

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	102.9594	102.307	4.192	1.75	
ZF	106.4219	106.135	4.341	3.82	
ZN	108.5000	108.160	4.545	5.65	
2y	100.788	100.2520	4.189	1.84	
5y	101.163	101.0520	4.360	4.37	
10y	100.469	100.1500	4.691	7.88	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.870	5.130	28	0.076	SEP	White Pack	
EDAZ07	95.235	4.765	119	0.325	DEC		
EDAH08	95.475	4.525	210	0.575	MAR		
EDAM08	95.500	4.500	301	0.824	JUN	Red Pack	
EDAU08	95.400	4.600	392	1.073	SEP		
EDAZ08	95.300	4.700	483	1.323	DEC		
EDAH09	95.220	4.780	574	1.572	MAR		
EDAM09	95.155	4.845	665	1.821	JUN	Green Pack	
EDAU09	95.075	4.925	756	2.071	SEP		
EDAZ09	95.005	4.995	847	2.320	DEC		
EDAH10	94.940	5.060	938	2.569	MAR		
EDAM10	94.875	5.125	1029	2.819	JUN	Blue Pack	
EDAU10	94.840	5.160	1120	3.068	SEP		
EDAZ10	94.760	5.240	1211	3.317	DEC		
EDAH11	94.720	5.280	1302	3.566	MAR		
EDAM11	94.660	5.340	1393	3.816	JUN	Gold Pack	
EDAU11	94.600	5.400	1491	4.084	SEP		
EDAZ11	94.515	5.485	1582	4.334	DEC		
EDAH12	94.440	5.560	1673	4.583	MAR		
EDAM12	94.395	5.605	1764	4.832	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	4.853	-3.812	9527.000	Pack Prices
Q.ED.Red	4.854	-1.875	9526.875	
Q.ED.Green	5.161	-1.000	9497.375	
Q.ED.Blue		0.000	9472.625	
Q.ED.Gold		0.000	9449.625	
Q.ED.Purple		0.000	9449.625	

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

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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

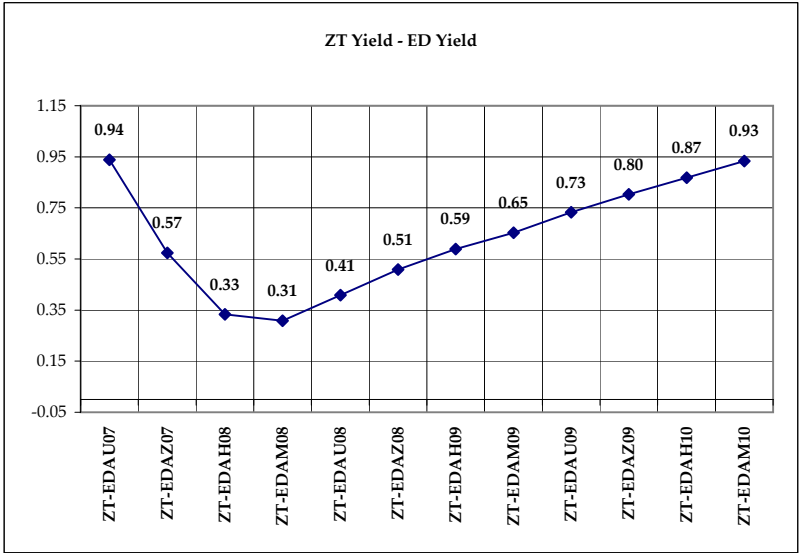
Eurodollar Color Codes for Individual Year Strips:

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

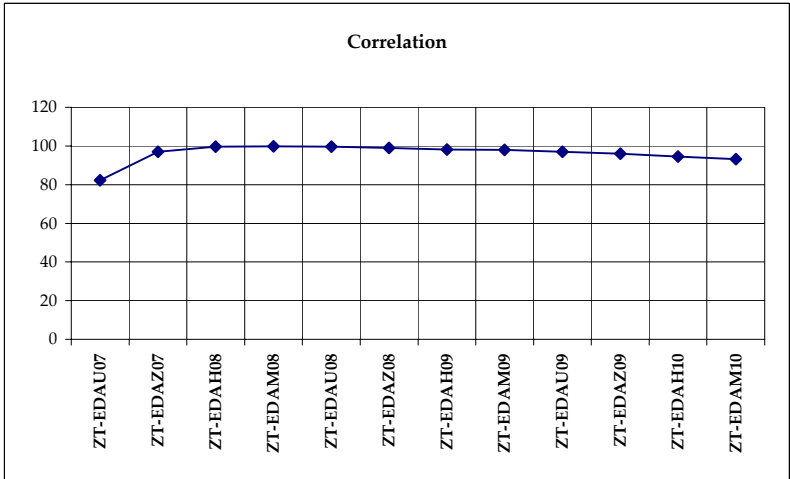
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	8.089	0.94	ZT-EDAU07	82.285
EDAZ07	7.724	0.57	ZT-EDAZ07	97.030
EDAH08	7.484	0.33	ZT-EDAH08	99.651
EDAM08	7.459	0.31	ZT-EDAM08	99.835
EDAU08	7.559	0.41	ZT-EDAU08	99.648
EDAZ08	7.659	0.51	ZT-EDAZ08	98.993
EDAH09	7.739	0.59	ZT-EDAH09	98.116
EDAM09	7.804	0.65	ZT-EDAM09	98.031
EDAU09	7.884	0.73	ZT-EDAU09	96.911
EDAZ09	7.954	0.80	ZT-EDAZ09	96.049
EDAH10	8.019	0.87	ZT-EDAH10	94.509
EDAM10	8.084	0.93	ZT-EDAM10	93.207

