

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	103.1313	103.042	4.110	1.73	
ZF	106.9219	106.295	4.193	3.80	
ZN	109.5313	109.170	4.316	5.64	
2y	100.928	100.2970	4.116	1.81	
5y	101.663	101.2120	4.246	4.35	
10y	101.766	101.2450	4.526	7.88	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.680	5.320	19	0.051	SEP	} White Pack	
EDAZ07	95.185	4.815	110	0.301	DEC		
EDAH08	95.435	4.565	201	0.550	MAR		
EDAM08	95.475	4.525	292	0.799	JUN	} Red Pack	
EDAU08	95.450	4.550	383	1.049	SEP		
EDAZ08	95.410	4.590	474	1.298	DEC		
EDAH09	95.360	4.640	565	1.547	MAR		
EDAM09	95.300	4.700	656	1.797	JUN	} Green Pack	
EDAU09	95.240	4.760	747	2.046	SEP		
EDAZ09	95.170	4.830	838	2.295	DEC		
EDAH10	95.130	4.870	929	2.545	MAR		
EDAM10	95.085	4.915	1020	2.794	JUN	} Blue Pack	
EDAU10	95.040	4.960	1111	3.043	SEP		
EDAZ10	94.980	5.020	1202	3.292	DEC		
EDAH11	94.935	5.065	1293	3.542	MAR		
EDAM11	94.880	5.120	1384	3.791	JUN	} Gold Pack	
EDAU11	94.855	5.145	1482	4.060	SEP		
EDAZ11	94.785	5.215	1573	4.309	DEC		
EDAH12	94.750	5.250	1664	4.558	MAR		
EDAM12	94.700	5.300	1755	4.808	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	4.933	7.125	9519.375	} Pack Prices
Q.ED.Red	4.739	10.375	9538.000	
Q.ED.Green	4.971	7.625	9515.625	
Q.ED.Blue	5.177	6.125	9495.875	
Q.ED.Gold	5.385	4.000	9475.875	
Q.ED.Purple	5.385	4.000	9475.875	

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

8/29/2007 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.

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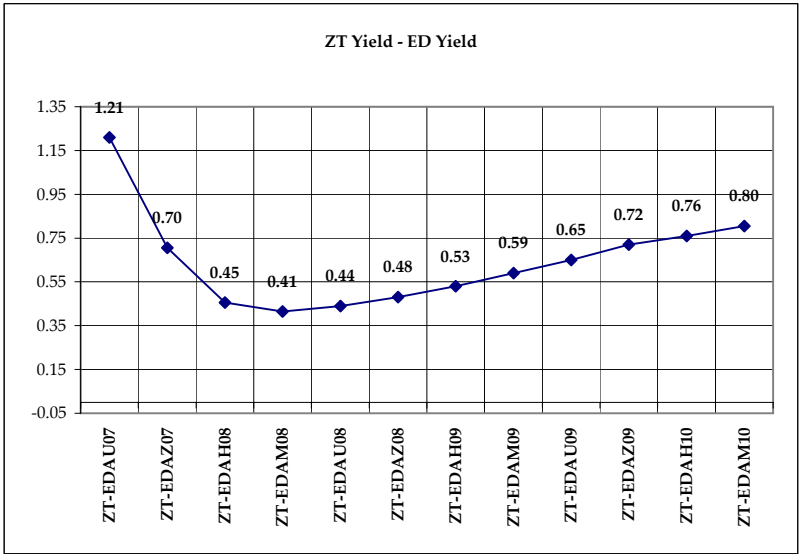
Eurodollar Color Codes for Individual Year Strips:

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

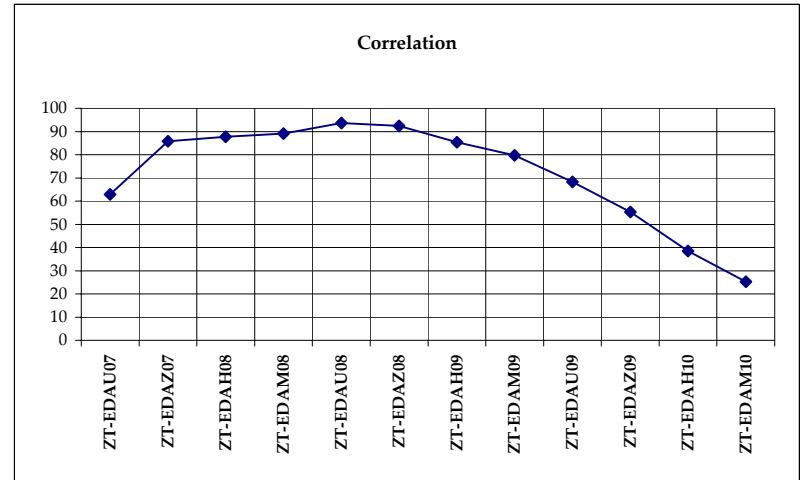
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	8.451	1.21	ZT-EDAU07	62.868
EDAZ07	7.946	0.70	ZT-EDAZ07	85.825
EDAH08	7.696	0.45	ZT-EDAH08	87.722
EDAM08	7.656	0.41	ZT-EDAM08	89.120
EDAU08	7.681	0.44	ZT-EDAU08	93.689
EDAZ08	7.721	0.48	ZT-EDAZ08	92.463
EDAH09	7.771	0.53	ZT-EDAH09	85.335
EDAM09	7.831	0.59	ZT-EDAM09	79.749
EDAU09	7.891	0.65	ZT-EDAU09	68.285
EDAZ09	7.961	0.72	ZT-EDAZ09	55.326
EDAH10	8.001	0.76	ZT-EDAH10	38.455
EDAM10	8.046	0.80	ZT-EDAM10	25.270

