

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	102.8813	102.282	4.174	1.74	
ZF	106.3125	106.100	4.344	3.81	
ZN	108.6094	108.195	4.475	5.65	
2y	100.828	100.2650	4.175	1.83	
5y	101.131	101.0420	4.365	4.36	
10y	100.813	100.2600	4.647	7.88	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.768	5.233	25	0.068	SEP	White Pack	
EDAZ07	95.185	4.815	116	0.317	DEC		
EDAH08	95.405	4.595	207	0.566	MAR		
EDAM08	95.420	4.580	298	0.816	JUN	Red Pack	
EDAU08	95.345	4.655	389	1.065	SEP		
EDAZ08	95.275	4.725	480	1.314	DEC		
EDAH09	95.220	4.780	571	1.564	MAR		
EDAM09	95.165	4.835	662	1.813	JUN	Green Pack	
EDAU09	95.110	4.890	753	2.062	SEP		
EDAZ09	95.050	4.950	844	2.312	DEC		
EDAH10	95.010	4.990	935	2.561	MAR		
EDAM10	94.955	5.045	1026	2.810	JUN	Blue Pack	
EDAU10	94.910	5.090	1117	3.060	SEP		
EDAZ10	94.840	5.160	1208	3.309	DEC		
EDAH11	94.820	5.180	1299	3.558	MAR		
EDAM11	94.755	5.245	1390	3.808	JUN	Gold Pack	
EDAU11	94.710	5.290	1488	4.076	SEP		
EDAZ11	94.615	5.385	1579	4.325	DEC		
EDAH12	94.615	5.385	1670	4.575	MAR		
EDAM12	94.570	5.430	1761	4.824	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	4.932	-14.688	9519.438	Pack Prices
Q.ED.Red	4.873	-10.625	9525.125	
Q.ED.Green	5.101	-6.000	9503.125	
Q.ED.Blue	5.309	-1.000	9483.125	
Q.ED.Gold	5.526	1.125	9462.250	
Q.ED.Purple	5.526	1.125	9462.250	

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

8/23/2007 5:35

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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.

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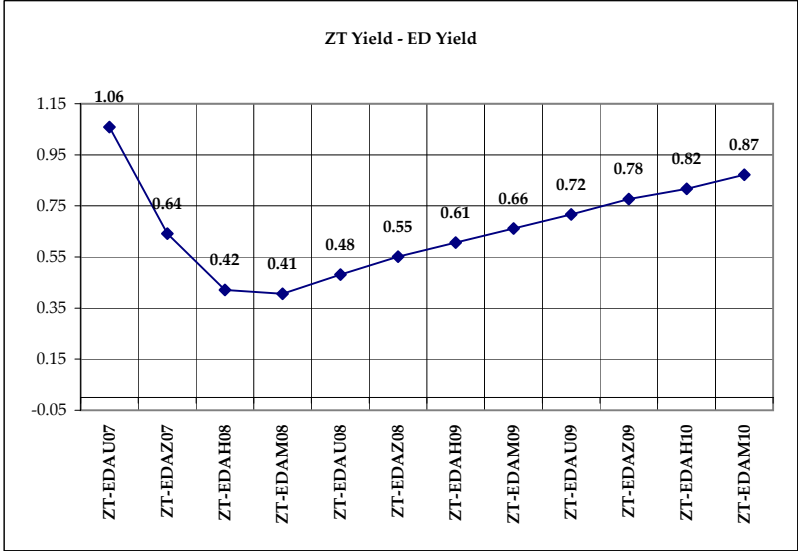
Eurodollar Color Codes for Individual Year Strips:

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

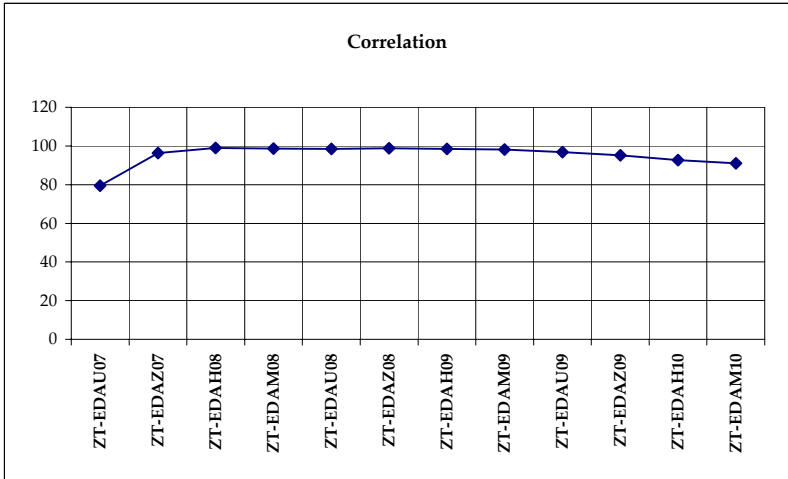
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	8.114	1.06	ZT-EDAU07	79.434
EDAZ07	7.696	0.64	ZT-EDAZ07	96.309
EDAH08	7.476	0.42	ZT-EDAH08	98.925
EDAM08	7.461	0.41	ZT-EDAM08	98.627
EDAU08	7.536	0.48	ZT-EDAU08	98.424
EDAZ08	7.606	0.55	ZT-EDAZ08	98.766
EDAH09	7.661	0.61	ZT-EDAH09	98.430
EDAM09	7.716	0.66	ZT-EDAM09	98.142
EDAU09	7.771	0.72	ZT-EDAU09	96.902
EDAZ09	7.831	0.78	ZT-EDAZ09	95.115
EDAH10	7.871	0.82	ZT-EDAH10	92.645
EDAM10	7.926	0.87	ZT-EDAM10	90.983