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	0.076	1.75	1.68	ZT-EDAU07
EDAZ07	0.325	1.75	1.43	ZT-EDAZ07
EDAH08	0.575	1.75	1.18	ZT-EDAH08
EDAM08	0.824	1.75	0.93	ZT-EDAM08
EDAU08	1.073	1.75	0.68	ZT-EDAU08
EDAZ08	1.323	1.75	0.43	ZT-EDAZ08
EDAH09	1.572	1.75	0.18	ZT-EDAH09
EDAM09	1.821	1.75	(0.07)	ZT-EDAM09
EDAU09	2.071	1.75	(0.32)	ZT-EDAU09
EDAZ09	2.320	1.75	(0.57)	ZT-EDAZ09
EDAH10	2.569	1.75	(0.82)	ZT-EDAH10
EDAM10	2.819	1.75	(1.07)	ZT-EDAM10

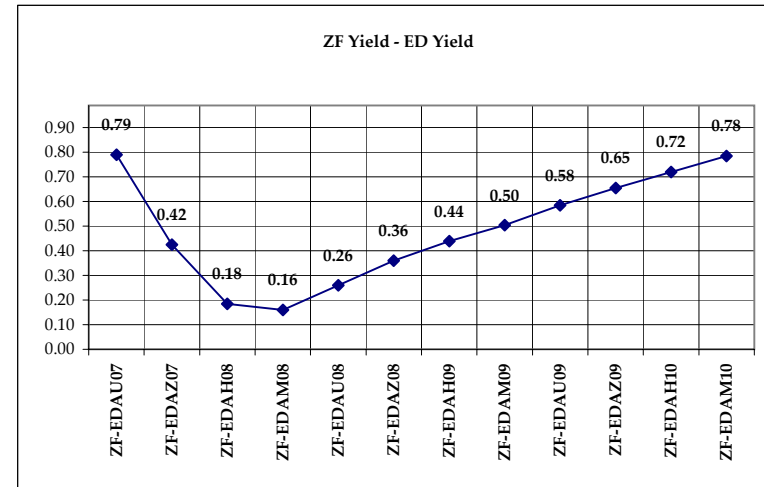
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	11.55	0.79	ZF-EDAU07	80.079
EDAZ07	11.19	0.42	ZF-EDAZ07	94.326
EDAH08	10.95	0.18	ZF-EDAH08	98.184
EDAM08	10.92	0.16	ZF-EDAM08	98.885
EDAU08	11.02	0.26	ZF-EDAU08	99.106
EDAZ08	11.12	0.36	ZF-EDAZ08	99.205
EDAH09	11.20	0.44	ZF-EDAH09	99.026
EDAM09	11.27	0.50	ZF-EDAM09	99.349
EDAU09	11.35	0.58	ZF-EDAU09	98.789
EDAZ09	11.42	0.65	ZF-EDAZ09	98.262
EDAH10	11.48	0.72	ZF-EDAH10	97.089
EDAM10	11.55	0.78	ZF-EDAM10	96.018

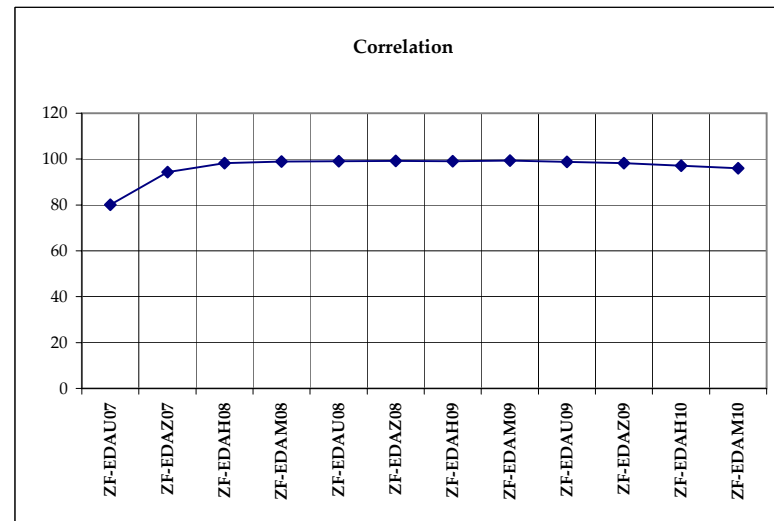
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAU07	0.076	3.82	3.74	ZF-EDAU07
EDAZ07	0.325	3.82	3.49	ZF-EDAZ07
EDAH08	0.575	3.82	3.24	ZF-EDAH08
EDAM08	0.824	3.82	2.99	ZF-EDAM08
EDAU08	1.073	3.82	2.74	ZF-EDAU08
EDAZ08	1.323	3.82	2.50	ZF-EDAZ08
EDAH09	1.572	3.82	2.25	ZF-EDAH09
EDAM09	1.821	3.82	2.00	ZF-EDAM09
EDAU09	2.071	3.82	1.75	ZF-EDAU09
EDAZ09	2.320	3.82	1.50	ZF-EDAZ09
EDAH10	2.569	3.82	1.25	ZF-EDAH10
EDAM10	2.819	3.82	1.00	ZF-EDAM10

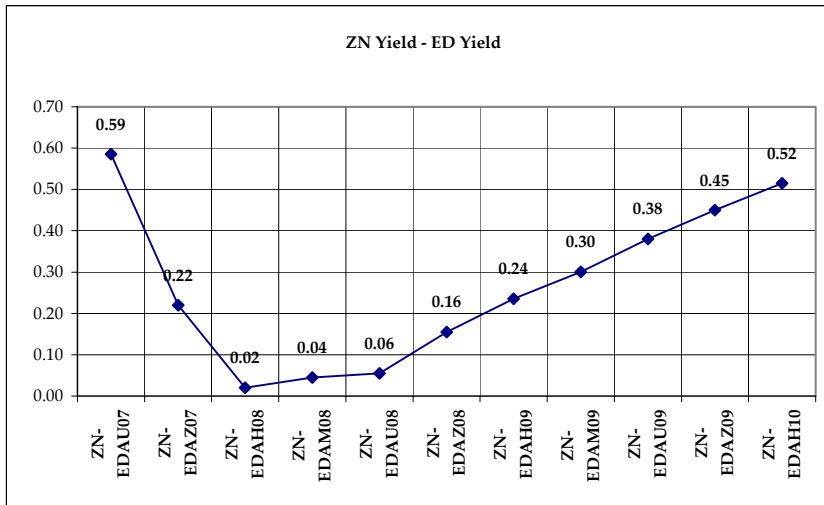
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

