

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	105.2969	105.095	2.895	1.91	
ZF	110.6094	110.195	3.256	4.04	
ZN	113.8438	113.270	3.638	5.98	
2y	100.459	100.1470	2.885	1.91	
5y	100.381	100.1220	3.290	4.55	
10y	102.875	102.2800	3.896	8.06	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.098	4.903	12	0.032	DEC	White Pack	
EDAH08	95.820	4.180	103	0.282	MAR		
EDAM08	96.285	3.715	194	0.531	JUN		
EDAU08	96.550	3.450	285	0.780	SEP	Red Pack	
EDAZ08	96.660	3.340	376	1.029	DEC		
EDAH09	96.655	3.345	467	1.279	MAR		
EDAM09	96.560	3.440	558	1.528	JUN	Green Pack	
EDAU09	96.420	3.580	649	1.777	SEP		
EDAZ09	96.265	3.735	740	2.027	DEC		
EDAH10	96.135	3.865	831	2.276	MAR	Blue Pack	
EDAM10	95.990	4.010	922	2.525	JUN		
EDAU10	95.890	4.110	1013	2.775	SEP		
EDAZ10	95.780	4.220	1104	3.024	DEC	Gold Pack	
EDAH11	95.695	4.305	1195	3.273	MAR		
EDAM11	95.590	4.410	1286	3.523	JUN		
EDAU11	95.505	4.495	1384	3.791	SEP		
EDAZ11	95.410	4.590	1475	4.040	DEC		
EDAH12	95.360	4.640	1566	4.290	MAR		
EDAM12	95.275	4.725	1657	4.539	JUN		
EDAU12	95.220	4.780	1748	4.788	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	4.161	0.500	9593.813	Pack Prices
Q.ED.Red	3.504	0.750	9657.375	
Q.ED.Green	4.024	0.500	9607.000	
Q.ED.Blue		0.125	9564.000	
Q.ED.Gold		0.000	9531.125	

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

12/5/2007 5:50

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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

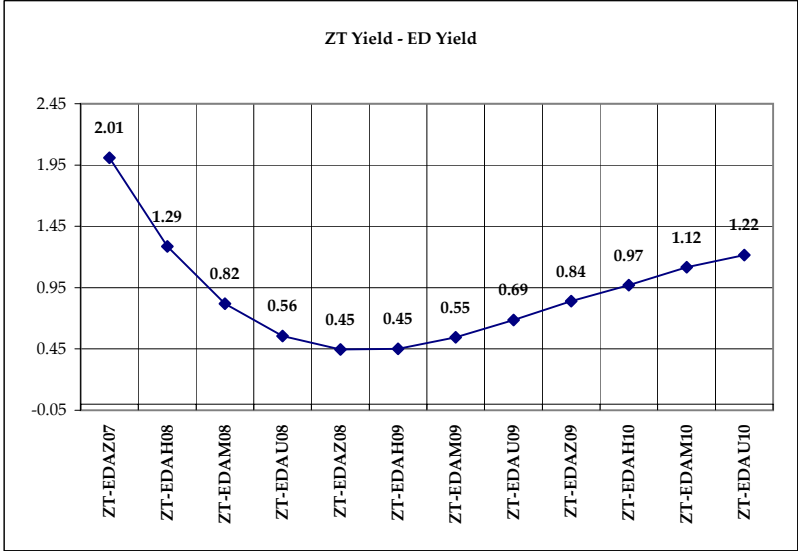
Eurodollar Color Codes for Individual Year Strips:

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

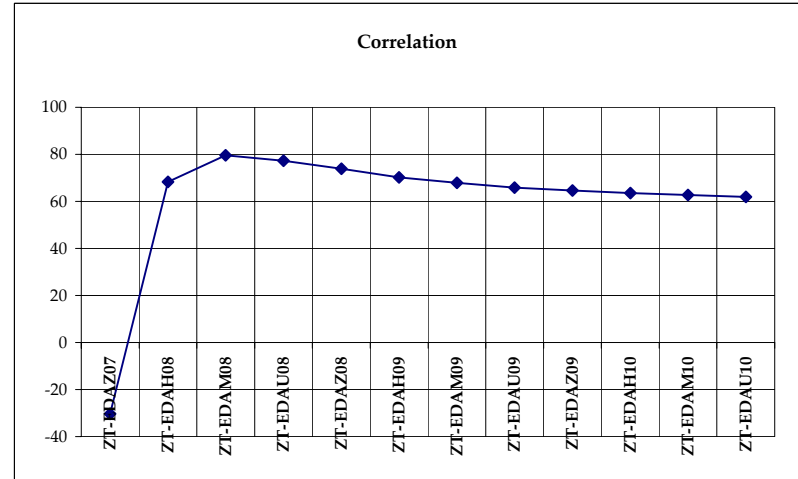
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	10.199	2.01	ZT-EDAZ07	-30.343
EDAH08	9.477	1.29	ZT-EDAH08	68.267
EDAM08	9.012	0.82	ZT-EDAM08	79.621
EDAU08	8.747	0.56	ZT-EDAU08	77.329
EDAZ08	8.637	0.45	ZT-EDAZ08	73.922
EDAH09	8.642	0.45	ZT-EDAH09	70.235
EDAM09	8.737	0.55	ZT-EDAM09	67.835
EDAU09	8.877	0.69	ZT-EDAU09	65.820
EDAZ09	9.032	0.84	ZT-EDAZ09	64.640
EDAH10	9.162	0.97	ZT-EDAH10	63.541
EDAM10	9.307	1.12	ZT-EDAM10	62.751
EDAU10	9.407	1.22	ZT-EDAU10	61.958

