

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	105.3594	105.115	2.876	1.92	
ZF	110.7500	110.240	3.239	4.04	
ZN	114.0938	114.030	3.606	5.99	
2y	100.491	100.1570	2.865	1.91	
5y	100.563	100.1800	3.252	4.56	
10y	103.219	103.0700	3.857	8.07	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.055	4.945	13	0.035	DEC	White Pack	
EDAH08	95.810	4.190	104	0.284	MAR		
EDAM08	96.300	3.700	195	0.534	JUN		
EDAU08	96.570	3.430	286	0.783	SEP	Red Pack	
EDAZ08	96.685	3.315	377	1.032	DEC		
EDAH09	96.685	3.315	468	1.282	MAR		
EDAM09	96.595	3.405	559	1.531	JUN	Green Pack	
EDAU09	96.465	3.535	650	1.780	SEP		
EDAZ09	96.315	3.685	741	2.030	DEC		
EDAH10	96.185	3.815	832	2.279	MAR	Blue Pack	
EDAM10	96.050	3.950	923	2.528	JUN		
EDAU10	95.945	4.055	1014	2.777	SEP		
EDAZ10	95.840	4.160	1105	3.027	DEC	Gold Pack	
EDAH11	95.750	4.250	1196	3.276	MAR		
EDAM11	95.635	4.365	1287	3.525	JUN		
EDAU11	95.570	4.430	1385	3.794	SEP		
EDAZ11	95.480	4.520	1476	4.043	DEC		
EDAH12	95.415	4.585	1567	4.293	MAR		
EDAM12	95.305	4.695	1658	4.542	JUN		
EDAU12	95.290	4.710	1749	4.791	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	4.166	1.063	9593.375	Pack Prices
Q.ED.Red	3.469	4.625	9660.750	
Q.ED.Green	3.969	4.750	9612.375	
Q.ED.Blue		3.375	9569.250	
Q.ED.Gold		0.000	9534.500	

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

12/4/2007 5:31

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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

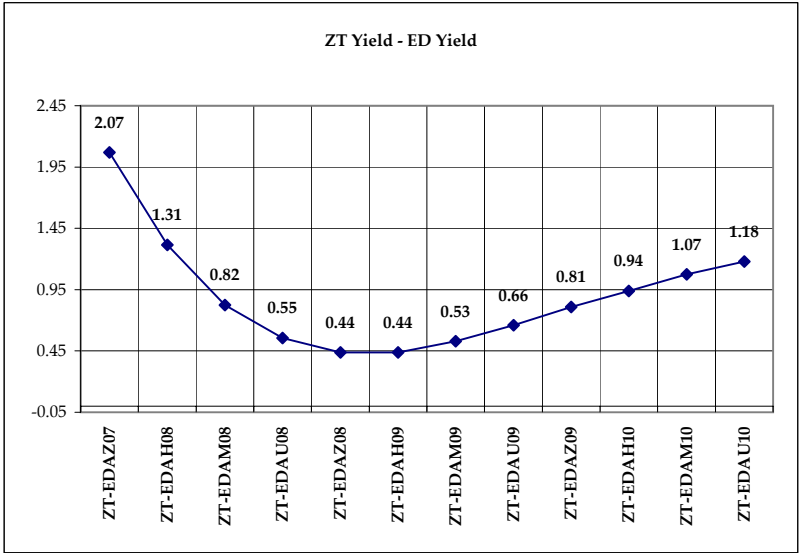
Eurodollar Color Codes for Individual Year Strips:

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

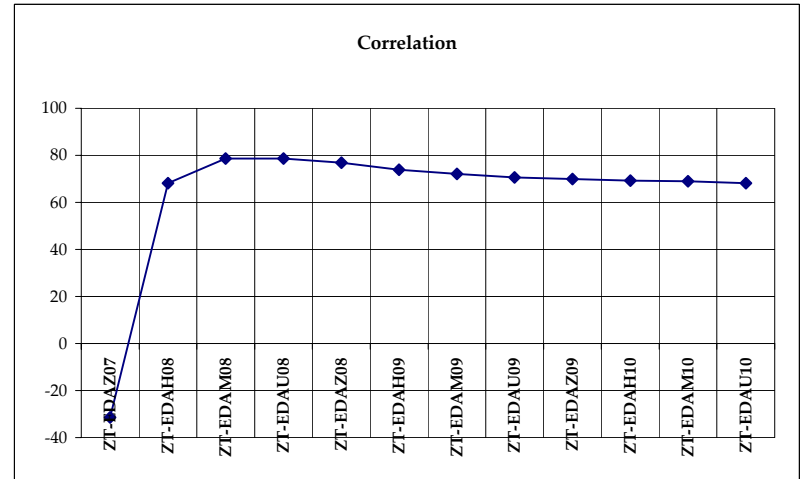
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	10.304	2.07	ZT-EDAZ07	-31.380
EDAH08	9.549	1.31	ZT-EDAH08	68.227
EDAM08	9.059	0.82	ZT-EDAM08	78.689
EDAU08	8.789	0.55	ZT-EDAU08	78.643
EDAZ08	8.674	0.44	ZT-EDAZ08	76.868
EDAH09	8.674	0.44	ZT-EDAH09	73.918
EDAM09	8.764	0.53	ZT-EDAM09	72.102
EDAU09	8.894	0.66	ZT-EDAU09	70.626
EDAZ09	9.044	0.81	ZT-EDAZ09	69.900
EDAH10	9.174	0.94	ZT-EDAH10	69.215
EDAM10	9.309	1.07	ZT-EDAM10	68.941
EDAU10	9.414	1.18	ZT-EDAU10	68.226

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	0.035	1.92	1.88	ZT-EDAZ07
EDAH08	0.284	1.92	1.63	ZT-EDAH08
EDAM08	0.534	1.92	1.38	ZT-EDAM08
EDAU08	0.783	1.92	1.13	ZT-EDAU08
EDAZ08	1.032	1.92	0.88	ZT-EDAZ08
EDAH09	1.282	1.92	0.63	ZT-EDAH09
EDAM09	1.531	1.92	0.39	ZT-EDAM09
EDAU09	1.780	1.92	0.14	ZT-EDAU09
EDAZ09	2.030	1.92	(0.11)	ZT-EDAZ09
EDAH10	2.279	1.92	(0.36)	ZT-EDAH10
EDAM10	2.528	1.92	(0.61)	ZT-EDAM10
EDAU10	2.777	1.92	(0.86)	ZT-EDAU10

