

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	103.3031	103.097	3.972	1.75	
ZF	107.0469	107.015	4.172	3.82	
ZN	109.2656	109.085	4.335	5.66	
2y	101.194	101.0620	3.974	1.84	
5y	101.828	101.2650	4.209	4.37	
10y	101.391	101.1250	4.571	7.89	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.953	5.048	27	0.073	SEP	White Pack	
EDAZ07	95.385	4.615	118	0.323	DEC		
EDAH08	95.615	4.385	209	0.572	MAR		
EDAM08	95.615	4.385	300	0.821	JUN	Red Pack	
EDAU08	95.520	4.480	391	1.071	SEP		
EDAZ08	95.420	4.580	482	1.320	DEC		
EDAH09	95.350	4.650	573	1.569	MAR		
EDAM09	95.285	4.715	664	1.819	JUN	Green Pack	
EDAU09	95.210	4.790	755	2.068	SEP		
EDAZ09	95.130	4.870	846	2.317	DEC		
EDAH10	95.065	4.935	937	2.566	MAR		
EDAM10	95.000	5.000	1028	2.816	JUN	Blue Pack	
EDAU10	94.855	5.145	1119	3.065	SEP		
EDAZ10	94.785	5.215	1210	3.314	DEC		
EDAH11	94.740	5.260	1301	3.564	MAR		
EDAM11	94.690	5.310	1392	3.813	JUN	Gold Pack	
EDAU11	94.625	5.375	1490	4.082	SEP		
EDAZ11	94.570	5.430	1581	4.331	DEC		
EDAH12	94.525	5.475	1672	4.580	MAR		
EDAM12	94.470	5.530	1763	4.829	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	4.727	7.313	9539.188	Pack Prices
Q.ED.Red	4.725	7.875	9539.375	
Q.ED.Green	5.028	8.250	9510.125	
Q.ED.Blue		0.000	9476.125	
Q.ED.Gold		0.000	9453.125	
Q.ED.Purple		0.000	9453.125	

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

8/21/2007 5:50

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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

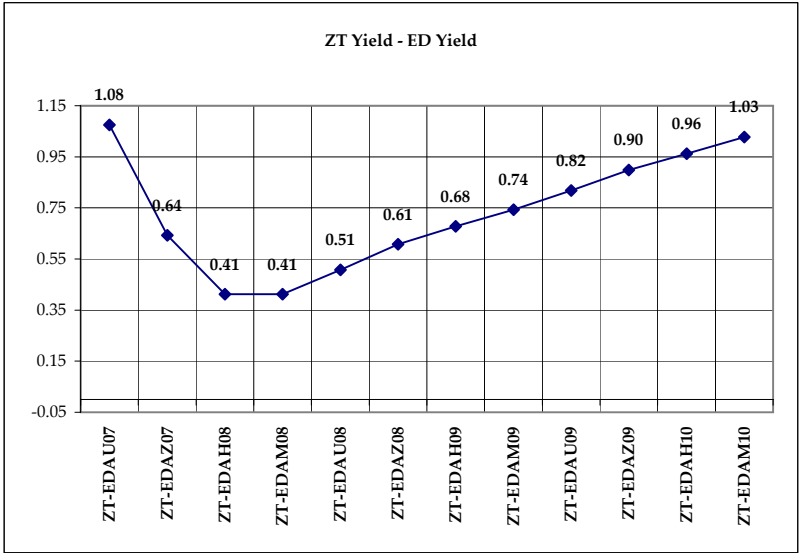
Eurodollar Color Codes for Individual Year Strips:

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

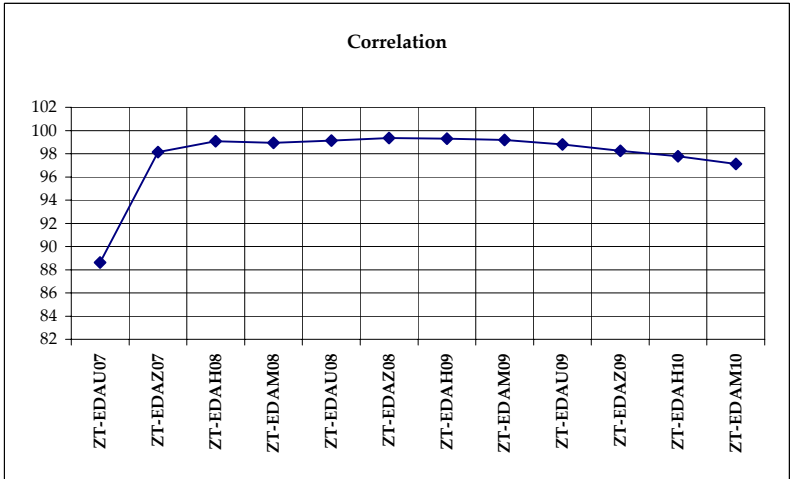
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	8.351	1.08	ZT-EDAU07	88.616
EDAZ07	7.918	0.64	ZT-EDAZ07	98.146
EDAH08	7.688	0.41	ZT-EDAH08	99.075
EDAM08	7.688	0.41	ZT-EDAM08	98.926
EDAU08	7.783	0.51	ZT-EDAU08	99.129
EDAZ08	7.883	0.61	ZT-EDAZ08	99.342
EDAH09	7.953	0.68	ZT-EDAH09	99.309
EDAM09	8.018	0.74	ZT-EDAM09	99.196
EDAU09	8.093	0.82	ZT-EDAU09	98.791
EDAZ09	8.173	0.90	ZT-EDAZ09	98.260
EDAH10	8.238	0.96	ZT-EDAH10	97.785
EDAM10	8.303	1.03	ZT-EDAM10	97.126

