

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	105.1563	105.050	2.968	1.91	
ZF	110.3750	110.120	3.334	4.03	
ZN	113.4688	113.150	3.673	5.98	
2y	100.303	100.0970	2.962	1.91	
5y	100.131	100.0420	3.346	4.55	
10y	102.266	102.0850	3.968	8.05	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.090	4.910	11	0.029	DEC	} White Pack	
EDAH08	95.760	4.240	102	0.279	MAR		
EDAM08	96.240	3.760	193	0.528	JUN		
EDAU08	96.490	3.510	284	0.777	SEP	} Red Pack	
EDAZ08	96.585	3.415	375	1.027	DEC		
EDAH09	96.585	3.415	466	1.276	MAR		
EDAM09	96.490	3.510	557	1.525	JUN	} Green Pack	
EDAU09	96.355	3.645	648	1.775	SEP		
EDAZ09	96.210	3.790	739	2.024	DEC		
EDAH10	96.075	3.925	830	2.273	MAR	} Blue Pack	
EDAM10	95.945	4.055	921	2.523	JUN		
EDAU10	95.850	4.150	1012	2.772	SEP		
EDAZ10	95.755	4.245	1103	3.021	DEC	} Gold Pack	
EDAH11	95.670	4.330	1194	3.271	MAR		
EDAM11	95.565	4.435	1285	3.520	JUN		
EDAU11	95.480	4.520	1383	3.788	SEP	} Gold Pack	
EDAZ11	95.370	4.630	1474	4.038	DEC		
EDAH12	95.330	4.670	1565	4.287	MAR		
EDAM12	95.290	4.710	1656	4.536	JUN		
EDAU12	95.180	4.820	1747	4.786	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	4.206	-3.375	9589.500	} Pack Prices
Q.ED.Red	3.576	-6.875	9650.375	
Q.ED.Green	4.076	-5.875	9602.000	
Q.ED.Blue		0.000	9564.625	
Q.ED.Gold		0.000	9531.250	

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

12/6/2007 5:38

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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

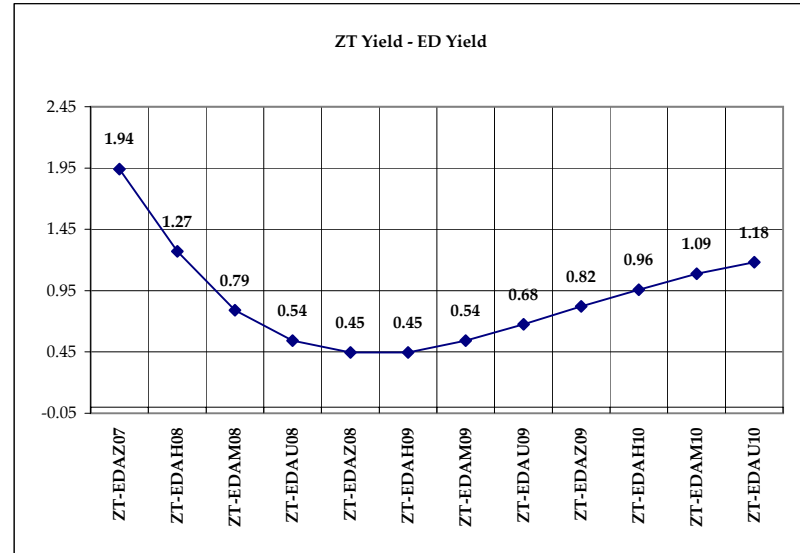
Eurodollar Color Codes for Individual Year Strips:

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

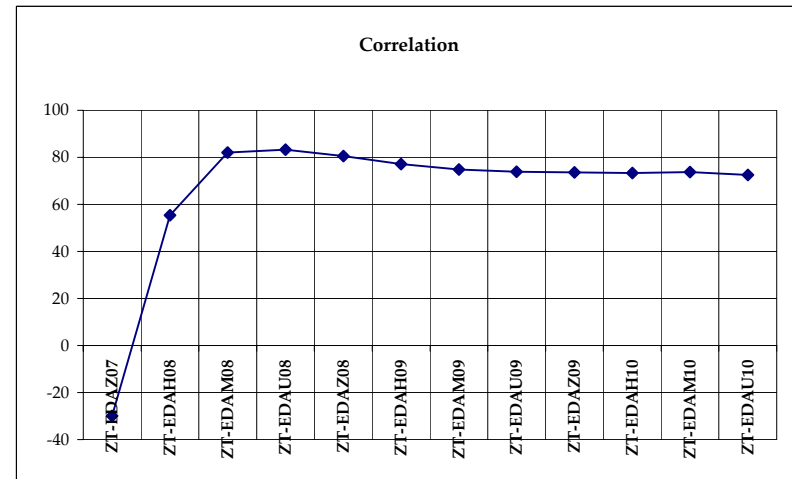
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	10.066	1.94	ZT-EDAZ07	-29.990
EDAH08	9.396	1.27	ZT-EDAH08	55.441
EDAM08	8.916	0.79	ZT-EDAM08	82.005
EDAU08	8.666	0.54	ZT-EDAU08	83.213
EDAZ08	8.571	0.45	ZT-EDAZ08	80.531
EDAH09	8.571	0.45	ZT-EDAH09	77.191
EDAM09	8.666	0.54	ZT-EDAM09	74.793
EDAU09	8.801	0.68	ZT-EDAU09	73.843
EDAZ09	8.946	0.82	ZT-EDAZ09	73.576
EDAH10	9.081	0.96	ZT-EDAH10	73.372
EDAM10	9.211	1.09	ZT-EDAM10	73.773
EDAU10	9.306	1.18	ZT-EDAU10	72.546

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	0.029	1.91	1.88	ZT-EDAZ07
EDAH08	0.279	1.91	1.63	ZT-EDAH08
EDAM08	0.528	1.91	1.38	ZT-EDAM08
EDAU08	0.777	1.91	1.13	ZT-EDAU08
EDAZ08	1.027	1.91	0.88	ZT-EDAZ08
EDAH09	1.276	1.91	0.63	ZT-EDAH09
EDAM09	1.525	1.91	0.38	ZT-EDAM09
EDAU09	1.775	1.91	0.13	ZT-EDAU09
EDAZ09	2.024	1.91	(0.11)	ZT-EDAZ09
EDAH10	2.273	1.91	(0.36)	ZT-EDAH10
EDAM10	2.523	1.91	(0.61)	ZT-EDAM10
EDAU10	2.772	1.91	(0.86)	ZT-EDAU10

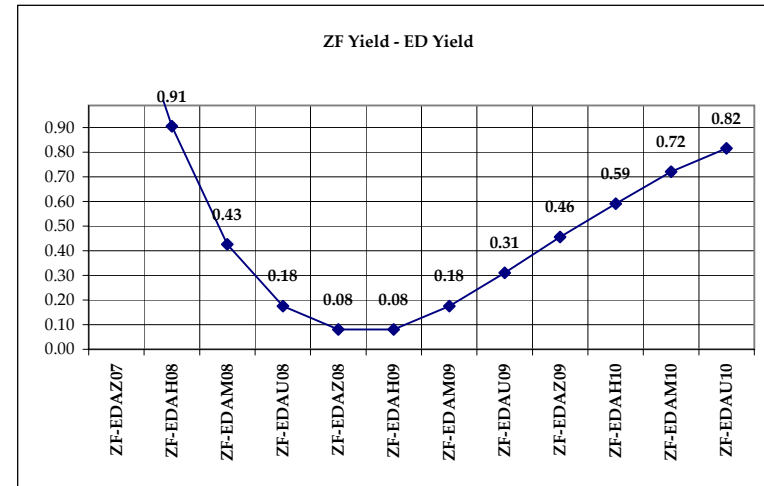
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