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	0.032	1.91	1.88	ZT-EDAZ07
EDAH08	0.282	1.91	1.63	ZT-EDAH08
EDAM08	0.531	1.91	1.38	ZT-EDAM08
EDAU08	0.780	1.91	1.13	ZT-EDAU08
EDAZ08	1.029	1.91	0.88	ZT-EDAZ08
EDAH09	1.279	1.91	0.63	ZT-EDAH09
EDAM09	1.528	1.91	0.38	ZT-EDAM09
EDAU09	1.777	1.91	0.14	ZT-EDAU09
EDAZ09	2.027	1.91	(0.11)	ZT-EDAZ09
EDAH10	2.276	1.91	(0.36)	ZT-EDAH10
EDAM10	2.525	1.91	(0.61)	ZT-EDAM10
EDAU10	2.775	1.91	(0.86)	ZT-EDAU10

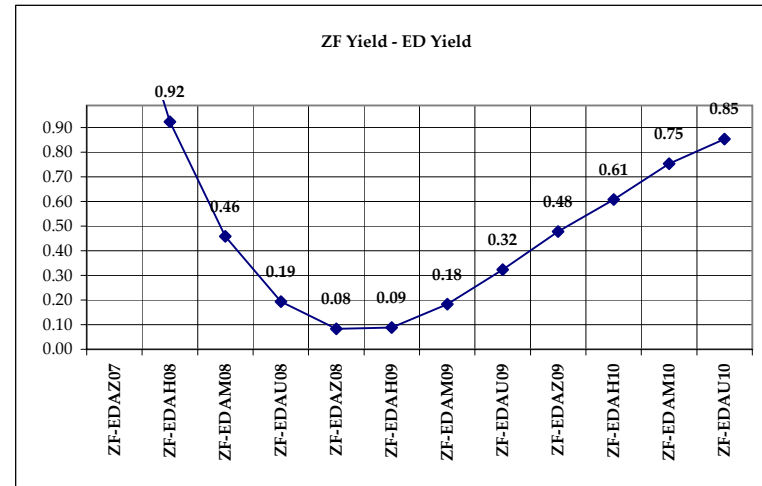
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

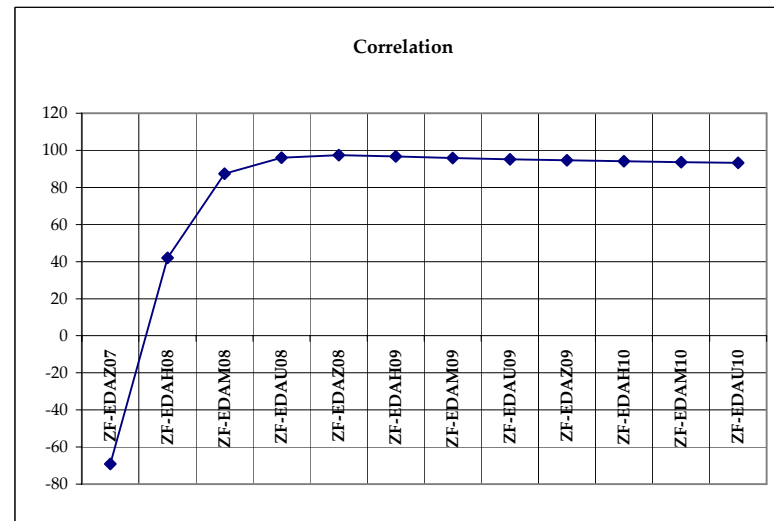
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	15.51	1.65	ZF-EDAZ07	-69.068
EDAH08	14.79	0.92	ZF-EDAH08	41.982
EDAM08	14.32	0.46	ZF-EDAM08	87.422
EDAU08	14.06	0.19	ZF-EDAU08	95.942
EDAZ08	13.95	0.08	ZF-EDAZ08	97.476
EDAH09	13.95	0.09	ZF-EDAH09	96.728
EDAM09	14.05	0.18	ZF-EDAM09	95.866
EDAU09	14.19	0.32	ZF-EDAU09	95.152
EDAZ09	14.34	0.48	ZF-EDAZ09	94.617
EDAH10	14.47	0.61	ZF-EDAH10	94.070
EDAM10	14.62	0.75	ZF-EDAM10	93.528
EDAU10	14.72	0.85	ZF-EDAU10	93.195

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	0.032	4.04	4.00	ZF-EDAZ07
EDAH08	0.282	4.04	3.75	ZF-EDAH08
EDAM08	0.531	4.04	3.51	ZF-EDAM08
EDAU08	0.780	4.04	3.26	ZF-EDAU08
EDAZ08	1.029	4.04	3.01	ZF-EDAZ08
EDAH09	1.279	4.04	2.76	ZF-EDAH09
EDAM09	1.528	4.04	2.51	ZF-EDAM09
EDAU09	1.777	4.04	2.26	ZF-EDAU09
EDAZ09	2.027	4.04	2.01	ZF-EDAZ09
EDAH10	2.276	4.04	1.76	ZF-EDAH10
EDAM10	2.525	4.04	1.51	ZF-EDAM10
EDAU10	2.775	4.04	1.26	ZF-EDAU10

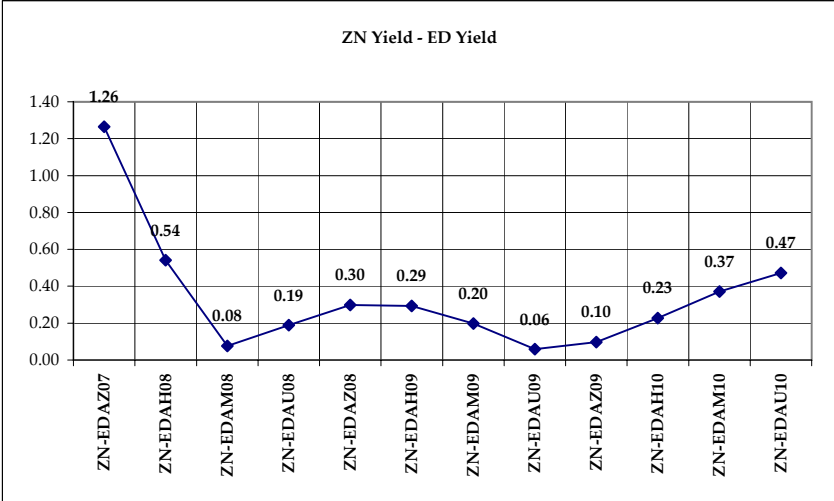
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

