

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	105.0938	105.030	3.008	1.92	
ZF	110.1875	110.060	3.384	4.04	
ZN	113.3594	113.115	3.672	5.98	
2y	100.203	100.0650	3.016	1.91	
5y	99.891	99.2850	3.396	4.55	
10y	102.484	102.1550	3.944	8.06	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.130	4.870	14	0.038	DEC	} White Pack	
EDAH08	95.835	4.165	105	0.287	MAR		
EDAM08	96.280	3.720	196	0.536	JUN		
EDAU08	96.515	3.485	287	0.786	SEP	} Red Pack	
EDAZ08	96.590	3.410	378	1.035	DEC		
EDAH09	96.570	3.430	469	1.284	MAR		
EDAM09	96.465	3.535	560	1.534	JUN	} Green Pack	
EDAU09	96.330	3.670	651	1.783	SEP		
EDAZ09	96.190	3.810	742	2.032	DEC		
EDAH10	96.065	3.935	833	2.282	MAR	} Blue Pack	
EDAM10	95.940	4.060	924	2.531	JUN		
EDAU10	95.820	4.180	1015	2.780	SEP		
EDAZ10	95.720	4.280	1106	3.029	DEC	} Gold Pack	
EDAH11	95.635	4.365	1197	3.279	MAR		
EDAM11	95.545	4.455	1288	3.528	JUN		
EDAU11	95.465	4.535	1386	3.797	SEP	} Gold Pack	
EDAZ11	#VALUE!	#VALUE!	1477	4.046	DEC		
EDAH12	95.300	4.700	1568	4.295	MAR		
EDAM12	95.205	4.795	1659	4.545	JUN	} Gold Pack	
EDAU12	95.175	4.825	1750	4.794	SEP		

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	4.159	0.250	9594.000	} Pack Prices
Q.ED.Red	3.592	3.125	9648.875	
Q.ED.Green	4.093	4.000	9600.375	
Q.ED.Blue	4.520	4.000	9559.125	
Q.ED.Gold		0.000	9524.625	

Red pack is a 2yr proxy
 Gold pack is a 10yr proxy
 Red /Gold is a 2/10 proxy
 Blue pack is a 5yr proxy
 Blue/Gold is a 5/10 proxy

Overview of Hedging

12/3/2007 5:40

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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

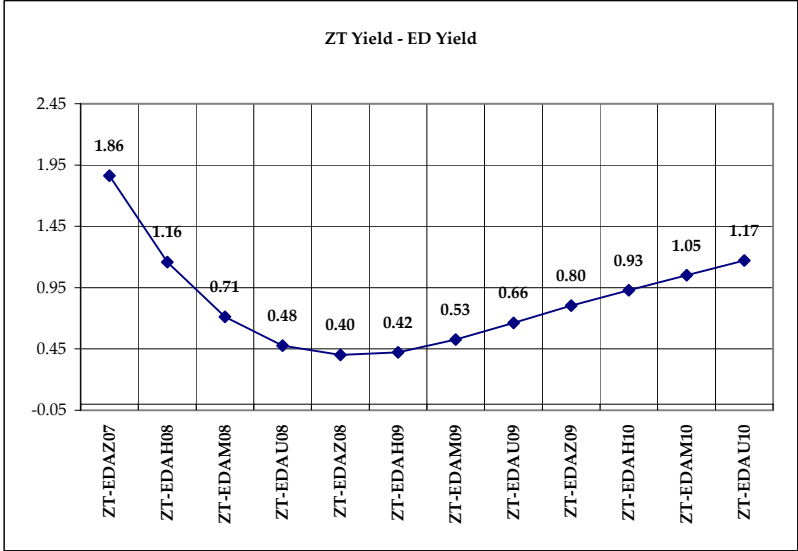
Eurodollar Color Codes for Individual Year Strips:

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

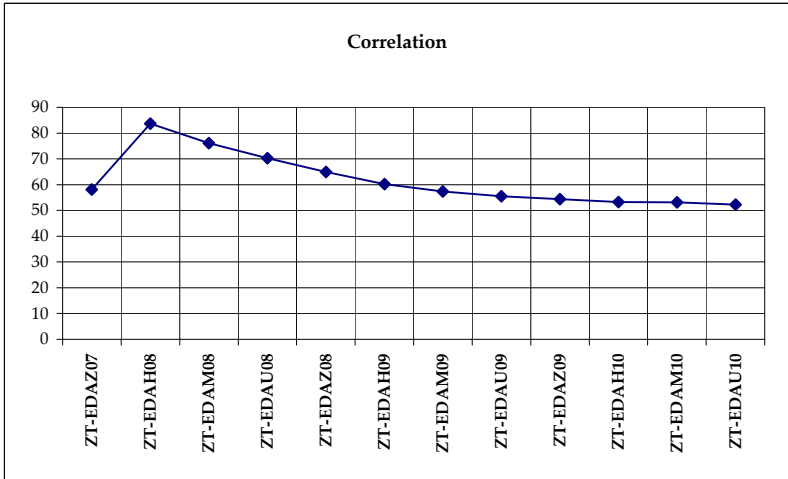
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	9.964	1.86	ZT-EDAZ07	58.124
EDAH08	9.259	1.16	ZT-EDAH08	83.647
EDAM08	8.814	0.71	ZT-EDAM08	76.057
EDAU08	8.579	0.48	ZT-EDAU08	70.237
EDAZ08	8.504	0.40	ZT-EDAZ08	64.951
EDAH09	8.524	0.42	ZT-EDAH09	60.199
EDAM09	8.629	0.53	ZT-EDAM09	57.331
EDAU09	8.764	0.66	ZT-EDAU09	55.437
EDAZ09	8.904	0.80	ZT-EDAZ09	54.393
EDAH10	9.029	0.93	ZT-EDAH10	53.287
EDAM10	9.154	1.05	ZT-EDAM10	53.160
EDAU10	9.274	1.17	ZT-EDAU10	52.239