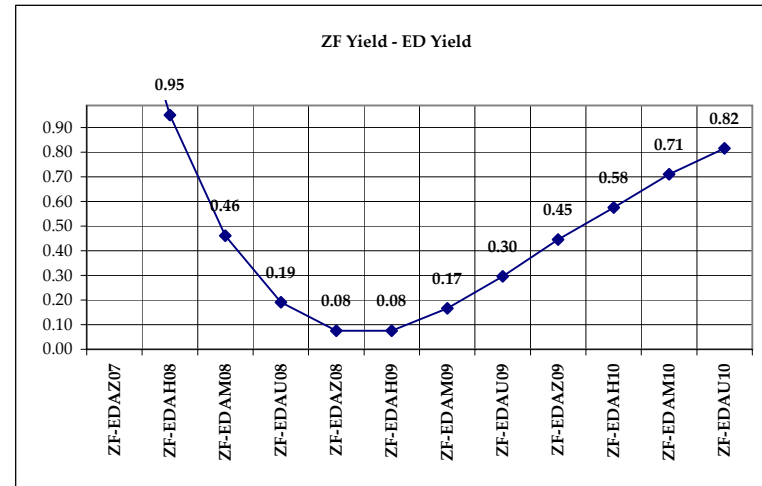
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	15.70	1.71	ZF-EDAZ07	-62.094
EDAH08	14.94	0.95	ZF-EDAH08	56.247
EDAM08	14.45	0.46	ZF-EDAM08	88.117
EDAU08	14.18	0.19	ZF-EDAU08	95.085
EDAZ08	14.07	0.08	ZF-EDAZ08	97.104
EDAH09	14.07	0.08	ZF-EDAH09	96.506
EDAM09	14.16	0.17	ZF-EDAM09	95.850
EDAU09	14.29	0.30	ZF-EDAU09	95.247
EDAZ09	14.44	0.45	ZF-EDAZ09	95.002
EDAH10	14.57	0.58	ZF-EDAH10	94.816
EDAM10	14.70	0.71	ZF-EDAM10	94.705
EDAU10	14.81	0.82	ZF-EDAU10	94.531

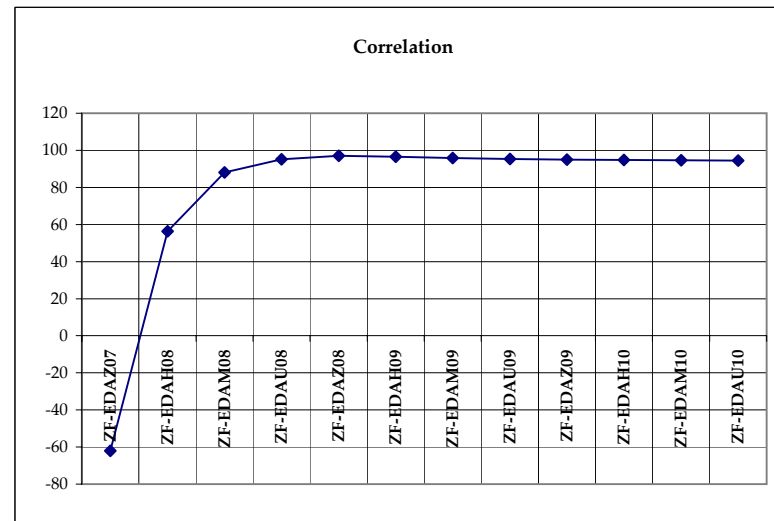
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAZ07	0.035	4.04	ZF-EDAZ07
EDAH08	0.284	4.04	ZF-EDAH08
EDAM08	0.534	4.04	ZF-EDAM08
EDAU08	0.783	4.04	ZF-EDAU08
EDAZ08	1.032	4.04	ZF-EDAZ08
EDAH09	1.282	4.04	ZF-EDAH09
EDAM09	1.531	4.04	ZF-EDAM09
EDAU09	1.780	4.04	ZF-EDAU09
EDAZ09	2.030	4.04	ZF-EDAZ09
EDAH10	2.279	4.04	ZF-EDAH10
EDAM10	2.528	4.04	ZF-EDAM10
EDAU10	2.777	4.04	ZF-EDAU10

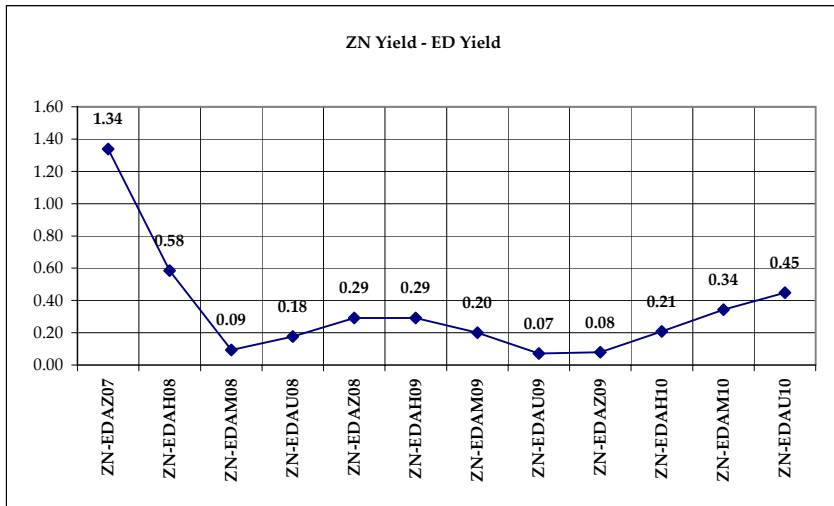
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