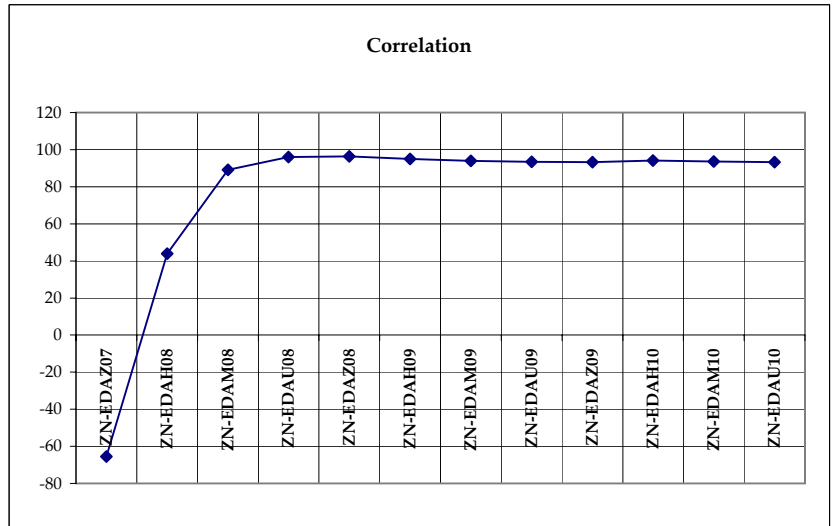
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	18.75	1.26	ZN-EDAZ07	-65.56
EDAH08	18.02	0.54	ZN-EDAH08	43.97
EDAM08	17.56	0.08	ZN-EDAM08	89.14
EDAU08	17.29	0.19	ZN-EDAU08	96.10
EDAZ08	17.18	0.30	ZN-EDAZ08	96.31
EDAH09	17.19	0.29	ZN-EDAH09	95.03
EDAM09	17.28	0.20	ZN-EDAM09	93.98
EDAU09	17.42	0.06	ZN-EDAU09	93.49
EDAZ09	17.58	0.10	ZN-EDAZ09	93.26
EDAH10	17.71	0.23	ZN-EDAH10	94.07
EDAM10	17.85	0.37	ZN-EDAM10	93.53
EDAU10	17.95	0.47	ZN-EDAU10	93.20

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	0.032	5.98	5.95	ZN-EDAZ07
EDAH08	0.282	5.98	5.70	ZN-EDAH08
EDAM08	0.531	5.98	5.45	ZN-EDAM08
EDAU08	0.780	5.98	5.20	ZN-EDAU08
EDAZ08	1.029	5.98	4.95	ZN-EDAZ08
EDAH09	1.279	5.98	4.70	ZN-EDAH09
EDAM09	1.528	5.98	4.45	ZN-EDAM09
EDAU09	1.777	5.98	4.20	ZN-EDAU09
EDAZ09	2.027	5.98	3.95	ZN-EDAZ09
EDAH10	2.276	5.98	3.70	ZN-EDAH10
EDAM10	2.525	5.98	3.46	ZN-EDAM10
EDAU10	2.775	5.98	3.21	ZN-EDAU10

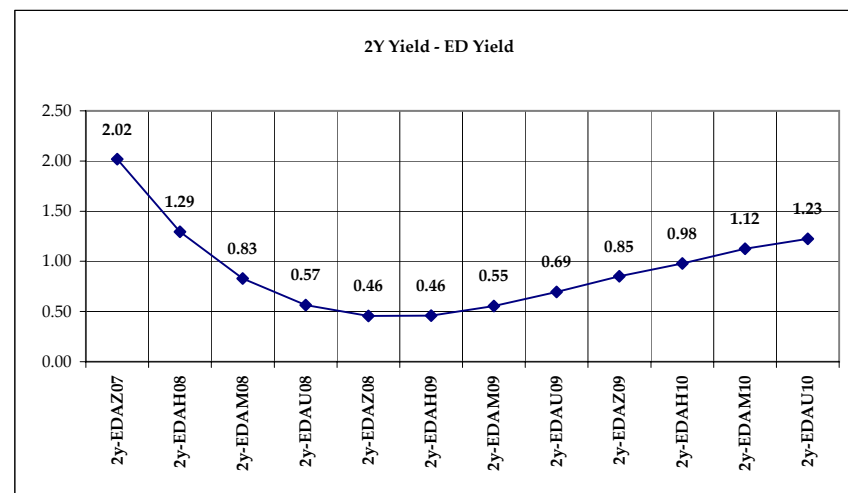
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.36	2.02	2y-EDAZ07	41.800
EDAH08	4.64	1.29	2y-EDAH08	-63.358
EDAM08	4.17	0.83	2y-EDAM08	-83.117
EDAU08	3.91	0.57	2y-EDAU08	-83.830
EDAZ08	3.80	0.46	2y-EDAZ08	-83.117
EDAH09	3.80	0.46	2y-EDAH09	-79.431
EDAM09	3.90	0.55	2y-EDAM09	-77.651
EDAU09	4.04	0.69	2y-EDAU09	-75.299
EDAZ09	4.19	0.85	2y-EDAZ09	-73.906
EDAH10	4.32	0.98	2y-EDAH10	-72.481
EDAM10	4.47	1.12	2y-EDAM10	-71.152
EDAU10	4.57	1.23	2y-EDAU10	-70.450

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.