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		
EDAZ07	0.038	1.92	1.88	ZT-EDAZ07
EDAH08	0.287	1.92	1.63	ZT-EDAH08
EDAM08	0.536	1.92	1.38	ZT-EDAM08
EDAU08	0.786	1.92	1.13	ZT-EDAU08
EDAZ08	1.035	1.92	0.88	ZT-EDAZ08
EDAH09	1.284	1.92	0.63	ZT-EDAH09
EDAM09	1.534	1.92	0.38	ZT-EDAM09
EDAU09	1.783	1.92	0.13	ZT-EDAU09
EDAZ09	2.032	1.92	(0.11)	ZT-EDAZ09
EDAH10	2.282	1.92	(0.36)	ZT-EDAH10
EDAM10	2.531	1.92	(0.61)	ZT-EDAM10
EDAU10	2.780	1.92	(0.86)	ZT-EDAU10

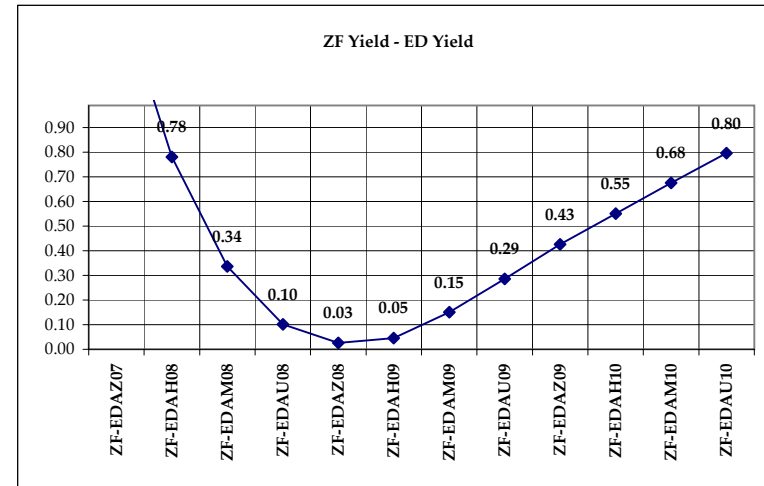
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

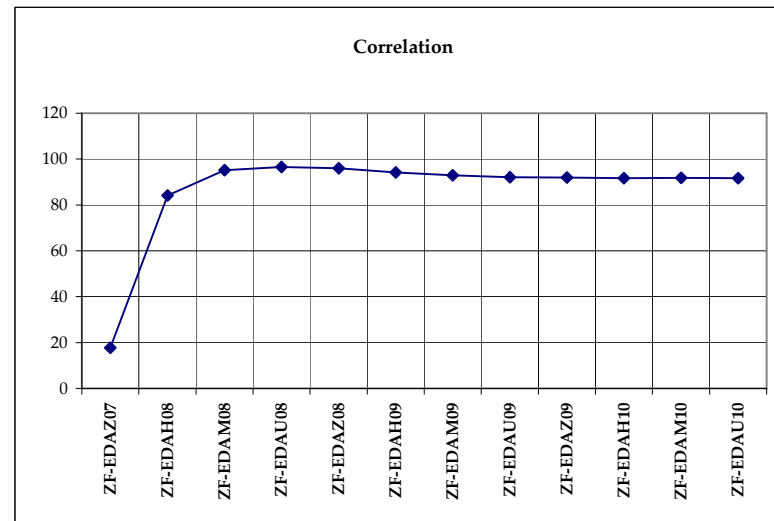
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	15.06	1.49	ZF-EDAZ07	17.774
EDAH08	14.35	0.78	ZF-EDAH08	84.124
EDAM08	13.91	0.34	ZF-EDAM08	95.184
EDAU08	13.67	0.10	ZF-EDAU08	96.557
EDAZ08	13.60	0.03	ZF-EDAZ08	95.968
EDAH09	13.62	0.05	ZF-EDAH09	94.212
EDAM09	13.72	0.15	ZF-EDAM09	92.883
EDAU09	13.86	0.29	ZF-EDAU09	92.142
EDAZ09	14.00	0.43	ZF-EDAZ09	91.899
EDAH10	14.12	0.55	ZF-EDAH10	91.743
EDAM10	14.25	0.68	ZF-EDAM10	91.860
EDAU10	14.37	0.80	ZF-EDAU10	91.718

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	
EDAZ07	0.038	4.04	ZF-EDAZ07
EDAH08	0.287	4.04	ZF-EDAH08
EDAM08	0.536	4.04	ZF-EDAM08
EDAU08	0.786	4.04	ZF-EDAU08
EDAZ08	1.035	4.04	ZF-EDAZ08
EDAH09	1.284	4.04	ZF-EDAH09
EDAM09	1.534	4.04	ZF-EDAM09
EDAU09	1.783	4.04	ZF-EDAU09
EDAZ09	2.032	4.04	ZF-EDAZ09
EDAH10	2.282	4.04	ZF-EDAH10
EDAM10	2.531	4.04	ZF-EDAM10
EDAU10	2.780	4.04	ZF-EDAU10

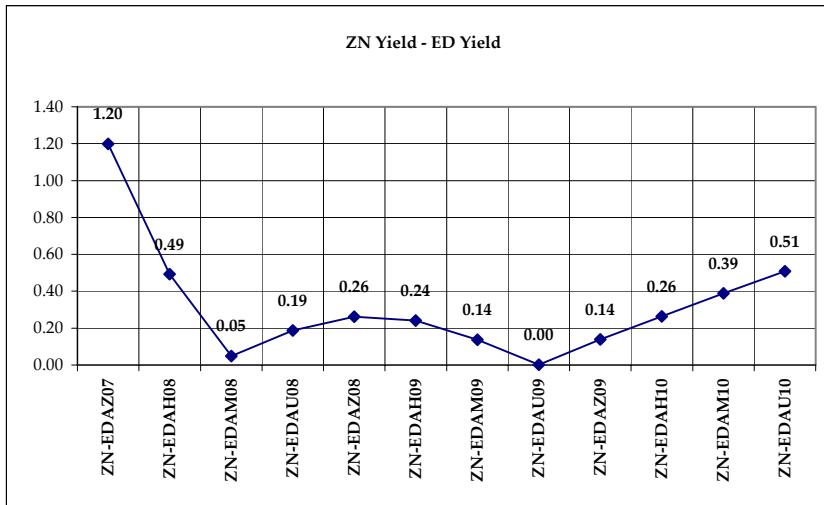
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