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



GE Duration as Fraction of year				
	ZT Duration	Spread Duration		
EDAU07	0.073	1.75	1.68	ZT-EDAU07
EDAZ07	0.323	1.75	1.43	ZT-EDAZ07
EDAH08	0.572	1.75	1.18	ZT-EDAH08
EDAM08	0.821	1.75	0.93	ZT-EDAM08
EDAU08	1.071	1.75	0.68	ZT-EDAU08
EDAZ08	1.320	1.75	0.43	ZT-EDAZ08
EDAH09	1.569	1.75	0.18	ZT-EDAH09
EDAM09	1.819	1.75	(0.07)	ZT-EDAM09
EDAU09	2.068	1.75	(0.32)	ZT-EDAU09
EDAZ09	2.317	1.75	(0.57)	ZT-EDAZ09
EDAH10	2.566	1.75	(0.81)	ZT-EDAH10
EDAM10	2.816	1.75	(1.06)	ZT-EDAM10

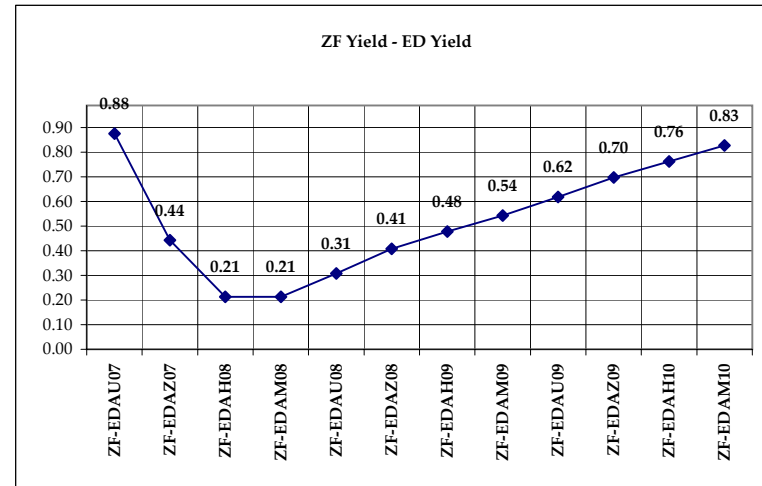
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	12.09	0.88	ZF-EDAU07	86.752
EDAZ07	11.66	0.44	ZF-EDAZ07	97.186
EDAH08	11.43	0.21	ZF-EDAH08	99.123
EDAM08	11.43	0.21	ZF-EDAM08	99.097
EDAU08	11.53	0.31	ZF-EDAU08	99.291
EDAZ08	11.63	0.41	ZF-EDAZ08	99.485
EDAH09	11.70	0.48	ZF-EDAH09	99.498
EDAM09	11.76	0.54	ZF-EDAM09	99.508
EDAU09	11.84	0.62	ZF-EDAU09	99.251
EDAZ09	11.92	0.70	ZF-EDAZ09	98.749
EDAH10	11.98	0.76	ZF-EDAH10	98.228
EDAM10	12.05	0.83	ZF-EDAM10	97.613

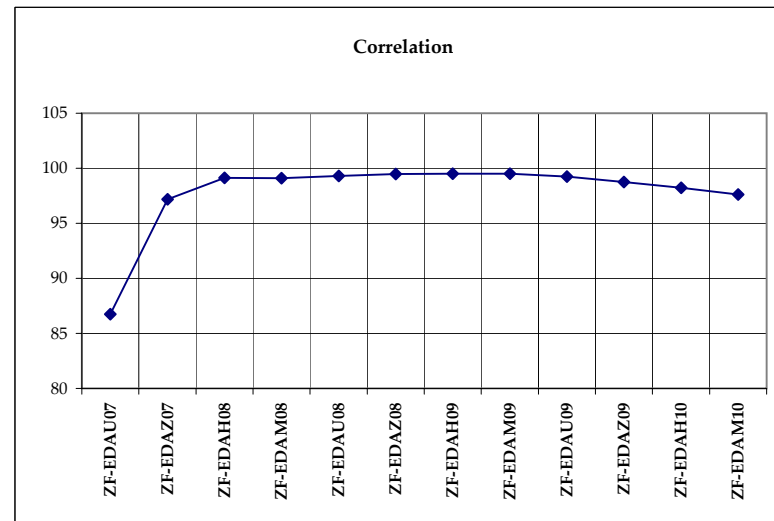
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAU07	0.073	3.82	3.75	ZF-EDAU07
EDAZ07	0.323	3.82	3.50	ZF-EDAZ07
EDAH08	0.572	3.82	3.25	ZF-EDAH08
EDAM08	0.821	3.82	3.00	ZF-EDAM08
EDAU08	1.071	3.82	2.75	ZF-EDAU08
EDAZ08	1.320	3.82	2.50	ZF-EDAZ08
EDAH09	1.569	3.82	2.25	ZF-EDAH09
EDAM09	1.819	3.82	2.00	ZF-EDAM09
EDAU09	2.068	3.82	1.75	ZF-EDAU09
EDAZ09	2.317	3.82	1.50	ZF-EDAZ09
EDAH10	2.566	3.82	1.25	ZF-EDAH10
EDAM10	2.816	3.82	1.00	ZF-EDAM10

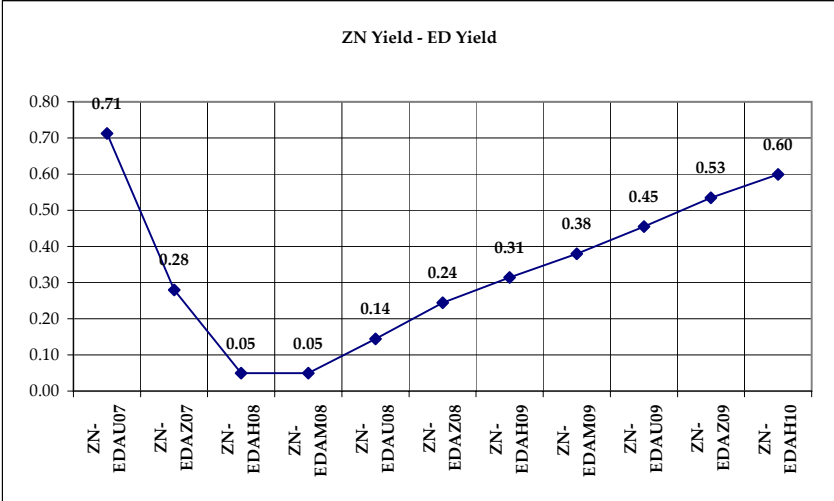
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Dirty TED: ZN vs Eurodollar Contracts