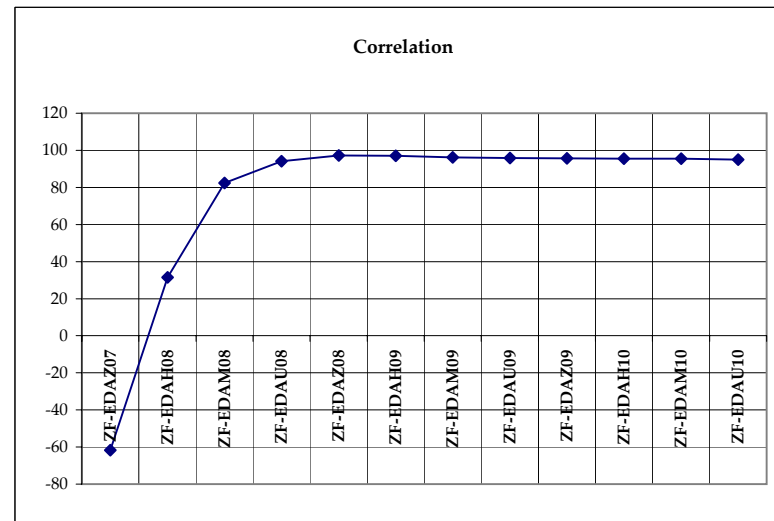
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	15.29	1.58	ZF-EDAZ07	-61.735
EDAH08	14.62	0.91	ZF-EDAH08	31.397
EDAM08	14.14	0.43	ZF-EDAM08	82.311
EDAU08	13.89	0.18	ZF-EDAU08	94.179
EDAZ08	13.79	0.08	ZF-EDAZ08	97.306
EDAH09	13.79	0.08	ZF-EDAH09	97.010
EDAM09	13.89	0.18	ZF-EDAM09	96.169
EDAU09	14.02	0.31	ZF-EDAU09	95.826
EDAZ09	14.17	0.46	ZF-EDAZ09	95.683
EDAH10	14.30	0.59	ZF-EDAH10	95.526
EDAM10	14.43	0.72	ZF-EDAM10	95.509
EDAU10	14.53	0.82	ZF-EDAU10	94.984

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	0.029	4.03	4.00	ZF-EDAZ07
EDAH08	0.279	4.03	3.75	ZF-EDAH08
EDAM08	0.528	4.03	3.50	ZF-EDAM08
EDAU08	0.777	4.03	3.25	ZF-EDAU08
EDAZ08	1.027	4.03	3.00	ZF-EDAZ08
EDAH09	1.276	4.03	2.76	ZF-EDAH09
EDAM09	1.525	4.03	2.51	ZF-EDAM09
EDAU09	1.775	4.03	2.26	ZF-EDAU09
EDAZ09	2.024	4.03	2.01	ZF-EDAZ09
EDAH10	2.273	4.03	1.76	ZF-EDAH10
EDAM10	2.523	4.03	1.51	ZF-EDAM10
EDAU10	2.772	4.03	1.26	ZF-EDAU10

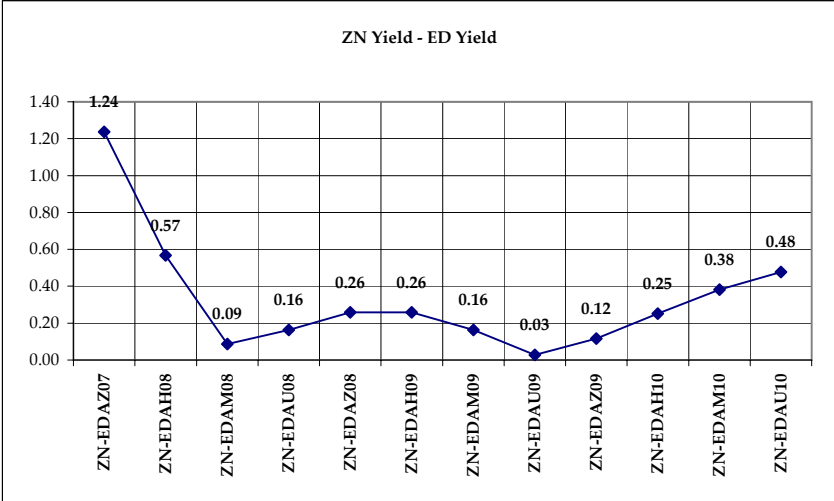
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Dirty TED: ZN vs Eurodollar Contracts