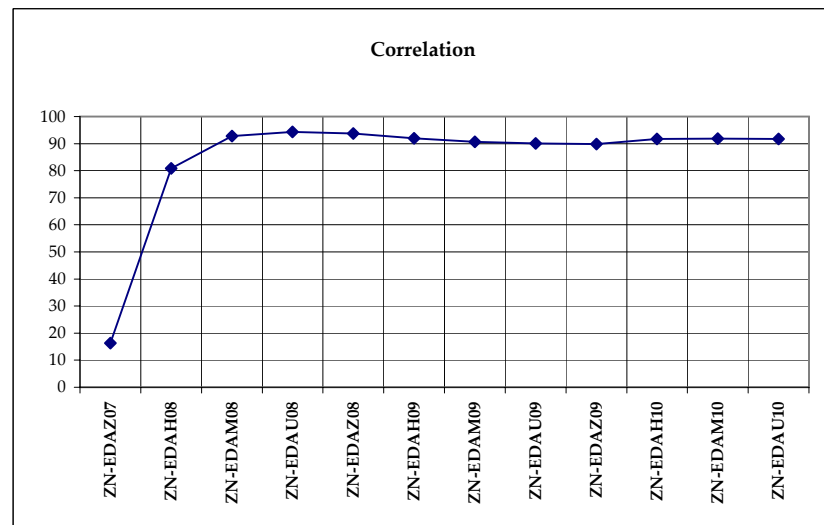
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	18.23	1.20	ZN-EDAZ07	16.30
EDAH08	17.52	0.49	ZN-EDAH08	80.83
EDAM08	17.08	0.05	ZN-EDAM08	92.75
EDAU08	16.84	0.19	ZN-EDAU08	94.30
EDAZ08	16.77	0.26	ZN-EDAZ08	93.75
EDAH09	16.79	0.24	ZN-EDAH09	91.95
EDAM09	16.89	0.14	ZN-EDAM09	90.62
EDAU09	17.03	0.00	ZN-EDAU09	90.02
EDAZ09	17.17	0.14	ZN-EDAZ09	89.81
EDAH10	17.29	0.26	ZN-EDAH10	91.74
EDAM10	17.42	0.39	ZN-EDAM10	91.86
EDAU10	17.54	0.51	ZN-EDAU10	91.72

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	
EDAZ07	0.038	5.98	5.95	ZN-EDAZ07
EDAH08	0.287	5.98	5.70	ZN-EDAH08
EDAM08	0.536	5.98	5.45	ZN-EDAM08
EDAU08	0.786	5.98	5.20	ZN-EDAU08
EDAZ08	1.035	5.98	4.95	ZN-EDAZ08
EDAH09	1.284	5.98	4.70	ZN-EDAH09
EDAM09	1.534	5.98	4.45	ZN-EDAM09
EDAU09	1.783	5.98	4.20	ZN-EDAU09
EDAZ09	2.032	5.98	3.95	ZN-EDAZ09
EDAH10	2.282	5.98	3.70	ZN-EDAH10
EDAM10	2.531	5.98	3.45	ZN-EDAM10
EDAU10	2.780	5.98	3.20	ZN-EDAU10

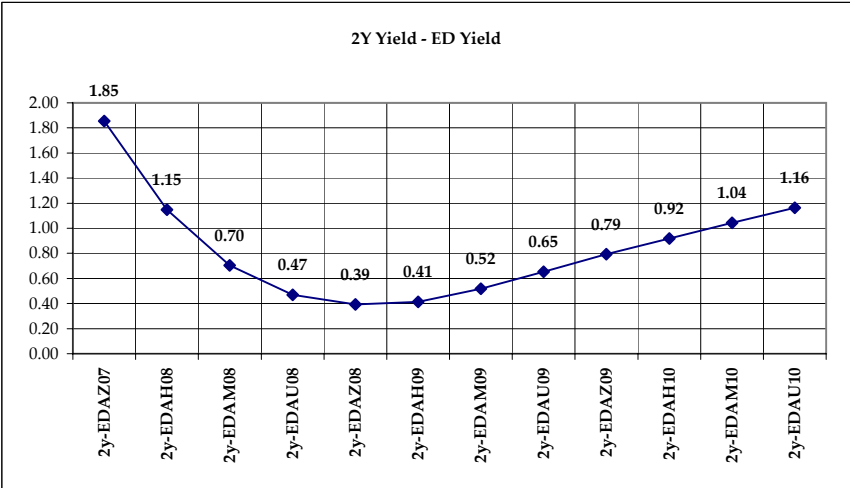
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.07	1.85	2y-EDAZ07	-58.369
EDAH08	4.37	1.15	2y-EDAH08	-93.974
EDAM08	3.92	0.70	2y-EDAM08	-87.682
EDAU08	3.69	0.47	2y-EDAU08	-82.112
EDAZ08	3.61	0.39	2y-EDAZ08	-87.682
EDAH09	3.63	0.41	2y-EDAH09	-72.762
EDAM09	3.74	0.52	2y-EDAM09	-70.129
EDAU09	3.87	0.65	2y-EDAU09	-67.894
EDAZ09	4.01	0.79	2y-EDAZ09	-66.674
EDAH10	4.14	0.92	2y-EDAH10	-65.326
EDAM10	4.26	1.04	2y-EDAM10	-64.631
EDAU10	4.38	1.16	2y-EDAU10	-63.670

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.