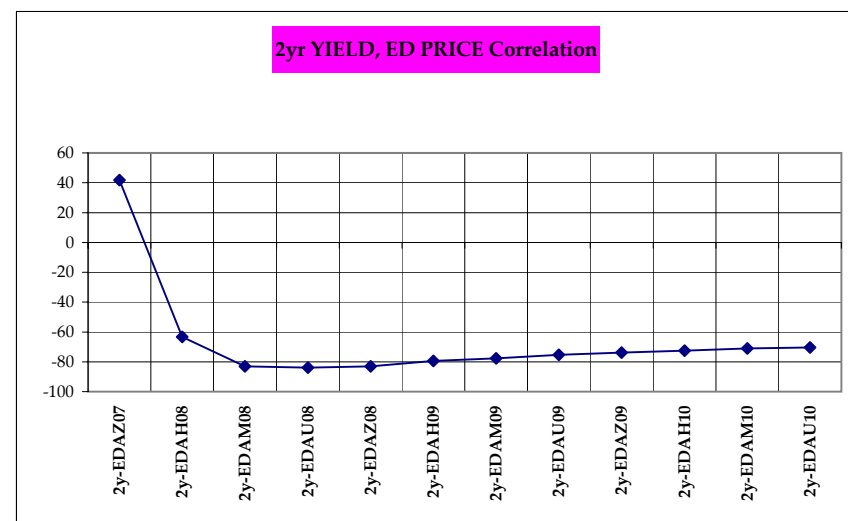


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.032	1.91	2y-EDAZ07
EDAH08	0.282	1.91	2y-EDAH08
EDAM08	0.531	1.91	2y-EDAM08
EDAU08	0.780	1.91	2y-EDAU08
EDAZ08	1.029	1.91	2y-EDAZ08
EDAH09	1.279	1.91	2y-EDAH09
EDAM09	1.528	1.91	2y-EDAM09
EDAU09	1.777	1.91	2y-EDAU09
EDAZ09	2.027	1.91	2y-EDAZ09
EDAH10	2.276	1.91	2y-EDAH10
EDAM10	2.525	1.91	2y-EDAM10
EDAU10	2.775	1.91	2y-EDAU10

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

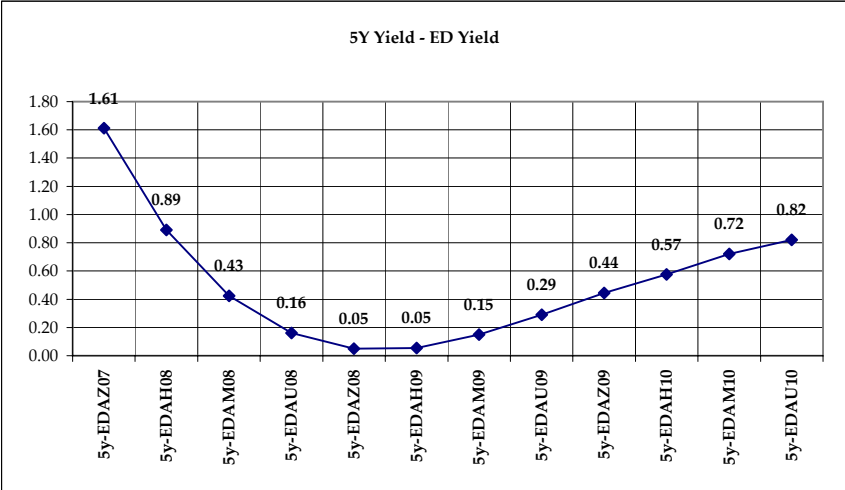
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.28	1.61	5y-EDAZ07	26.762
EDAH08	4.56	0.89	5y-EDAH08	-70.538
EDAM08	4.10	0.43	5y-EDAM08	-82.502
EDAU08	3.83	0.16	5y-EDAU08	-78.331
EDAZ08	3.72	0.05	5y-EDAZ08	-82.502
EDAH09	3.73	0.05	5y-EDAH09	-69.020
EDAM09	3.82	0.15	5y-EDAM09	-66.583
EDAU09	3.96	0.29	5y-EDAU09	-64.571
EDAZ09	4.12	0.44	5y-EDAZ09	-63.655
EDAH10	4.25	0.57	5y-EDAH10	-62.815
EDAM10	4.39	0.72	5y-EDAM10	-62.646
EDAU10	4.49	0.82	5y-EDAU10	-61.621

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.

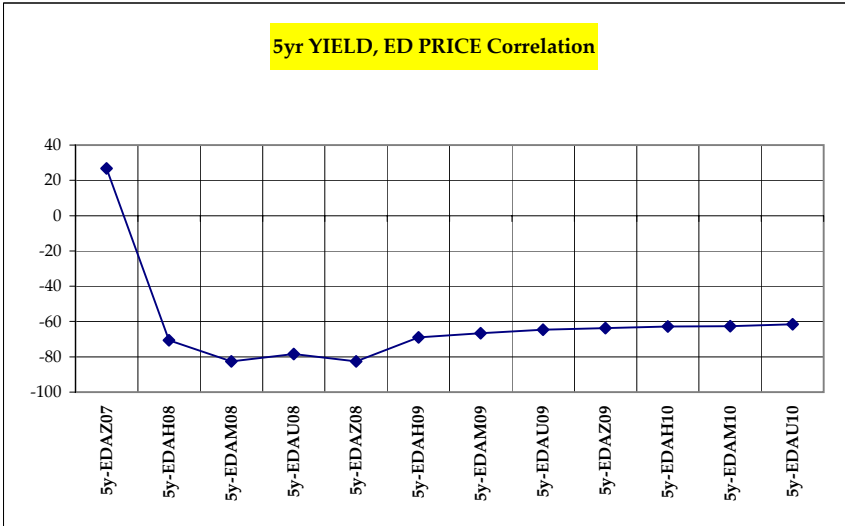


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.032	4.55	4.52	5y-EDAZ07
EDAH08	0.282	4.55	4.27	5y-EDAH08
EDAM08	0.531	4.55	4.02	5y-EDAM08
EDAU08	0.780	4.55	3.77	5y-EDAU08
EDAZ08	1.029	4.55	3.52	5y-EDAZ08
EDAH09	1.279	4.55	3.27	5y-EDAH09
EDAM09	1.528	4.55	3.02	5y-EDAM09
EDAU09	1.777	4.55	2.77	5y-EDAU09
EDAZ09	2.027	4.55	2.53	5y-EDAZ09
EDAH10	2.276	4.55	2.28	5y-EDAH10
EDAM10	2.525	4.55	2.03	5y-EDAM10
EDAU10	2.775	4.55	1.78	5y-EDAU10