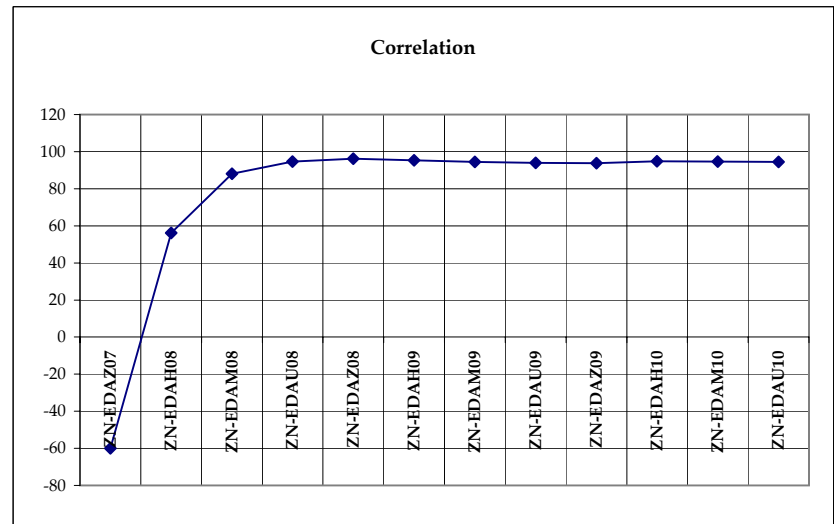
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	19.04	1.34	ZN-EDAZ07	-60.02
EDAH08	18.28	0.58	ZN-EDAH08	56.19
EDAM08	17.79	0.09	ZN-EDAM08	88.00
EDAU08	17.52	0.18	ZN-EDAU08	94.57
EDAZ08	17.41	0.29	ZN-EDAZ08	96.11
EDAH09	17.41	0.29	ZN-EDAH09	95.24
EDAM09	17.50	0.20	ZN-EDAM09	94.44
EDAU09	17.63	0.07	ZN-EDAU09	93.93
EDAZ09	17.78	0.08	ZN-EDAZ09	93.80
EDAH10	17.91	0.21	ZN-EDAH10	94.82
EDAM10	18.04	0.34	ZN-EDAM10	94.70
EDAU10	18.15	0.45	ZN-EDAU10	94.53

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	0.035	5.99	5.95	ZN-EDAZ07
EDAH08	0.284	5.99	5.70	ZN-EDAH08
EDAM08	0.534	5.99	5.45	ZN-EDAM08
EDAU08	0.783	5.99	5.20	ZN-EDAU08
EDAZ08	1.032	5.99	4.95	ZN-EDAZ08
EDAH09	1.282	5.99	4.70	ZN-EDAH09
EDAM09	1.531	5.99	4.45	ZN-EDAM09
EDAU09	1.780	5.99	4.20	ZN-EDAU09
EDAZ09	2.030	5.99	3.96	ZN-EDAZ09
EDAH10	2.279	5.99	3.71	ZN-EDAH10
EDAM10	2.528	5.99	3.46	ZN-EDAM10
EDAU10	2.777	5.99	3.21	ZN-EDAU10

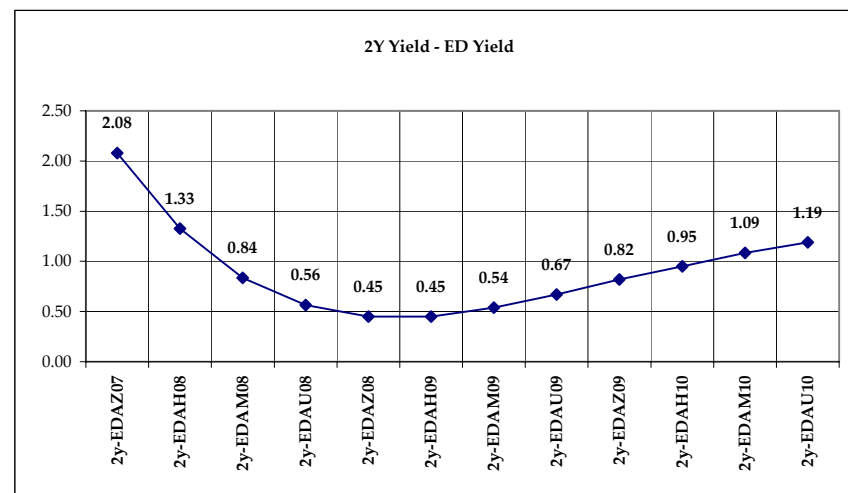
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.44	2.08	2y-EDAZ07	36.363
EDAH08	4.68	1.33	2y-EDAH08	-71.927
EDAM08	4.19	0.84	2y-EDAM08	-85.928
EDAU08	3.92	0.56	2y-EDAU08	-86.824
EDAZ08	3.81	0.45	2y-EDAZ08	-85.928
EDAH09	3.81	0.45	2y-EDAH09	-83.553
EDAM09	3.90	0.54	2y-EDAM09	-82.194
EDAU09	4.03	0.67	2y-EDAU09	-80.452
EDAZ09	4.18	0.82	2y-EDAZ09	-79.513
EDAH10	4.31	0.95	2y-EDAH10	-78.520
EDAM10	4.44	1.09	2y-EDAM10	-77.818
EDAU10	4.55	1.19	2y-EDAU10	-77.114

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.