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



GE Duration as Fraction of year				
	ZT Duration	Spread Duration		
EDAU07	0.068	1.74	1.68	ZT-EDAU07
EDAZ07	0.317	1.74	1.43	ZT-EDAZ07
EDAH08	0.566	1.74	1.18	ZT-EDAH08
EDAM08	0.816	1.74	0.93	ZT-EDAM08
EDAU08	1.065	1.74	0.68	ZT-EDAU08
EDAZ08	1.314	1.74	0.43	ZT-EDAZ08
EDAH09	1.564	1.74	0.18	ZT-EDAH09
EDAM09	1.813	1.74	(0.07)	ZT-EDAM09
EDAU09	2.062	1.74	(0.32)	ZT-EDAU09
EDAZ09	2.312	1.74	(0.57)	ZT-EDAZ09
EDAH10	2.561	1.74	(0.82)	ZT-EDAH10
EDAM10	2.810	1.74	(1.07)	ZT-EDAM10

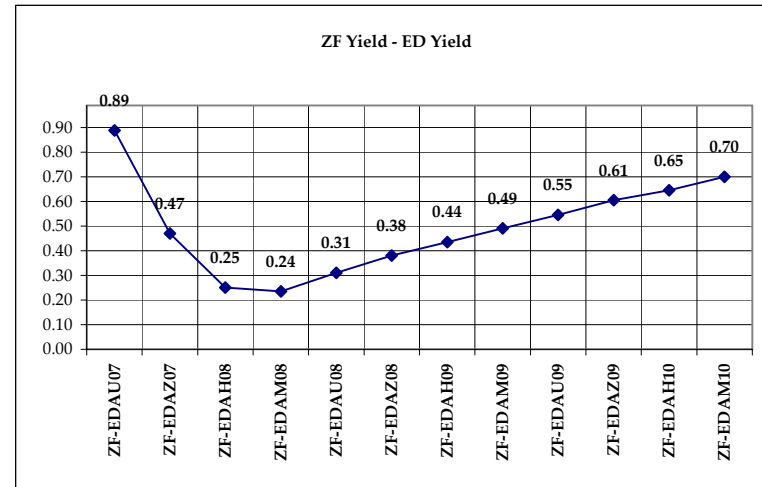
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	11.55	0.89	ZF-EDAU07	75.512
EDAZ07	11.13	0.47	ZF-EDAZ07	95.206
EDAH08	10.91	0.25	ZF-EDAH08	98.937
EDAM08	10.89	0.24	ZF-EDAM08	98.643
EDAU08	10.97	0.31	ZF-EDAU08	98.403
EDAZ08	11.04	0.38	ZF-EDAZ08	98.951
EDAH09	11.09	0.44	ZF-EDAH09	98.873
EDAM09	11.15	0.49	ZF-EDAM09	98.845
EDAU09	11.20	0.55	ZF-EDAU09	97.952
EDAZ09	11.26	0.61	ZF-EDAZ09	96.445
EDAH10	11.30	0.65	ZF-EDAH10	94.201
EDAM10	11.36	0.70	ZF-EDAM10	92.686

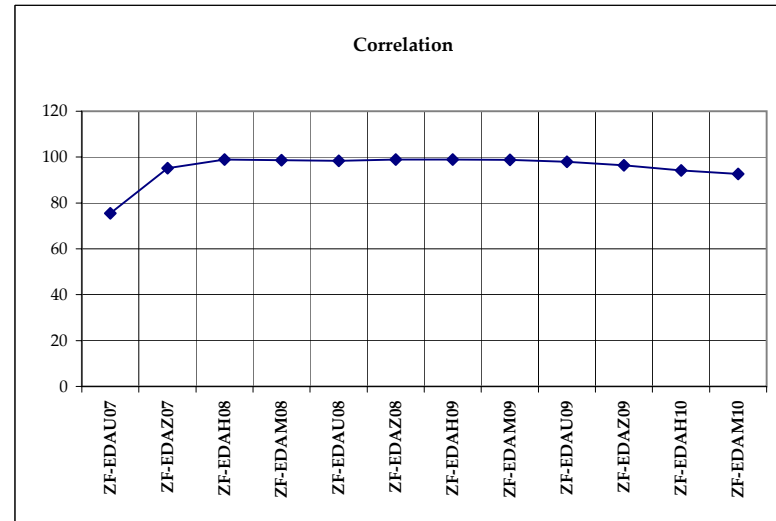
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.068	3.81	ZF-EDAU07
EDAZ07	0.317	3.81	ZF-EDAZ07
EDAH08	0.566	3.81	ZF-EDAH08
EDAM08	0.816	3.81	ZF-EDAM08
EDAU08	1.065	3.81	ZF-EDAU08
EDAZ08	1.314	3.81	ZF-EDAZ08
EDAH09	1.564	3.81	ZF-EDAH09
EDAM09	1.813	3.81	ZF-EDAM09
EDAU09	2.062	3.81	ZF-EDAU09
EDAZ09	2.312	3.81	ZF-EDAZ09
EDAH10	2.561	3.81	ZF-EDAH10
EDAM10	2.810	3.81	ZF-EDAM10

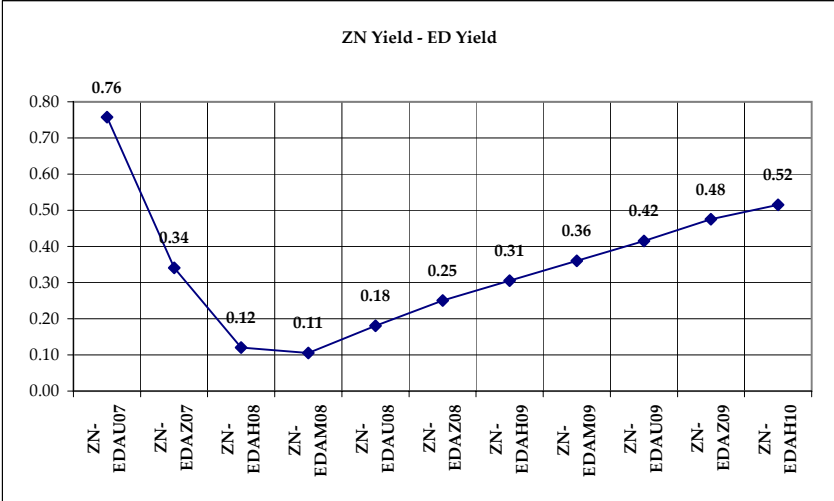
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