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

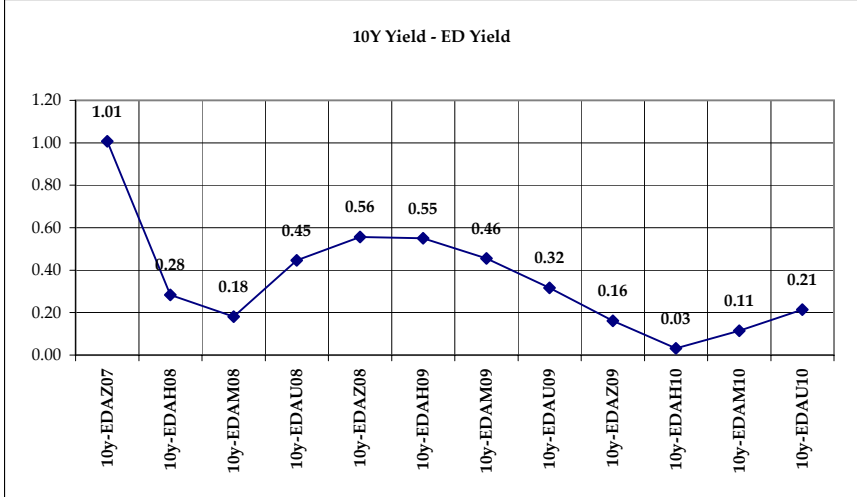
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

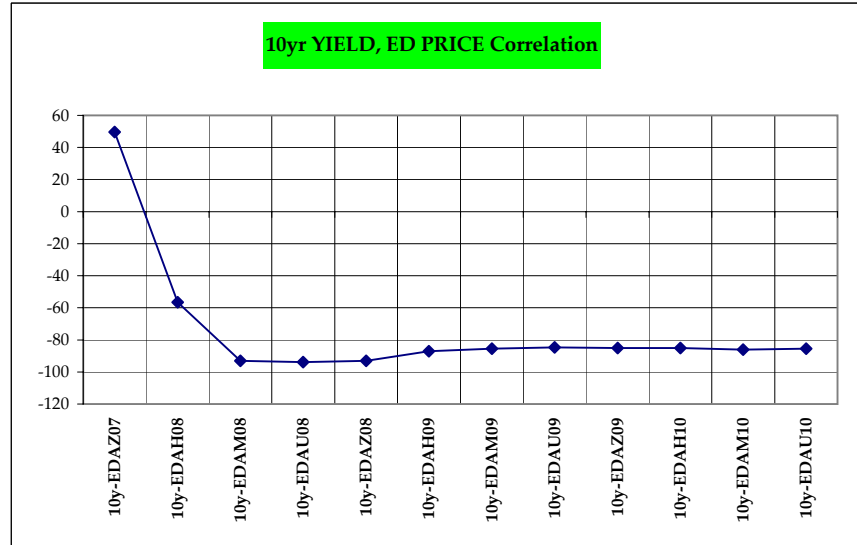
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.28	1.01	10y-EDAZ07	49.709
EDAH08	4.56	0.28	10y-EDAH08	-56.452
EDAM08	4.10	0.18	10y-EDAM08	-93.088
EDAU08	3.83	0.45	10y-EDAU08	-93.867
EDAZ08	3.72	0.56	10y-EDAZ08	-93.088
EDAH09	3.73	0.55	10y-EDAH09	-87.040
EDAM09	3.82	0.46	10y-EDAM09	-85.446
EDAU09	3.96	0.32	10y-EDAU09	-84.735
EDAZ09	4.12	0.16	10y-EDAZ09	-85.069
EDAH10	4.25	0.03	10y-EDAH10	-85.174
EDAM10	4.39	0.11	10y-EDAM10	-86.049
EDAU10	4.49	0.21	10y-EDAU10	-85.442

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	0.032	8.06	8.03	10y-EDAZ07
EDAH08	0.282	8.06	7.78	10y-EDAH08
EDAM08	0.531	8.06	7.53	10y-EDAM08
EDAU08	0.780	8.06	7.28	10y-EDAU08
EDAZ08	1.029	8.06	7.04	10y-EDAZ08
EDAH09	1.279	8.06	6.79	10y-EDAH09
EDAM09	1.528	8.06	6.54	10y-EDAM09
EDAU09	1.777	8.06	6.29	10y-EDAU09
EDAZ09	2.027	8.06	6.04	10y-EDAZ09
EDAH10	2.276	8.06	5.79	10y-EDAH10
EDAM10	2.525	8.06	5.54	10y-EDAM10
EDAU10	2.775	8.06	5.29	10y-EDAU10