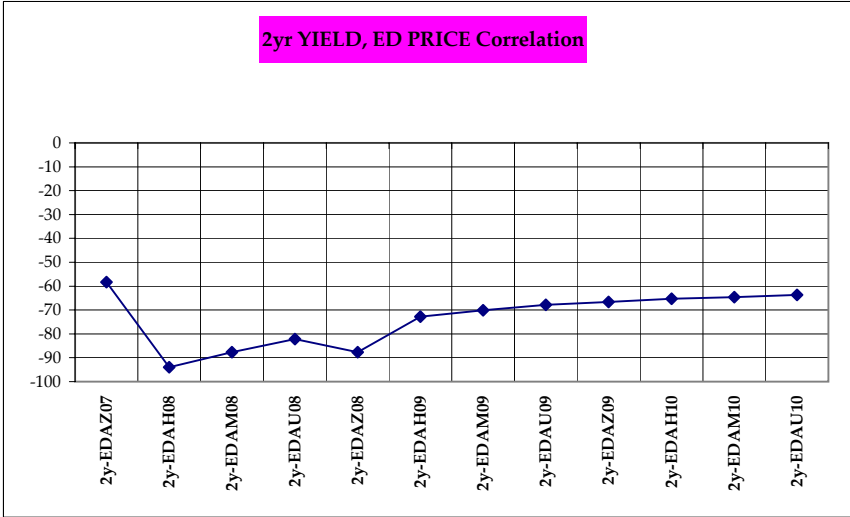


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.038	1.91	2y-EDAZ07
EDAH08	0.287	1.91	2y-EDAH08
EDAM08	0.536	1.91	2y-EDAM08
EDAU08	0.786	1.91	2y-EDAU08
EDAZ08	1.035	1.91	2y-EDAZ08
EDAH09	1.284	1.91	2y-EDAH09
EDAM09	1.534	1.91	2y-EDAM09
EDAU09	1.783	1.91	2y-EDAU09
EDAZ09	2.032	1.91	2y-EDAZ09
EDAH10	2.282	1.91	2y-EDAH10
EDAM10	2.531	1.91	2y-EDAM10
EDAU10	2.780	1.91	2y-EDAU10

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

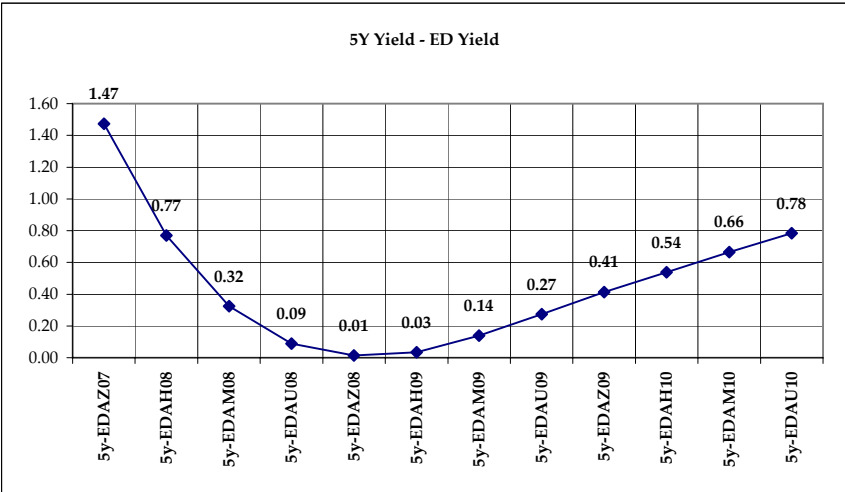
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.76	1.47	5y-EDAZ07	-61.304
EDAH08	4.06	0.77	5y-EDAH08	-91.946
EDAM08	3.61	0.32	5y-EDAM08	-86.473
EDAU08	3.38	0.09	5y-EDAU08	-80.902
EDAZ08	3.30	0.01	5y-EDAZ08	-86.473
EDAH09	3.32	0.03	5y-EDAH09	-72.084
EDAM09	3.43	0.14	5y-EDAM09	-69.945
EDAU09	3.56	0.27	5y-EDAU09	-68.350
EDAZ09	3.70	0.41	5y-EDAZ09	-66.924
EDAH10	3.83	0.54	5y-EDAH10	-65.506
EDAM10	3.95	0.66	5y-EDAM10	-64.971
EDAU10	4.07	0.78	5y-EDAU10	-64.057

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.

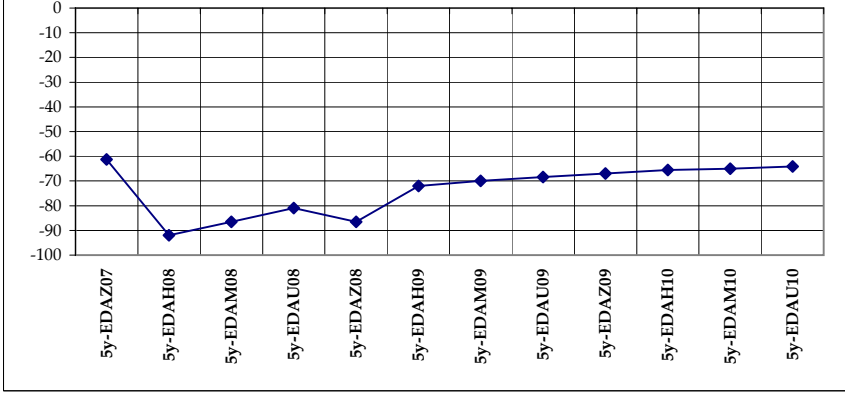


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAZ07	0.038	4.55	4.52 5y-EDAZ07
EDAH08	0.287	4.55	4.27 5y-EDAH08
EDAM08	0.536	4.55	4.02 5y-EDAM08
EDAU08	0.786	4.55	3.77 5y-EDAU08
EDAZ08	1.035	4.55	3.52 5y-EDAZ08
EDAH09	1.284	4.55	3.27 5y-EDAH09
EDAM09	1.534	4.55	3.02 5y-EDAM09
EDAU09	1.783	4.55	2.77 5y-EDAU09
EDAZ09	2.032	4.55	2.52 5y-EDAZ09
EDAH10	2.282	4.55	2.27 5y-EDAH10
EDAM10	2.531	4.55	2.02 5y-EDAM10
EDAU10	2.780	4.55	1.77 5y-EDAU10