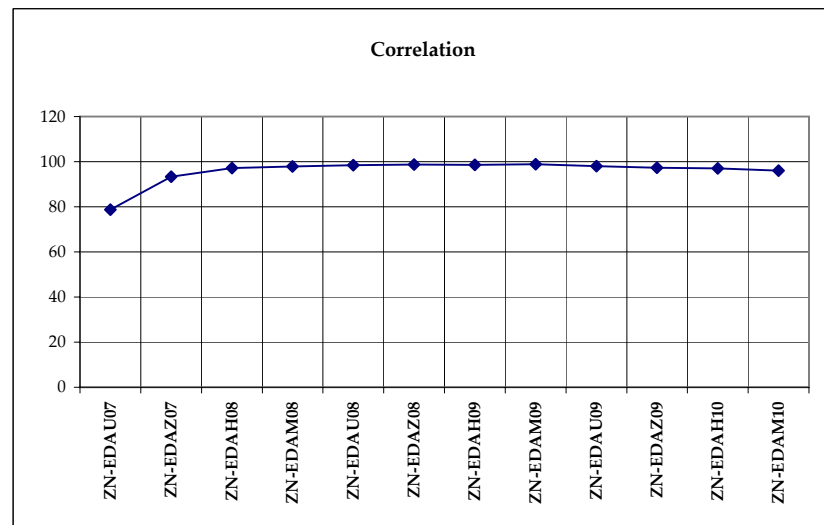
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	13.63	0.59	ZN-EDAU07	78.75
EDAZ07	13.27	0.22	ZN-EDAZ07	93.37
EDAH08	13.03	0.02	ZN-EDAH08	97.10
EDAM08	13.00	0.04	ZN-EDAM08	97.91
EDAU08	13.10	0.06	ZN-EDAU08	98.40
EDAZ08	13.20	0.16	ZN-EDAZ08	98.68
EDAH09	13.28	0.24	ZN-EDAH09	98.54
EDAM09	13.35	0.30	ZN-EDAM09	98.85
EDAU09	13.43	0.38	ZN-EDAU09	98.07
EDAZ09	13.50	0.45	ZN-EDAZ09	97.25
EDAH10	13.56	0.52	ZN-EDAH10	97.09
EDAM10	13.63	0.58	ZN-EDAM10	96.02

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	0.076	5.65	5.57	ZN-EDAU07
EDAZ07	0.325	5.65	5.32	ZN-EDAZ07
EDAH08	0.575	5.65	5.07	ZN-EDAH08
EDAM08	0.824	5.65	4.82	ZN-EDAM08
EDAU08	1.073	5.65	4.58	ZN-EDAU08
EDAZ08	1.323	5.65	4.33	ZN-EDAZ08
EDAH09	1.572	5.65	4.08	ZN-EDAH09
EDAM09	1.821	5.65	3.83	ZN-EDAM09
EDAU09	2.071	5.65	3.58	ZN-EDAU09
EDAZ09	2.320	5.65	3.33	ZN-EDAZ09
EDAH10	2.569	5.65	3.08	ZN-EDAH10
EDAM10	2.819	5.65	2.83	ZN-EDAM10

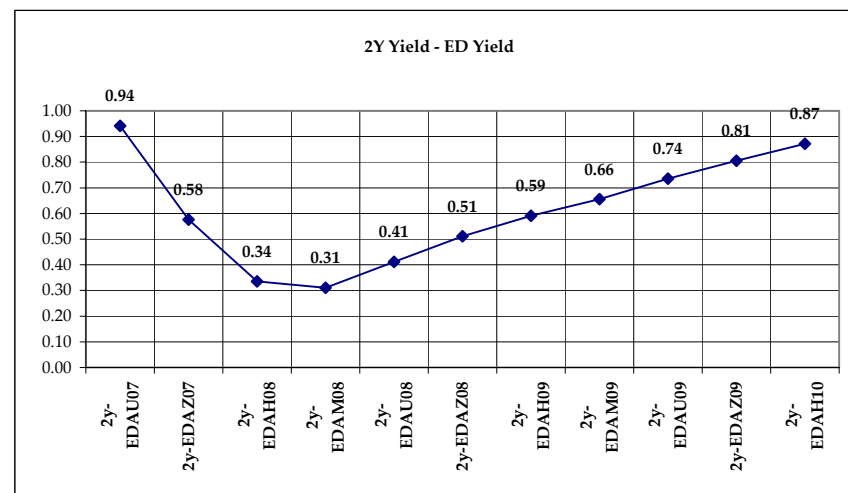
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.92	0.94	2y-EDAU07	-85.507
EDAZ07	5.55	0.58	2y-EDAZ07	-96.189
EDAH08	5.31	0.34	2y-EDAH08	-95.385
EDAM08	5.29	0.31	2y-EDAM08	-94.975
EDAU08	5.39	0.41	2y-EDAU08	-93.783
EDAZ08	5.49	0.51	2y-EDAZ08	-94.975
EDAH09	5.57	0.59	2y-EDAH09	-89.742
EDAM09	5.63	0.66	2y-EDAM09	-89.345
EDAU09	5.71	0.74	2y-EDAU09	-86.874
EDAZ09	5.78	0.81	2y-EDAZ09	-85.288
EDAH10	5.85	0.87	2y-EDAH10	-82.571
EDAM10	5.91	0.94	2y-EDAM10	-80.379

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.

