.125% | Blues | 3-4 yrs out |
| EDAU10 | 94.840 | #VALUE! | #VALUE! | #VALUE! | SEP | -0.5 | 9/13/2010 | 5.160% | | |
| EDAZ10 | 94.760 | #VALUE! | #VALUE! | #VALUE! | DEC | 2.5 | 12/13/2010 | 5.240% | | |
| EDAH11 | 94.720 | #VALUE! | #VALUE! | #VALUE! | MAR | -6.5 | 3/14/2011 | 5.280% | | |
| EDAM11 | 94.660 | #VALUE! | #VALUE! | #VALUE! | JUN | -7.0 | 6/13/2011 | 5.340% | Golds | 4-5 yrs out |
| EDAU11 | 94.600 | #VALUE! | #VALUE! | #VALUE! | SEP | 7.5 | 9/19/2011 | 5.400% | | |
| EDAZ11 | 94.515 | #VALUE! | #VALUE! | #VALUE! | DEC | #VALUE! | 12/19/2011 | 5.485% | | |
| EDAH12 | 94.440 | #VALUE! | #VALUE! | #VALUE! | MAR | 21.0 | 3/19/2012 | 5.560% | | |
| EDAM12 | 94.395 | #VALUE! | #VALUE! | #VALUE! | JUN | #VALUE! | 6/18/2012 | 5.605% | Purples | 5-6 yrs out |
| EDAU12 | | | | | | | | | | |
| EDAZ12 | | | | | | | | | | |
| EDZH13 | | | | | | | | | | |
| EDAM13 | | | | | | | | | Oranges | 6-7 yrs out |
| EDAU13 | | | | | | | | | | |
| EDAZ13 | | | | | | | | | | |
| EDAH14 | | | | | | | | | | |
| EDAM14 | | | | | | | | | Pinks | 7-8 yrs out |
| EDAU14 | | | | | | | | | | |
| EDAZ14 | | | | | | | | | | |
| EDAH15 | | | | | | | | | | |
| EDAM15 | | | | | | | | | Grays | 8-9 yrs out |
| EDAU15 | | | | | | | | | | |
| EDAZ15 | | | | | | | | | | |
| EDAH16 | | | | | | | | | | |
| EDAM16 | | | | | | | | | Coppers | 8-10 yrs out |
| EDAU16 | | | | | | | | | | |
| EDAZ16 | | | | | | | | | | |
| EDAH17 | | | | | | | | | | |
| EDAM17 | | | | | | | | | | |

I do not keep stats on purples through coppers due to lack of volume. Also, matrix excludes serial contracts. Serials can be found on the ED and FF spread page.

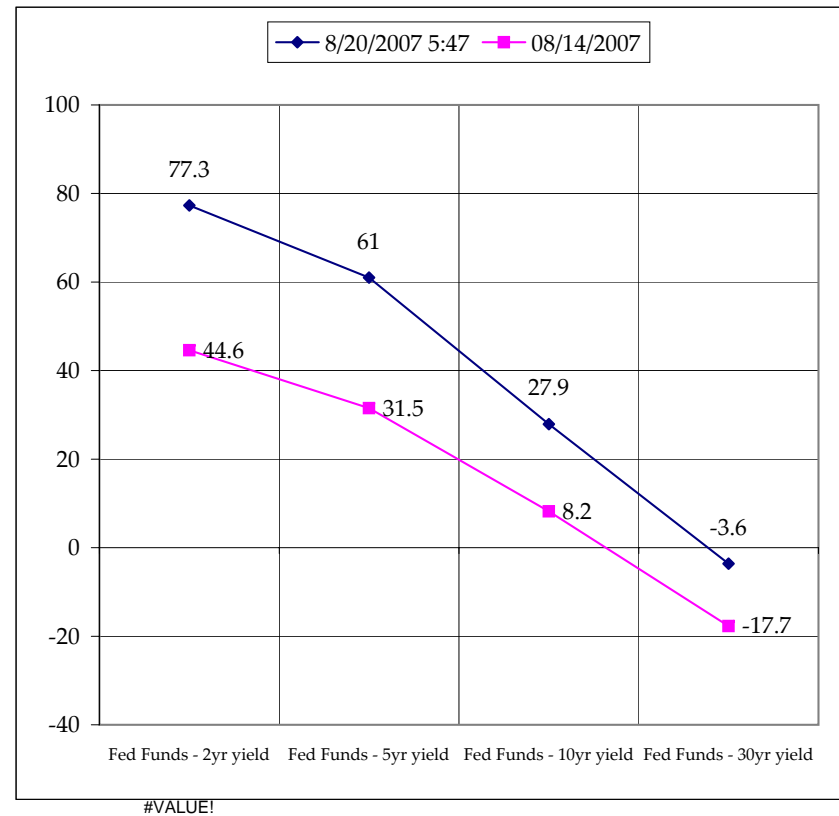
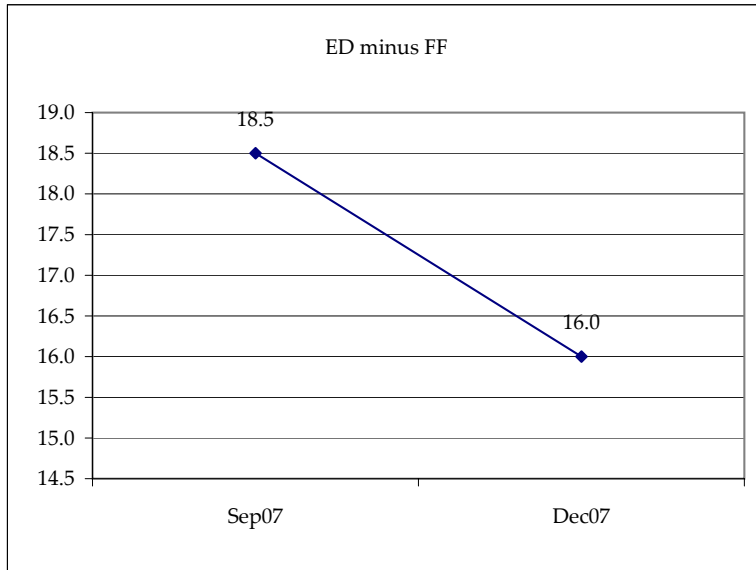