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

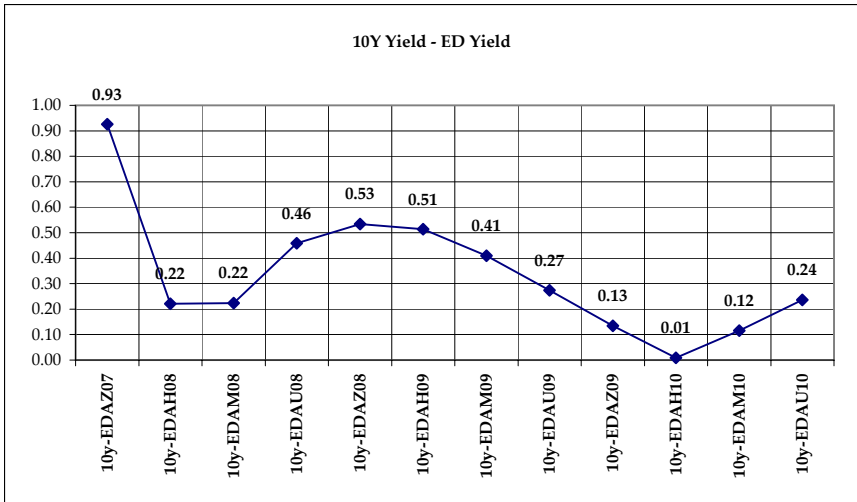
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

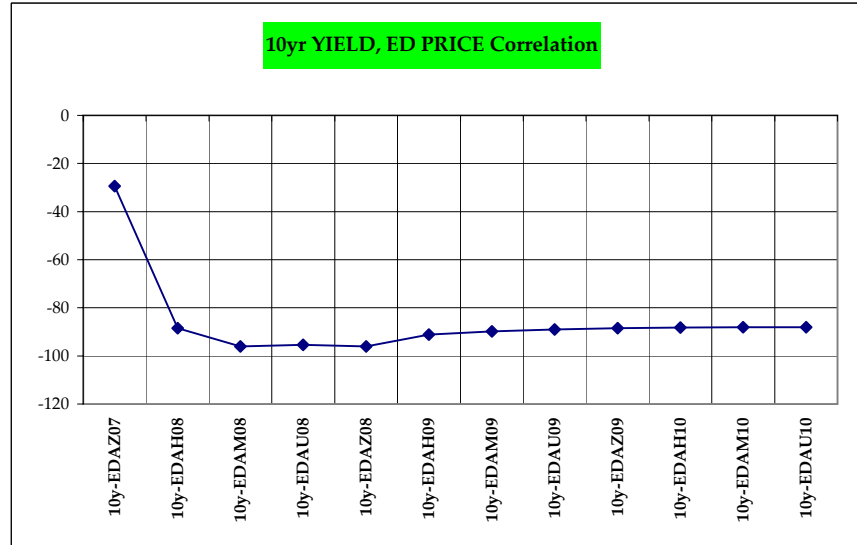
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.76	0.93	10y-EDAZ07	-29.419
EDAH08	4.06	0.22	10y-EDAH08	-88.460
EDAM08	3.61	0.22	10y-EDAM08	-96.087
EDAU08	3.38	0.46	10y-EDAU08	-95.394
EDAZ08	3.30	0.53	10y-EDAZ08	-96.087
EDAH09	3.32	0.51	10y-EDAH09	-91.168
EDAM09	3.43	0.41	10y-EDAM09	-89.754
EDAU09	3.56	0.27	10y-EDAU09	-88.990
EDAZ09	3.70	0.13	10y-EDAZ09	-88.498
EDAH10	3.83	0.01	10y-EDAH10	-88.146
EDAM10	3.95	0.12	10y-EDAM10	-88.120
EDAU10	4.07	0.24	10y-EDAU10	-88.122

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	
EDAZ07	0.038	8.06	8.03	10y-EDAZ07
EDAH08	0.287	8.06	7.78	10y-EDAH08
EDAM08	0.536	8.06	7.53	10y-EDAM08
EDAU08	0.786	8.06	7.28	10y-EDAU08
EDAZ08	1.035	8.06	7.03	10y-EDAZ08
EDAH09	1.284	8.06	6.78	10y-EDAH09
EDAM09	1.534	8.06	6.53	10y-EDAM09
EDAU09	1.783	8.06	6.28	10y-EDAU09
EDAZ09	2.032	8.06	6.03	10y-EDAZ09
EDAH10	2.282	8.06	5.78	10y-EDAH10
EDAM10	2.531	8.06	5.53	10y-EDAM10
EDAU10	2.780	8.06	5.28	10y-EDAU10

