

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	102.9438	102.302	4.221	1.73	
ZF	106.5156	106.165	4.303	3.80	
ZN	109.0000	109.000	4.401	5.64	
2y	100.725	100.2320	4.222	1.82	
5y	101.250	101.0800	4.338	4.35	
10y	101.375	101.1200	4.574	7.87	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.665	5.335	20	0.054	SEP	White Pack	
EDAZ07	95.110	4.890	111	0.303	DEC		
EDAH08	95.365	4.635	202	0.553	MAR		
EDAM08	95.410	4.590	293	0.802	JUN	Red Pack	
EDAU08	95.380	4.620	384	1.051	SEP		
EDAZ08	95.335	4.665	475	1.301	DEC		
EDAH09	95.285	4.715	566	1.550	MAR		
EDAM09	95.225	4.775	657	1.799	JUN	Green Pack	
EDAU09	95.180	4.820	748	2.049	SEP		
EDAZ09	95.120	4.880	839	2.298	DEC		
EDAH10	95.085	4.915	930	2.547	MAR		
EDAM10	95.050	4.950	1021	2.797	JUN	Blue Pack	
EDAU10	94.995	5.005	1112	3.046	SEP		
EDAZ10	94.935	5.065	1203	3.295	DEC		
EDAH11	94.900	5.100	1294	3.545	MAR		
EDAM11	94.855	5.145	1385	3.794	JUN	Gold Pack	
EDAU11	94.810	5.190	1483	4.062	SEP		
EDAZ11	94.760	5.240	1574	4.312	DEC		
EDAH12	94.725	5.275	1665	4.561	MAR		
EDAM12	94.680	5.320	1756	4.810	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	4.991	1.500	9513.750	Pack Prices
Q.ED.Red	4.815	3.000	9530.625	
Q.ED.Green	5.021	2.875	9510.875	
Q.ED.Blue	5.216	2.375	9492.125	
Q.ED.Gold	5.400	2.500	9474.375	
Q.ED.Purple	5.400	2.500	9474.375	

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

8/28/2007 5:47

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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

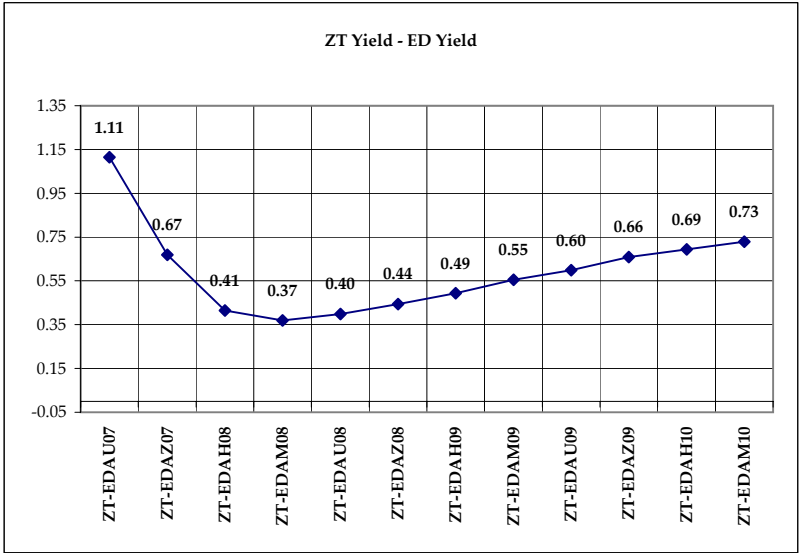
Eurodollar Color Codes for Individual Year Strips:

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

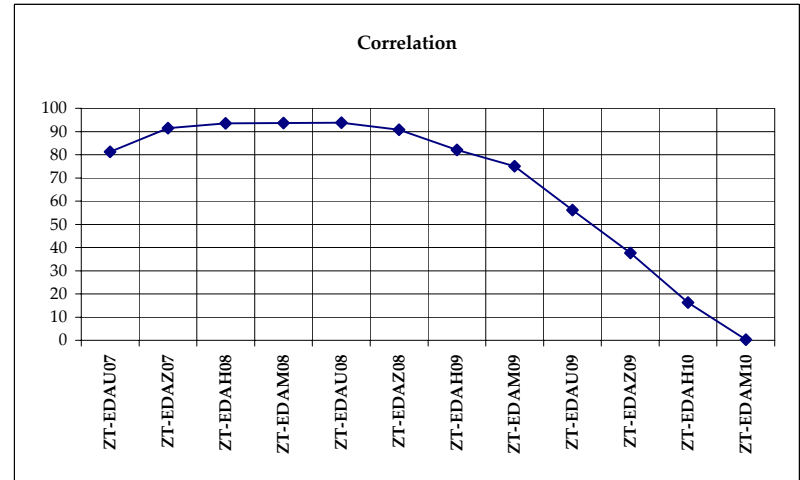
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	8.279	1.11	ZT-EDAU07	81.186
EDAZ07	7.834	0.67	ZT-EDAZ07	91.515
EDAH08	7.579	0.41	ZT-EDAH08	93.493
EDAM08	7.534	0.37	ZT-EDAM08	93.629
EDAU08	7.564	0.40	ZT-EDAU08	93.797
EDAZ08	7.609	0.44	ZT-EDAZ08	90.733
EDAH09	7.659	0.49	ZT-EDAH09	82.116
EDAM09	7.719	0.55	ZT-EDAM09	74.991
EDAU09	7.764	0.60	ZT-EDAU09	56.173
EDAZ09	7.824	0.66	ZT-EDAZ09	37.669
EDAH10	7.859	0.69	ZT-EDAH10	16.220
EDAM10	7.894	0.73	ZT-EDAM10	0.217