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	0.051	1.73	1.68	ZT-EDAU07
EDAZ07	0.301	1.73	1.43	ZT-EDAZ07
EDAH08	0.550	1.73	1.18	ZT-EDAH08
EDAM08	0.799	1.73	0.93	ZT-EDAM08
EDAU08	1.049	1.73	0.68	ZT-EDAU08
EDAZ08	1.298	1.73	0.43	ZT-EDAZ08
EDAH09	1.547	1.73	0.18	ZT-EDAH09
EDAM09	1.797	1.73	(0.07)	ZT-EDAM09
EDAU09	2.046	1.73	(0.32)	ZT-EDAU09
EDAZ09	2.295	1.73	(0.57)	ZT-EDAZ09
EDAH10	2.545	1.73	(0.82)	ZT-EDAH10
EDAM10	2.794	1.73	(1.06)	ZT-EDAM10

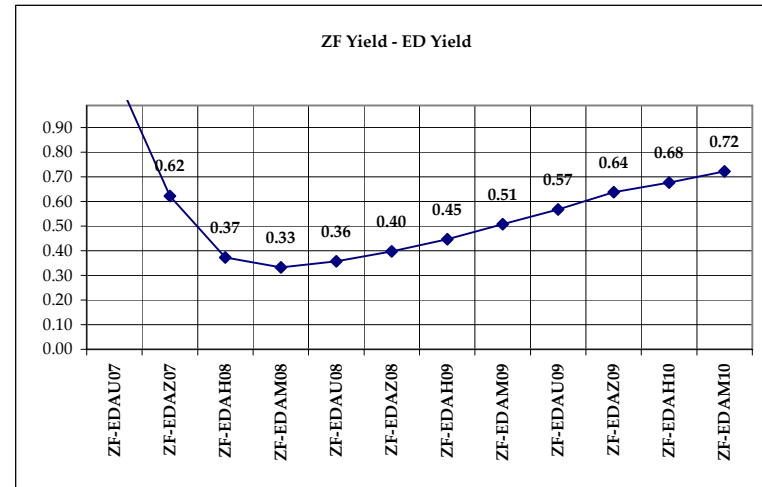
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	12.24	1.13	ZF-EDAU07	43.224
EDAZ07	11.74	0.62	ZF-EDAZ07	73.198
EDAH08	11.49	0.37	ZF-EDAH08	77.309
EDAM08	11.45	0.33	ZF-EDAM08	80.048
EDAU08	11.47	0.36	ZF-EDAU08	89.960
EDAZ08	11.51	0.40	ZF-EDAZ08	96.722
EDAH09	11.56	0.45	ZF-EDAH09	94.879
EDAM09	11.62	0.51	ZF-EDAM09	92.064
EDAU09	11.68	0.57	ZF-EDAU09	84.533
EDAZ09	11.75	0.64	ZF-EDAZ09	74.366
EDAH10	11.79	0.68	ZF-EDAH10	59.794
EDAM10	11.84	0.72	ZF-EDAM10	47.871

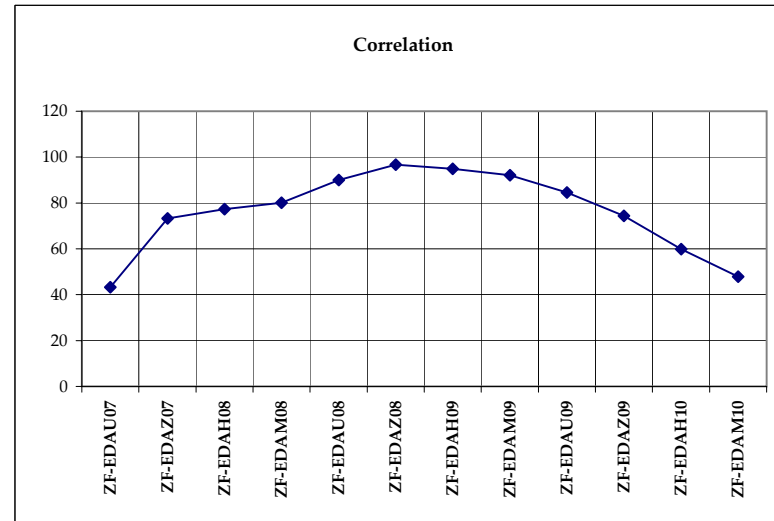
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.051	3.80	ZF-EDAU07
EDAZ07	0.301	3.80	ZF-EDAZ07
EDAH08	0.550	3.80	ZF-EDAH08
EDAM08	0.799	3.80	ZF-EDAM08
EDAU08	1.049	3.80	ZF-EDAU08
EDAZ08	1.298	3.80	ZF-EDAZ08
EDAH09	1.547	3.80	ZF-EDAH09
EDAM09	1.797	3.80	ZF-EDAM09
EDAU09	2.046	3.80	ZF-EDAU09
EDAZ09	2.295	3.80	ZF-EDAZ09
EDAH10	2.545	3.80	ZF-EDAH10
EDAM10	2.794	3.80	ZF-EDAM10

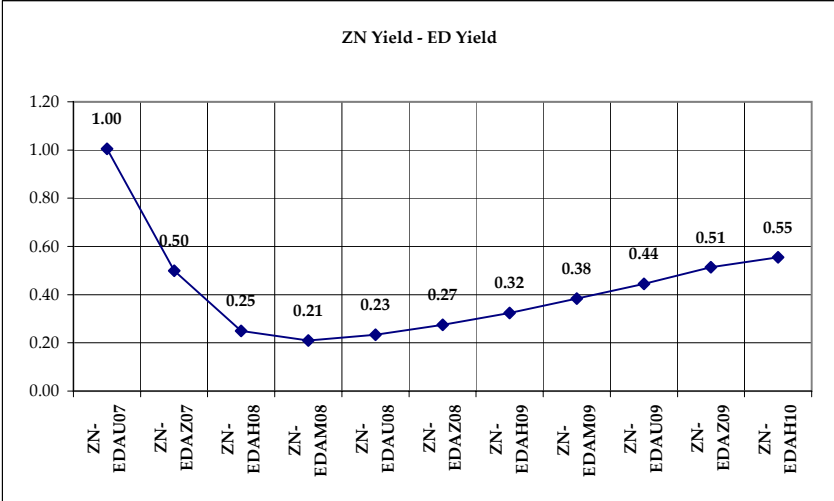
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