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

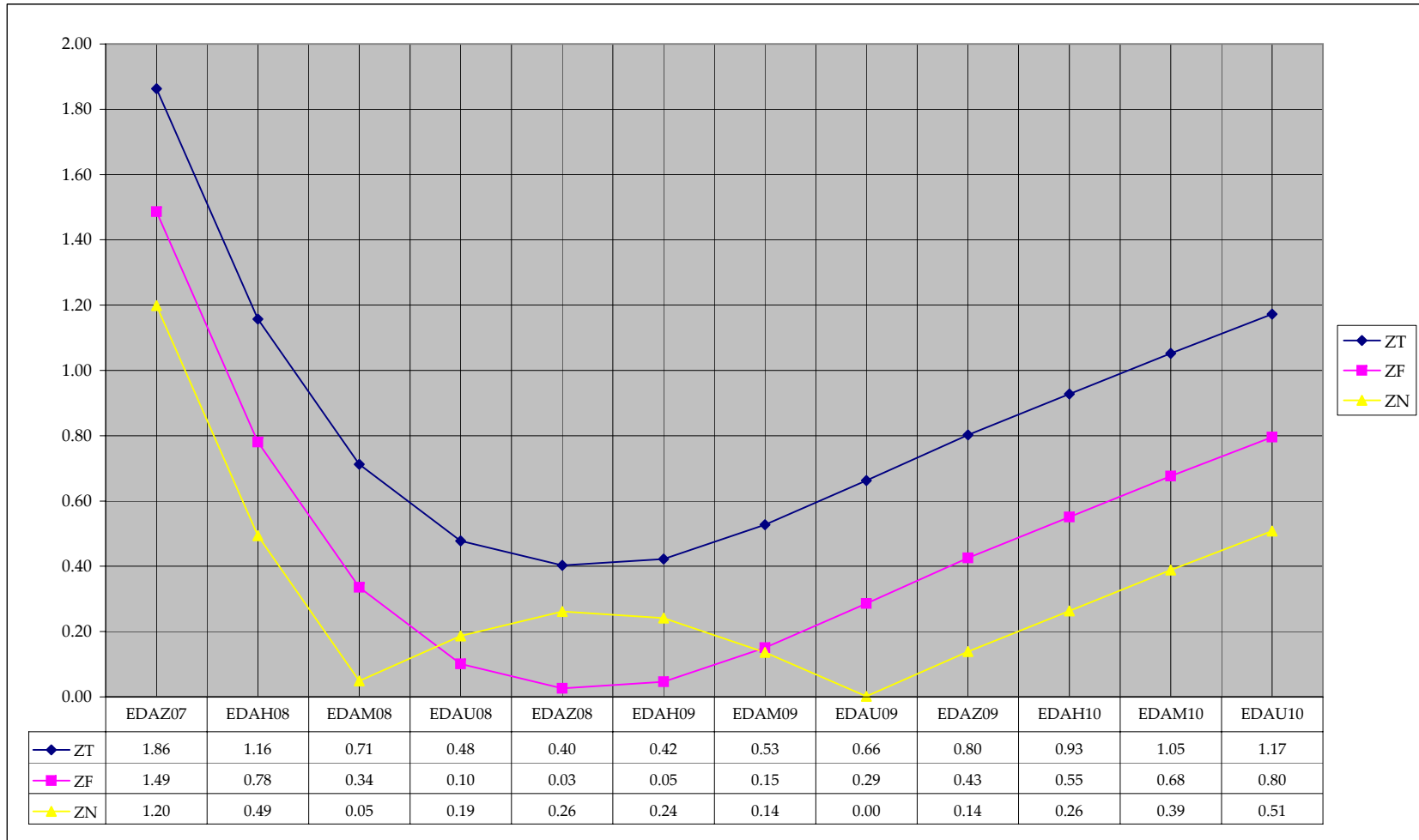


Dirty TED Curve

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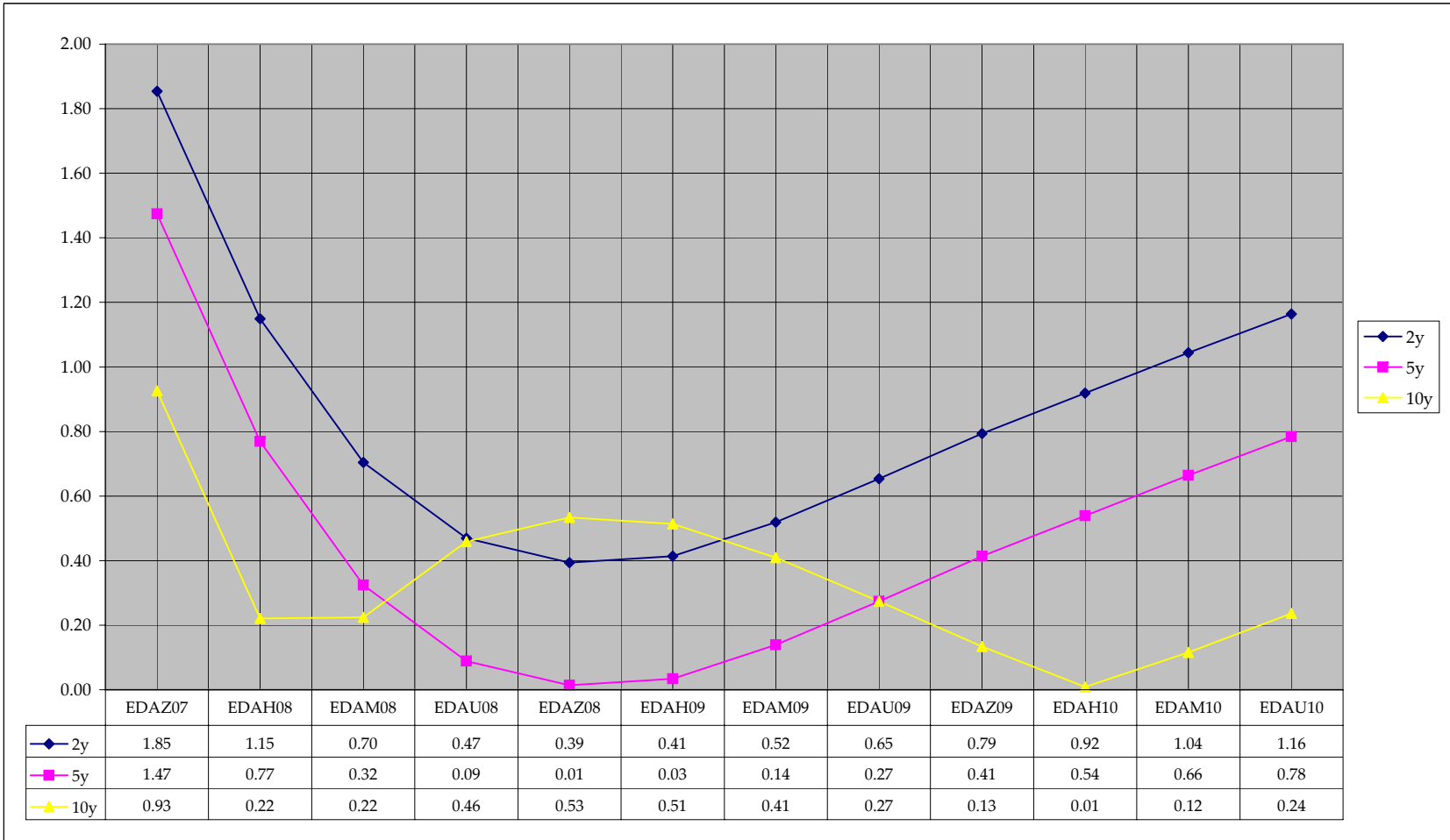
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