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	0.054	1.73	1.68	ZT-EDAU07
EDAZ07	0.303	1.73	1.43	ZT-EDAZ07
EDAH08	0.553	1.73	1.18	ZT-EDAH08
EDAM08	0.802	1.73	0.93	ZT-EDAM08
EDAU08	1.051	1.73	0.68	ZT-EDAU08
EDAZ08	1.301	1.73	0.43	ZT-EDAZ08
EDAH09	1.550	1.73	0.18	ZT-EDAH09
EDAM09	1.799	1.73	(0.07)	ZT-EDAM09
EDAU09	2.049	1.73	(0.32)	ZT-EDAU09
EDAZ09	2.298	1.73	(0.57)	ZT-EDAZ09
EDAH10	2.547	1.73	(0.82)	ZT-EDAH10
EDAM10	2.797	1.73	(1.07)	ZT-EDAM10

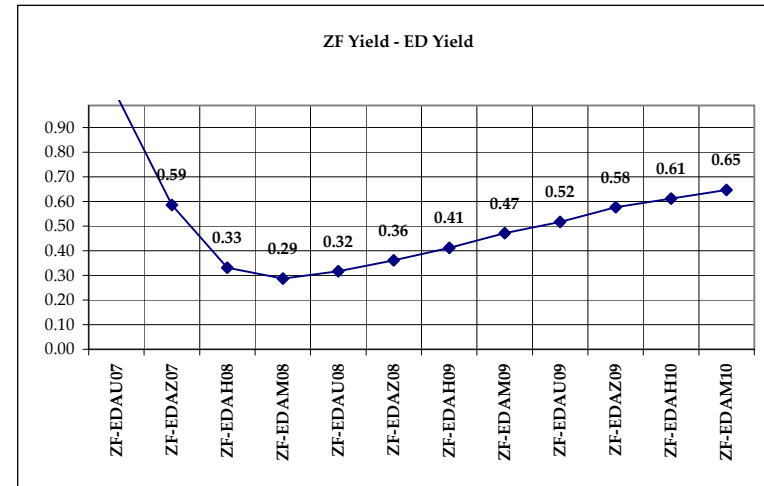
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	11.85	1.03	ZF-EDAU07	67.358
EDAZ07	11.41	0.59	ZF-EDAZ07	82.886
EDAH08	11.15	0.33	ZF-EDAH08	87.655
EDAM08	11.11	0.29	ZF-EDAM08	88.799
EDAU08	11.14	0.32	ZF-EDAU08	92.291
EDAZ08	11.18	0.36	ZF-EDAZ08	95.472
EDAH09	11.23	0.41	ZF-EDAH09	92.173
EDAM09	11.29	0.47	ZF-EDAM09	88.088
EDAU09	11.34	0.52	ZF-EDAU09	74.373
EDAZ09	11.40	0.58	ZF-EDAZ09	58.670
EDAH10	11.43	0.61	ZF-EDAH10	38.676
EDAM10	11.47	0.65	ZF-EDAM10	23.065

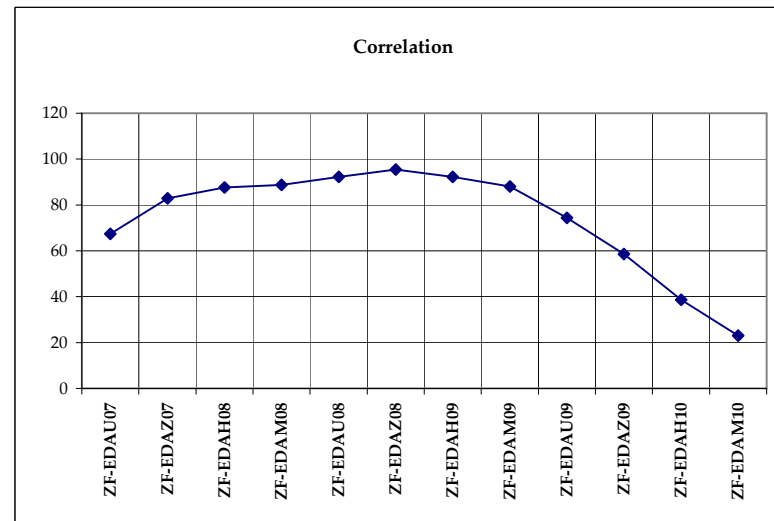
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.054	3.80	ZF-EDAU07
EDAZ07	0.303	3.80	ZF-EDAZ07
EDAH08	0.553	3.80	ZF-EDAH08
EDAM08	0.802	3.80	ZF-EDAM08
EDAU08	1.051	3.80	ZF-EDAU08
EDAZ08	1.301	3.80	ZF-EDAZ08
EDAH09	1.550	3.80	ZF-EDAH09
EDAM09	1.799	3.80	ZF-EDAM09
EDAU09	2.049	3.80	ZF-EDAU09
EDAZ09	2.298	3.80	ZF-EDAZ09
EDAH10	2.547	3.80	ZF-EDAH10
EDAM10	2.797	3.80	ZF-EDAM10

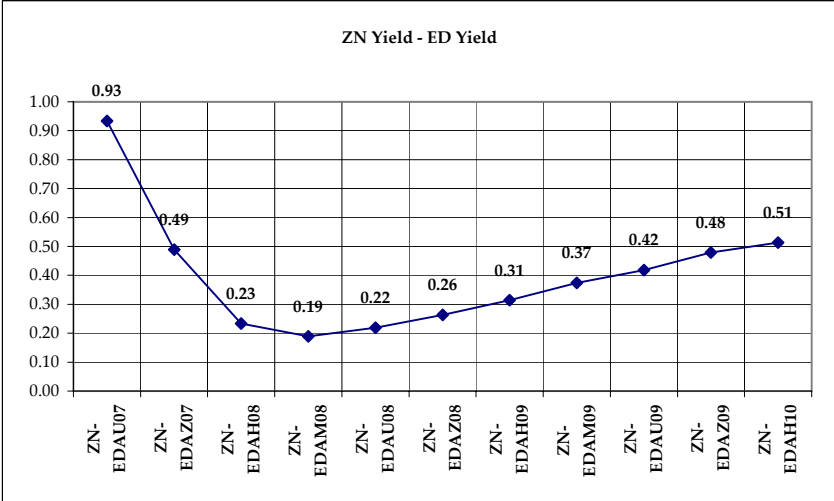
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