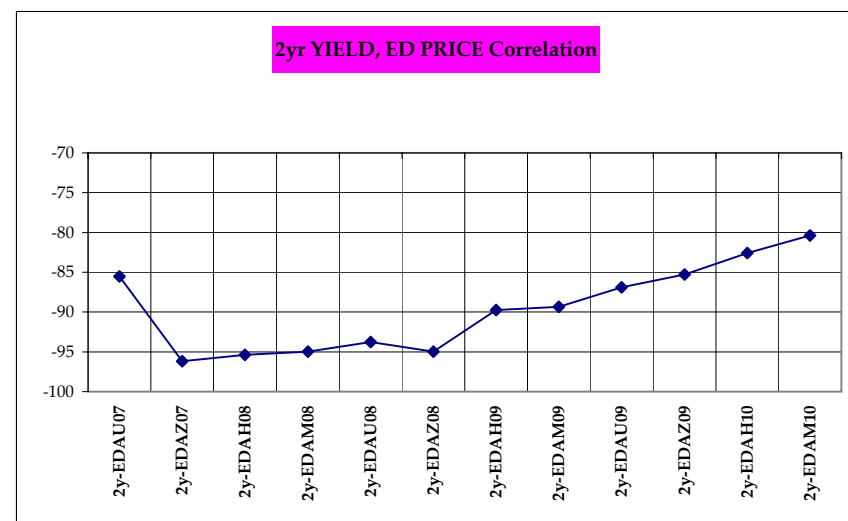


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.076	1.84	2y-EDAU07
EDAZ07	0.325	1.84	2y-EDAZ07
EDAH08	0.575	1.84	2y-EDAH08
EDAM08	0.824	1.84	2y-EDAM08
EDAU08	1.073	1.84	2y-EDAU08
EDAZ08	1.323	1.84	2y-EDAZ08
EDAH09	1.572	1.84	2y-EDAH09
EDAM09	1.821	1.84	2y-EDAM09
EDAU09	2.071	1.84	2y-EDAU09
EDAZ09	2.320	1.84	2y-EDAZ09
EDAH10	2.569	1.84	2y-EDAH10
EDAM10	2.819	1.84	2y-EDAM10

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

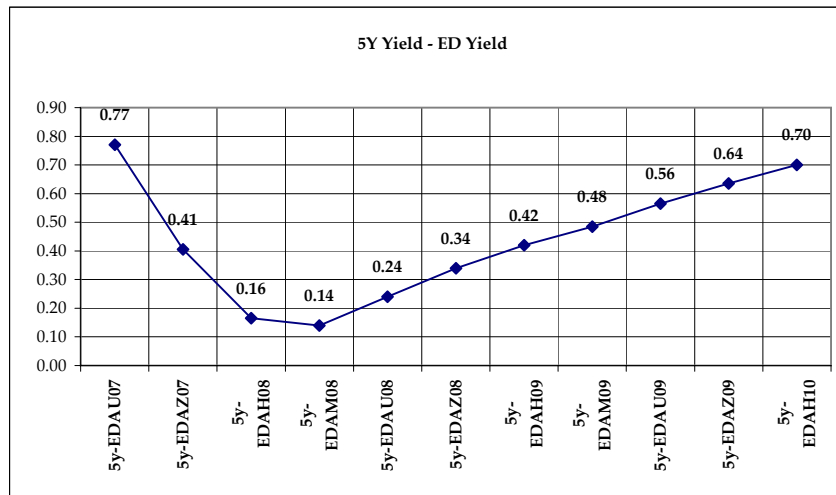
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.29	0.77	5y-EDAU07	-83.949
EDAZ07	5.93	0.41	5y-EDAZ07	-94.978
EDAH08	5.69	0.16	5y-EDAH08	-95.787
EDAM08	5.66	0.14	5y-EDAM08	-96.002
EDAU08	5.76	0.24	5y-EDAU08	-95.428
EDAZ08	5.86	0.34	5y-EDAZ08	-96.002
EDAH09	5.94	0.42	5y-EDAH09	-92.876
EDAM09	6.01	0.48	5y-EDAM09	-92.798
EDAU09	6.09	0.56	5y-EDAU09	-90.826
EDAZ09	6.16	0.64	5y-EDAZ09	-89.387
EDAH10	6.22	0.70	5y-EDAH10	-86.949
EDAM10	6.29	0.77	5y-EDAM10	-84.892

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.

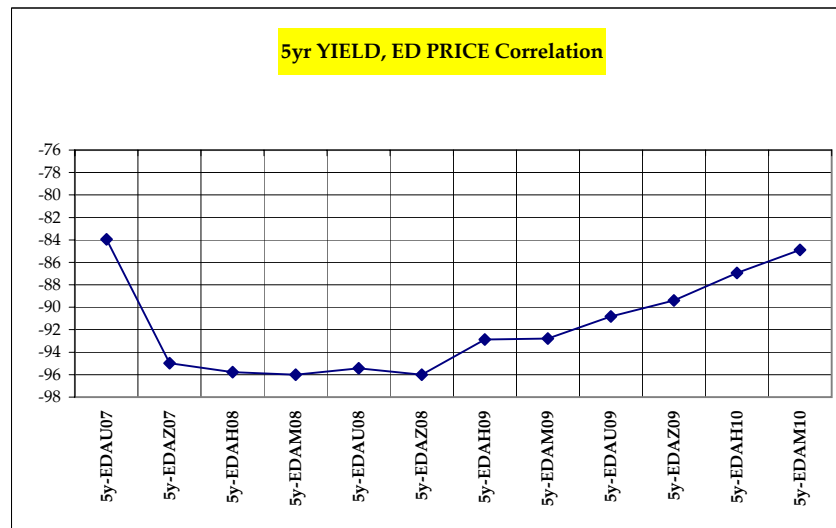


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.076	4.37	4.30	5y-EDAU07
EDAZ07	0.325	4.37	4.05	5y-EDAZ07
EDAH08	0.575	4.37	3.80	5y-EDAH08
EDAM08	0.824	4.37	3.55	5y-EDAM08
EDAU08	1.073	4.37	3.30	5y-EDAU08
EDAZ08	1.323	4.37	3.05	5y-EDAZ08
EDAH09	1.572	4.37	2.80	5y-EDAH09
EDAM09	1.821	4.37	2.55	5y-EDAM09
EDAU09	2.071	4.37	2.30	5y-EDAU09
EDAZ09	2.320	4.37	2.05	5y-EDAZ09
EDAH10	2.569	4.37	1.80	5y-EDAH10
EDAM10	2.819	4.37	1.55	5y-EDAM10