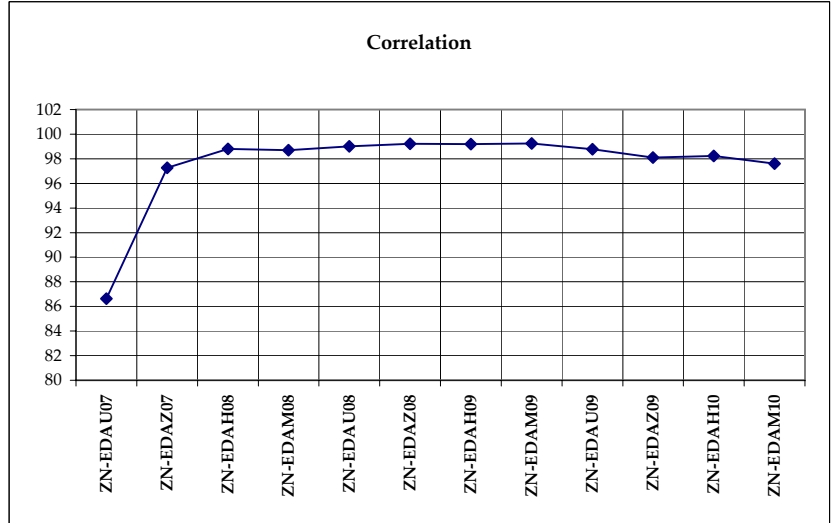
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	14.31	0.71	ZN-EDAU07	86.62
EDAZ07	13.88	0.28	ZN-EDAZ07	97.26
EDAH08	13.65	0.05	ZN-EDAH08	98.80
EDAM08	13.65	0.05	ZN-EDAM08	98.71
EDAU08	13.75	0.14	ZN-EDAU08	99.01
EDAZ08	13.85	0.24	ZN-EDAZ08	99.21
EDAH09	13.92	0.31	ZN-EDAH09	99.20
EDAM09	13.98	0.38	ZN-EDAM09	99.23
EDAU09	14.06	0.45	ZN-EDAU09	98.79
EDAZ09	14.14	0.53	ZN-EDAZ09	98.09
EDAH10	14.20	0.60	ZN-EDAH10	98.23
EDAM10	14.27	0.66	ZN-EDAM10	97.61

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	0.073	5.66	5.59	ZN-EDAU07
EDAZ07	0.323	5.66	5.34	ZN-EDAZ07
EDAH08	0.572	5.66	5.09	ZN-EDAH08
EDAM08	0.821	5.66	4.84	ZN-EDAM08
EDAU08	1.071	5.66	4.59	ZN-EDAU08
EDAZ08	1.320	5.66	4.34	ZN-EDAZ08
EDAH09	1.569	5.66	4.09	ZN-EDAH09
EDAM09	1.819	5.66	3.84	ZN-EDAM09
EDAU09	2.068	5.66	3.59	ZN-EDAU09
EDAZ09	2.317	5.66	3.34	ZN-EDAZ09
EDAH10	2.566	5.66	3.09	ZN-EDAH10
EDAM10	2.816	5.66	2.84	ZN-EDAM10

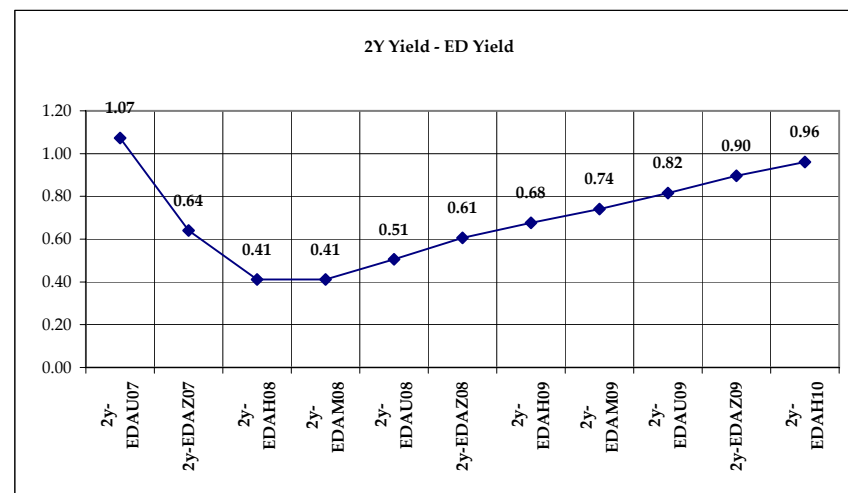
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.24	1.07	2y-EDAU07	-91.827
EDAZ07	5.81	0.64	2y-EDAZ07	-96.903
EDAH08	5.58	0.41	2y-EDAH08	-94.132
EDAM08	5.58	0.41	2y-EDAM08	-93.567
EDAU08	5.67	0.51	2y-EDAU08	-93.929
EDAZ08	5.77	0.61	2y-EDAZ08	-93.567
EDAH09	5.84	0.68	2y-EDAH09	-94.679
EDAM09	5.91	0.74	2y-EDAM09	-94.678
EDAU09	5.98	0.82	2y-EDAU09	-93.942
EDAZ09	6.06	0.90	2y-EDAZ09	-93.076
EDAH10	6.13	0.96	2y-EDAH10	-92.417
EDAM10	6.19	1.03	2y-EDAM10	-91.576

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.