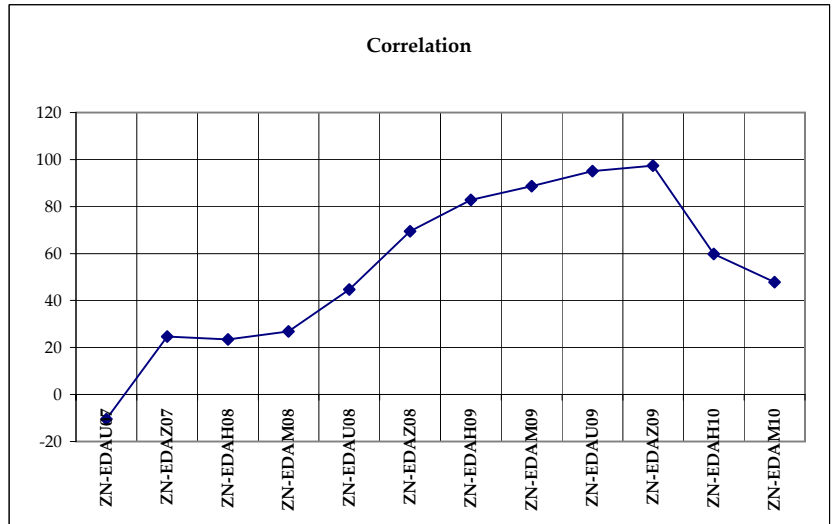
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	14.85	1.00	ZN-EDAU07	-10.44
EDAZ07	14.35	0.50	ZN-EDAZ07	24.67
EDAH08	14.10	0.25	ZN-EDAH08	23.47
EDAM08	14.06	0.21	ZN-EDAM08	26.85
EDAU08	14.08	0.23	ZN-EDAU08	44.75
EDAZ08	14.12	0.27	ZN-EDAZ08	69.48
EDAH09	14.17	0.32	ZN-EDAH09	82.87
EDAM09	14.23	0.38	ZN-EDAM09	88.73
EDAU09	14.29	0.44	ZN-EDAU09	95.03
EDAZ09	14.36	0.51	ZN-EDAZ09	97.38
EDAH10	14.40	0.55	ZN-EDAH10	59.79
EDAM10	14.45	0.60	ZN-EDAM10	47.87

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	0.051	5.64	5.59	ZN-EDAU07
EDAZ07	0.301	5.64	5.34	ZN-EDAZ07
EDAH08	0.550	5.64	5.09	ZN-EDAH08
EDAM08	0.799	5.64	4.84	ZN-EDAM08
EDAU08	1.049	5.64	4.59	ZN-EDAU08
EDAZ08	1.298	5.64	4.34	ZN-EDAZ08
EDAH09	1.547	5.64	4.09	ZN-EDAH09
EDAM09	1.797	5.64	3.84	ZN-EDAM09
EDAU09	2.046	5.64	3.59	ZN-EDAU09
EDAZ09	2.295	5.64	3.34	ZN-EDAZ09
EDAH10	2.545	5.64	3.09	ZN-EDAH10
EDAM10	2.794	5.64	2.84	ZN-EDAM10

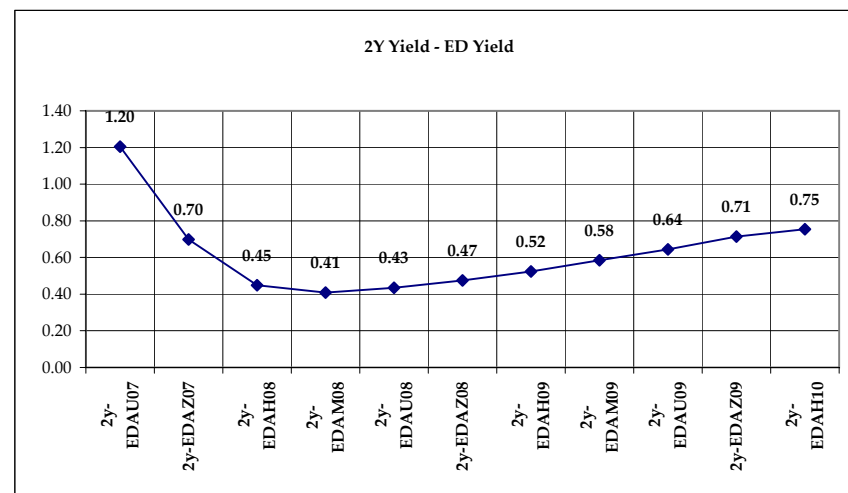
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.25	1.20	2y-EDAU07	-59.791
EDAZ07	5.74	0.70	2y-EDAZ07	-75.630
EDAH08	5.49	0.45	2y-EDAH08	-61.240
EDAM08	5.45	0.41	2y-EDAM08	-58.947
EDAU08	5.48	0.43	2y-EDAU08	-63.699
EDAZ08	5.52	0.47	2y-EDAZ08	-58.947
EDAH09	5.57	0.52	2y-EDAH09	-71.403
EDAM09	5.63	0.58	2y-EDAM09	-71.080
EDAU09	5.69	0.64	2y-EDAU09	-65.911
EDAZ09	5.76	0.71	2y-EDAZ09	-57.720
EDAH10	5.80	0.75	2y-EDAH10	-47.109
EDAM10	5.84	0.80	2y-EDAM10	-37.250

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.