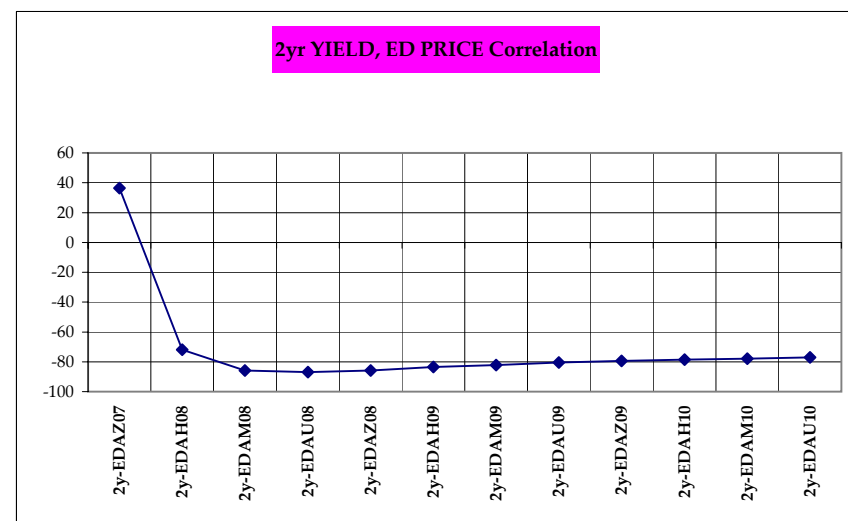


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.035	1.91	2y-EDAZ07
EDAH08	0.284	1.91	2y-EDAH08
EDAM08	0.534	1.91	2y-EDAM08
EDAU08	0.783	1.91	2y-EDAU08
EDAZ08	1.032	1.91	2y-EDAZ08
EDAH09	1.282	1.91	2y-EDAH09
EDAM09	1.531	1.91	2y-EDAM09
EDAU09	1.780	1.91	2y-EDAU09
EDAZ09	2.030	1.91	2y-EDAZ09
EDAH10	2.279	1.91	2y-EDAH10
EDAM10	2.528	1.91	2y-EDAM10
EDAU10	2.777	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

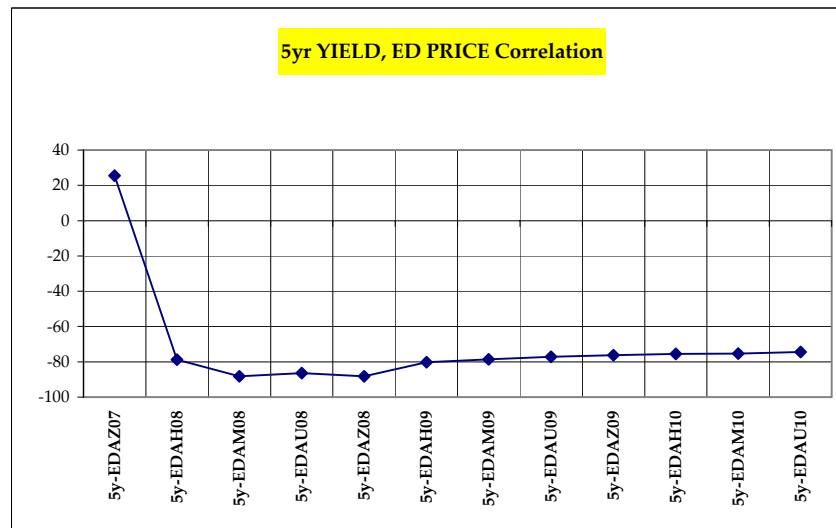
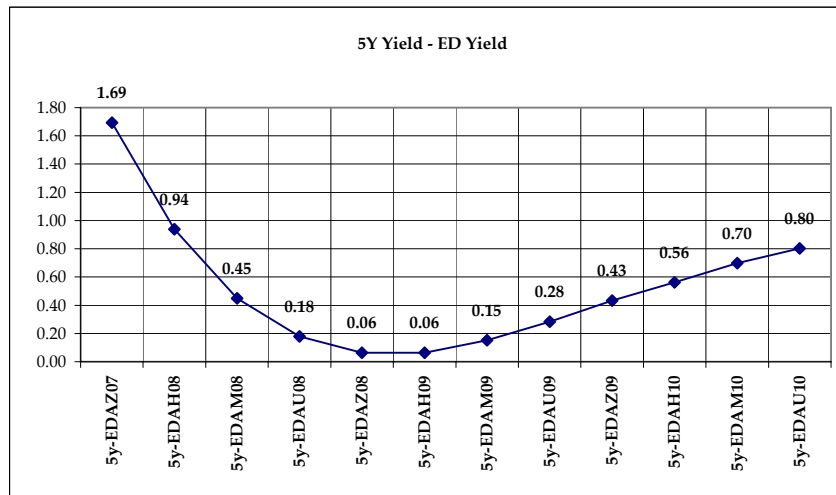
	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.51	1.69	5y-EDAZ07	25.546
EDAH08	4.75	0.94	5y-EDAH08	-78.693
EDAM08	4.26	0.45	5y-EDAM08	-88.185
EDAU08	3.99	0.18	5y-EDAU08	-86.386
EDAZ08	3.88	0.06	5y-EDAZ08	-88.185
EDAH09	3.88	0.06	5y-EDAH09	-80.184
EDAM09	3.97	0.15	5y-EDAM09	-78.514
EDAU09	4.10	0.28	5y-EDAU09	-77.105
EDAZ09	4.25	0.43	5y-EDAZ09	-76.330
EDAH10	4.38	0.56	5y-EDAH10	-75.598
EDAM10	4.51	0.70	5y-EDAM10	-75.333
EDAU10	4.62	0.80	5y-EDAU10	-74.385

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	0.035	4.56	4.52	5y-EDAZ07
EDAH08	0.284	4.56	4.27	5y-EDAH08
EDAM08	0.534	4.56	4.02	5y-EDAM08
EDAU08	0.783	4.56	3.77	5y-EDAU08
EDAZ08	1.032	4.56	3.52	5y-EDAZ08
EDAH09	1.282	4.56	3.27	5y-EDAH09
EDAM09	1.531	4.56	3.03	5y-EDAM09
EDAU09	1.780	4.56	2.78	5y-EDAU09
EDAZ09	2.030	4.56	2.53	5y-EDAZ09
EDAH10	2.279	4.56	2.28	5y-EDAH10
EDAM10	2.528	4.56	2.03	5y-EDAM10
EDAU10	2.777	4.56	1.78	5y-EDAU10