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

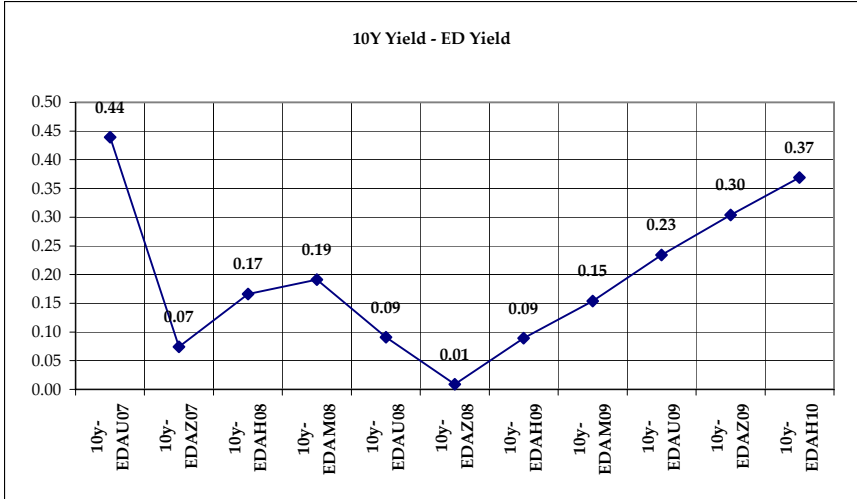
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

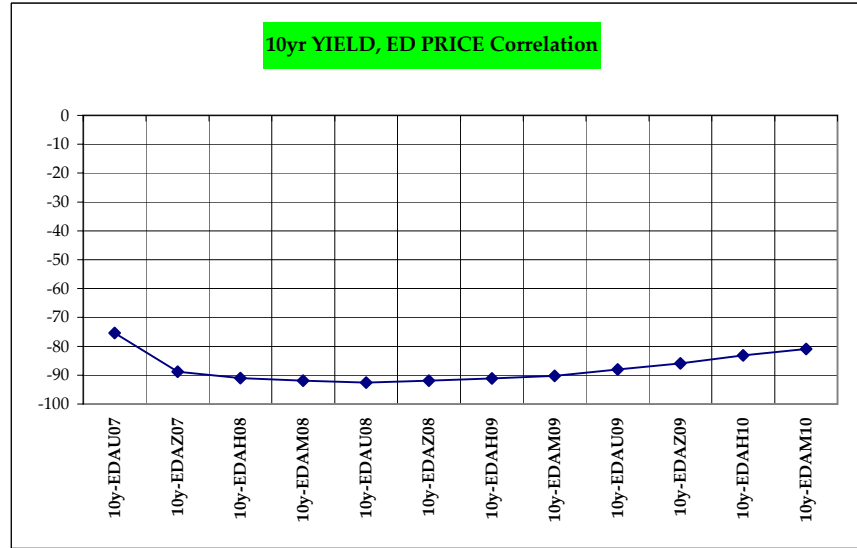
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.29	0.44	10y-EDAU07	-75.367
EDAZ07	5.93	0.07	10y-EDAZ07	-88.843
EDAH08	5.69	0.17	10y-EDAH08	-91.033
EDAM08	5.66	0.19	10y-EDAM08	-91.898
EDAU08	5.76	0.09	10y-EDAU08	-92.574
EDAZ08	5.86	0.01	10y-EDAZ08	-91.898
EDAH09	5.94	0.09	10y-EDAH09	-91.077
EDAM09	6.01	0.15	10y-EDAM09	-90.239
EDAU09	6.09	0.23	10y-EDAU09	-87.993
EDAZ09	6.16	0.30	10y-EDAZ09	-85.896
EDAH10	6.22	0.37	10y-EDAH10	-83.165
EDAM10	6.29	0.43	10y-EDAM10	-80.983

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	0.076	7.88	7.80	10y-EDAU07
EDAZ07	0.325	7.88	7.55	10y-EDAZ07
EDAH08	0.575	7.88	7.30	10y-EDAH08
EDAM08	0.824	7.88	7.05	10y-EDAM08
EDAU08	1.073	7.88	6.81	10y-EDAU08
EDAZ08	1.323	7.88	6.56	10y-EDAZ08
EDAH09	1.572	7.88	6.31	10y-EDAH09
EDAM09	1.821	7.88	6.06	10y-EDAM09
EDAU09	2.071	7.88	5.81	10y-EDAU09
EDAZ09	2.320	7.88	5.56	10y-EDAZ09
EDAH10	2.569	7.88	5.31	10y-EDAH10
EDAM10	2.819	7.88	5.06	10y-EDAM10