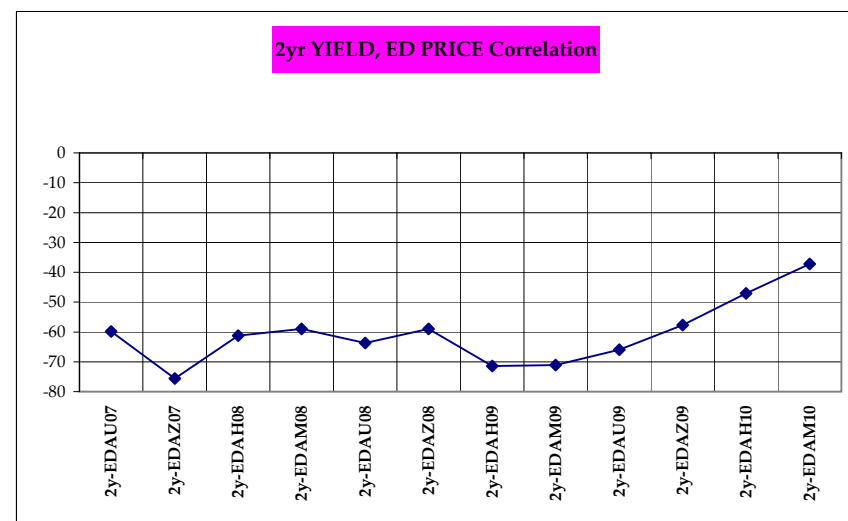


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.051	1.81	2y-EDAU07
EDAZ07	0.301	1.81	2y-EDAZ07
EDAH08	0.550	1.81	2y-EDAH08
EDAM08	0.799	1.81	2y-EDAM08
EDAU08	1.049	1.81	2y-EDAU08
EDAZ08	1.298	1.81	2y-EDAZ08
EDAH09	1.547	1.81	2y-EDAH09
EDAM09	1.797	1.81	2y-EDAM09
EDAU09	2.046	1.81	2y-EDAU09
EDAZ09	2.295	1.81	2y-EDAZ09
EDAH10	2.545	1.81	2y-EDAH10
EDAM10	2.794	1.81	2y-EDAM10

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

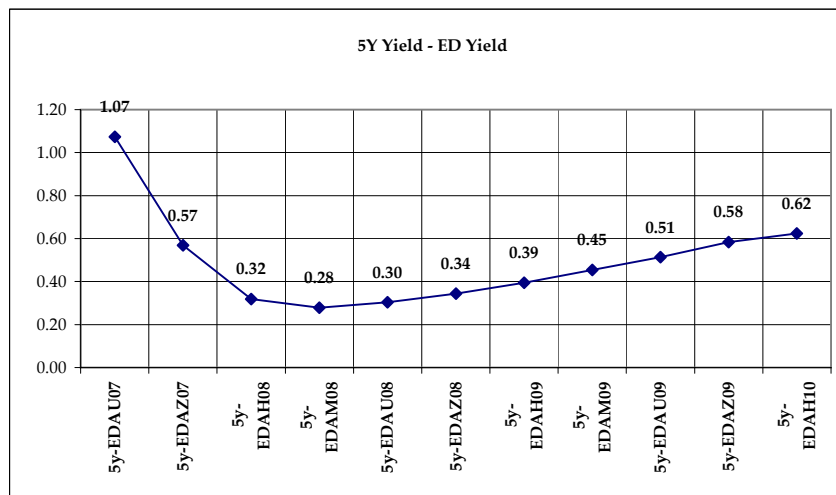
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.98	1.07	5y-EDAU07	-32.277
EDAZ07	6.48	0.57	5y-EDAZ07	-55.579
EDAH08	6.23	0.32	5y-EDAH08	-46.897
EDAM08	6.19	0.28	5y-EDAM08	-47.358
EDAU08	6.21	0.30	5y-EDAU08	-59.940
EDAZ08	6.25	0.34	5y-EDAZ08	-47.358
EDAH09	6.30	0.39	5y-EDAH09	-82.340
EDAM09	6.36	0.45	5y-EDAM09	-84.718
EDAU09	6.42	0.51	5y-EDAU09	-82.899
EDAZ09	6.49	0.58	5y-EDAZ09	-77.179
EDAH10	6.53	0.62	5y-EDAH10	-69.275
EDAM10	6.58	0.67	5y-EDAM10	-61.461

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.

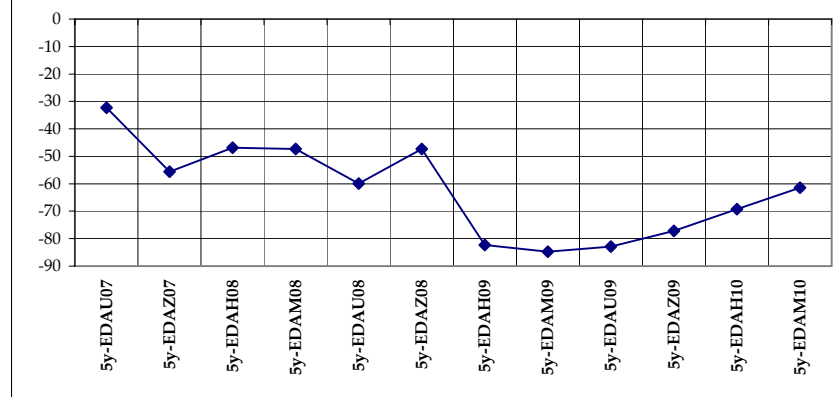


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAU07	0.051	4.35	4.30 5y-EDAU07
EDAZ07	0.301	4.35	4.05 5y-EDAZ07
EDAH08	0.550	4.35	3.80 5y-EDAH08
EDAM08	0.799	4.35	3.55 5y-EDAM08
EDAU08	1.049	4.35	3.30 5y-EDAU08
EDAZ08	1.298	4.35	3.05 5y-EDAZ08
EDAH09	1.547	4.35	2.80 5y-EDAH09
EDAM09	1.797	4.35	2.56 5y-EDAM09
EDAU09	2.046	4.35	2.31 5y-EDAU09
EDAZ09	2.295	4.35	2.06 5y-EDAZ09
EDAH10	2.545	4.35	1.81 5y-EDAH10
EDAM10	2.794	4.35	1.56 5y-EDAM10