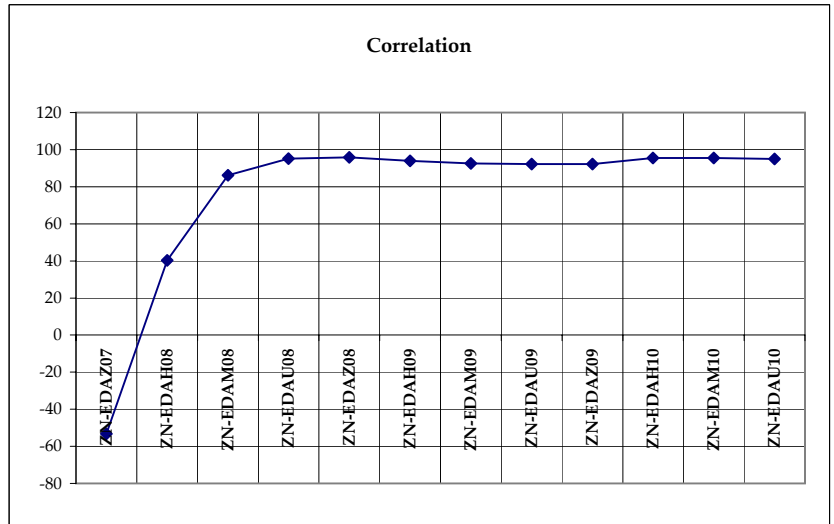
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	18.38	1.24	ZN-EDAZ07	-53.29
EDAH08	17.71	0.57	ZN-EDAH08	40.32
EDAM08	17.23	0.09	ZN-EDAM08	86.19
EDAU08	16.98	0.16	ZN-EDAU08	95.08
EDAZ08	16.88	0.26	ZN-EDAZ08	95.84
EDAH09	16.88	0.26	ZN-EDAH09	93.98
EDAM09	16.98	0.16	ZN-EDAM09	92.58
EDAU09	17.11	0.03	ZN-EDAU09	92.27
EDAZ09	17.26	0.12	ZN-EDAZ09	92.17
EDAH10	17.39	0.25	ZN-EDAH10	95.53
EDAM10	17.52	0.38	ZN-EDAM10	95.51
EDAU10	17.62	0.48	ZN-EDAU10	94.98

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	0.029	5.98	5.95	ZN-EDAZ07
EDAH08	0.279	5.98	5.70	ZN-EDAH08
EDAM08	0.528	5.98	5.45	ZN-EDAM08
EDAU08	0.777	5.98	5.20	ZN-EDAU08
EDAZ08	1.027	5.98	4.95	ZN-EDAZ08
EDAH09	1.276	5.98	4.70	ZN-EDAH09
EDAM09	1.525	5.98	4.45	ZN-EDAM09
EDAU09	1.775	5.98	4.20	ZN-EDAU09
EDAZ09	2.024	5.98	3.95	ZN-EDAZ09
EDAH10	2.273	5.98	3.70	ZN-EDAH10
EDAM10	2.523	5.98	3.45	ZN-EDAM10
EDAU10	2.772	5.98	3.20	ZN-EDAU10