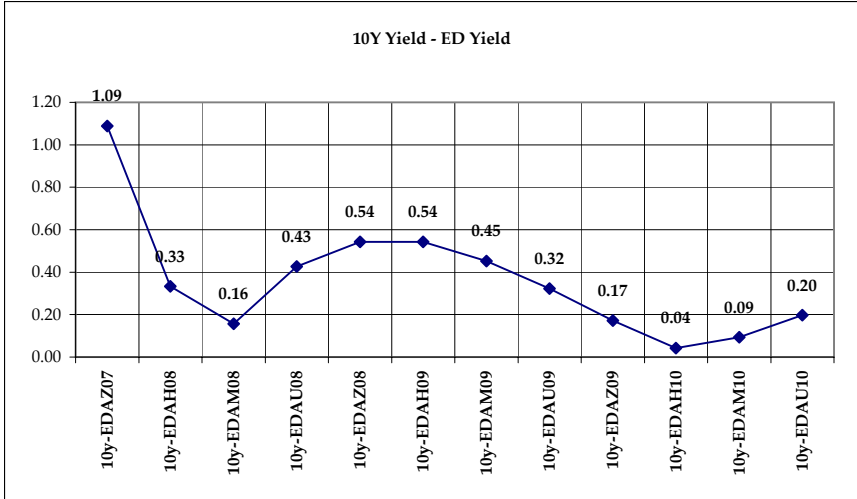
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

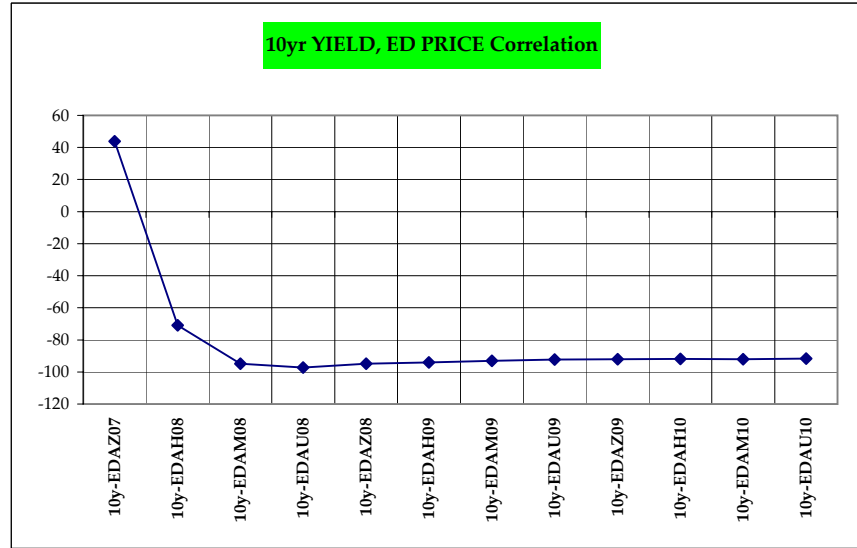
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.51	1.09	10y-EDAZ07	43.895
EDAH08	4.75	0.33	10y-EDAH08	-70.883
EDAM08	4.26	0.16	10y-EDAM08	-94.801
EDAU08	3.99	0.43	10y-EDAU08	-97.182
EDAZ08	3.88	0.54	10y-EDAZ08	-94.801
EDAH09	3.88	0.54	10y-EDAH09	-94.148
EDAM09	3.97	0.45	10y-EDAM09	-92.992
EDAU09	4.10	0.32	10y-EDAU09	-92.243
EDAZ09	4.25	0.17	10y-EDAZ09	-92.095
EDAH10	4.38	0.04	10y-EDAH10	-91.925
EDAM10	4.51	0.09	10y-EDAM10	-92.025
EDAU10	4.62	0.20	10y-EDAU10	-91.625

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.



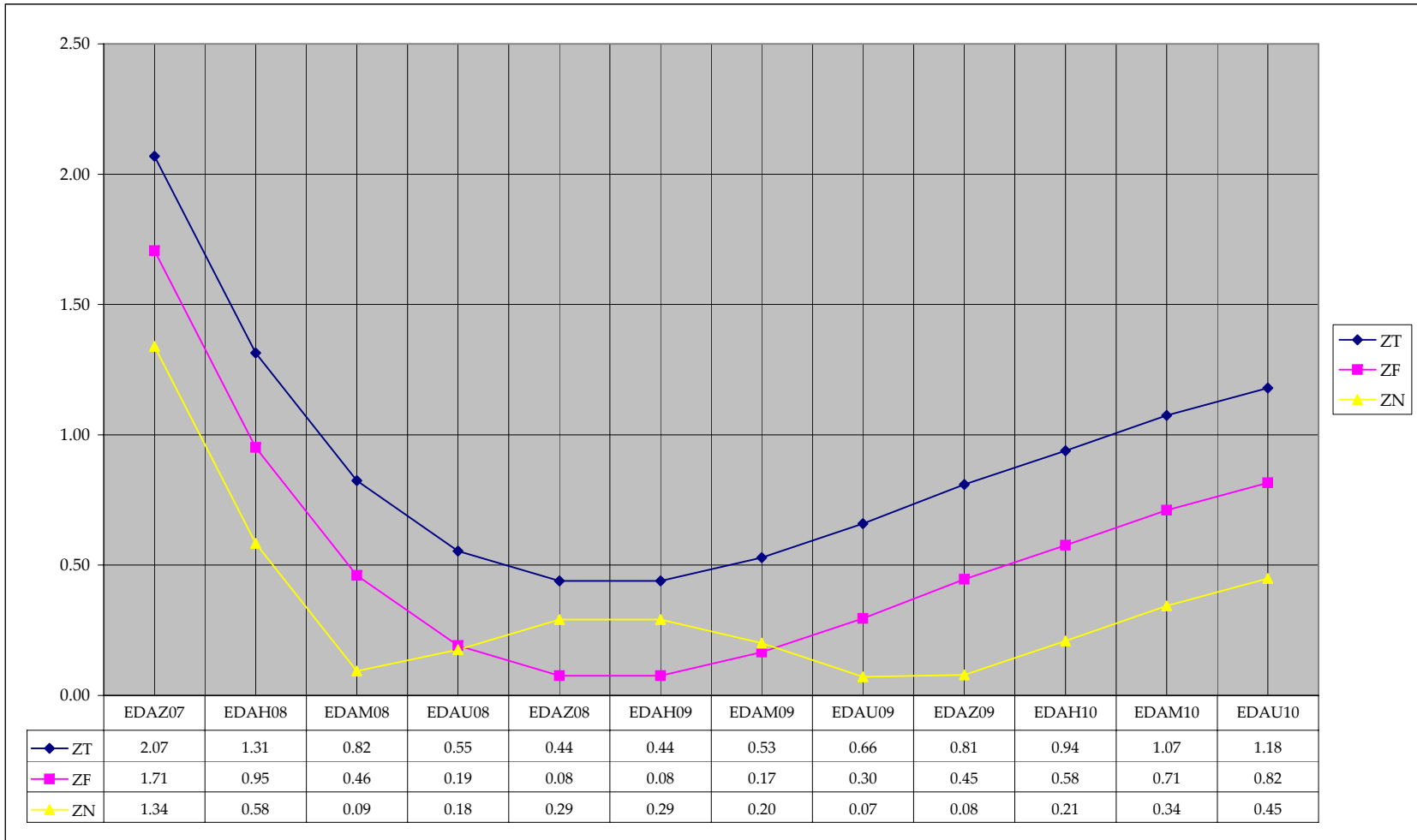
	GE Duration as Fraction of year		10Y Duration	Spread Duration	
EDAZ07	0.035	8.07	8.04	10y-EDAZ07	
EDAH08	0.284	8.07	7.79	10y-EDAH08	
EDAM08	0.534	8.07	7.54	10y-EDAM08	
EDAU08	0.783	8.07	7.29	10y-EDAU08	
EDAZ08	1.032	8.07	7.04	10y-EDAZ08	
EDAH09	1.282	8.07	6.79	10y-EDAH09	
EDAM09	1.531	8.07	6.54	10y-EDAM09	
EDAU09	1.780	8.07	6.29	10y-EDAU09	
EDAZ09	2.030	8.07	6.04	10y-EDAZ09	
EDAH10	2.279	8.07	5.79	10y-EDAH10	
EDAM10	2.528	8.07	5.54	10y-EDAM10	
EDAU10	2.777	8.07	5.29	10y-EDAU10	