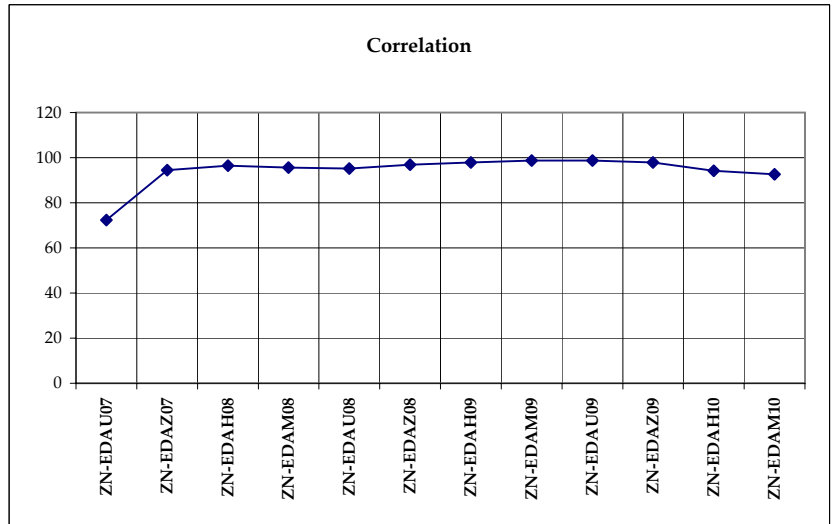
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	13.84	0.76	ZN-EDAU07	72.36
EDAZ07	13.42	0.34	ZN-EDAZ07	94.42
EDAH08	13.20	0.12	ZN-EDAH08	96.48
EDAM08	13.19	0.11	ZN-EDAM08	95.56
EDAU08	13.26	0.18	ZN-EDAU08	95.22
EDAZ08	13.33	0.25	ZN-EDAZ08	96.81
EDAH09	13.39	0.31	ZN-EDAH09	97.91
EDAM09	13.44	0.36	ZN-EDAM09	98.77
EDAU09	13.50	0.42	ZN-EDAU09	98.68
EDAZ09	13.56	0.48	ZN-EDAZ09	97.85
EDAH10	13.60	0.52	ZN-EDAH10	94.20
EDAM10	13.65	0.57	ZN-EDAM10	92.69

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	0.068	5.65	5.58	ZN-EDAU07
EDAZ07	0.317	5.65	5.33	ZN-EDAZ07
EDAH08	0.566	5.65	5.08	ZN-EDAH08
EDAM08	0.816	5.65	4.83	ZN-EDAM08
EDAU08	1.065	5.65	4.58	ZN-EDAU08
EDAZ08	1.314	5.65	4.33	ZN-EDAZ08
EDAH09	1.564	5.65	4.08	ZN-EDAH09
EDAM09	1.813	5.65	3.83	ZN-EDAM09
EDAU09	2.062	5.65	3.58	ZN-EDAU09
EDAZ09	2.312	5.65	3.33	ZN-EDAZ09
EDAH10	2.561	5.65	3.08	ZN-EDAH10
EDAM10	2.810	5.65	2.83	ZN-EDAM10

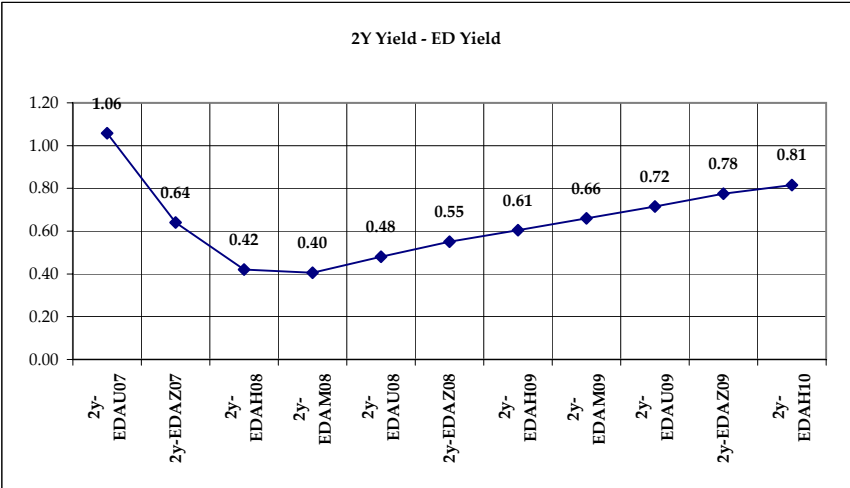
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.06	1.06	2y-EDAU07	-79.003
EDAZ07	5.64	0.64	2y-EDAZ07	-92.962
EDAH08	5.42	0.42	2y-EDAH08	-88.071
EDAM08	5.41	0.40	2y-EDAM08	-86.151
EDAU08	5.48	0.48	2y-EDAU08	-85.334
EDAZ08	5.55	0.55	2y-EDAZ08	-86.151
EDAH09	5.61	0.61	2y-EDAH09	-90.457
EDAM09	5.66	0.66	2y-EDAM09	-92.063
EDAU09	5.72	0.72	2y-EDAU09	-92.668
EDAZ09	5.78	0.78	2y-EDAZ09	-92.274
EDAH10	5.82	0.81	2y-EDAH10	-91.702
EDAM10	5.87	0.87	2y-EDAM10	-90.892

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.