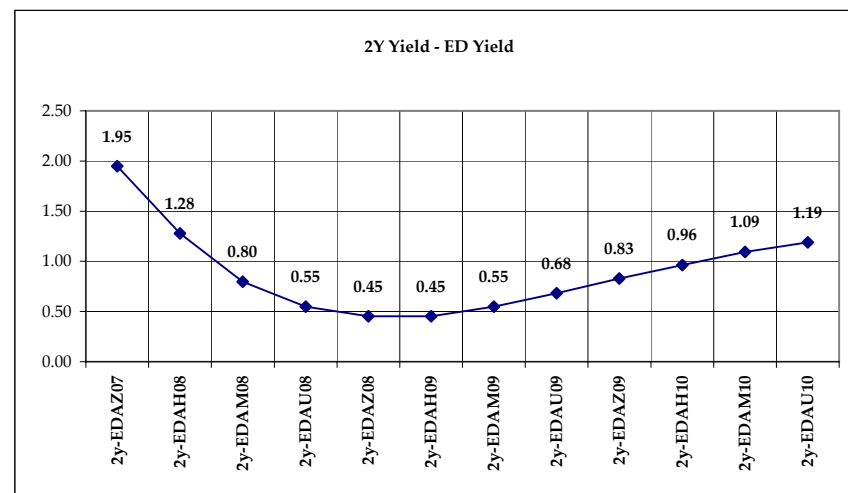
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.21	1.95	2y-EDAZ07	44.860
EDAH08	4.54	1.28	2y-EDAH08	-50.431
EDAM08	4.06	0.80	2y-EDAM08	-86.971
EDAU08	3.81	0.55	2y-EDAU08	-91.722
EDAZ08	3.72	0.45	2y-EDAZ08	-86.971
EDAH09	3.72	0.45	2y-EDAH09	-88.294
EDAM09	3.81	0.55	2y-EDAM09	-86.722
EDAU09	3.95	0.68	2y-EDAU09	-85.677
EDAZ09	4.09	0.83	2y-EDAZ09	-85.552
EDAH10	4.23	0.96	2y-EDAH10	-85.367
EDAM10	4.36	1.09	2y-EDAM10	-85.561
EDAU10	4.45	1.19	2y-EDAU10	-85.119

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.

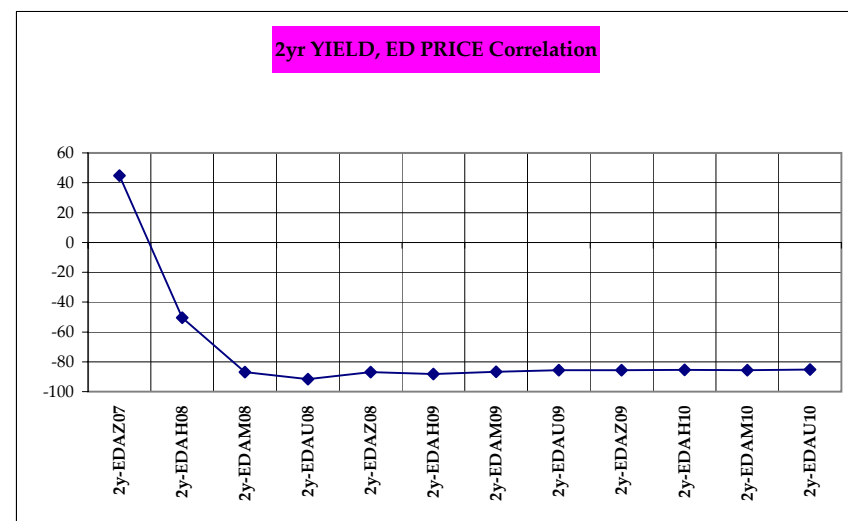


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.029	1.91	2y-EDAZ07
EDAH08	0.279	1.91	2y-EDAH08
EDAM08	0.528	1.91	2y-EDAM08
EDAU08	0.777	1.91	2y-EDAU08
EDAZ08	1.027	1.91	2y-EDAZ08
EDAH09	1.276	1.91	2y-EDAH09
EDAM09	1.525	1.91	2y-EDAM09
EDAU09	1.775	1.91	2y-EDAU09
EDAZ09	2.024	1.91	2y-EDAZ09
EDAH10	2.273	1.91	2y-EDAH10
EDAM10	2.523	1.91	2y-EDAM10
EDAU10	2.772	1.91	2y-EDAU10