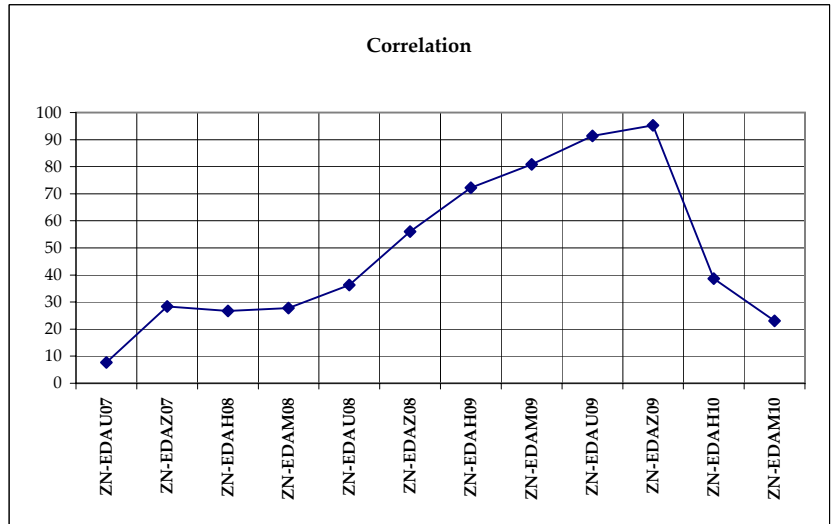
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	14.34	0.93	ZN-EDAU07	7.68
EDAZ07	13.89	0.49	ZN-EDAZ07	28.38
EDAH08	13.64	0.23	ZN-EDAH08	26.69
EDAM08	13.59	0.19	ZN-EDAM08	27.80
EDAU08	13.62	0.22	ZN-EDAU08	36.24
EDAZ08	13.67	0.26	ZN-EDAZ08	56.05
EDAH09	13.72	0.31	ZN-EDAH09	72.26
EDAM09	13.78	0.37	ZN-EDAM09	80.81
EDAU09	13.82	0.42	ZN-EDAU09	91.34
EDAZ09	13.88	0.48	ZN-EDAZ09	95.22
EDAH10	13.92	0.51	ZN-EDAH10	38.68
EDAM10	13.95	0.55	ZN-EDAM10	23.07

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	0.054	5.64	5.58	ZN-EDAU07
EDAZ07	0.303	5.64	5.33	ZN-EDAZ07
EDAH08	0.553	5.64	5.08	ZN-EDAH08
EDAM08	0.802	5.64	4.83	ZN-EDAM08
EDAU08	1.051	5.64	4.58	ZN-EDAU08
EDAZ08	1.301	5.64	4.34	ZN-EDAZ08
EDAH09	1.550	5.64	4.09	ZN-EDAH09
EDAM09	1.799	5.64	3.84	ZN-EDAM09
EDAU09	2.049	5.64	3.59	ZN-EDAU09
EDAZ09	2.298	5.64	3.34	ZN-EDAZ09
EDAH10	2.547	5.64	3.09	ZN-EDAH10
EDAM10	2.797	5.64	2.84	ZN-EDAM10

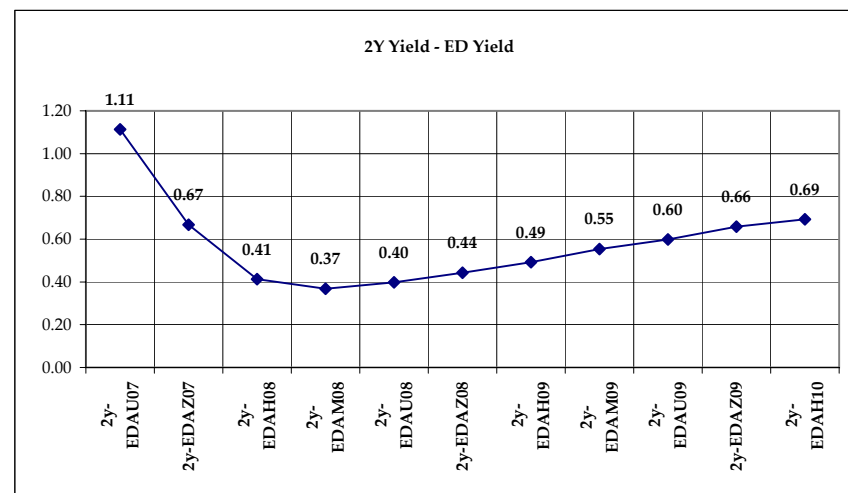
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.06	1.11	2y-EDAU07	-75.199
EDAZ07	5.61	0.67	2y-EDAZ07	-79.713
EDAH08	5.36	0.41	2y-EDAH08	-64.949
EDAM08	5.32	0.37	2y-EDAM08	-61.315
EDAU08	5.35	0.40	2y-EDAU08	-61.232
EDAZ08	5.39	0.44	2y-EDAZ08	-61.315
EDAH09	5.44	0.49	2y-EDAH09	-66.255
EDAM09	5.50	0.55	2y-EDAM09	-66.063
EDAU09	5.54	0.60	2y-EDAU09	-55.675
EDAZ09	5.60	0.66	2y-EDAZ09	-43.169
EDAH10	5.64	0.69	2y-EDAH10	-29.206
EDAM10	5.68	0.73	2y-EDAM10	-16.550

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.