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

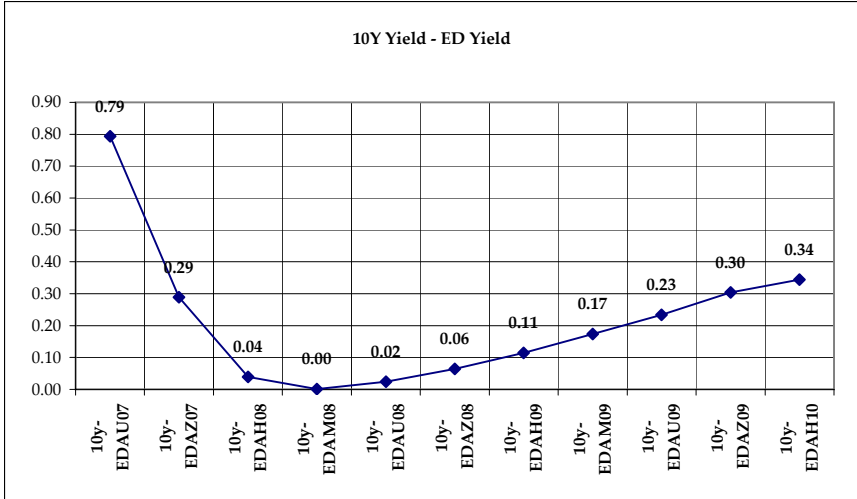
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

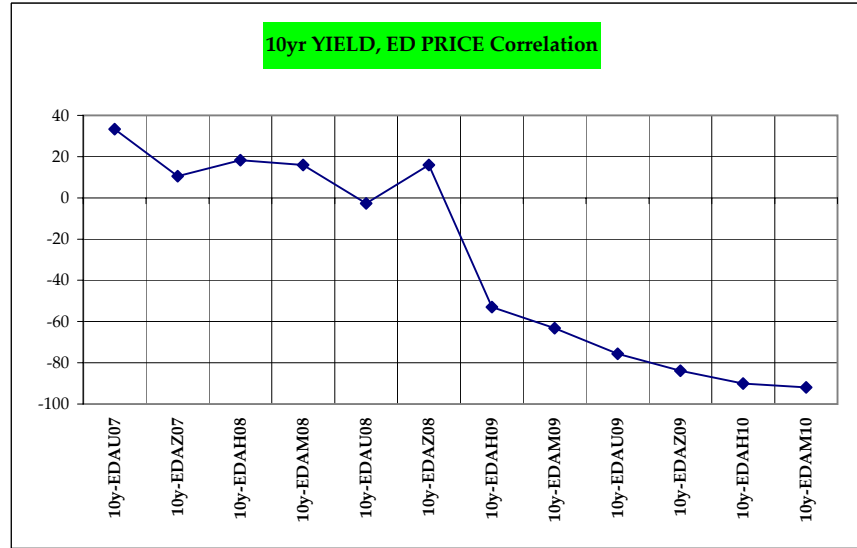
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	6.98	0.79	10y-EDAU07	33.377
EDAZ07	6.48	0.29	10y-EDAZ07	10.455
EDAH08	6.23	0.04	10y-EDAH08	18.222
EDAM08	6.19	0.00	10y-EDAM08	15.954
EDAU08	6.21	0.02	10y-EDAU08	-2.712
EDAZ08	6.25	0.06	10y-EDAZ08	15.954
EDAH09	6.30	0.11	10y-EDAH09	-52.951
EDAM09	6.36	0.17	10y-EDAM09	-63.278
EDAU09	6.42	0.23	10y-EDAU09	-75.610
EDAZ09	6.49	0.30	10y-EDAZ09	-83.916
EDAH10	6.53	0.34	10y-EDAH10	-90.048
EDAM10	6.58	0.39	10y-EDAM10	-91.851

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.



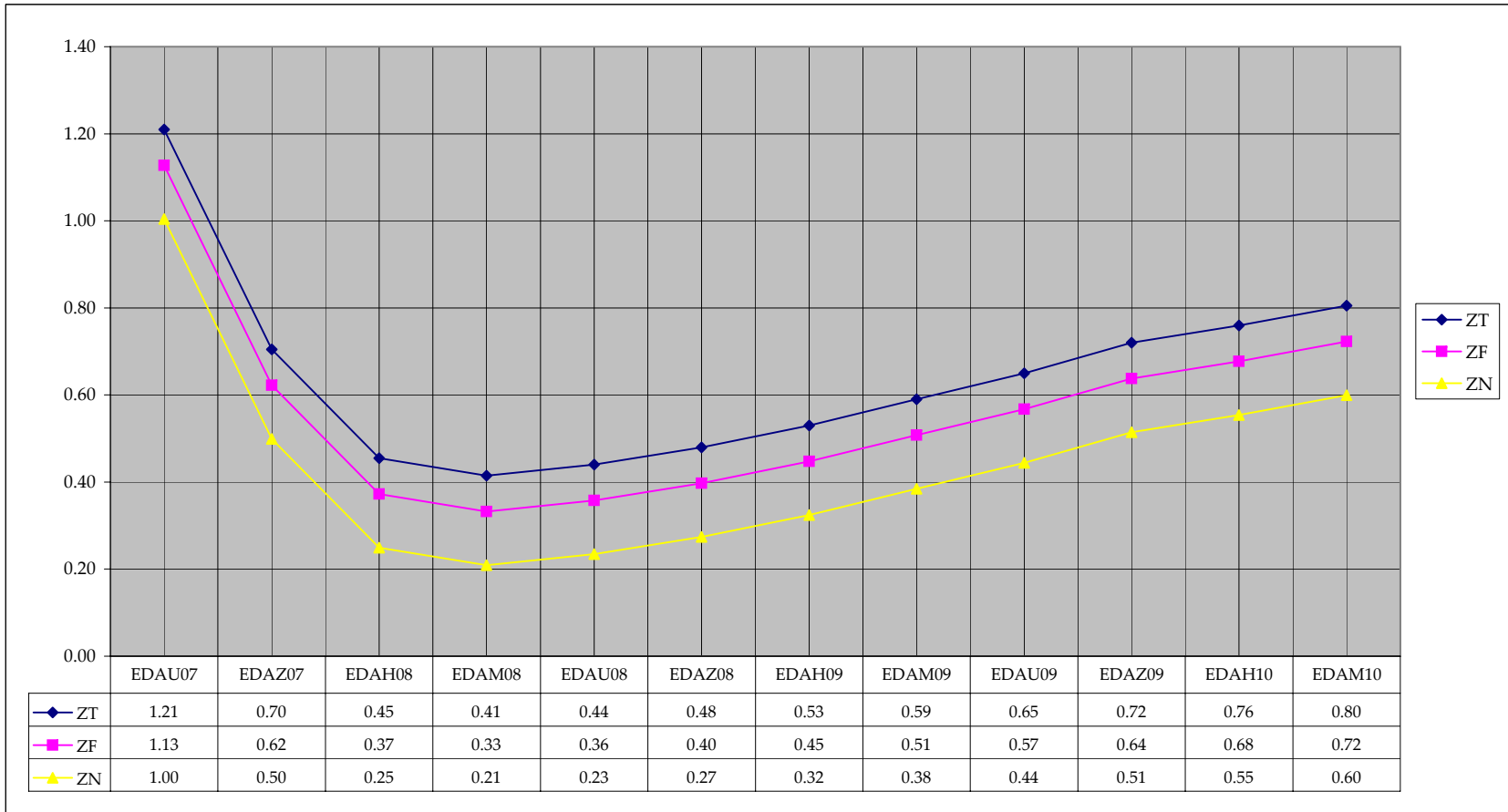
	GE Duration as Fraction of year		10Y Duration	Spread Duration	
EDAU07	0.051	7.88	7.88	7.82	10y-EDAU07
EDAZ07	0.301	7.88	7.88	7.58	10y-EDAZ07
EDAH08	0.550	7.88	7.88	7.33	10y-EDAH08
EDAM08	0.799	7.88	7.88	7.08	10y-EDAM08
EDAU08	1.049	7.88	7.88	6.83	10y-EDAU08
EDAZ08	1.298	7.88	7.88	6.58	10y-EDAZ08
EDAH09	1.547	7.88	7.88	6.33	10y-EDAH09
EDAM09	1.797	7.88	7.88	6.08	10y-EDAM09
EDAU09	2.046	7.88	7.88	5.83	10y-EDAU09
EDAZ09	2.295	7.88	7.88	5.58	10y-EDAZ09
EDAH10	2.545	7.88	7.88	5.33	10y-EDAH10
EDAM10	2.794	7.88	7.88	5.08	10y-EDAM10