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

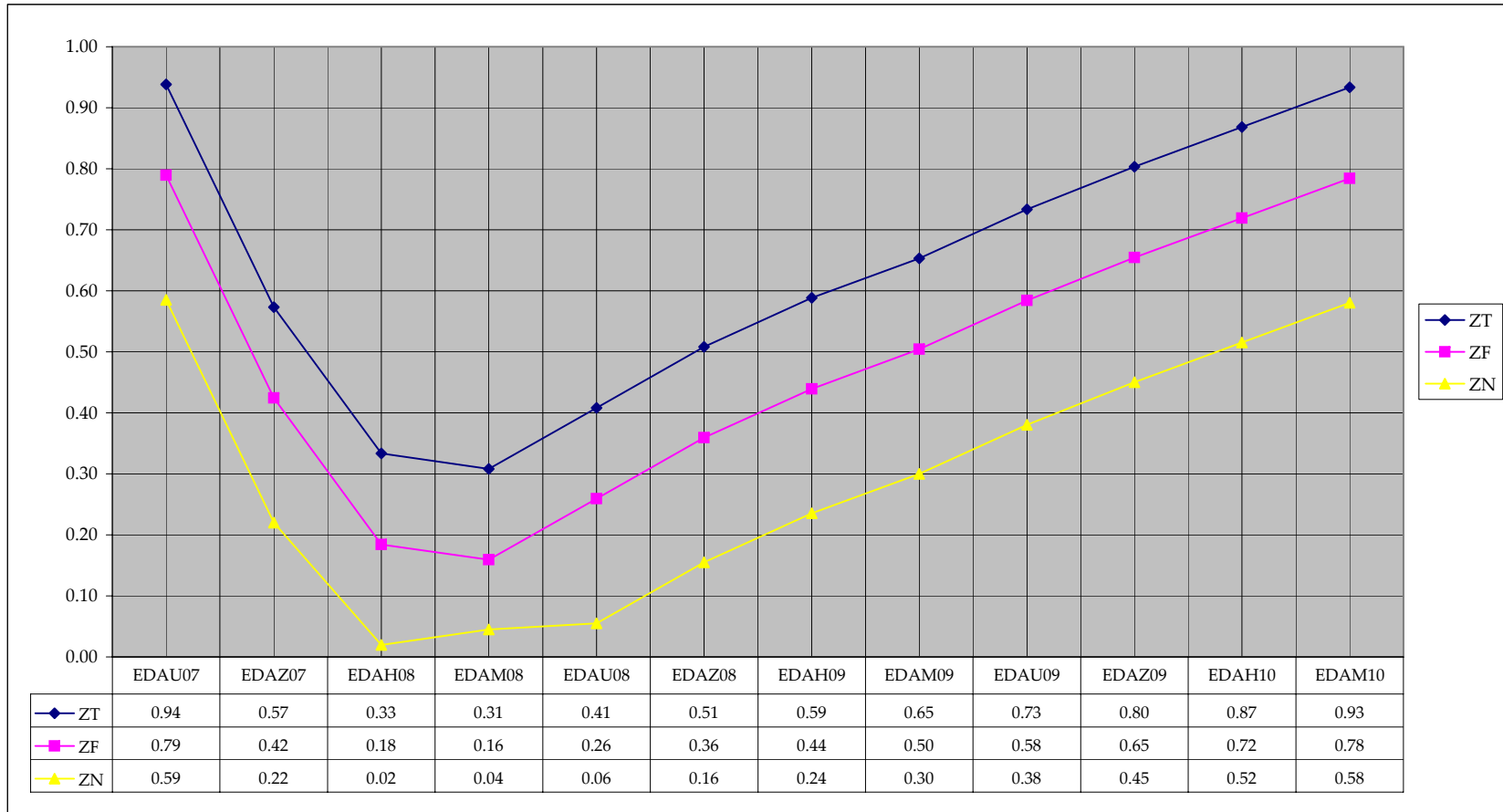


Dirty TED Curve

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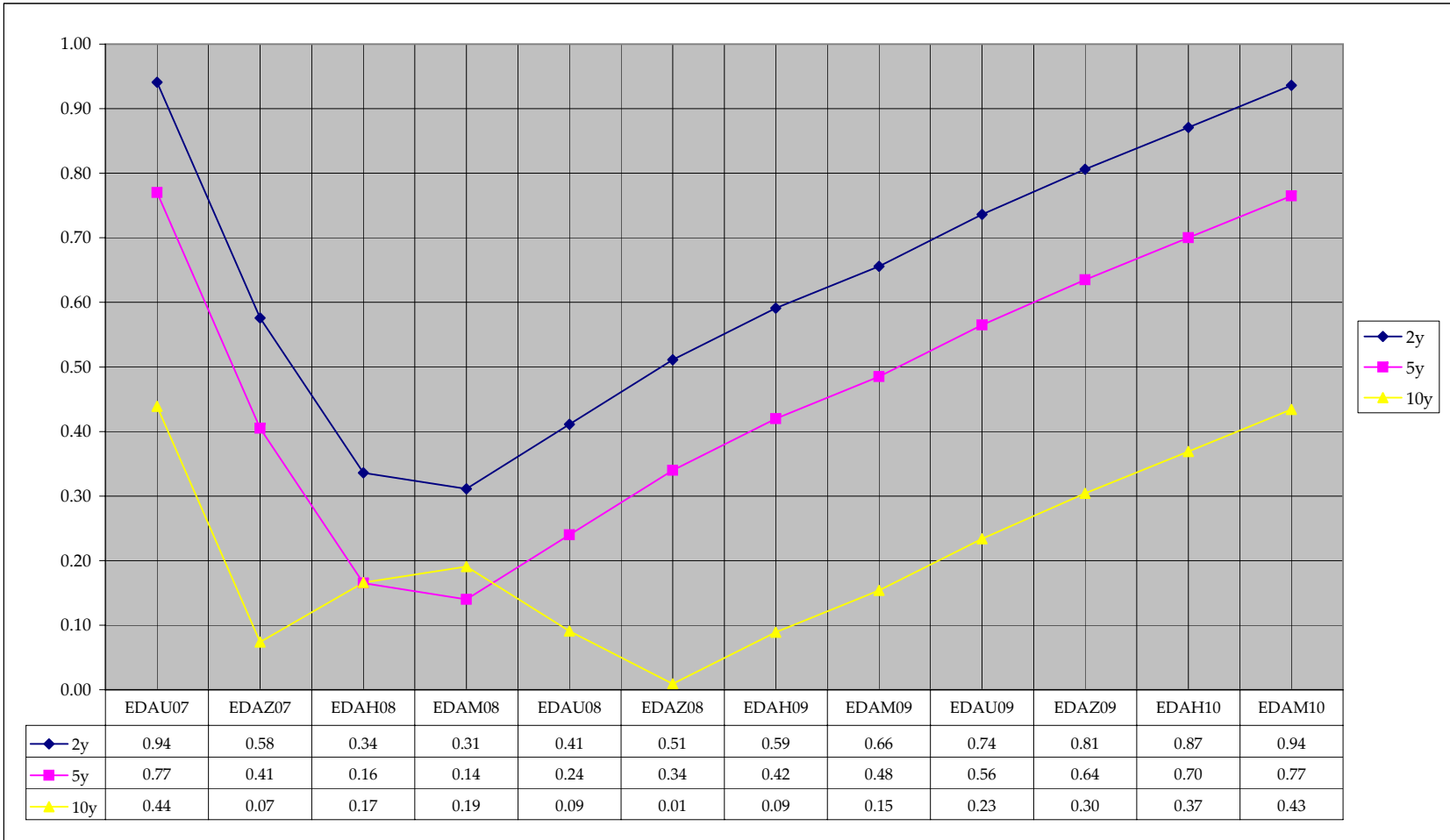
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