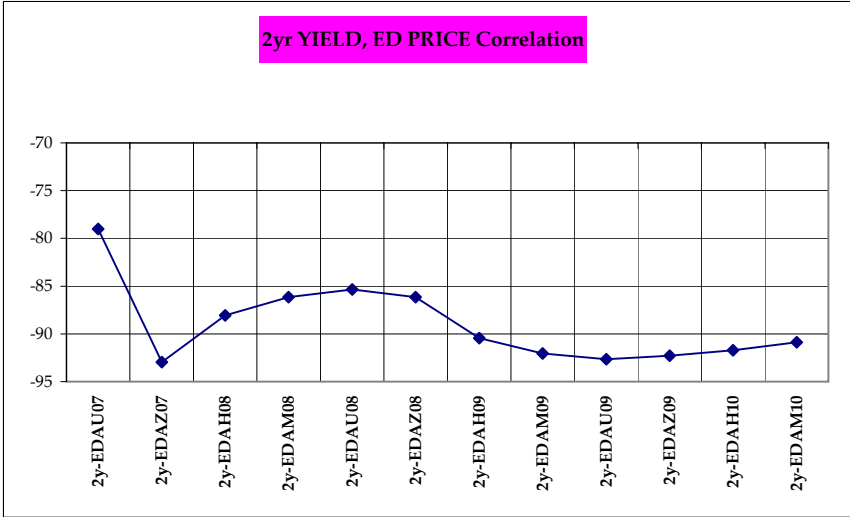


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.068	1.76	2y-EDAU07
EDAZ07	0.317	1.51	2y-EDAZ07
EDAH08	0.566	1.26	2y-EDAH08
EDAM08	0.816	1.01	2y-EDAM08
EDAU08	1.065	0.77	2y-EDAU08
EDAZ08	1.314	0.52	2y-EDAZ08
EDAH09	1.564	0.27	2y-EDAH09
EDAM09	1.813	0.02	2y-EDAM09
EDAU09	2.062	(0.23)	2y-EDAU09
EDAZ09	2.312	(0.48)	2y-EDAZ09
EDAH10	2.561	(0.73)	2y-EDAH10
EDAM10	2.810	(0.98)	2y-EDAM10

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

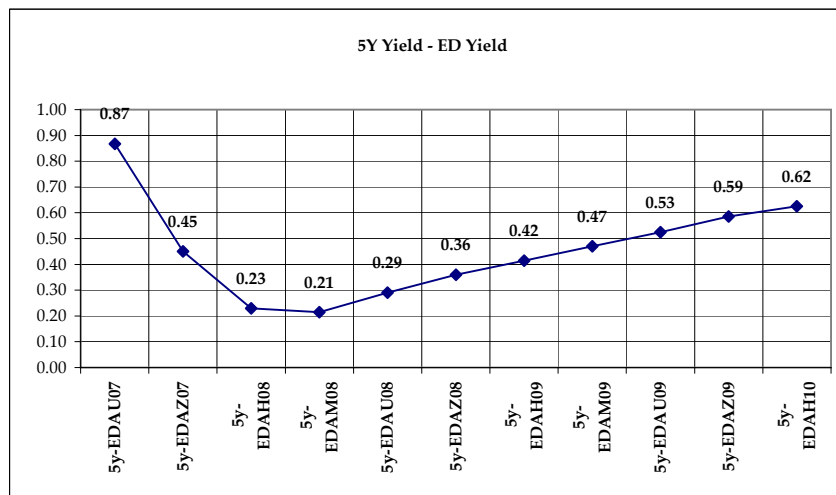
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.36	0.87	5y-EDAU07	-77.960
EDAZ07	5.95	0.45	5y-EDAZ07	-93.656
EDAH08	5.73	0.23	5y-EDAH08	-91.253
EDAM08	5.71	0.21	5y-EDAM08	-89.826
EDAU08	5.79	0.29	5y-EDAU08	-89.187
EDAZ08	5.86	0.36	5y-EDAZ08	-89.826
EDAH09	5.91	0.42	5y-EDAH09	-92.864
EDAM09	5.97	0.47	5y-EDAM09	-94.094
EDAU09	6.02	0.53	5y-EDAU09	-94.191
EDAZ09	6.08	0.59	5y-EDAZ09	-93.242
EDAH10	6.12	0.62	5y-EDAH10	-91.975
EDAM10	6.18	0.68	5y-EDAM10	-90.852

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.

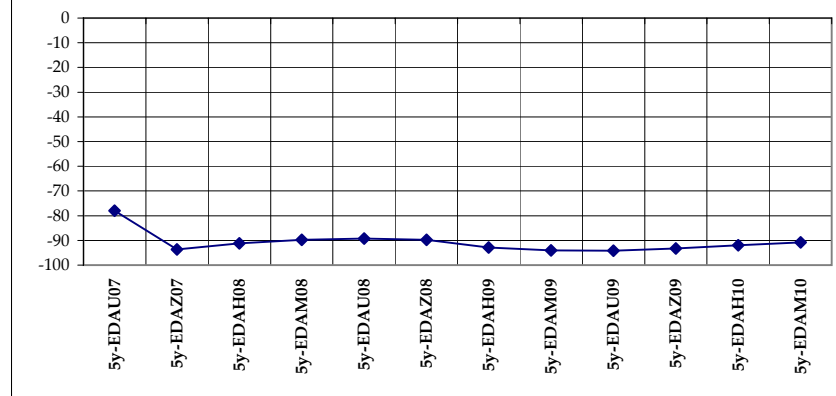


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.068	4.36	4.30	5y-EDAU07
EDAZ07	0.317	4.36	4.05	5y-EDAZ07
EDAH08	0.566	4.36	3.80	5y-EDAH08
EDAM08	0.816	4.36	3.55	5y-EDAM08
EDAU08	1.065	4.36	3.30	5y-EDAU08
EDAZ08	1.314	4.36	3.05	5y-EDAZ08
EDAH09	1.564	4.36	2.80	5y-EDAH09
EDAM09	1.813	4.36	2.55	5y-EDAM09
EDAU09	2.062	4.36	2.30	5y-EDAU09
EDAZ09	2.312	4.36	2.05	5y-EDAZ09
EDAH10	2.561	4.36	1.80	5y-EDAH10
EDAM10	2.810	4.36	1.55	5y-EDAM10