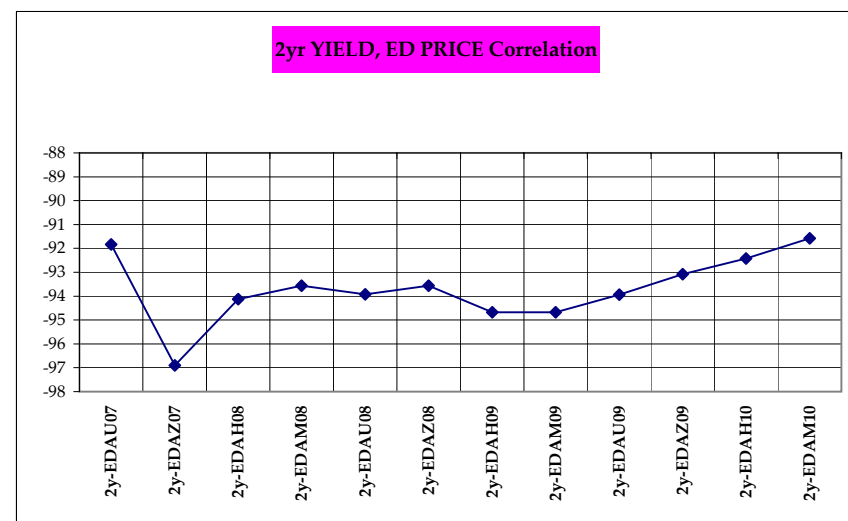


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.073	1.84	2y-EDAU07
EDAZ07	0.323	1.84	2y-EDAZ07
EDAH08	0.572	1.84	2y-EDAH08
EDAM08	0.821	1.84	2y-EDAM08
EDAU08	1.071	1.84	2y-EDAU08
EDAZ08	1.320	1.84	2y-EDAZ08
EDAH09	1.569	1.84	2y-EDAH09
EDAM09	1.819	1.84	2y-EDAM09
EDAU09	2.068	1.84	2y-EDAU09
EDAZ09	2.317	1.84	2y-EDAZ09
EDAH10	2.566	1.84	2y-EDAH10
EDAM10	2.816	1.84	2y-EDAM10

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

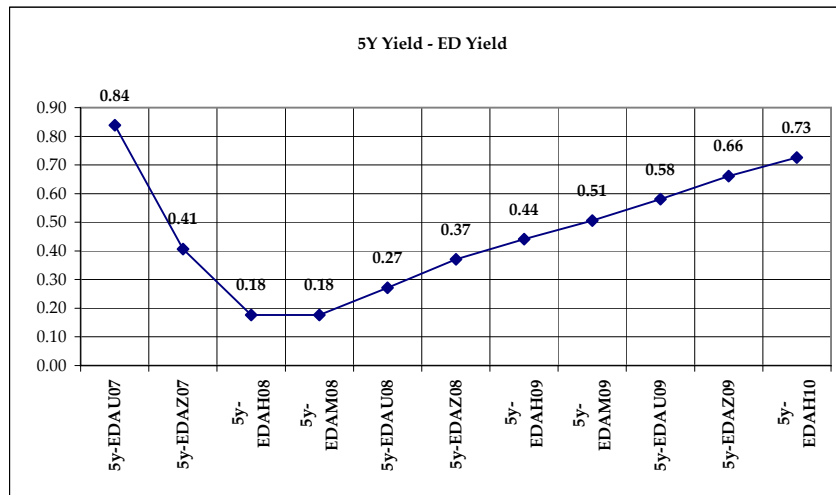
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.88	0.84	5y-EDAU07	-90.251
EDAZ07	6.44	0.41	5y-EDAZ07	-96.944
EDAH08	6.21	0.18	5y-EDAH08	-95.600
EDAM08	6.21	0.18	5y-EDAM08	-95.232
EDAU08	6.31	0.27	5y-EDAU08	-95.540
EDAZ08	6.41	0.37	5y-EDAZ08	-95.232
EDAH09	6.48	0.44	5y-EDAH09	-95.906
EDAM09	6.54	0.51	5y-EDAM09	-95.910
EDAU09	6.62	0.58	5y-EDAU09	-95.195
EDAZ09	6.70	0.66	5y-EDAZ09	-94.230
EDAH10	6.76	0.73	5y-EDAH10	-93.409
EDAM10	6.83	0.79	5y-EDAM10	-92.497

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.