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



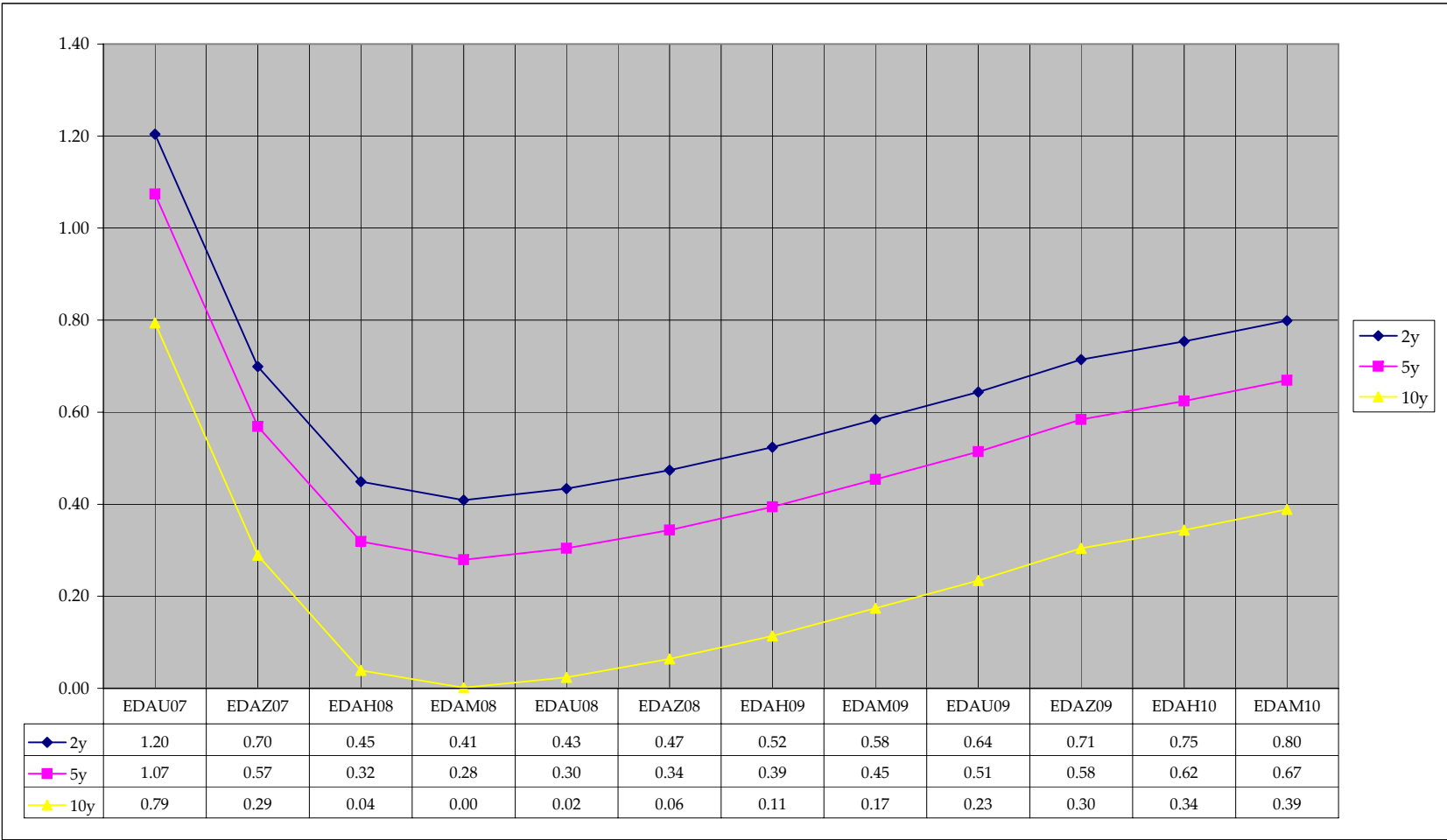
Dirty TED Curve

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.