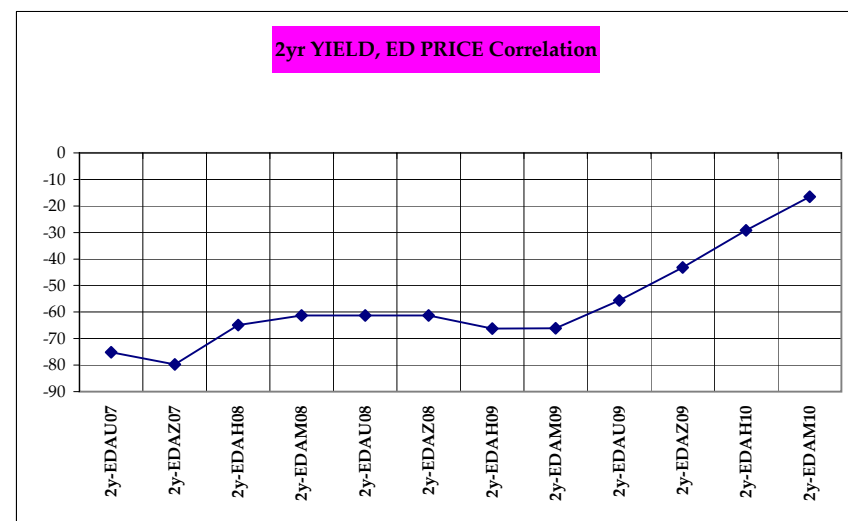


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.054	1.82	2y-EDAU07
EDAZ07	0.303	1.82	2y-EDAZ07
EDAH08	0.553	1.82	2y-EDAH08
EDAM08	0.802	1.82	2y-EDAM08
EDAU08	1.051	1.82	2y-EDAU08
EDAZ08	1.301	1.82	2y-EDAZ08
EDAH09	1.550	1.82	2y-EDAH09
EDAM09	1.799	1.82	2y-EDAM09
EDAU09	2.049	1.82	2y-EDAU09
EDAZ09	2.298	1.82	2y-EDAZ09
EDAH10	2.547	1.82	2y-EDAH10
EDAM10	2.797	1.82	2y-EDAM10

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

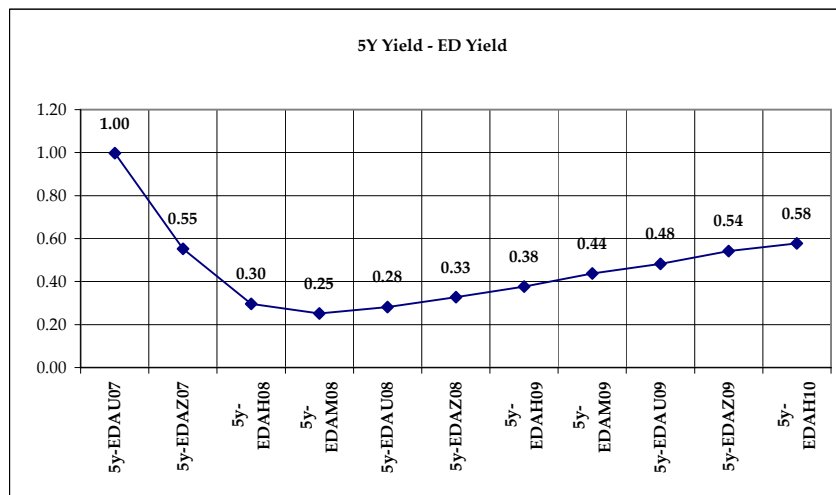
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.58	1.00	5y-EDAU07	-53.557
EDAZ07	6.14	0.55	5y-EDAZ07	-62.067
EDAH08	5.89	0.30	5y-EDAH08	-52.235
EDAM08	5.84	0.25	5y-EDAM08	-50.622
EDAU08	5.87	0.28	5y-EDAU08	-55.866
EDAZ08	5.91	0.33	5y-EDAZ08	-50.622
EDAH09	5.97	0.38	5y-EDAH09	-74.580
EDAM09	6.02	0.44	5y-EDAM09	-77.748
EDAU09	6.07	0.48	5y-EDAU09	-73.129
EDAZ09	6.13	0.54	5y-EDAZ09	-63.944
EDAH10	6.16	0.58	5y-EDAH10	-52.883
EDAM10	6.20	0.61	5y-EDAM10	-42.252

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.

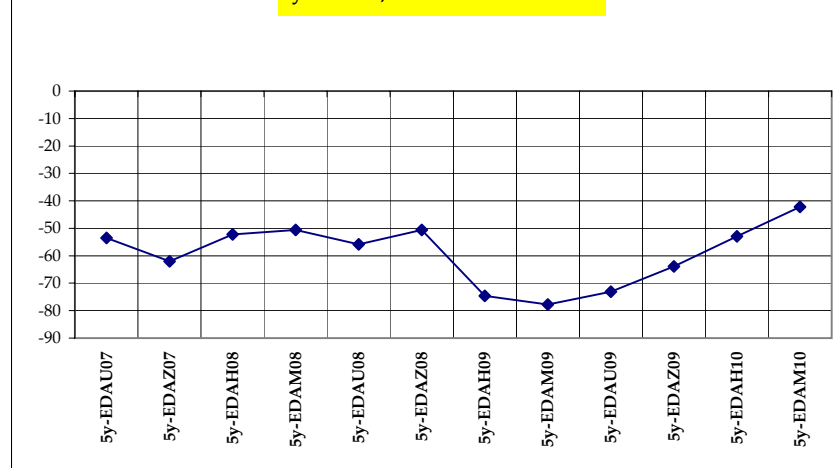


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.054	4.35	4.30	5y-EDAU07
EDAZ07	0.303	4.35	4.05	5y-EDAZ07
EDAH08	0.553	4.35	3.80	5y-EDAH08
EDAM08	0.802	4.35	3.55	5y-EDAM08
EDAU08	1.051	4.35	3.30	5y-EDAU08
EDAZ08	1.301	4.35	3.05	5y-EDAZ08
EDAH09	1.550	4.35	2.80	5y-EDAH09
EDAM09	1.799	4.35	2.55	5y-EDAM09
EDAU09	2.049	4.35	2.30	5y-EDAU09
EDAZ09	2.298	4.35	2.05	5y-EDAZ09
EDAH10	2.547	4.35	1.80	5y-EDAH10
EDAM10	2.797	4.35	1.55	5y-EDAM10