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

5yr YIELD, ED PRICE Correlation



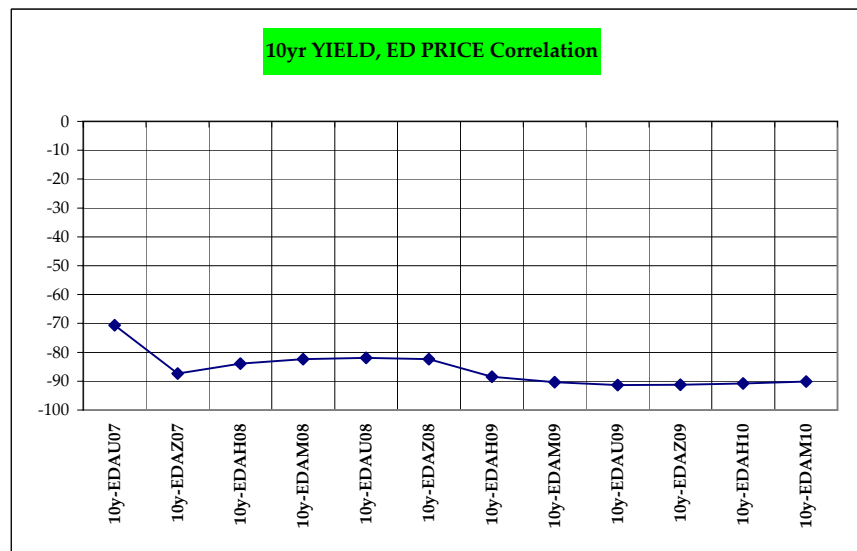
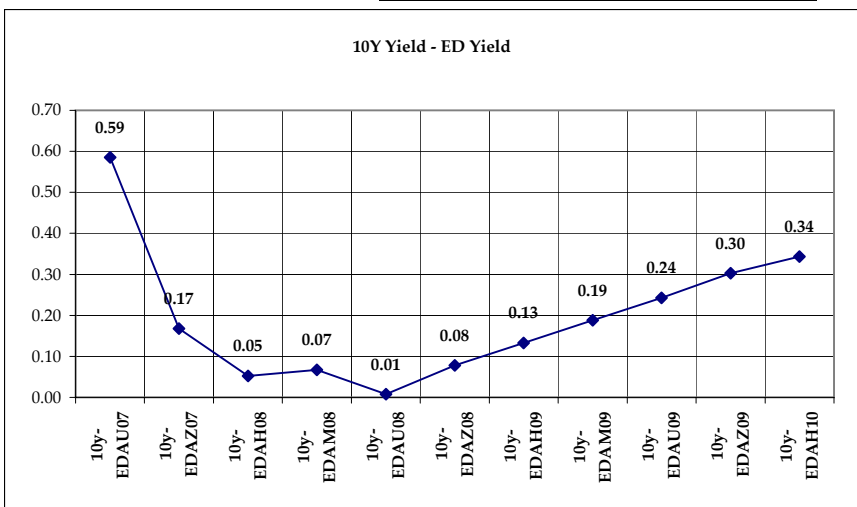
TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.36	0.59	10y-EDAU07	-70.581
EDAZ07	5.95	0.17	10y-EDAZ07	-87.349
EDAH08	5.73	0.05	10y-EDAH08	-83.949
EDAM08	5.71	0.07	10y-EDAM08	-82.325
EDAU08	5.79	0.01	10y-EDAU08	-81.981
EDAZ08	5.86	0.08	10y-EDAZ08	-82.325
EDAH09	5.91	0.13	10y-EDAH09	-88.448
EDAM09	5.97	0.19	10y-EDAM09	-90.350
EDAU09	6.02	0.24	10y-EDAU09	-91.306
EDAZ09	6.08	0.30	10y-EDAZ09	-91.240
EDAH10	6.12	0.34	10y-EDAH10	-90.744
EDAM10	6.18	0.40	10y-EDAM10	-90.135

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
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 These are measuring YIELD correlations.

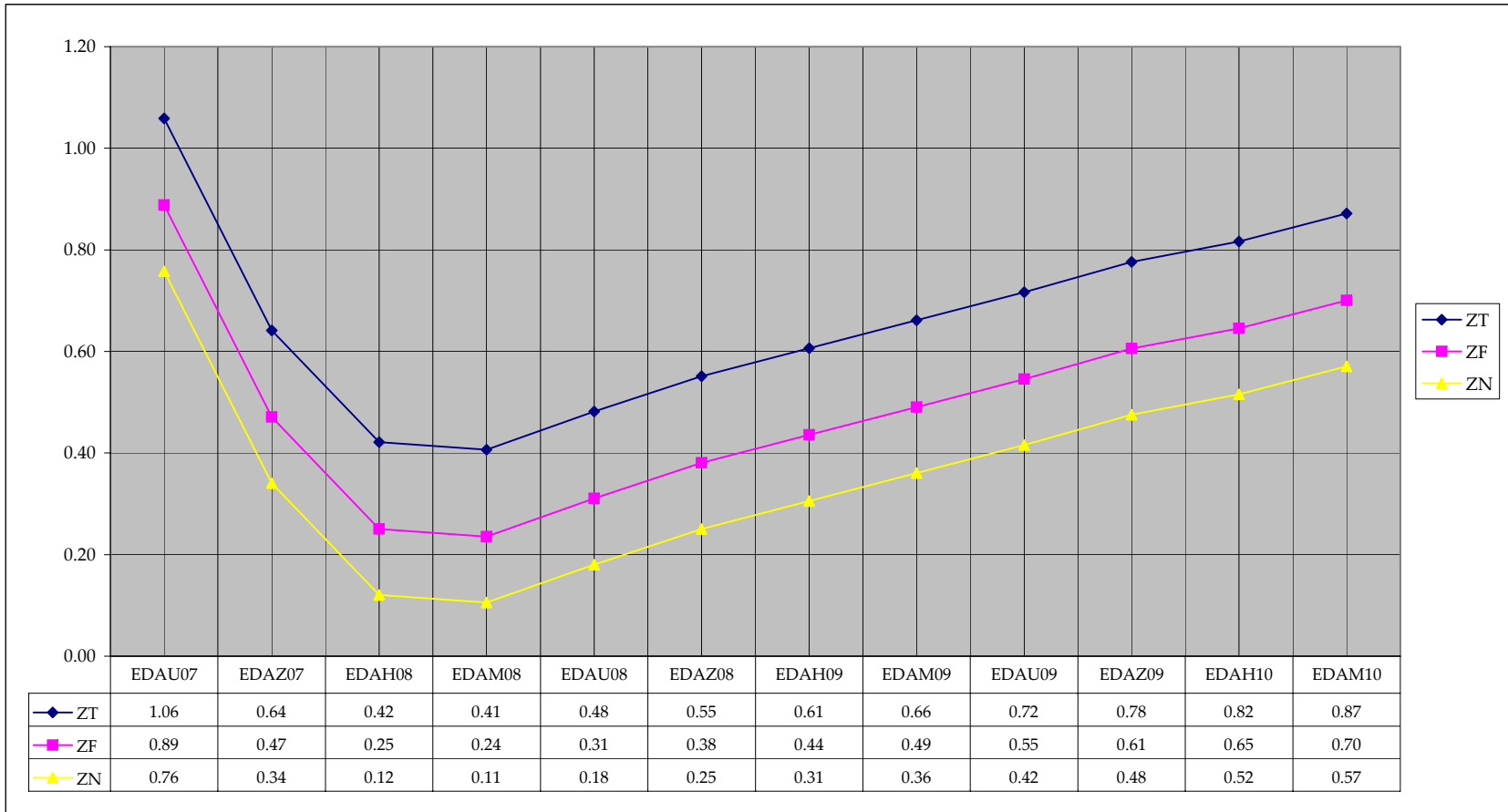
	GE Duration as Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.068	7.88	7.81	10y-EDAU07
EDAZ07	0.317	7.88	7.56	10y-EDAZ07
EDAH08	0.566	7.88	7.31	10y-EDAH08
EDAM08	0.816	7.88	7.06	10y-EDAM08
EDAU08	1.065	7.88	6.81	10y-EDAU08
EDAZ08	1.314	7.88	6.56	10y-EDAZ08
EDAH09	1.564	7.88	6.31	10y-EDAH09
EDAM09	1.813	7.88	6.06	10y-EDAM09
EDAU09	2.062	7.88	5.81	10y-EDAU09
EDAZ09	2.312	7.88	5.56	10y-EDAZ09
EDAH10	2.561	7.88	5.32	10y-EDAH10
EDAM10	2.810	7.88	5.07	10y-EDAM10