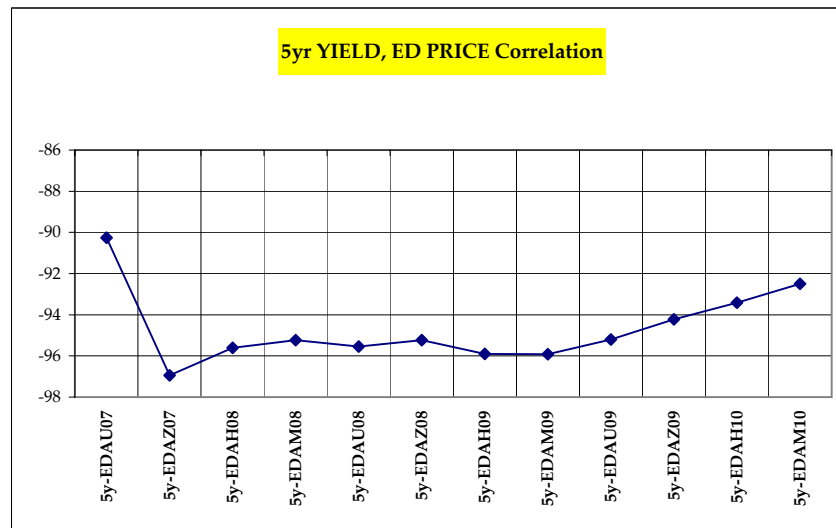


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.073	4.37	4.30	5y-EDAU07
EDAZ07	0.323	4.37	4.05	5y-EDAZ07
EDAH08	0.572	4.37	3.80	5y-EDAH08
EDAM08	0.821	4.37	3.55	5y-EDAM08
EDAU08	1.071	4.37	3.30	5y-EDAU08
EDAZ08	1.320	4.37	3.05	5y-EDAZ08
EDAH09	1.569	4.37	2.81	5y-EDAH09
EDAM09	1.819	4.37	2.56	5y-EDAM09
EDAU09	2.068	4.37	2.31	5y-EDAU09
EDAZ09	2.317	4.37	2.06	5y-EDAZ09
EDAH10	2.566	4.37	1.81	5y-EDAH10
EDAM10	2.816	4.37	1.56	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	6.88	0.48	10y-EDAU07	-88.186
EDAZ07	6.44	0.04	10y-EDAZ07	-94.393
EDAH08	6.21	0.19	10y-EDAH08	-92.685
EDAM08	6.21	0.19	10y-EDAM08	-92.441
EDAU08	6.31	0.09	10y-EDAU08	-93.188
EDAZ08	6.41	0.01	10y-EDAZ08	-92.441
EDAH09	6.48	0.08	10y-EDAH09	-93.971
EDAM09	6.54	0.14	10y-EDAM09	-93.809
EDAU09	6.62	0.22	10y-EDAU09	-92.850
EDAZ09	6.70	0.30	10y-EDAZ09	-91.803
EDAH10	6.76	0.36	10y-EDAH10	-90.741
EDAM10	6.83	0.43	10y-EDAM10	-89.786

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.

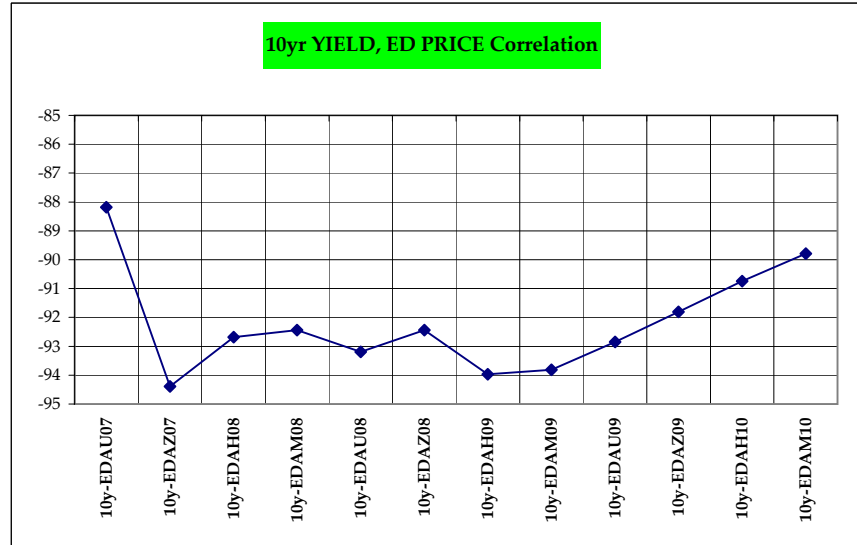


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.073	7.89	7.82	10y-EDAU07
EDAZ07	0.323	7.89	7.57	10y-EDAZ07
EDAH08	0.572	7.89	7.32	10y-EDAH08
EDAM08	0.821	7.89	7.07	10y-EDAM08
EDAU08	1.071	7.89	6.82	10y-EDAU08
EDAZ08	1.320	7.89	6.57	10y-EDAZ08
EDAH09	1.569	7.89	6.32	10y-EDAH09
EDAM09	1.819	7.89	6.07	10y-EDAM09
EDAU09	2.068	7.89	5.82	10y-EDAU09
EDAZ09	2.317	7.89	5.57	10y-EDAZ09
EDAH10	2.566	7.89	5.33	10y-EDAH10
EDAM10	2.816	7.89	5.08	10y-EDAM10

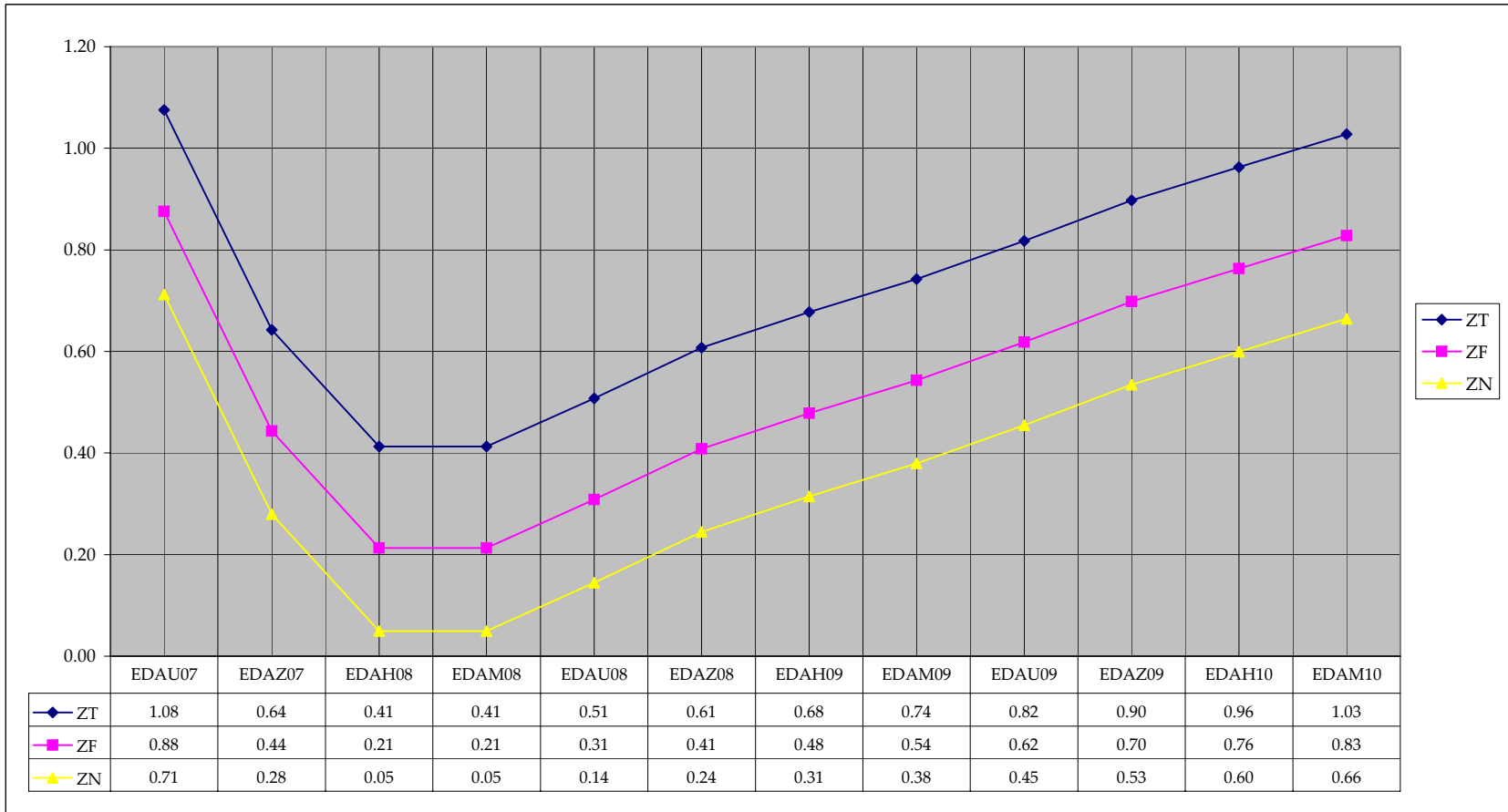
The farther away from 0 the spread duration is the riskier the trade.