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

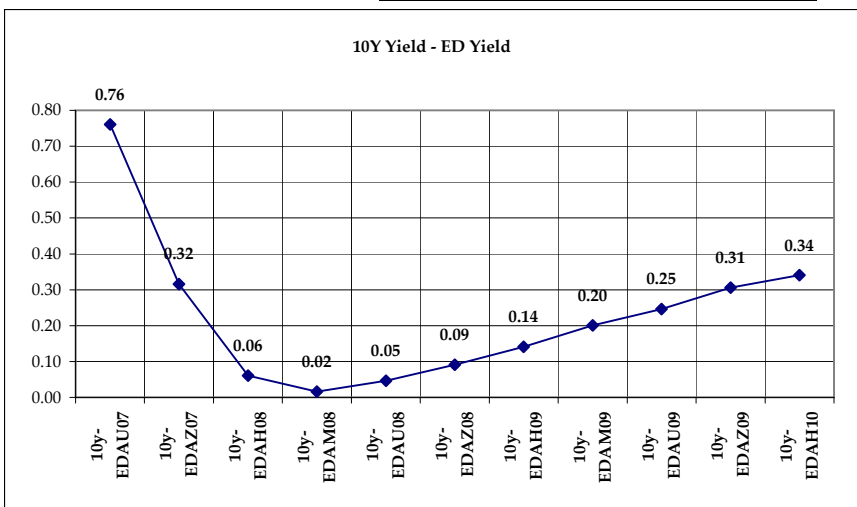
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

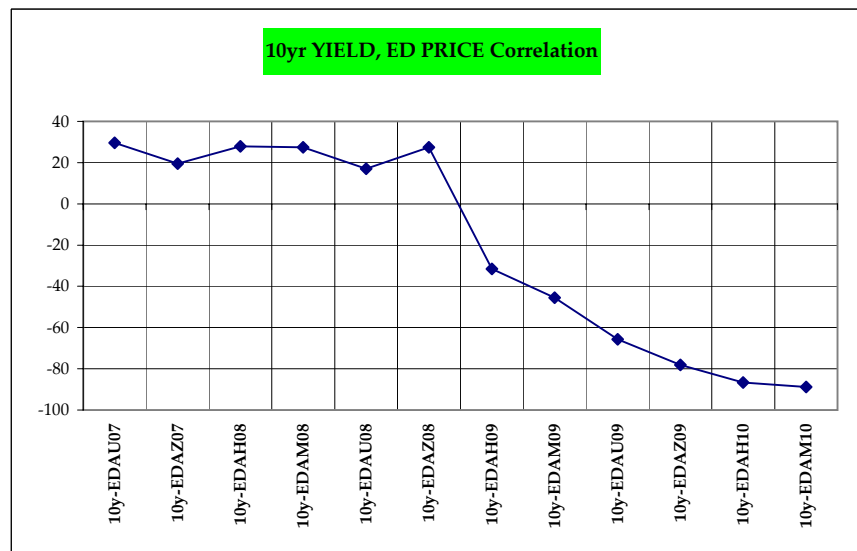
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.58	0.76	10y-EDAU07	29.551
EDAZ07	6.14	0.32	10y-EDAZ07	19.516
EDAH08	5.89	0.06	10y-EDAH08	27.876
EDAM08	5.84	0.02	10y-EDAM08	27.451
EDAU08	5.87	0.05	10y-EDAU08	17.010
EDAZ08	5.91	0.09	10y-EDAZ08	27.451
EDAH09	5.97	0.14	10y-EDAH09	-31.574
EDAM09	6.02	0.20	10y-EDAM09	-45.561
EDAU09	6.07	0.25	10y-EDAU09	-65.632
EDAZ09	6.13	0.31	10y-EDAZ09	-78.063
EDAH10	6.16	0.34	10y-EDAH10	-86.592
EDAM10	6.20	0.38	10y-EDAM10	-88.827

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.



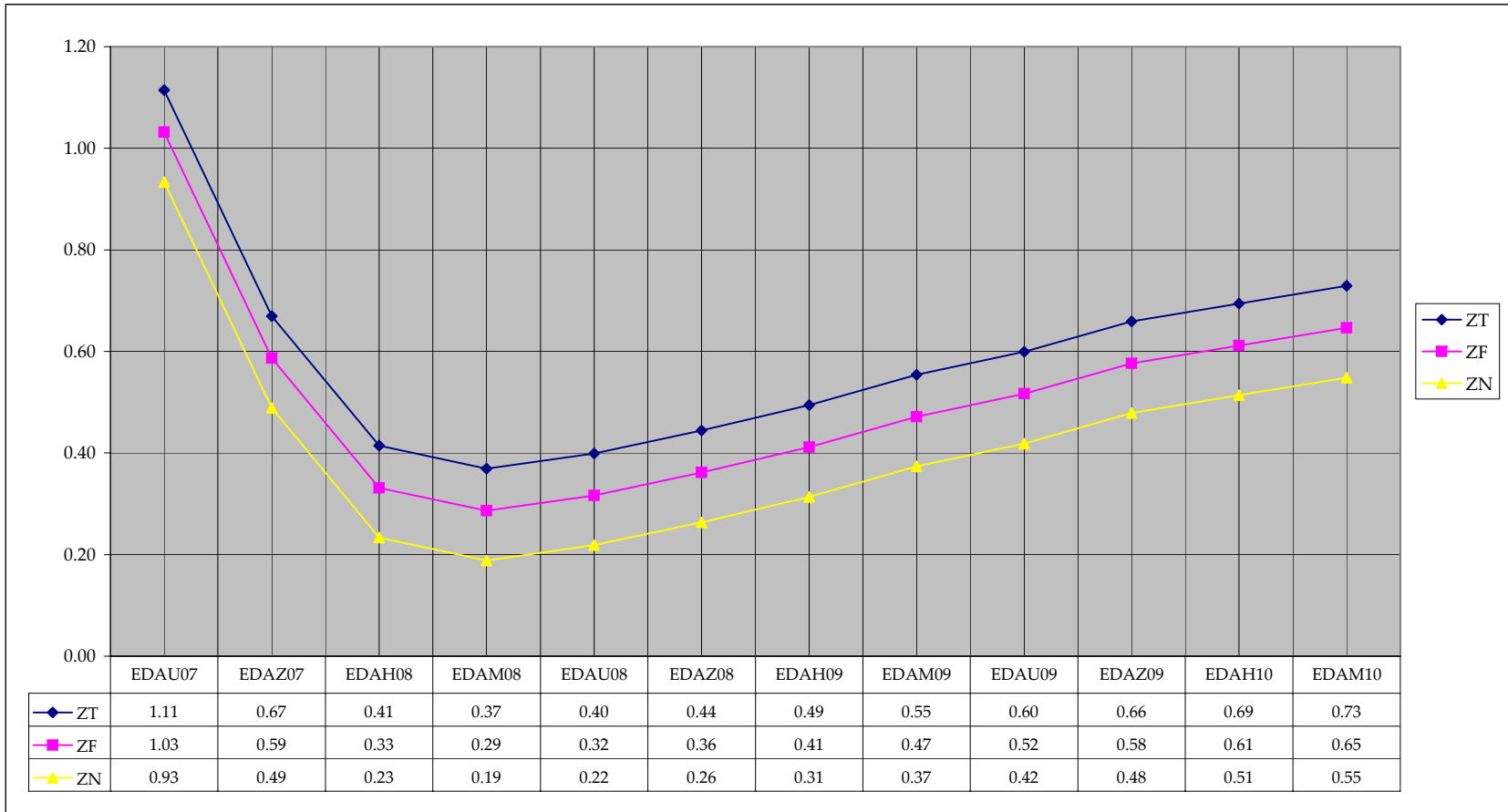
	GE Duration as Fraction of year		10Y Duration	Spread Duration	
EDAU07	0.054	7.87	7.87	7.82	10y-EDAU07
EDAZ07	0.303	7.87	7.87	7.57	10y-EDAZ07
EDAH08	0.553	7.87	7.87	7.32	10y-EDAH08
EDAM08	0.802	7.87	7.87	7.07	10y-EDAM08
EDAU08	1.051	7.87	7.87	6.82	10y-EDAU08
EDAZ08	1.301	7.87	7.87	6.57	10y-EDAZ08
EDAH09	1.550	7.87	7.87	6.32	10y-EDAH09
EDAM09	1.799	7.87	7.87	6.07	10y-EDAM09
EDAU09	2.049	7.87	7.87	5.82	10y-EDAU09
EDAZ09	2.298	7.87	7.87	5.57	10y-EDAZ09
EDAH10	2.547	7.87	7.87	5.33	10y-EDAH10
EDAM10	2.797	7.87	7.87	5.08	10y-EDAM10