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

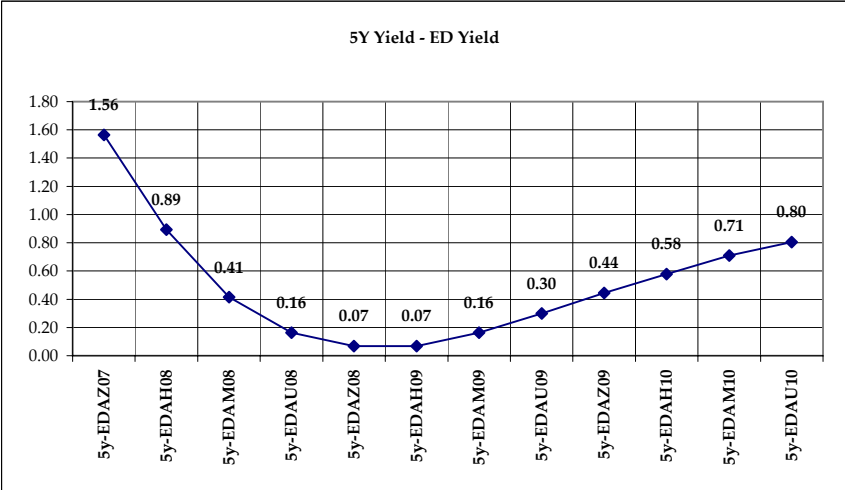
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.04	1.56	5y-EDAZ07	25.715
EDAH08	4.37	0.89	5y-EDAH08	-62.156
EDAM08	3.89	0.41	5y-EDAM08	-86.962
EDAU08	3.64	0.16	5y-EDAU08	-85.599
EDAZ08	3.55	0.07	5y-EDAZ08	-86.962
EDAH09	3.55	0.07	5y-EDAH09	-75.238
EDAM09	3.64	0.16	5y-EDAM09	-72.706
EDAU09	3.78	0.30	5y-EDAU09	-71.778
EDAZ09	3.92	0.44	5y-EDAZ09	-71.857
EDAH10	4.06	0.58	5y-EDAH10	-72.432
EDAM10	4.19	0.71	5y-EDAM10	-73.640
EDAU10	4.28	0.80	5y-EDAU10	-72.769

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.

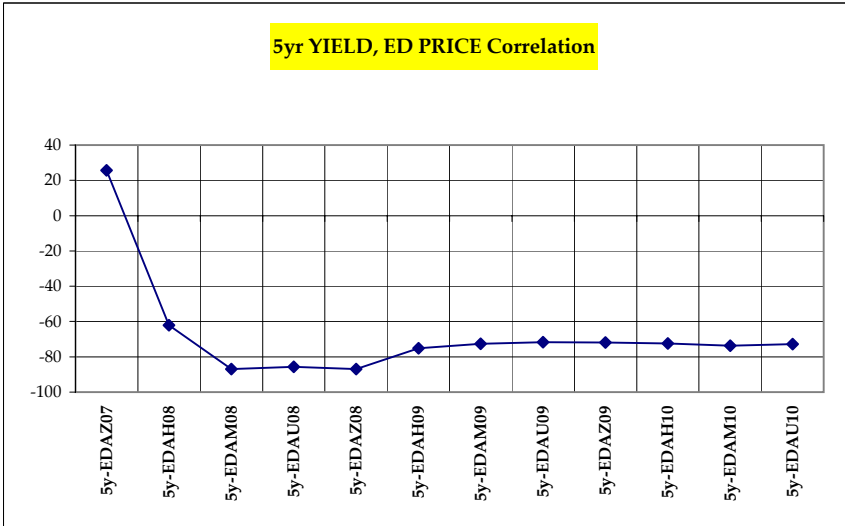


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.029	4.55	4.52	5y-EDAZ07
EDAH08	0.279	4.55	4.27	5y-EDAH08
EDAM08	0.528	4.55	4.02	5y-EDAM08
EDAU08	0.777	4.55	3.77	5y-EDAU08
EDAZ08	1.027	4.55	3.52	5y-EDAZ08
EDAH09	1.276	4.55	3.27	5y-EDAH09
EDAM09	1.525	4.55	3.02	5y-EDAM09
EDAU09	1.775	4.55	2.77	5y-EDAU09
EDAZ09	2.024	4.55	2.52	5y-EDAZ09
EDAH10	2.273	4.55	2.27	5y-EDAH10
EDAM10	2.523	4.55	2.03	5y-EDAM10
EDAU10	2.772	4.55	1.78	5y-EDAU10