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



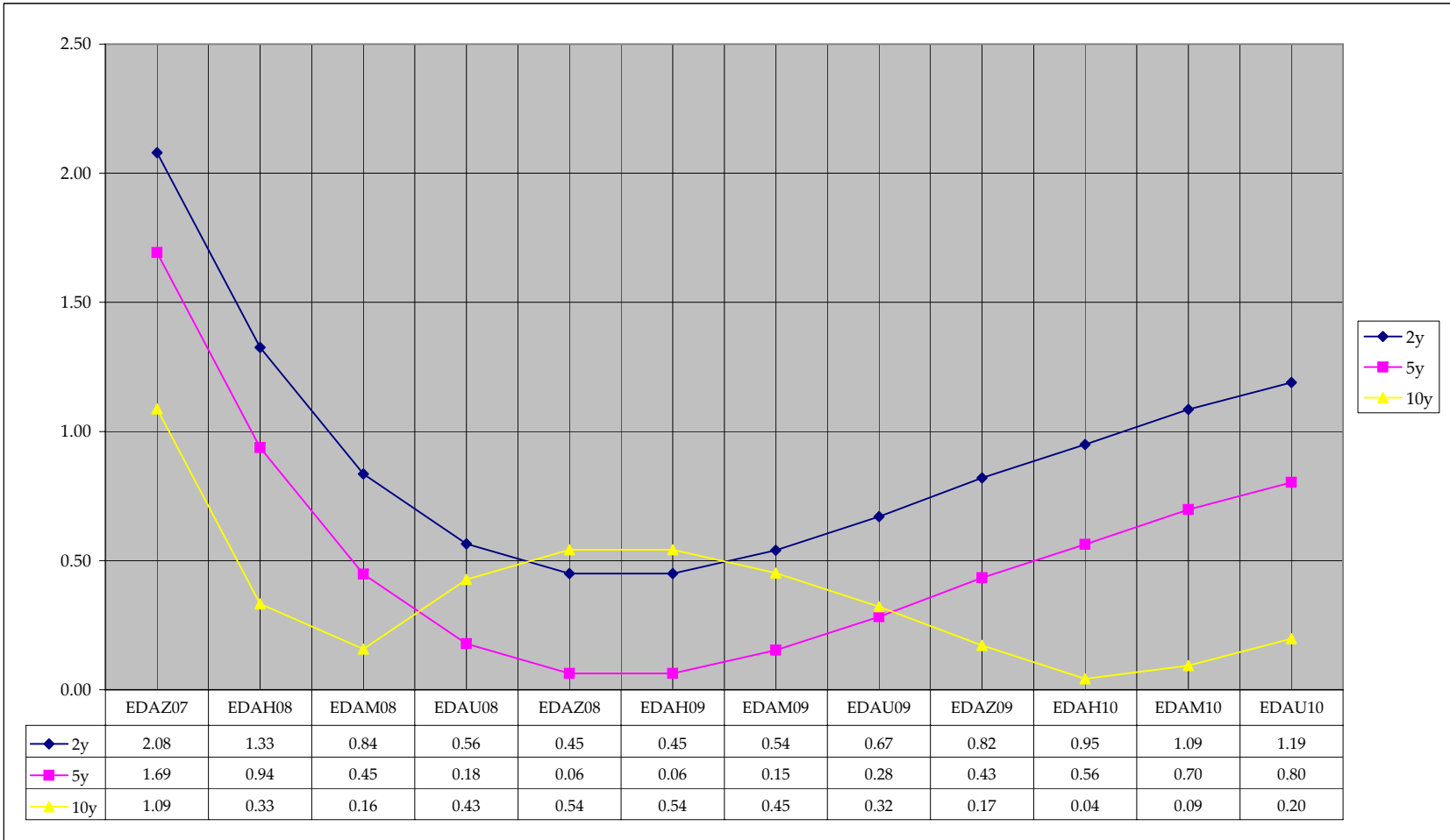
Dirty TED Curve

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.