10yr YIELD, ED PRICE Correlation



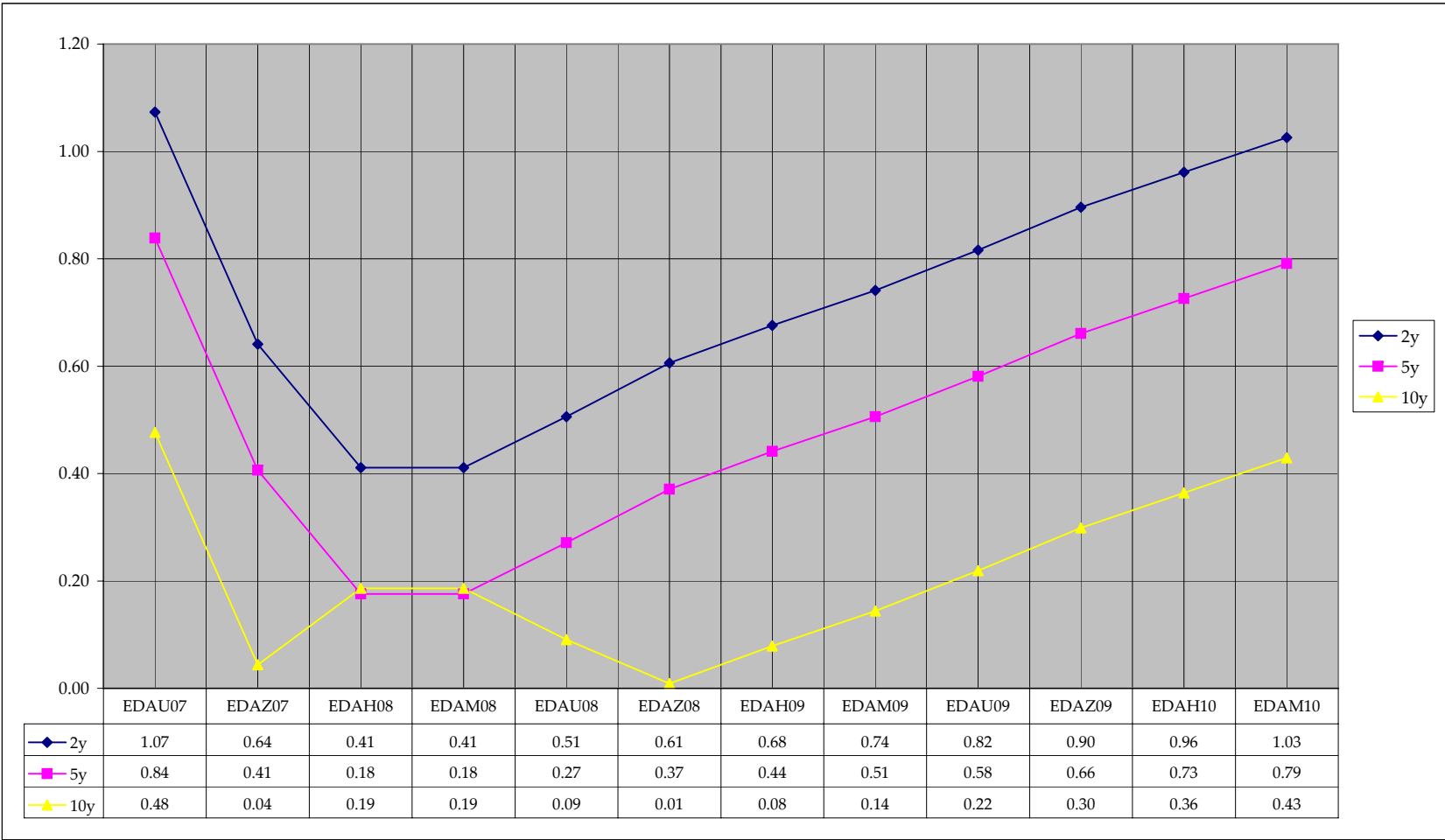
Dirty TED Curve

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.