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



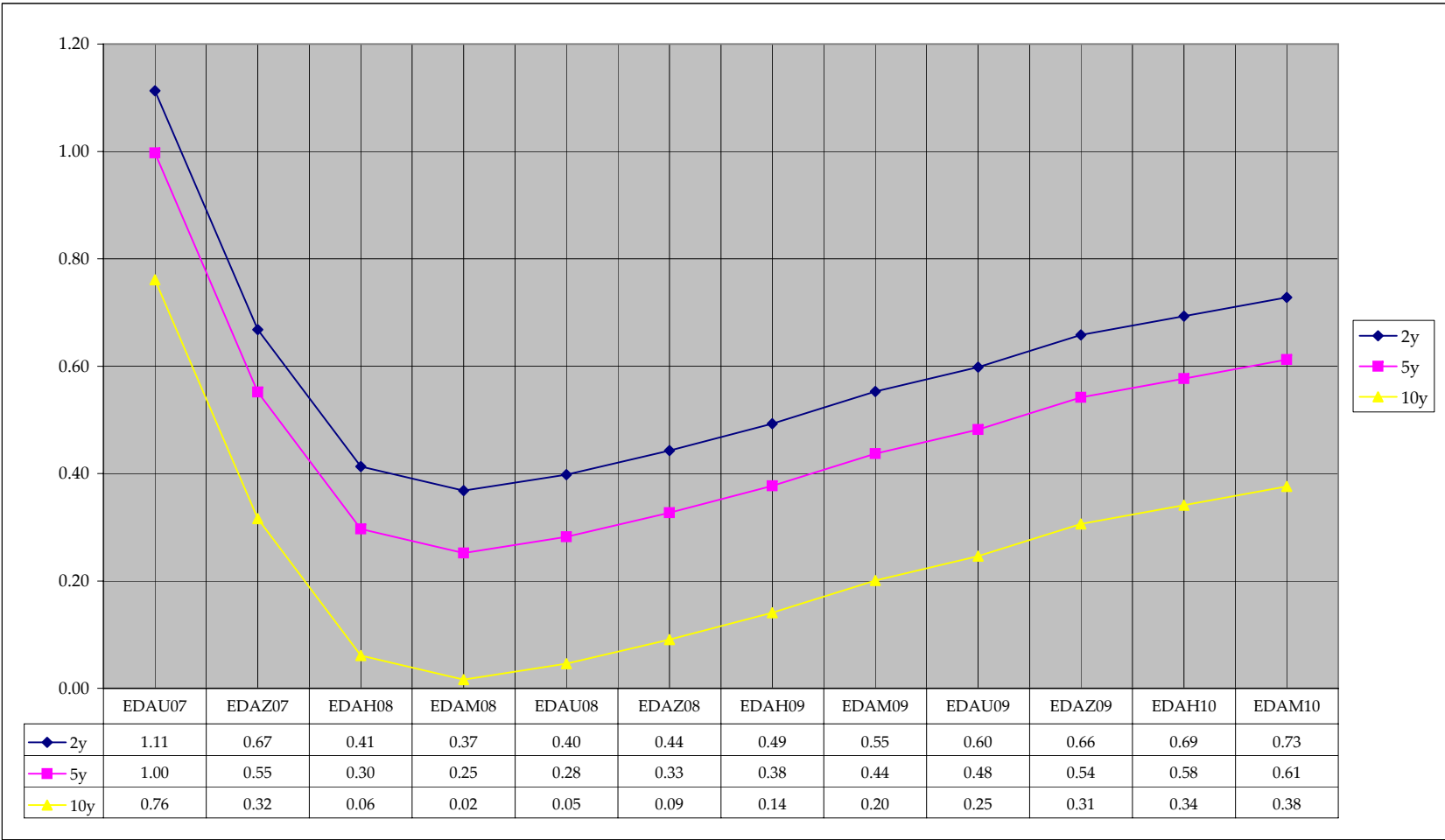
Dirty TED Curve

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.