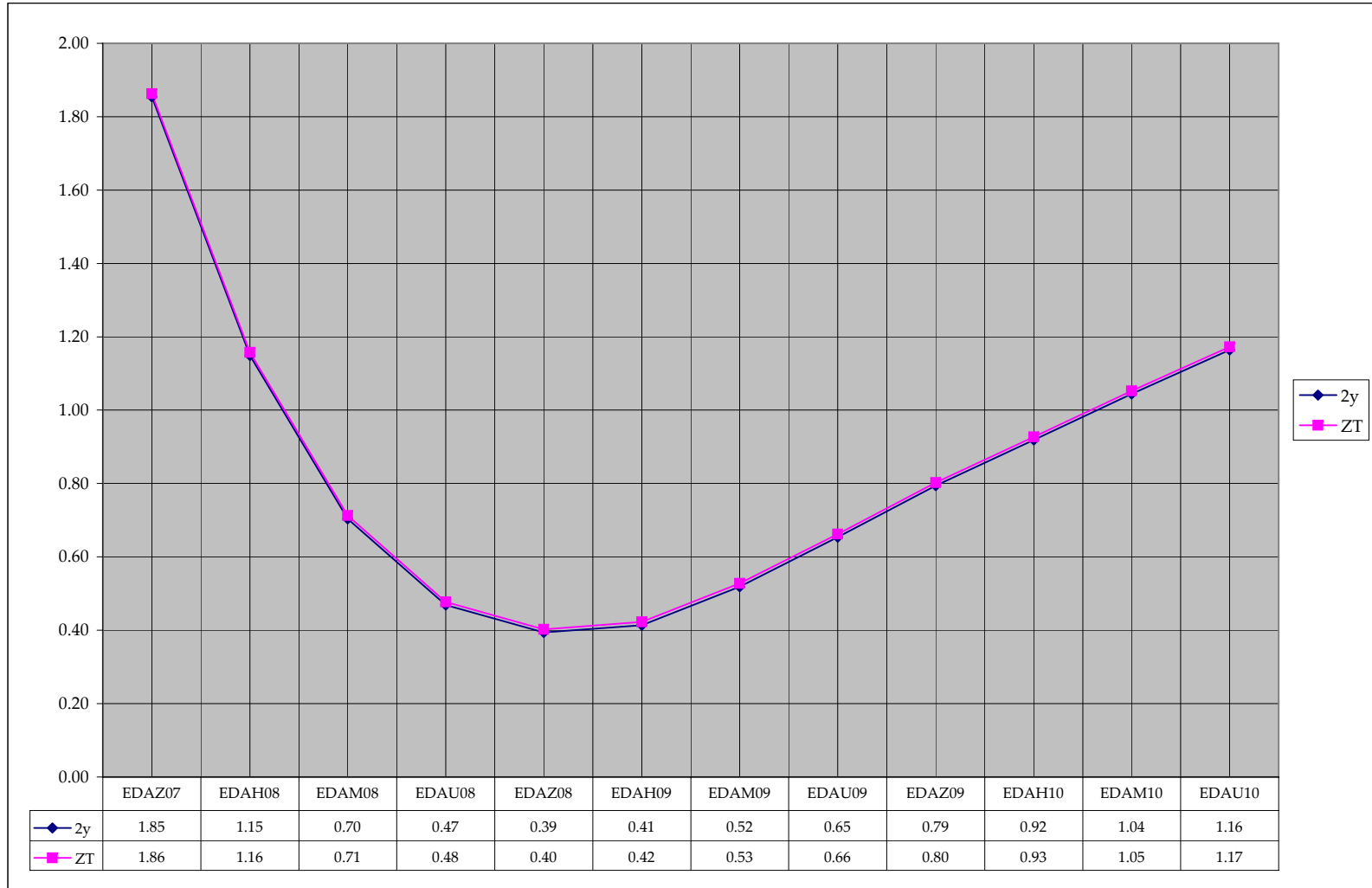


TED Curve

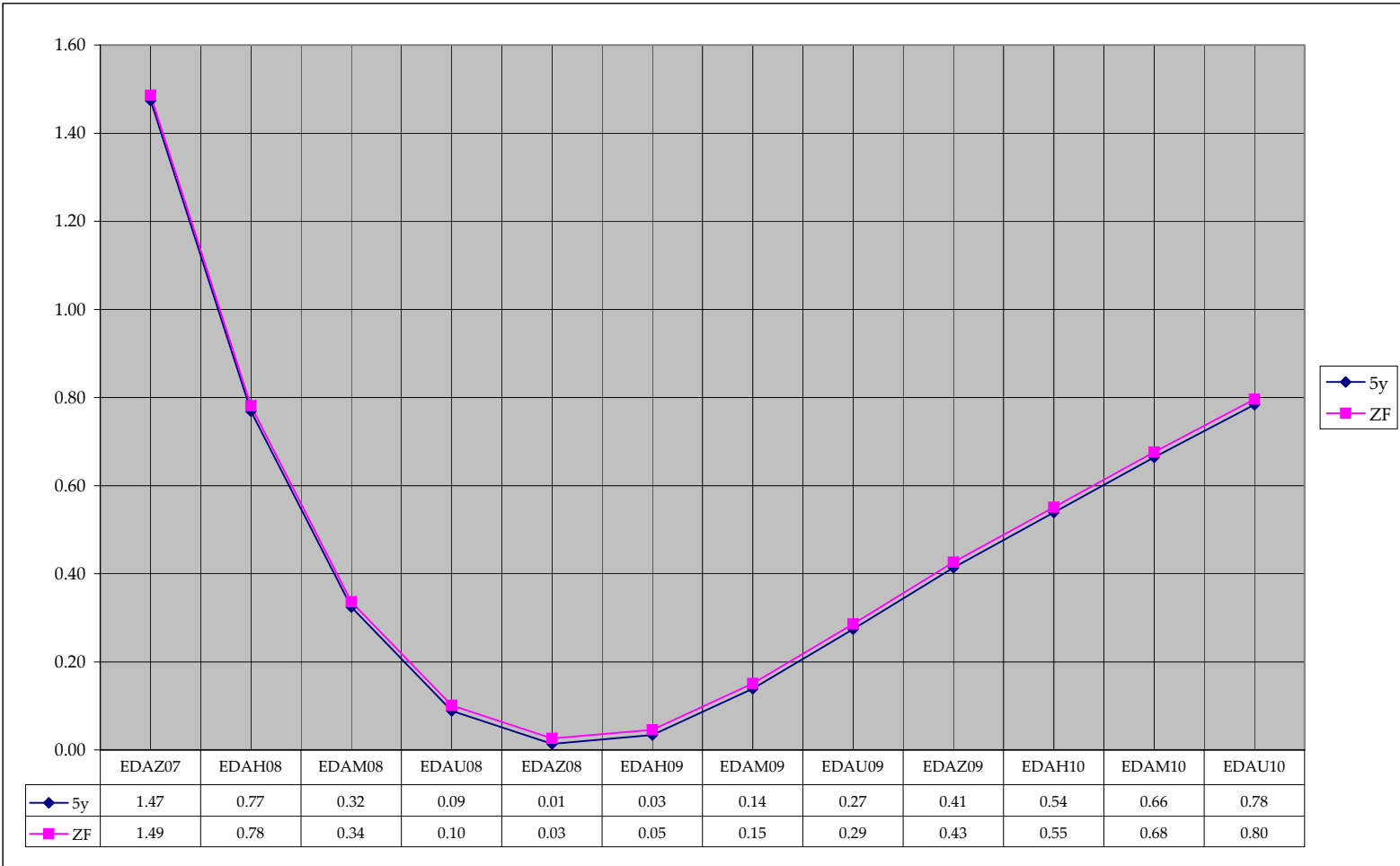
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