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



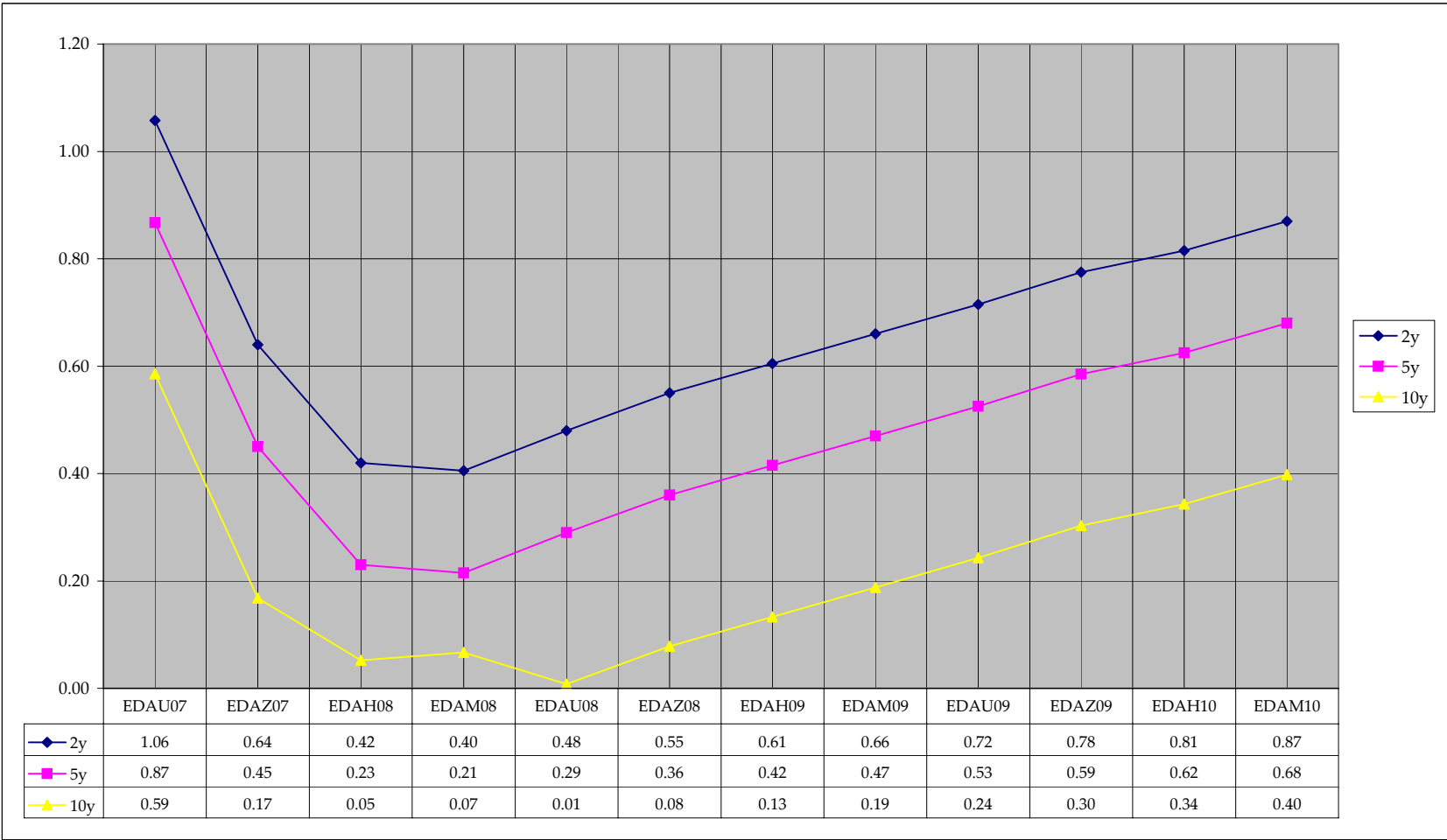
Dirty TED Curve

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.