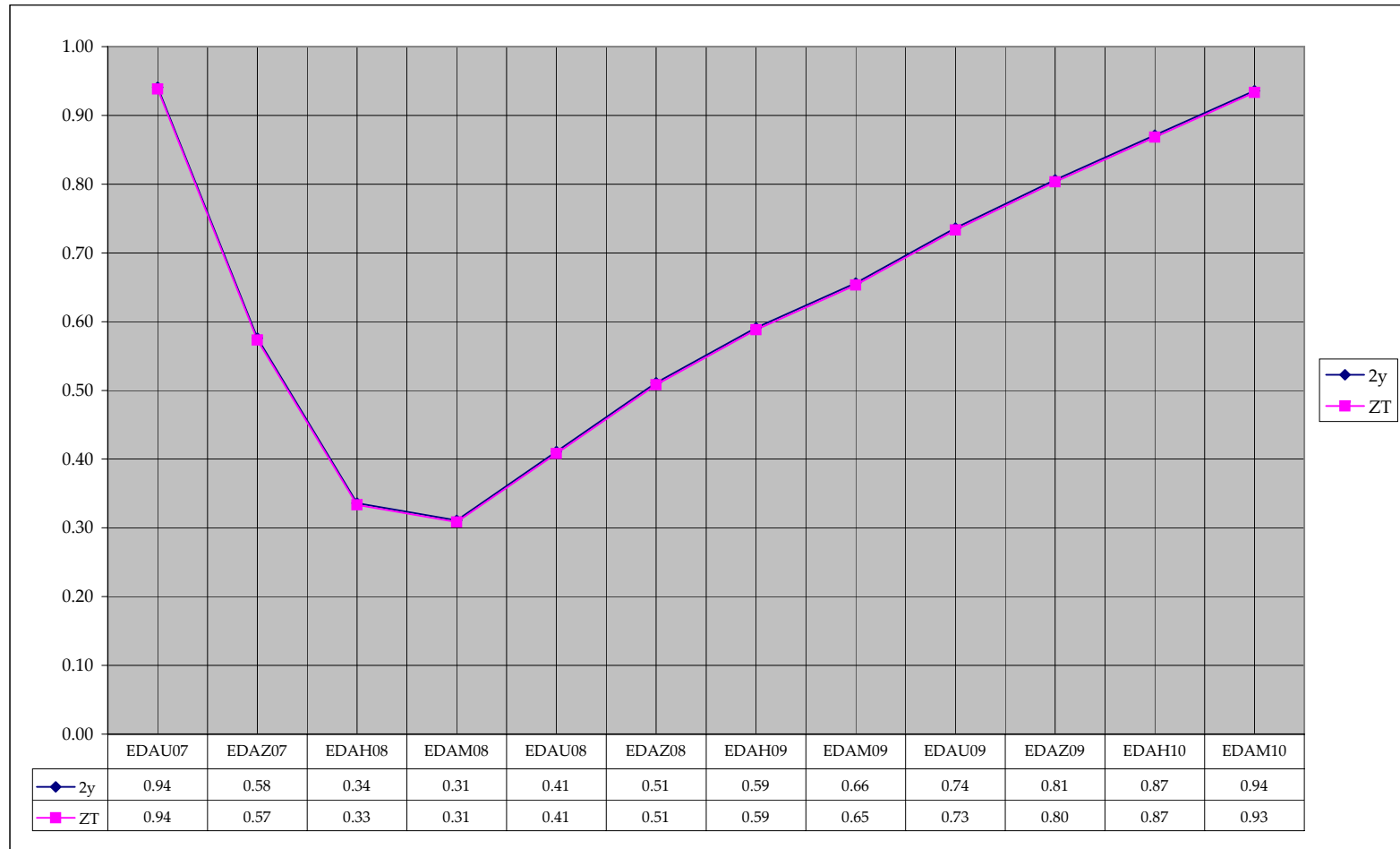


TED Curve

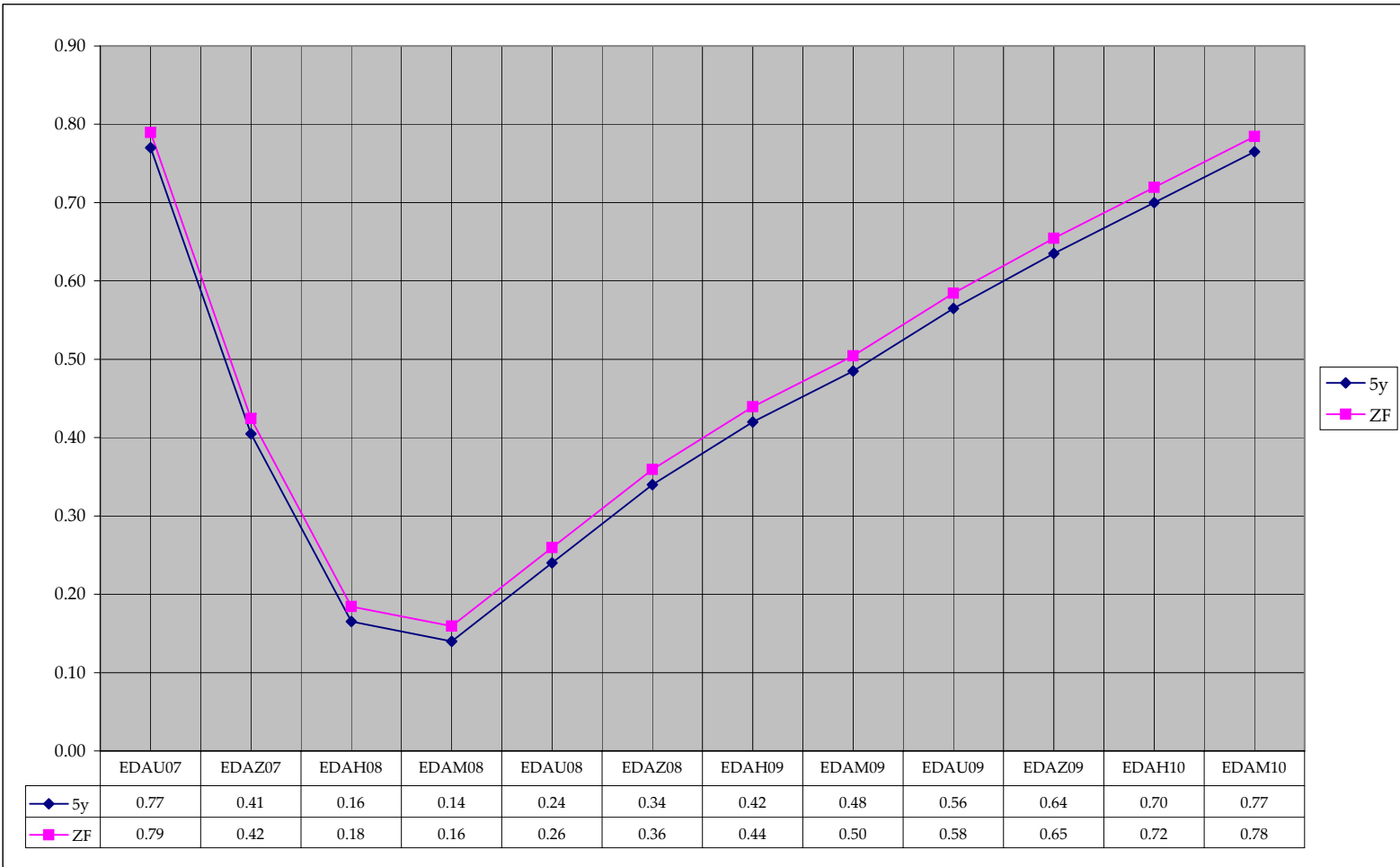
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