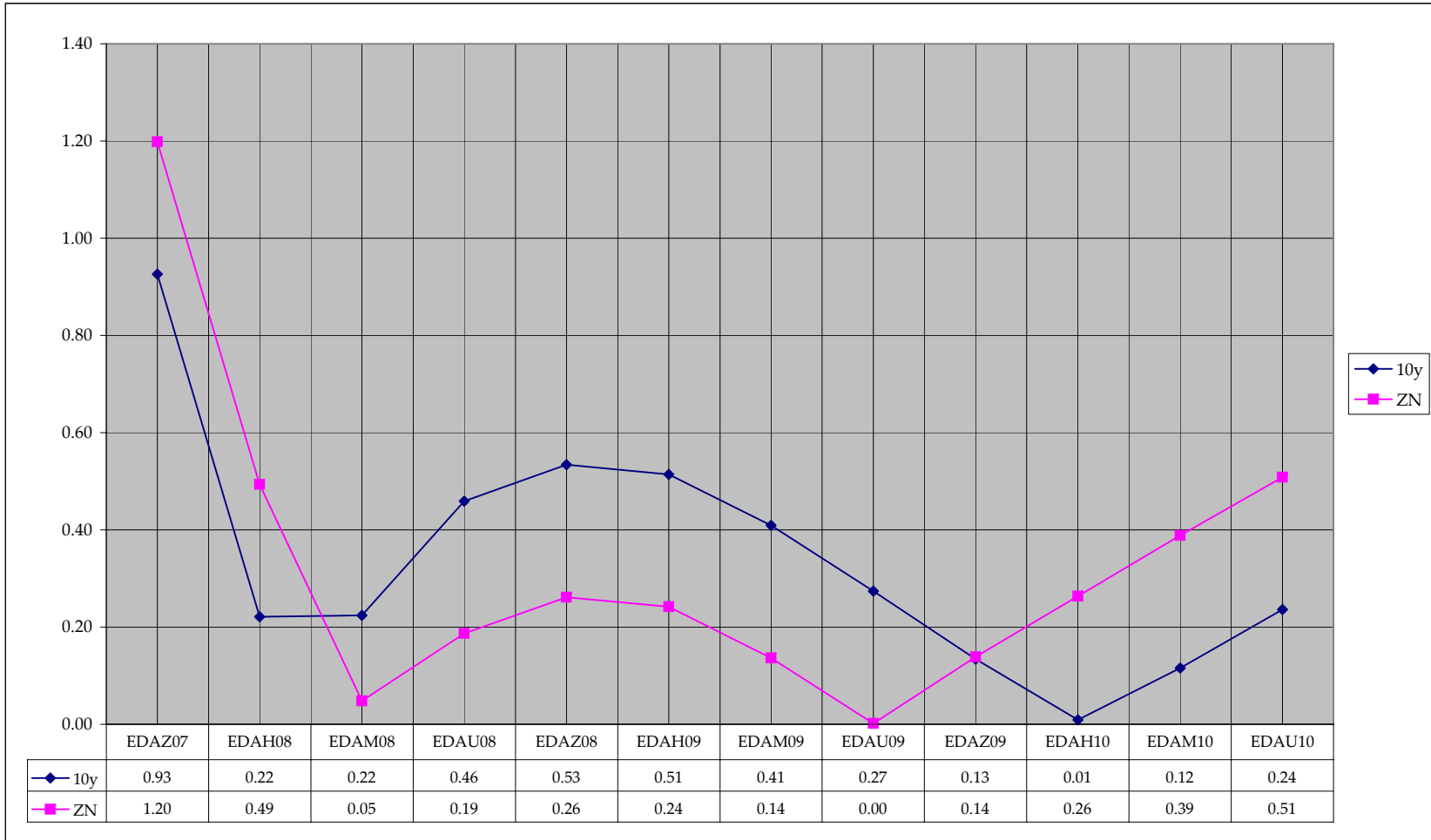
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.159	0.250	9594.000
Q.ED.Red	3.592	3.125	9648.875
Q.ED.Green	4.093	4.000	9600.375
Q.ED.Blue	4.520	4.000	9559.125
Q.ED.Gold		0.000	9524.625