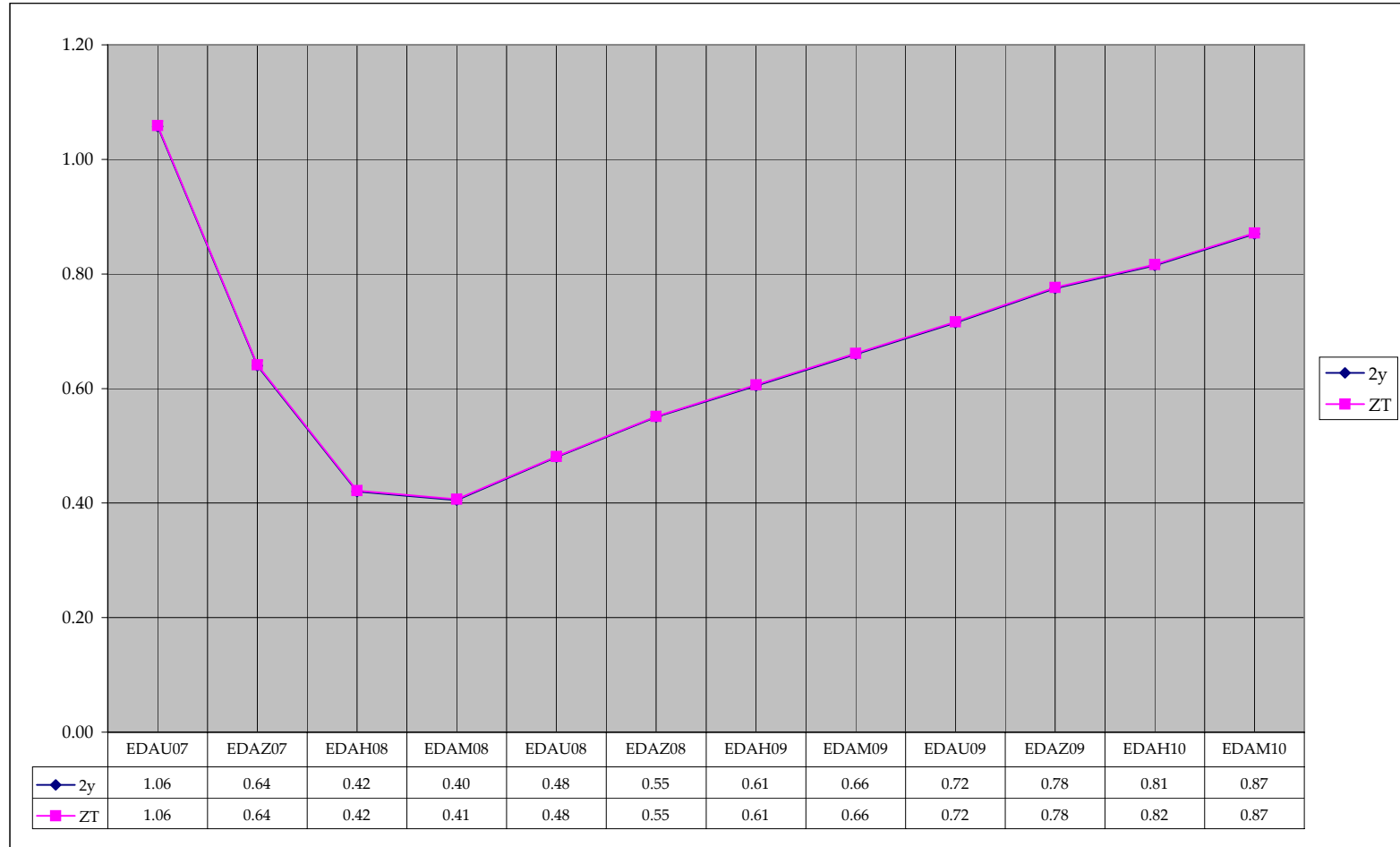


TED Curve

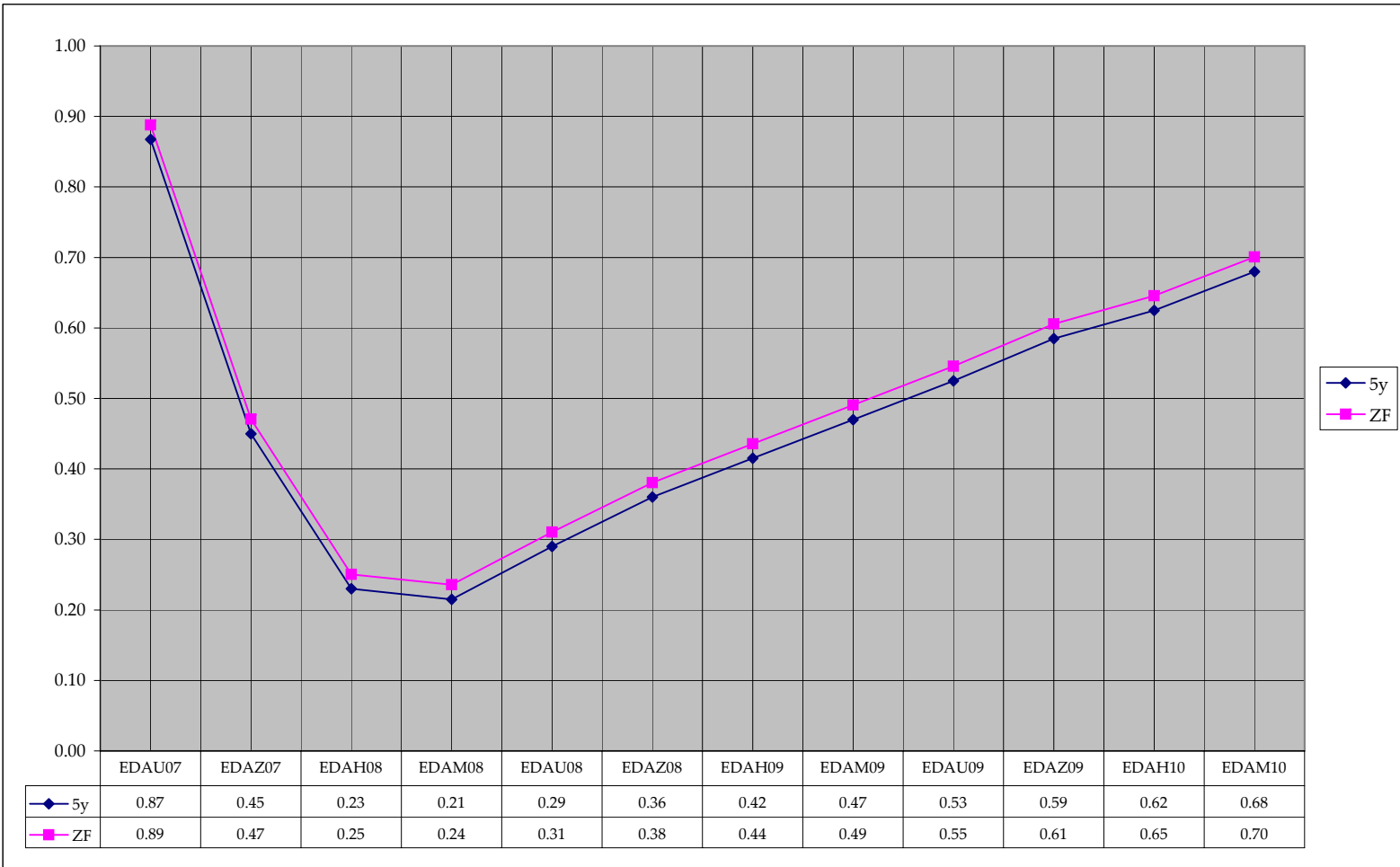
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