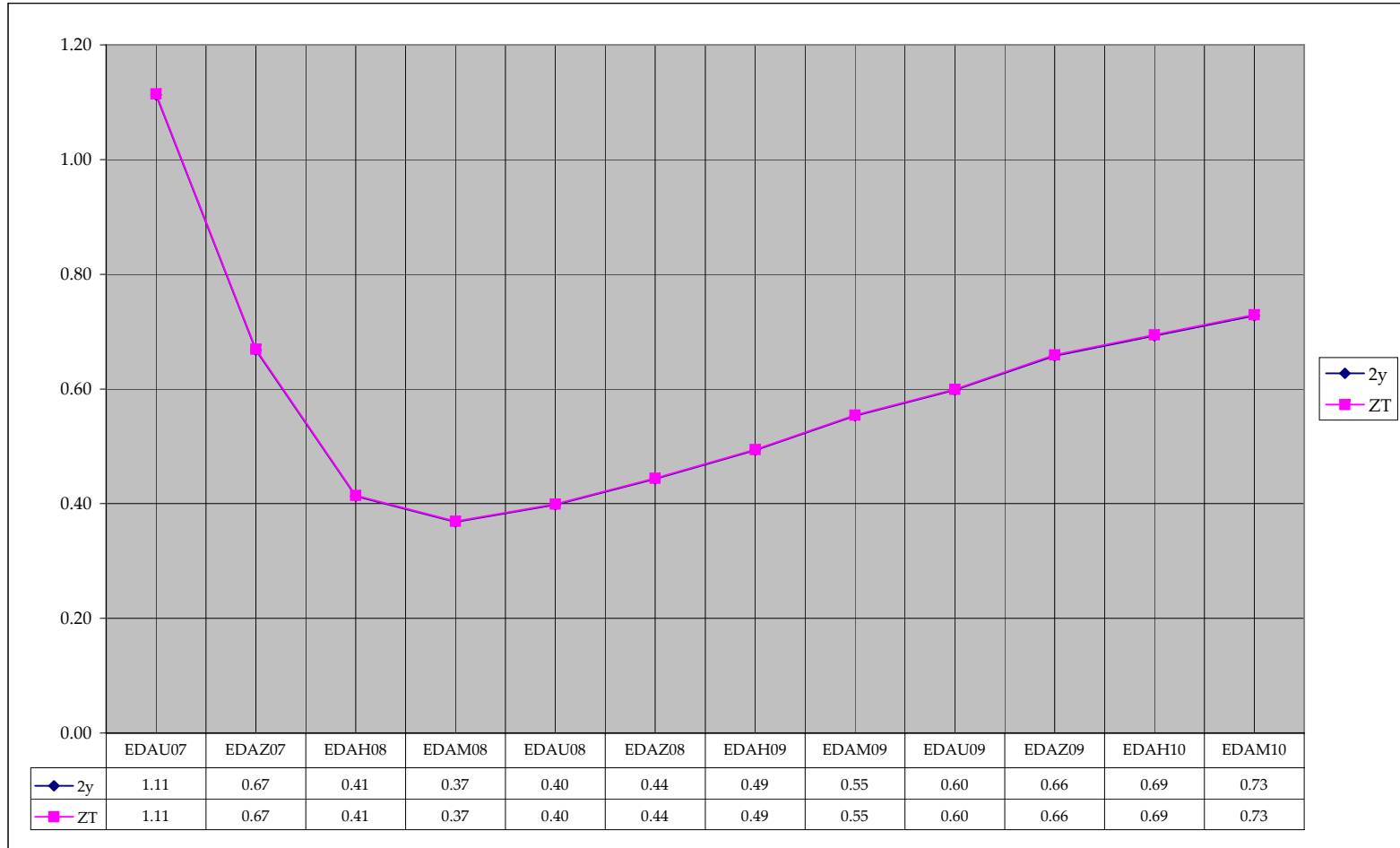


TED Curve

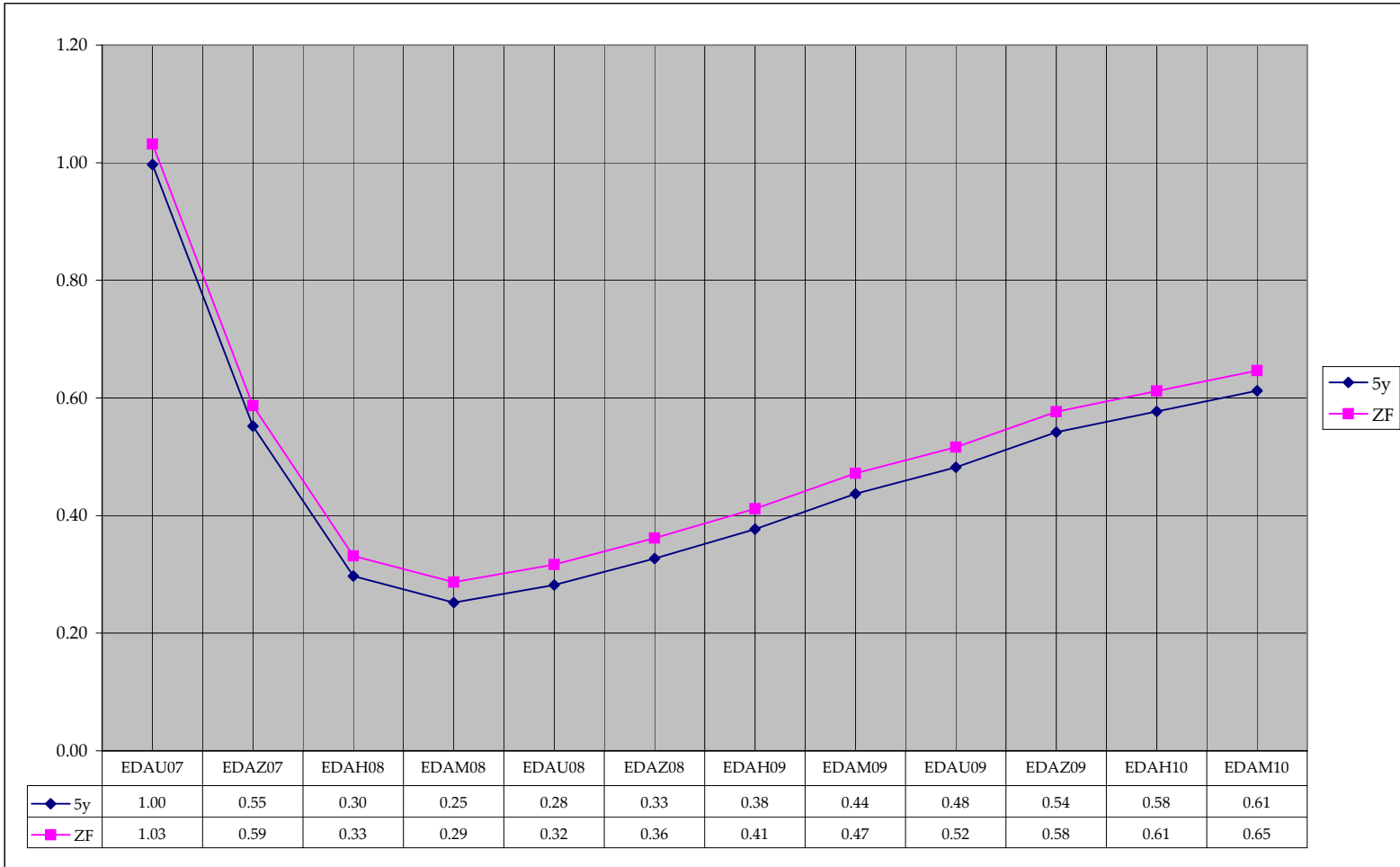
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