| Month | Fed Funds (FF) | | | Eurodollars (ED) | ED - FF |
|--------|----------------|---------|---------|------------------|---------|
| | Last | Net | Implied | Implied | bps |
| Sep-07 | 95.055 | -0.100 | 4.945 | 5.130 | 18.5 |
| Oct-07 | 95.145 | -0.050 | 4.855 | | |
| Nov-07 | 95.350 | -0.150 | 4.650 | | |
| Dec-07 | 95.400 | -0.550 | 4.600 | 4.760 | 16.0 |
| Jan-08 | #VALUE! | #VALUE! | #VALUE! | | |
| Feb-08 | #VALUE! | #VALUE! | #VALUE! | | |
| Mar-08 | #VALUE! | #VALUE! | #VALUE! | 4.525 | #VALUE! |
| Apr-08 | #VALUE! | #VALUE! | #VALUE! | | |
| May-08 | #VALUE! | #VALUE! | #VALUE! | | |
| Jun-08 | #VALUE! | #VALUE! | #VALUE! | 4.505 | #VALUE! |
| Jul-08 | #VALUE! | #VALUE! | #VALUE! | | |
| Aug-08 | #VALUE! | #VALUE! | #VALUE! | | |
| Sep-08 | #VALUE! | #VALUE! | #VALUE! | 4.600 | #VALUE! |

| Fed Funds Daily Effective Rate Minus US Treasury Yields | | | |
|--|----------|----------|------------|
| Spread Name | Diff bps | Net Chng | 08/14/2007 |
| Fed Funds - 2yr yield | 77.3 | -1.6 | 44.6 |
| Fed Funds - 5yr yield | 61 | -0.8 | 31.5 |
| Fed Funds - 10yr yield | 27.9 | -1.0 | 8.2 |
| Fed Funds - 30yr yield | -3.6 | -0.8 | -17.7 |
| GFER | 4.97 | #VALUE! | |

GFER = Fed Funds Daily Effective Rate

Why 8/14/2007?
Pre-CPI (& Post PPI) is a good benchmark when the FED is focused on inflation.



| | | | | | |
|------------------|------------|------------|------------|------------|------------|
| Sept | 450 | 475 | 500 | 525 | 550 |
| 8/13/2007 | 19.4% | 0.0% | 22.9% | 57.6% | 0.0% |
| 8/14/2007 | 20.9% | 0.0% | 24.2% | 54.8% | 0.0% |

| | | | | | | |
|------------------|------------|------------|------------|------------|------------|------------|
| October | 450 | 475 | 500 | 525 | 550 | 575 |
| 8/13/2007 | 37.2% | 0.0% | 15.8% | 45.9% | 0.8% | 0.3% |
| 8/14/2007 | 43.3% | 0.0% | 12.4% | 44.0% | 0.0% | 0.2% |

| | | | | | | | | |
|------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| December | 400 | 425 | 450 | 475 | 500 | 525 | 550 | 575 |
| 8/13/2007 | 12.0% | 0.0% | 16.6% | 26.9% | 12.5% | 26.5% | 5.6% | 0.0% |
| 8/14/2007 | 16.1% | 0.0% | 20.6% | 22.1% | 7.7% | 29.8% | 3.2% | 0.6% |

I'm switching to this type of view instead of the other one. I think this is better because we have a day to day comparison that we can see instantly.

These probabilities take options into account and are much better at forecasting the FOMC intentions than the 'day-count' equation most analysts on the street use.

Notes:
All probabilities are taken from The Cleveland Federal Reserve

| Current Positions | | | | | | | | |
|-------------------|-----------|-----------|------------|---------|-----------|-------------|------------|-----------|
| Small Spec | | | Large Spec | | | Commercials | | |
| Long | Short | Net | Long | Short | Net | Long | Short | Net |
| 1,209,319 | 1,337,362 | (128,043) | 1,932,516 | 866,473 | 1,066,043 | 11,278,737 | 12,216,737 | (938,000) |

| As of | Week over Week Change | | |
|----------|-----------------------|---------|-----------|
| | Sm Spec | Lg Spec | Commrc |
| 8/7/2007 | 42,818 | 71,355 | (114,173) |