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

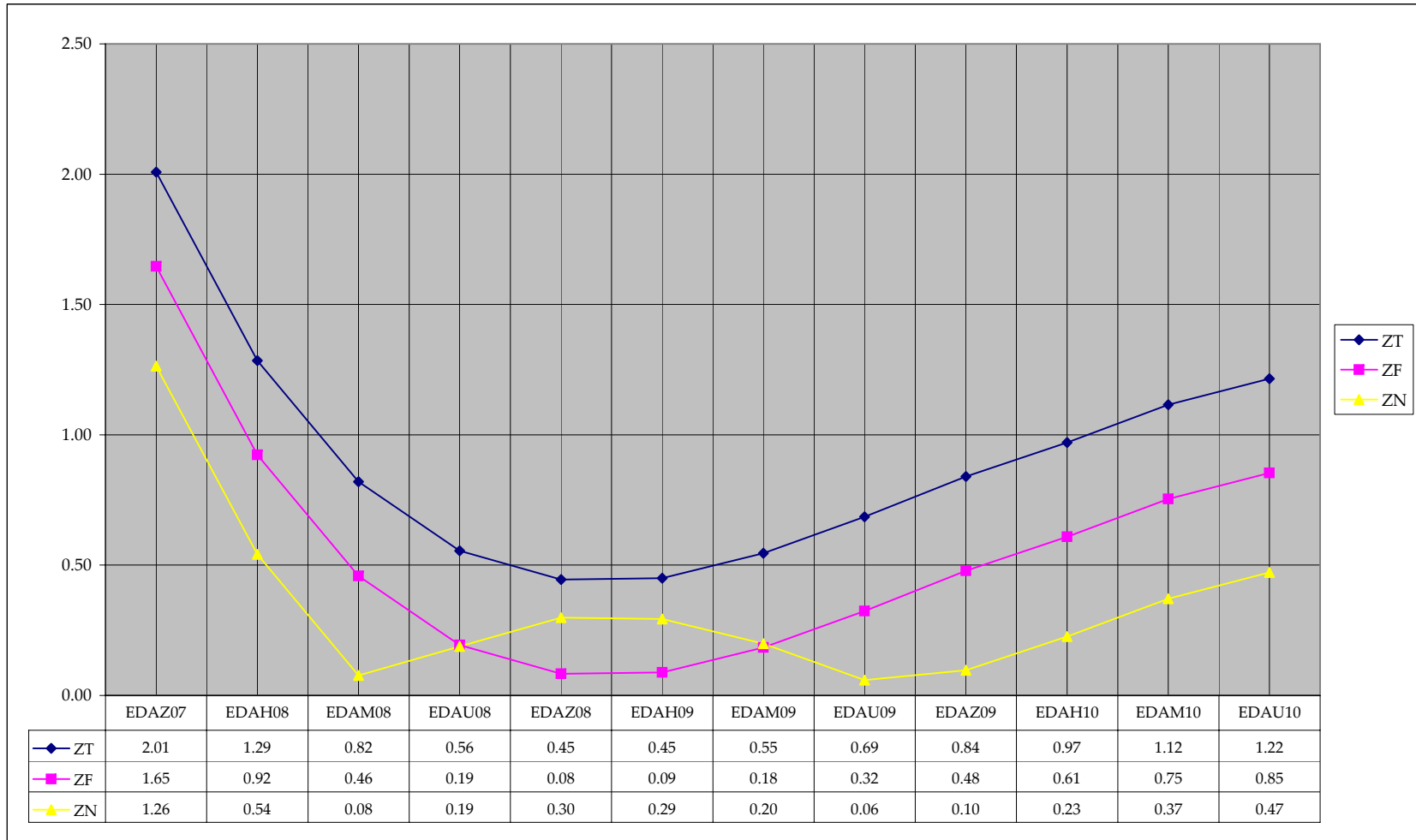


Dirty TED Curve

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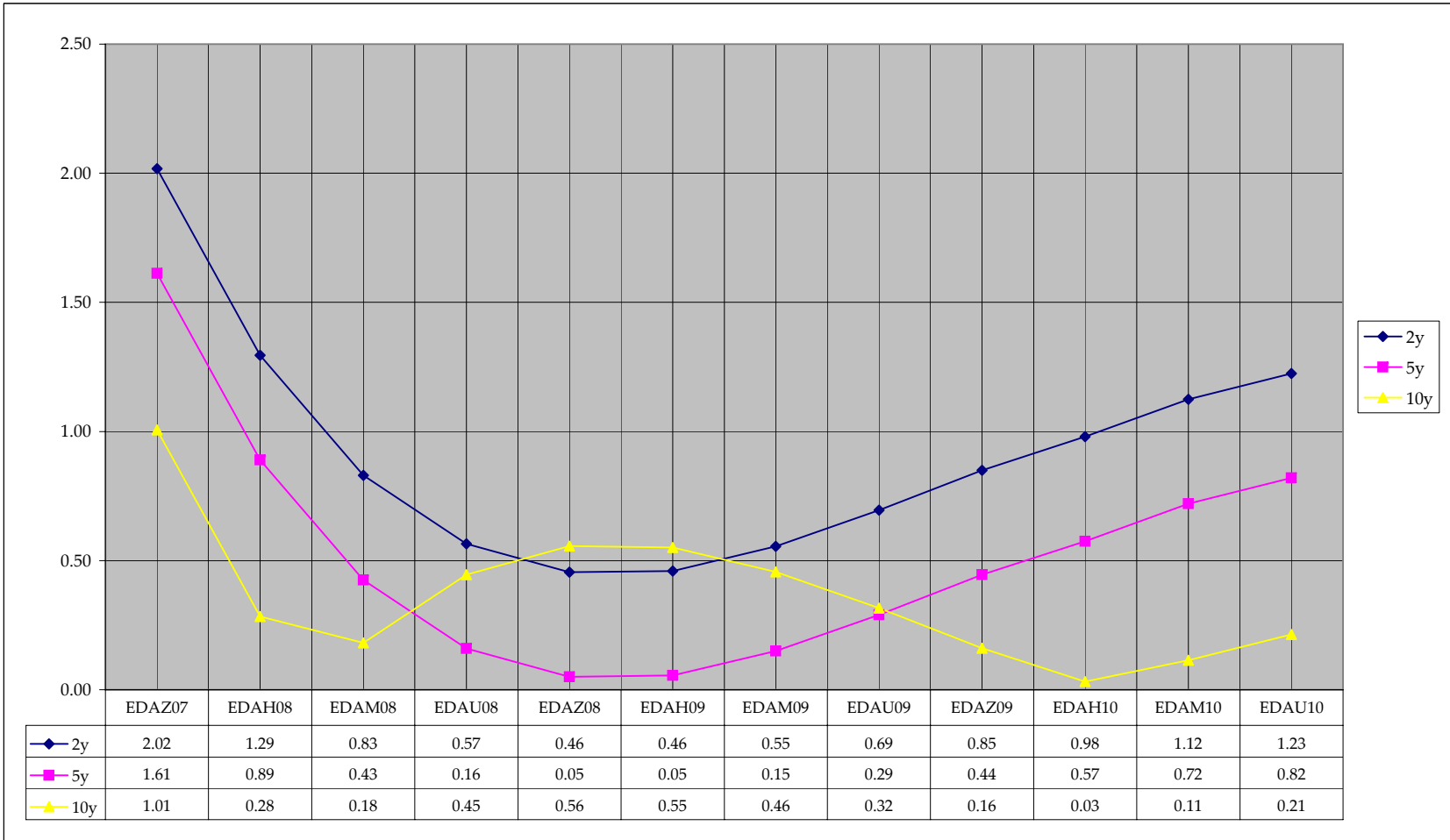
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