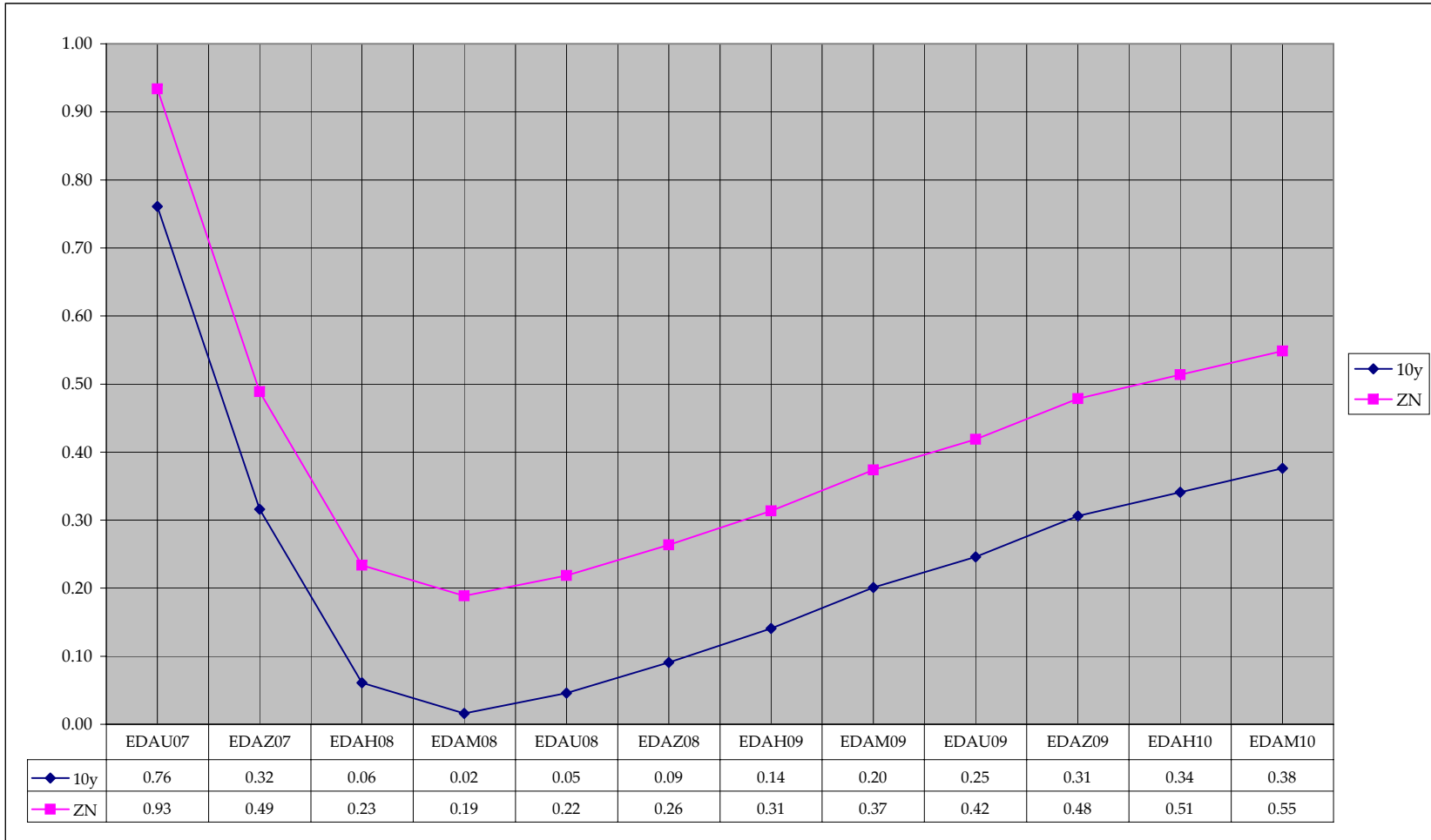
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.991	1.500	9513.750
Q.ED.Red	4.815	3.000	9530.625
Q.ED.Green	5.021	2.875	9510.875
Q.ED.Blue	5.216	2.375	9492.125
Q.ED.Gold	5.400	2.500	9474.375
Q.ED.Purple	5.400	2.500	9474.375