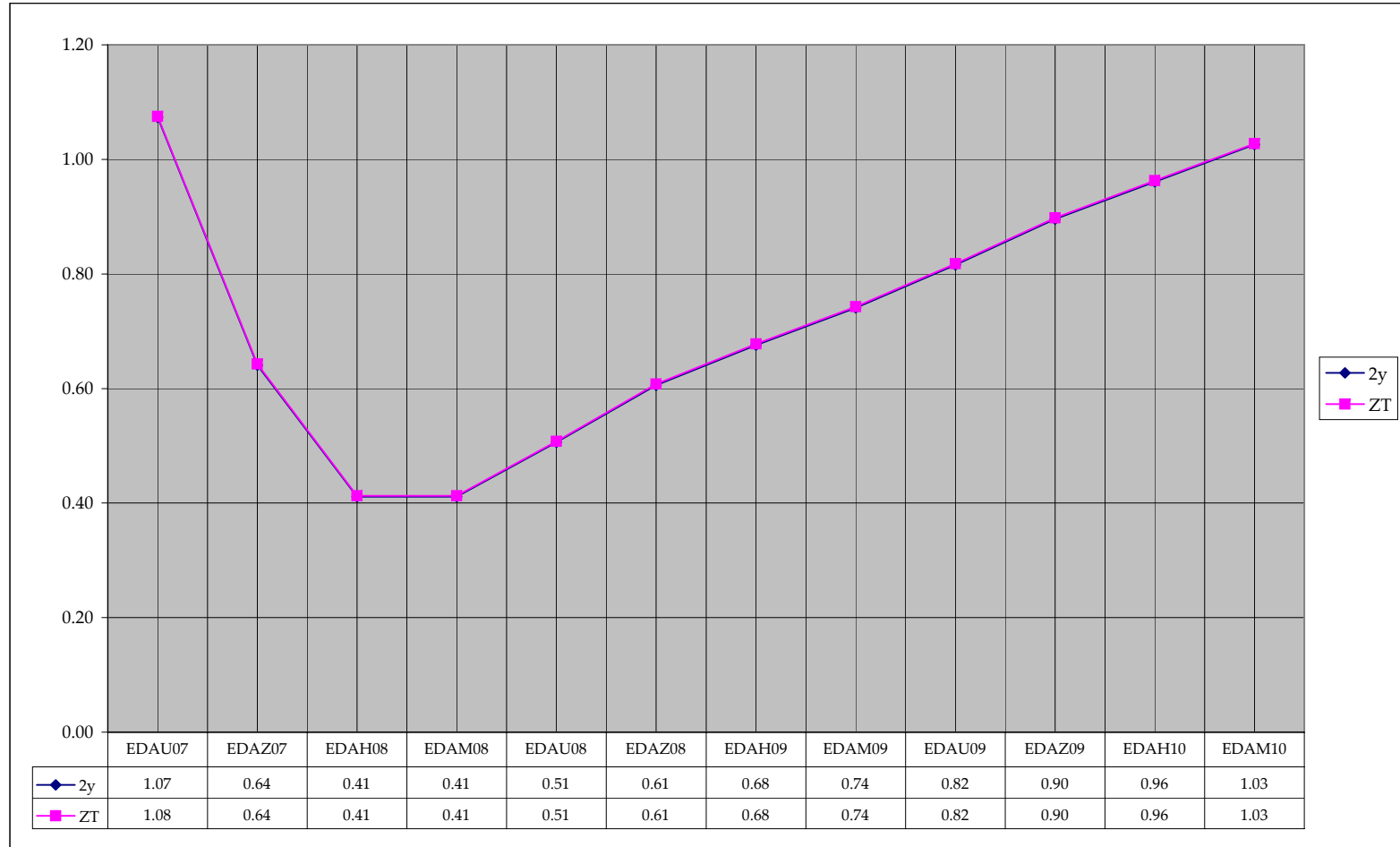


TED Curve

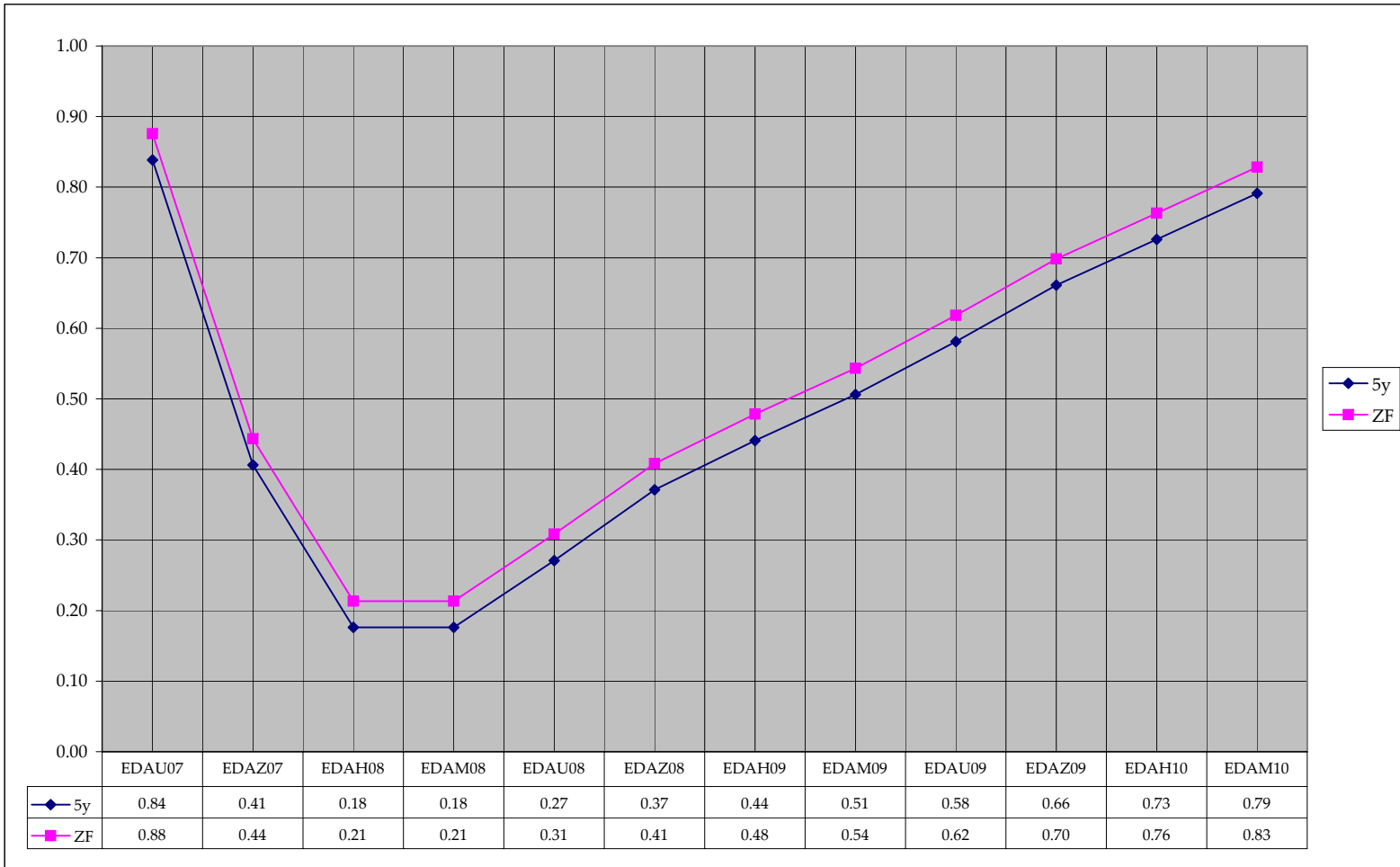
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