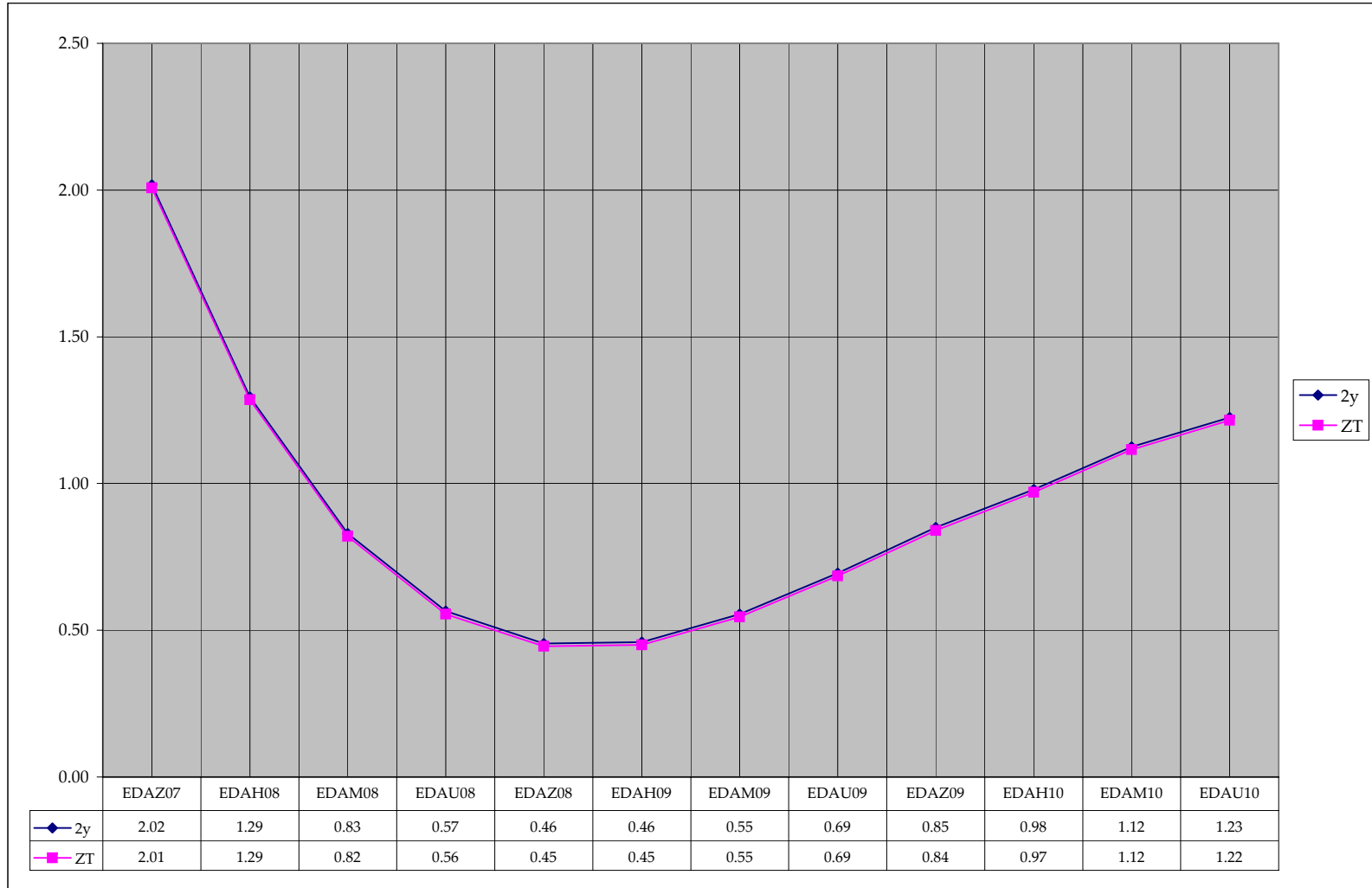


TED Curve

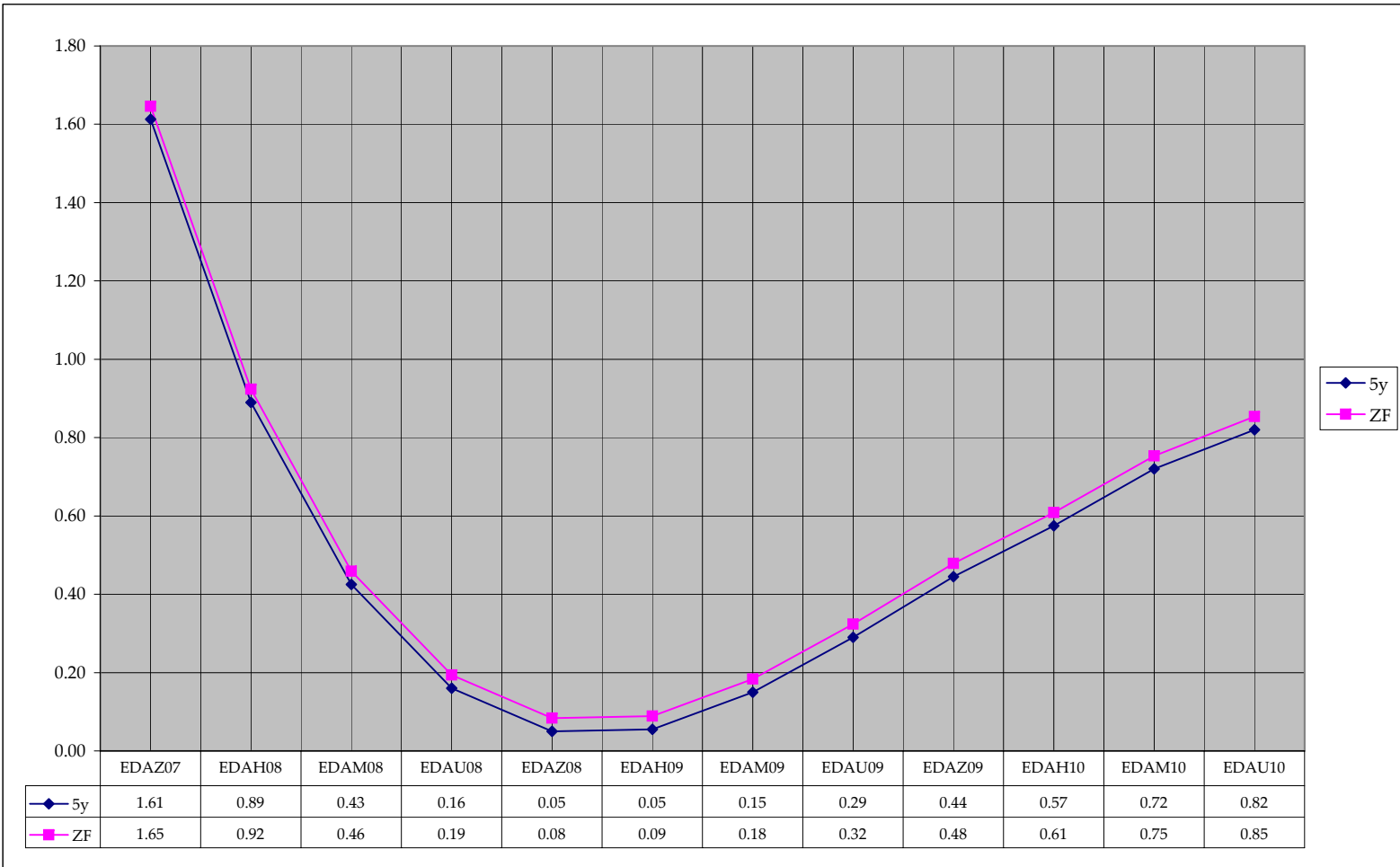
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



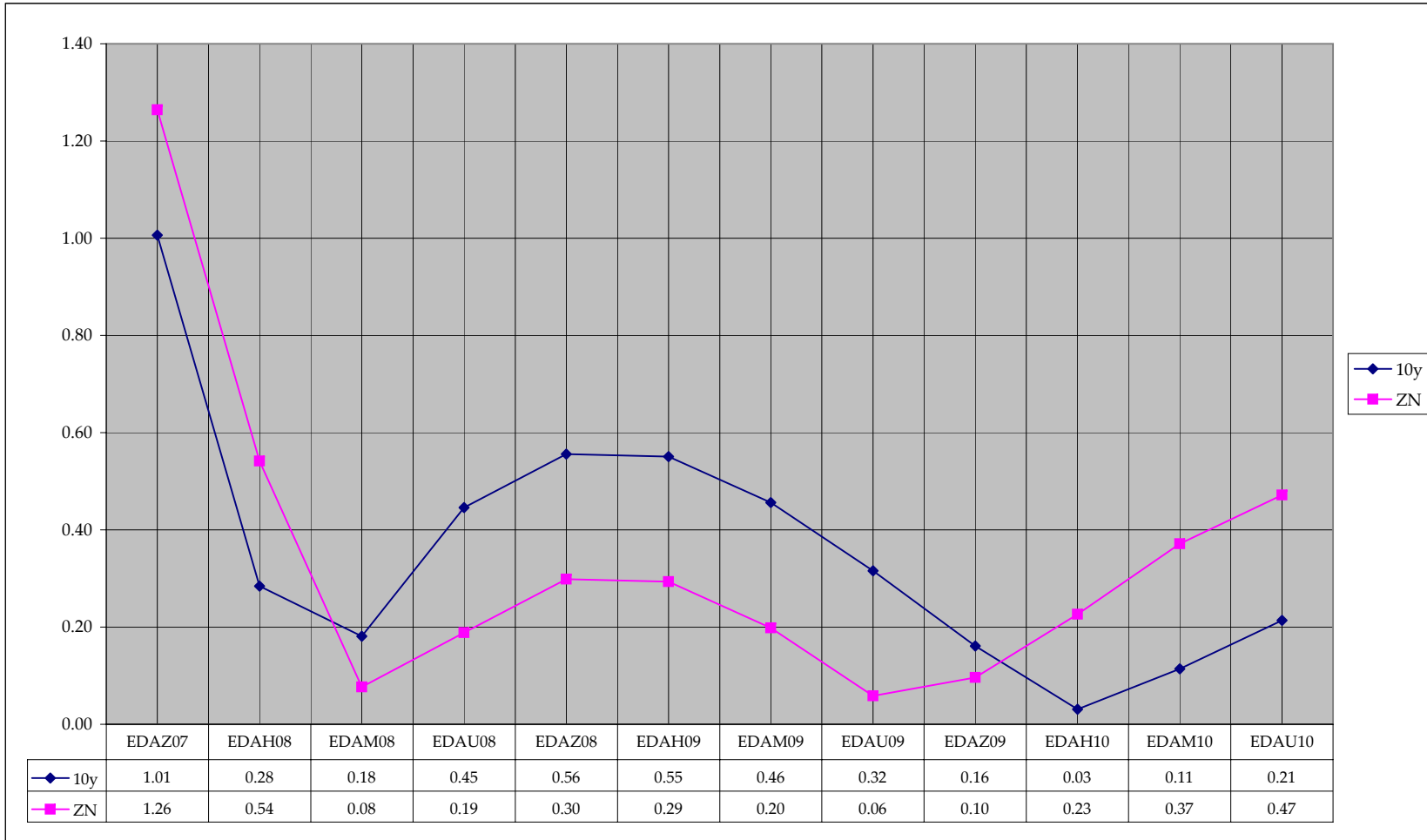
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.161	0.500	9593.813
Q.ED.Red	3.504	0.750	9657.375
Q.ED.Green	4.024	0.500	9607.000
Q.ED.Blue		0.125	9564.000
Q.ED.Gold		0.000	9531.125