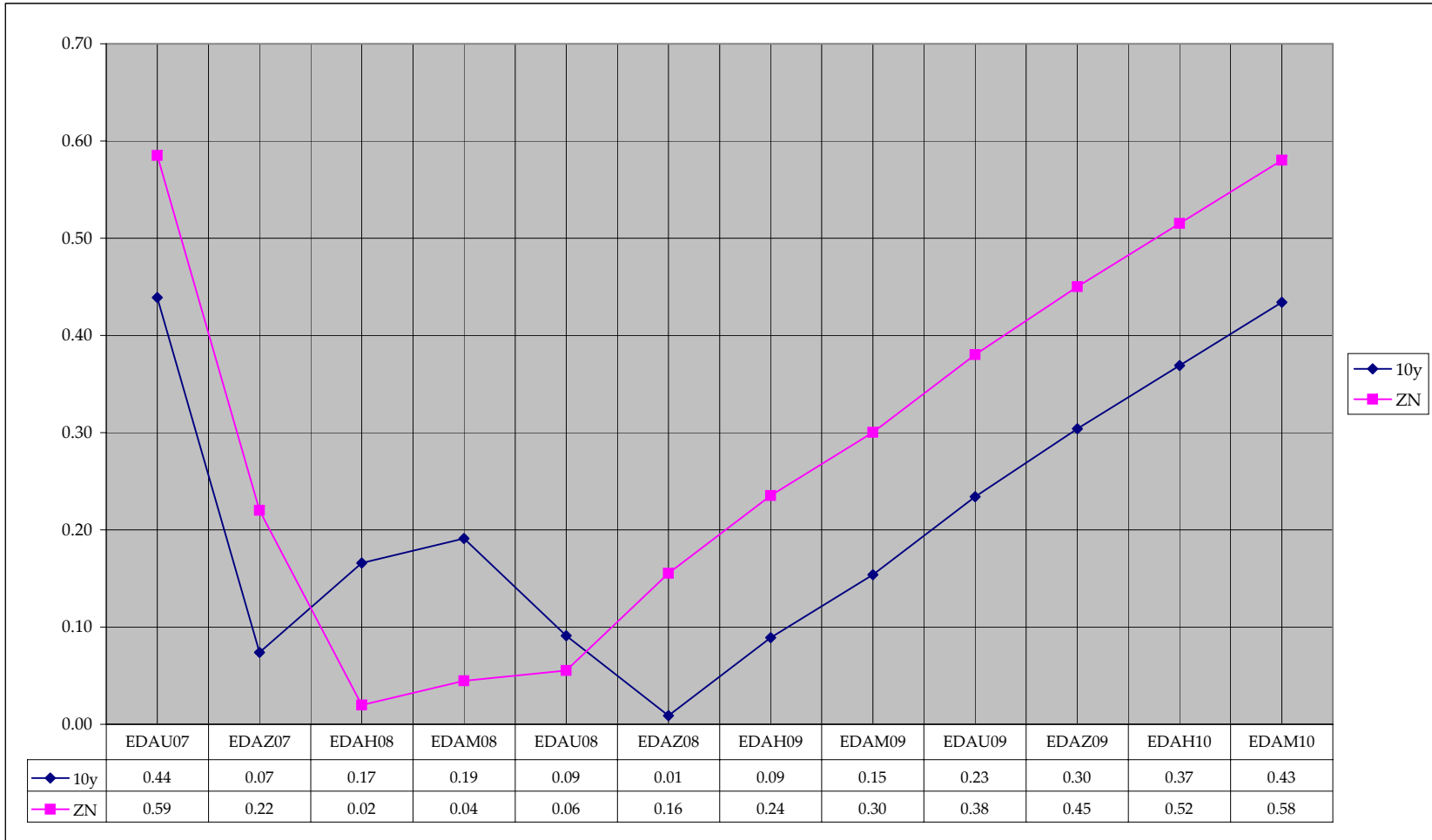
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.853	-3.812	9527.000
Q.ED.Red	4.854	-1.875	9526.875
Q.ED.Green	5.161	-1.000	9497.375
Q.ED.Blue		0.000	9472.625
Q.ED.Gold		0.000	9449.625
Q.ED.Purple		0.000	9449.625