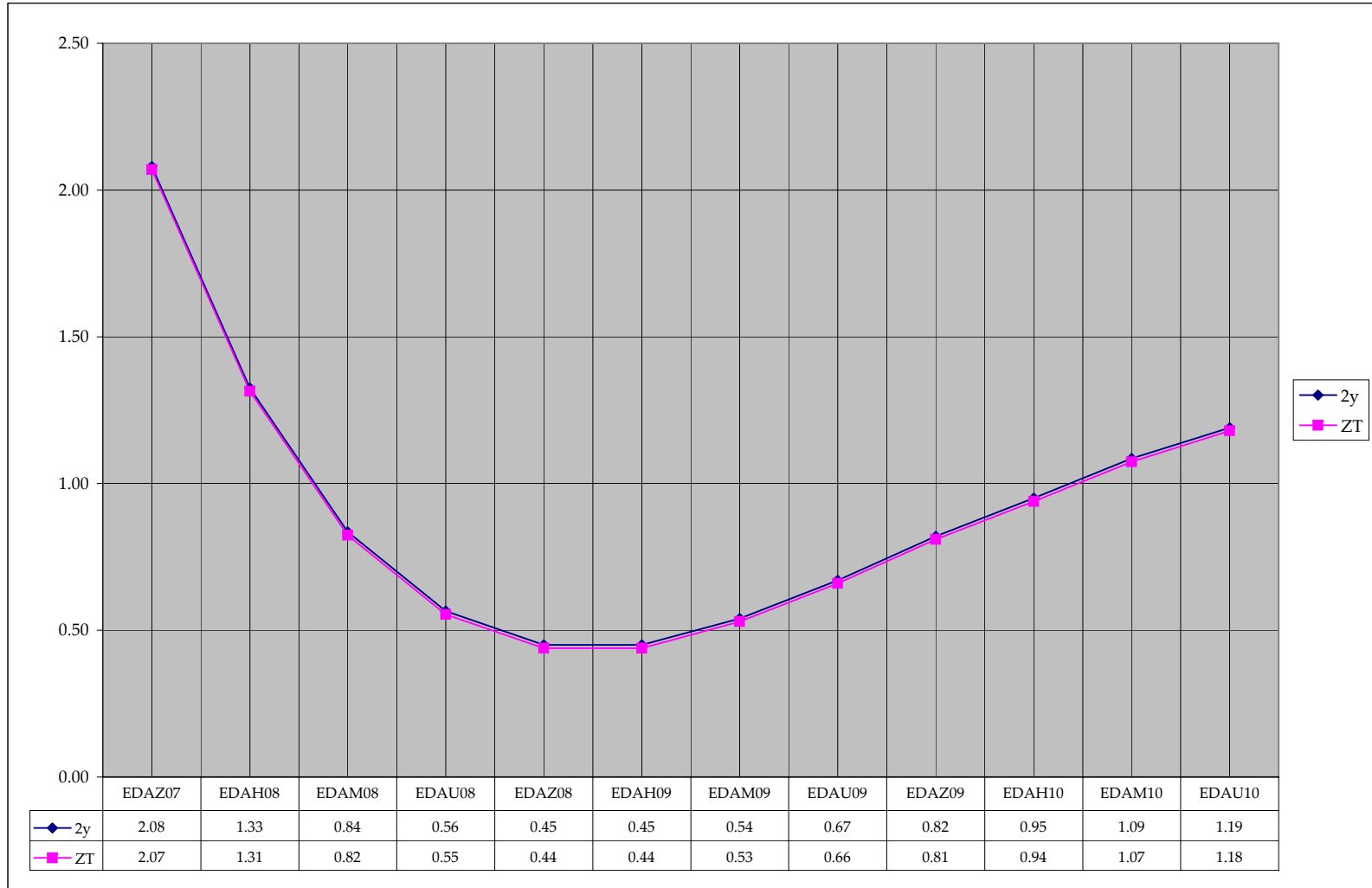


TED Curve

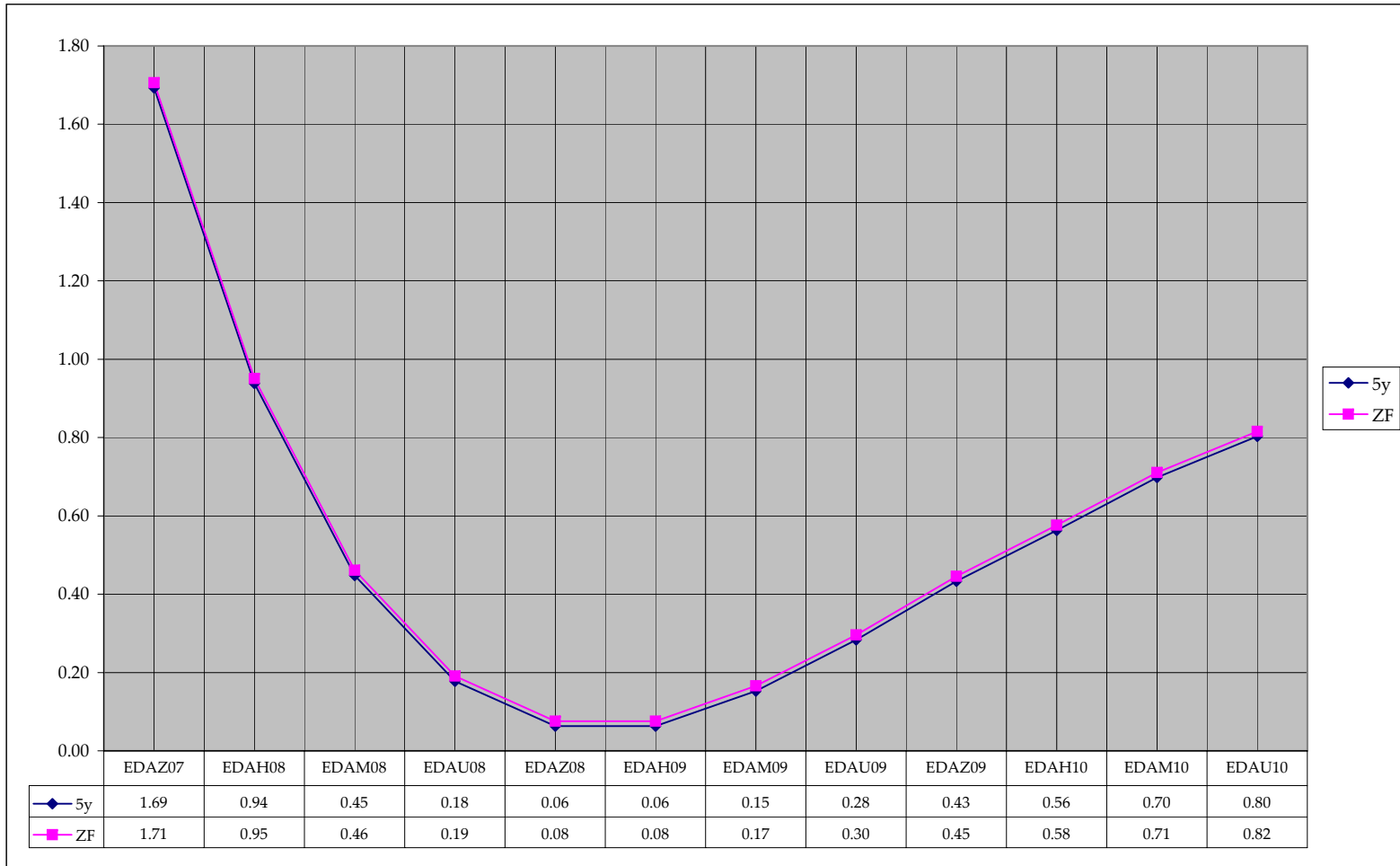
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