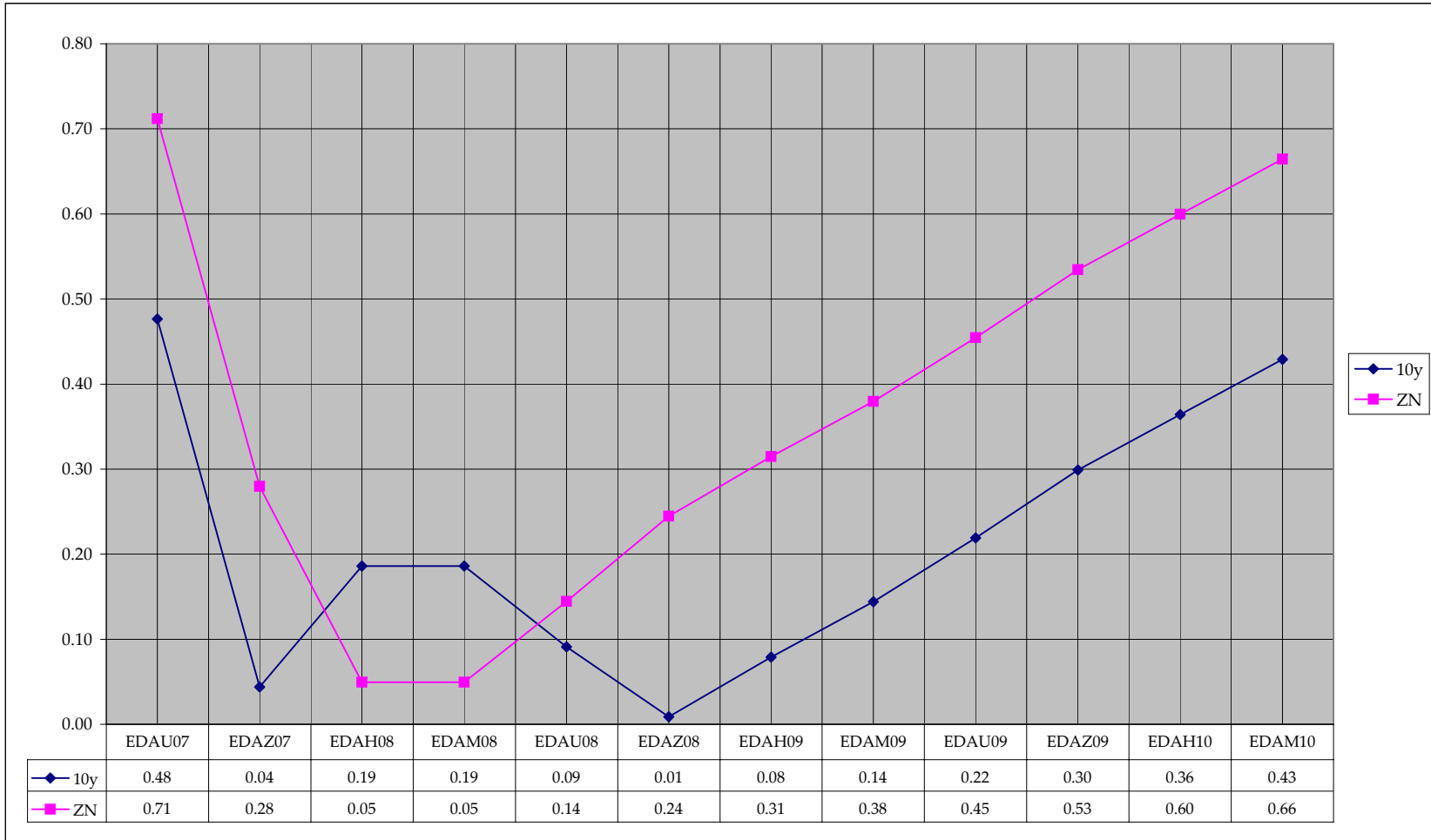
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.727	7.313	9539.188
Q.ED.Red	4.725	7.875	9539.375
Q.ED.Green	5.028	8.250	9510.125
Q.ED.Blue	0.000	0.000	9476.125
Q.ED.Gold	0.000	0.000	9453.125
Q.ED.Purple	0.000	0.000	9453.125