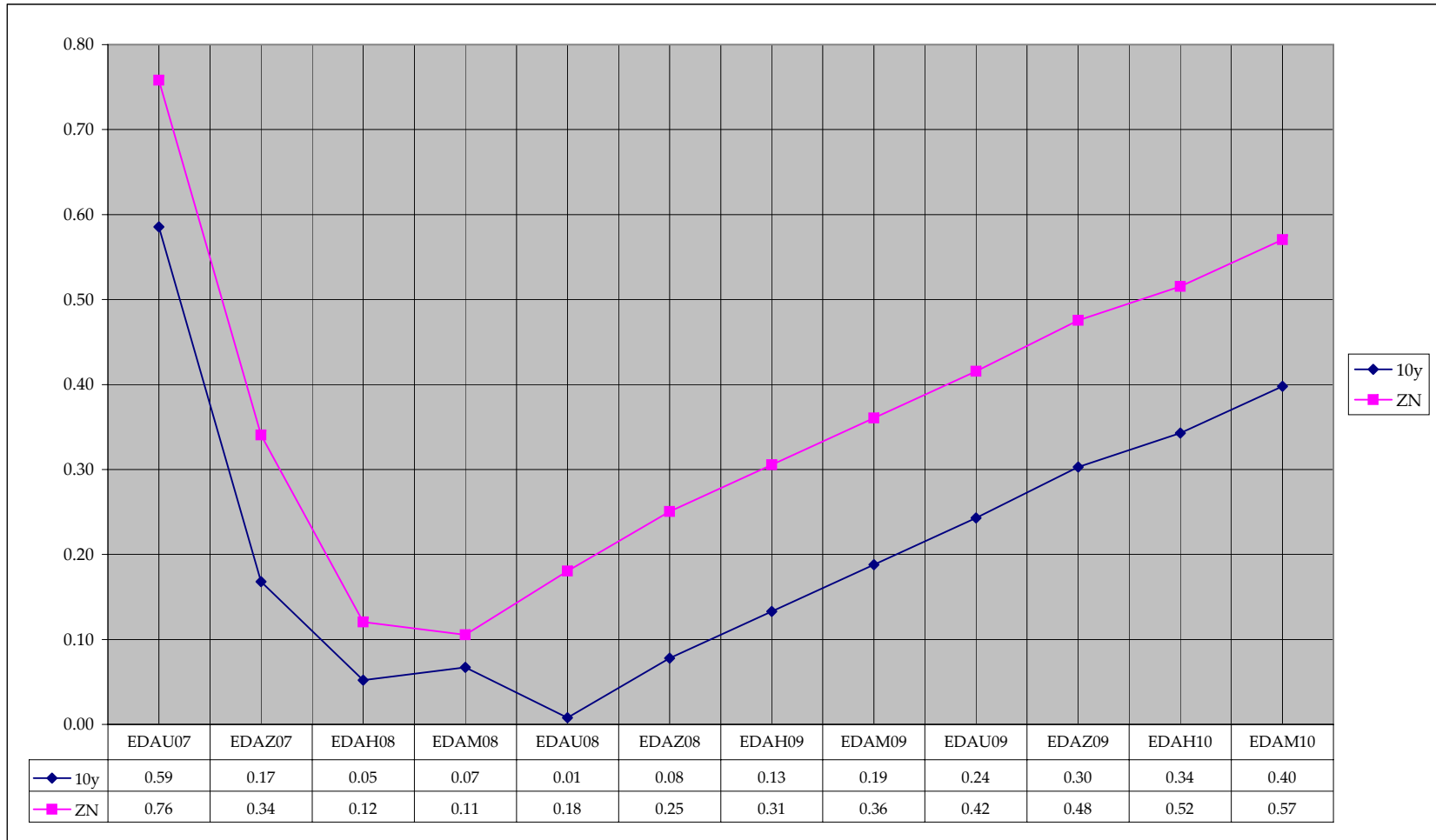
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.932	-14.688	9519.438
Q.ED.Red	4.873	-10.625	9525.125
Q.ED.Green	5.101	-6.000	9503.125
Q.ED.Blue	5.309	-1.000	9483.125
Q.ED.Gold	5.526	1.125	9462.250
Q.ED.Purple	5.526	1.125	9462.250