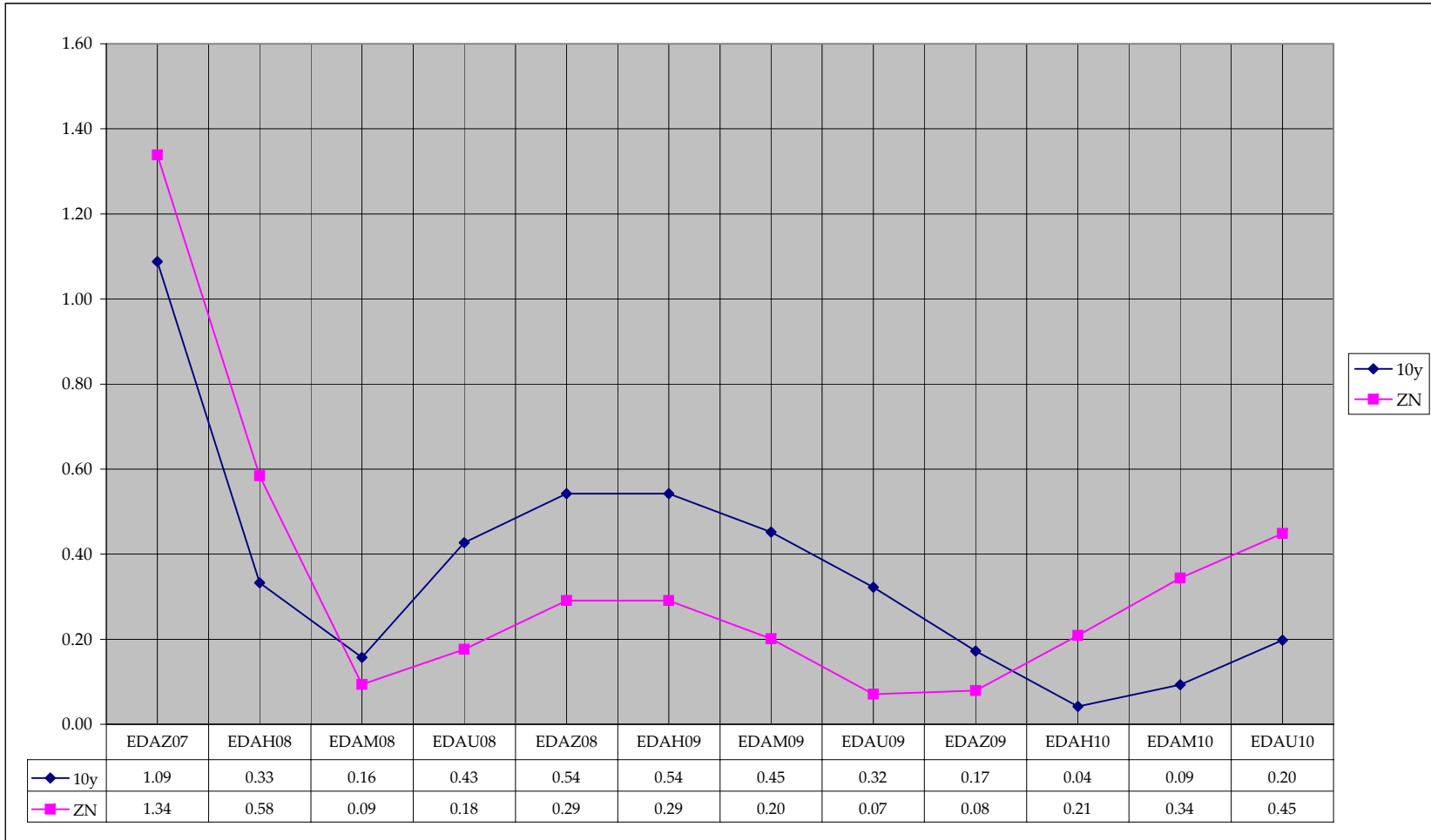
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.166	1.063	9593.375
Q.ED.Red	3.469	4.625	9660.750
Q.ED.Green	3.969	4.750	9612.375
Q.ED.Blue	3.375		9569.250
Q.ED.Gold		0.000	9534.500