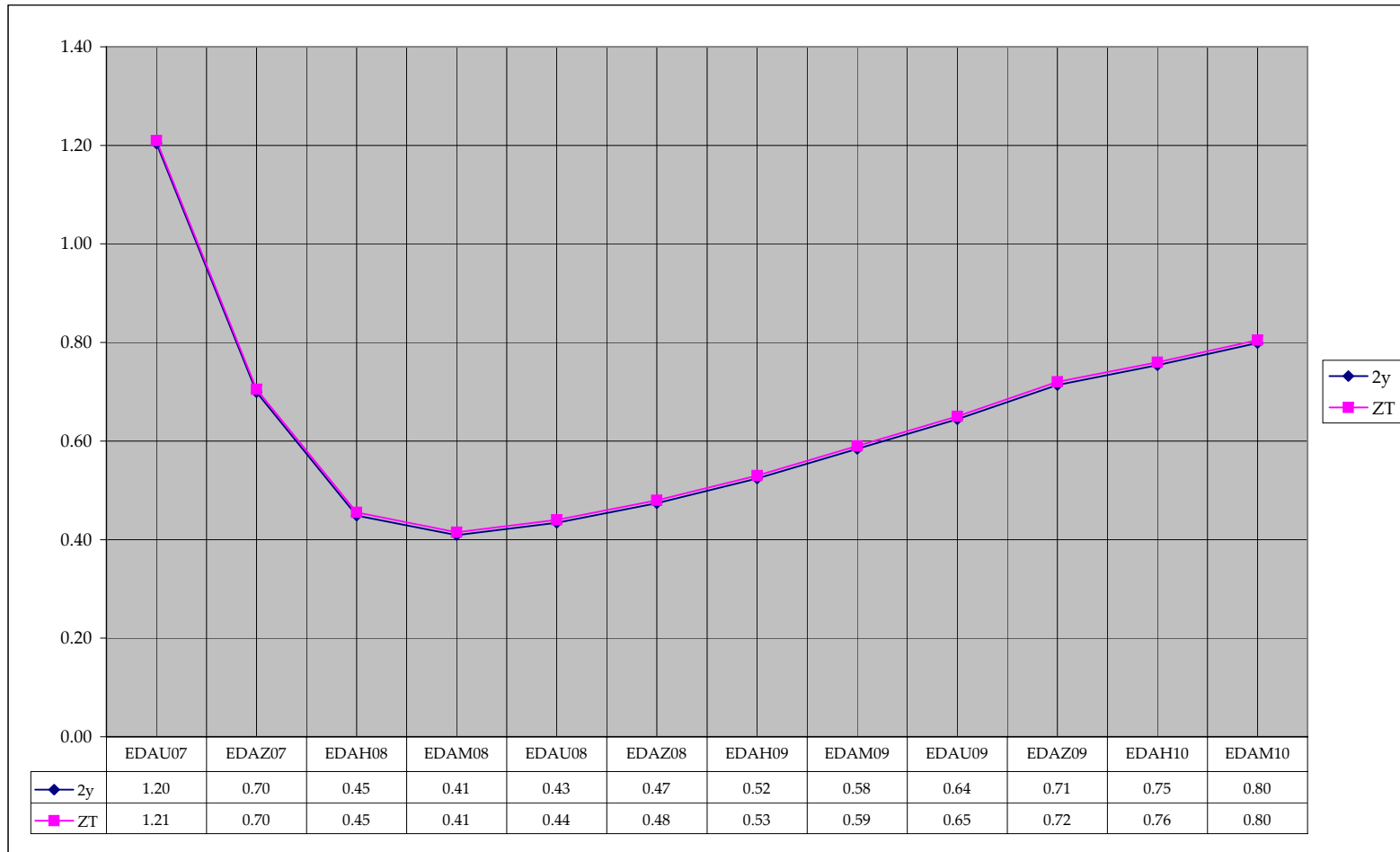


TED Curve

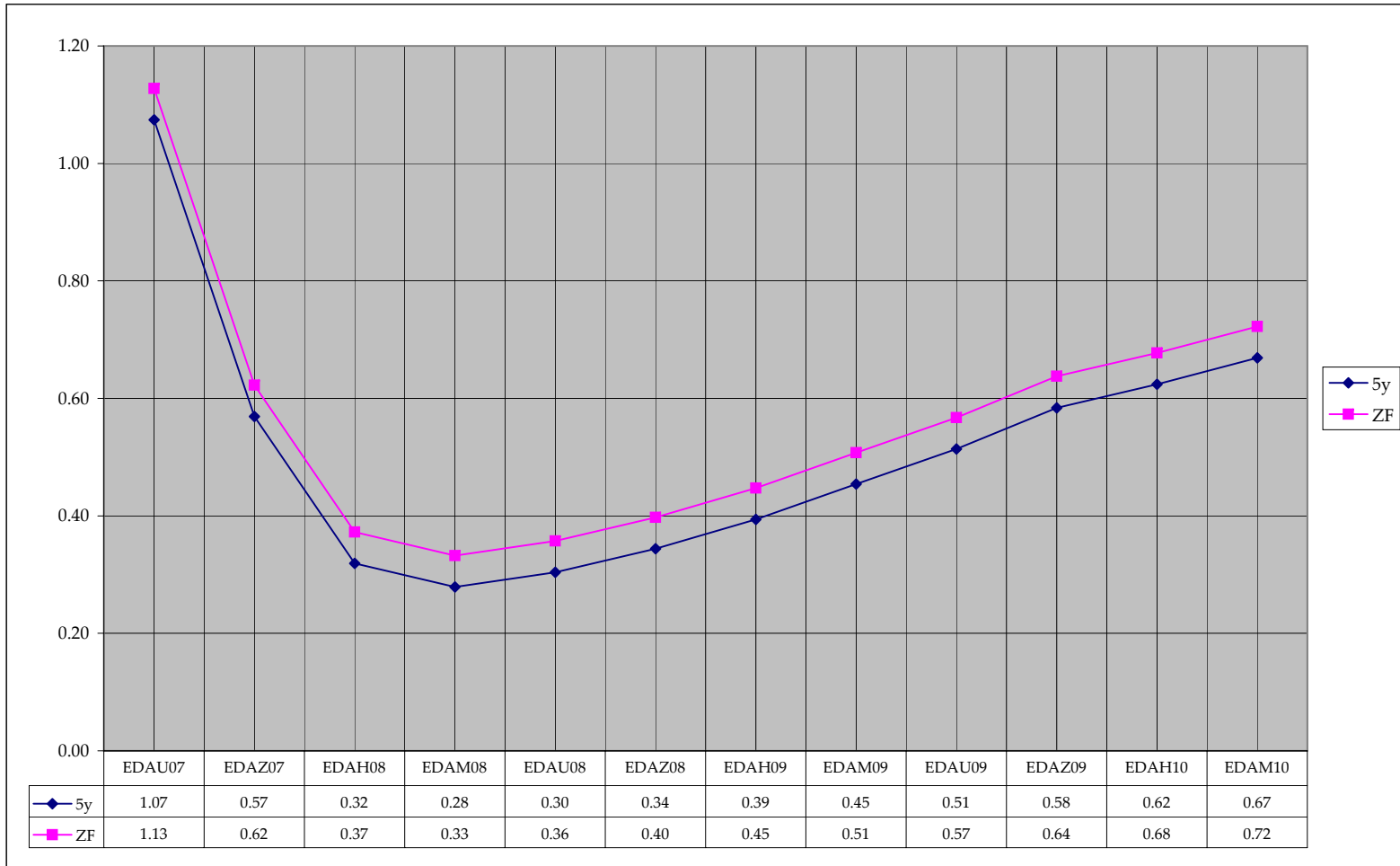
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



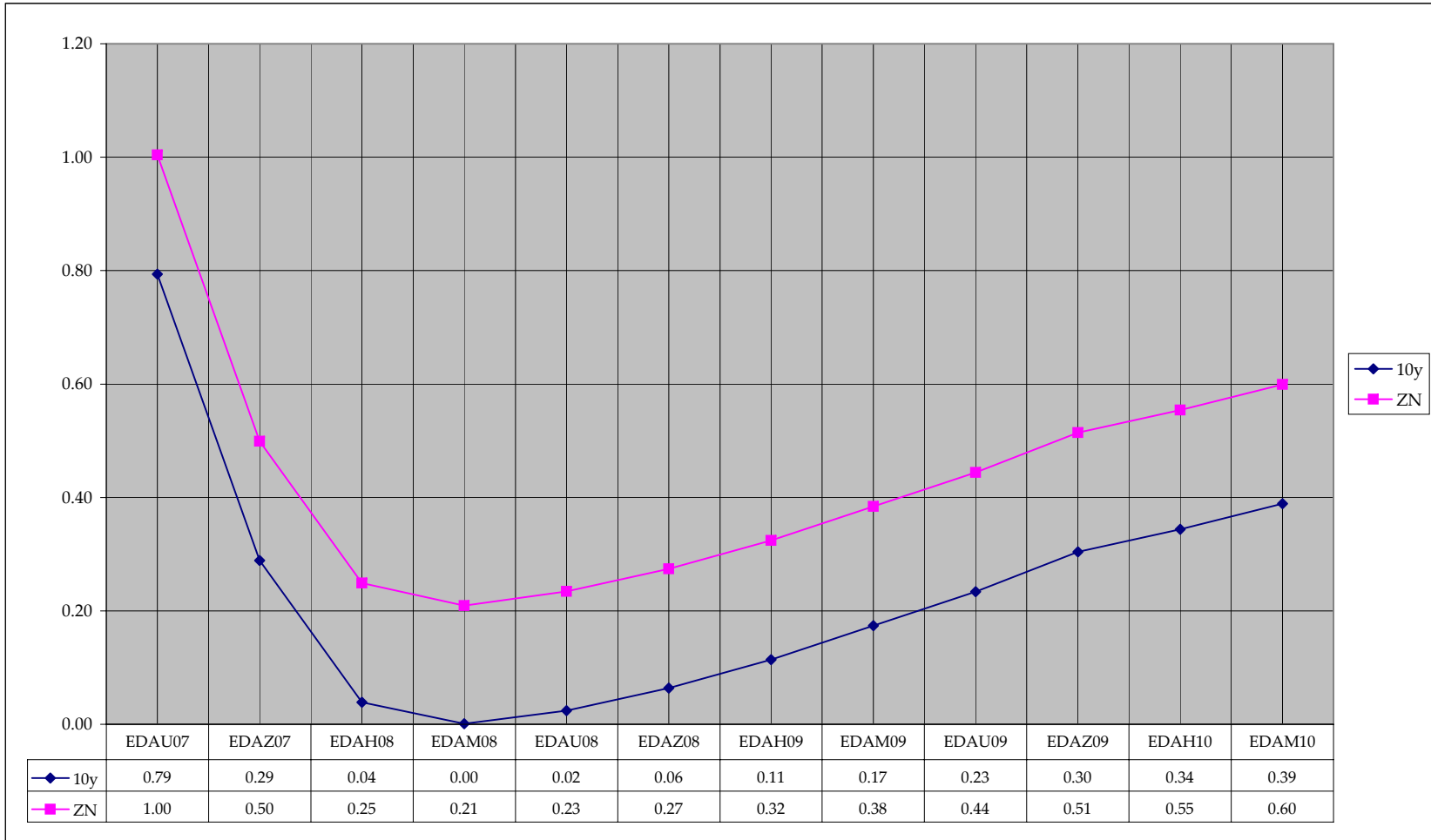
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.933	7.125	9519.375
Q.ED.Red	4.739	10.375	9538.000
Q.ED.Green	4.971	7.625	9515.625
Q.ED.Blue	5.177	6.125	9495.875
Q.ED.Gold	5.385	4.000	9475.875
Q.ED.Purple	5.385	4.000	9475.875