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

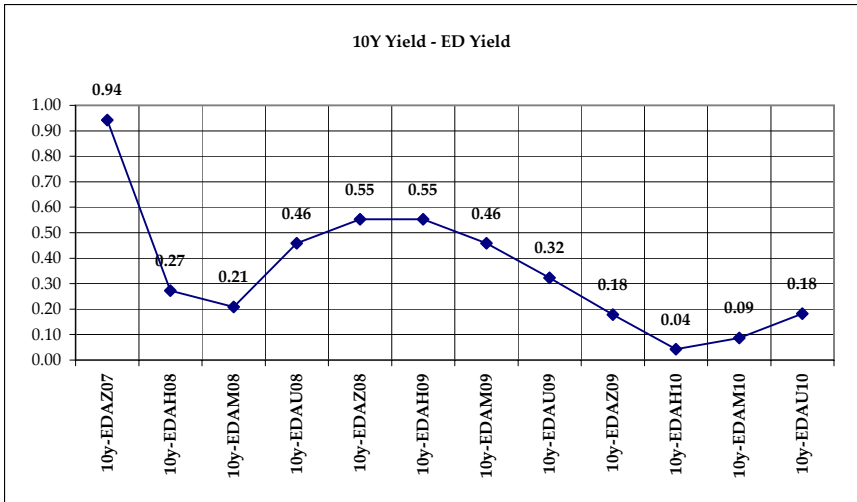
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

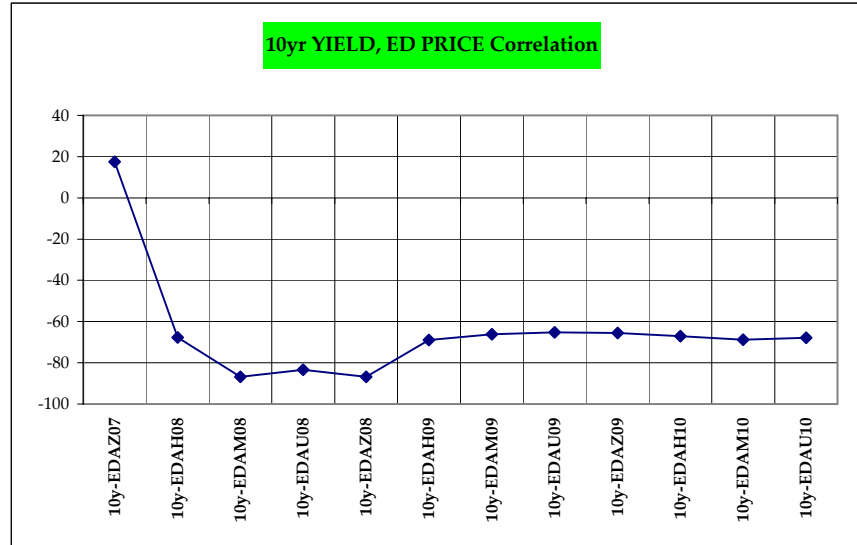
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.04	0.94	10y-EDAZ07	17.546
EDAH08	4.37	0.27	10y-EDAH08	-67.705
EDAM08	3.89	0.21	10y-EDAM08	-86.773
EDAU08	3.64	0.46	10y-EDAU08	-83.347
EDAZ08	3.55	0.55	10y-EDAZ08	-86.773
EDAH09	3.55	0.55	10y-EDAH09	-68.913
EDAM09	3.64	0.46	10y-EDAM09	-66.098
EDAU09	3.78	0.32	10y-EDAU09	-65.304
EDAZ09	3.92	0.18	10y-EDAZ09	-65.478
EDAH10	4.06	0.04	10y-EDAH10	-67.036
EDAM10	4.19	0.09	10y-EDAM10	-68.784
EDAU10	4.28	0.18	10y-EDAU10	-67.895

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.



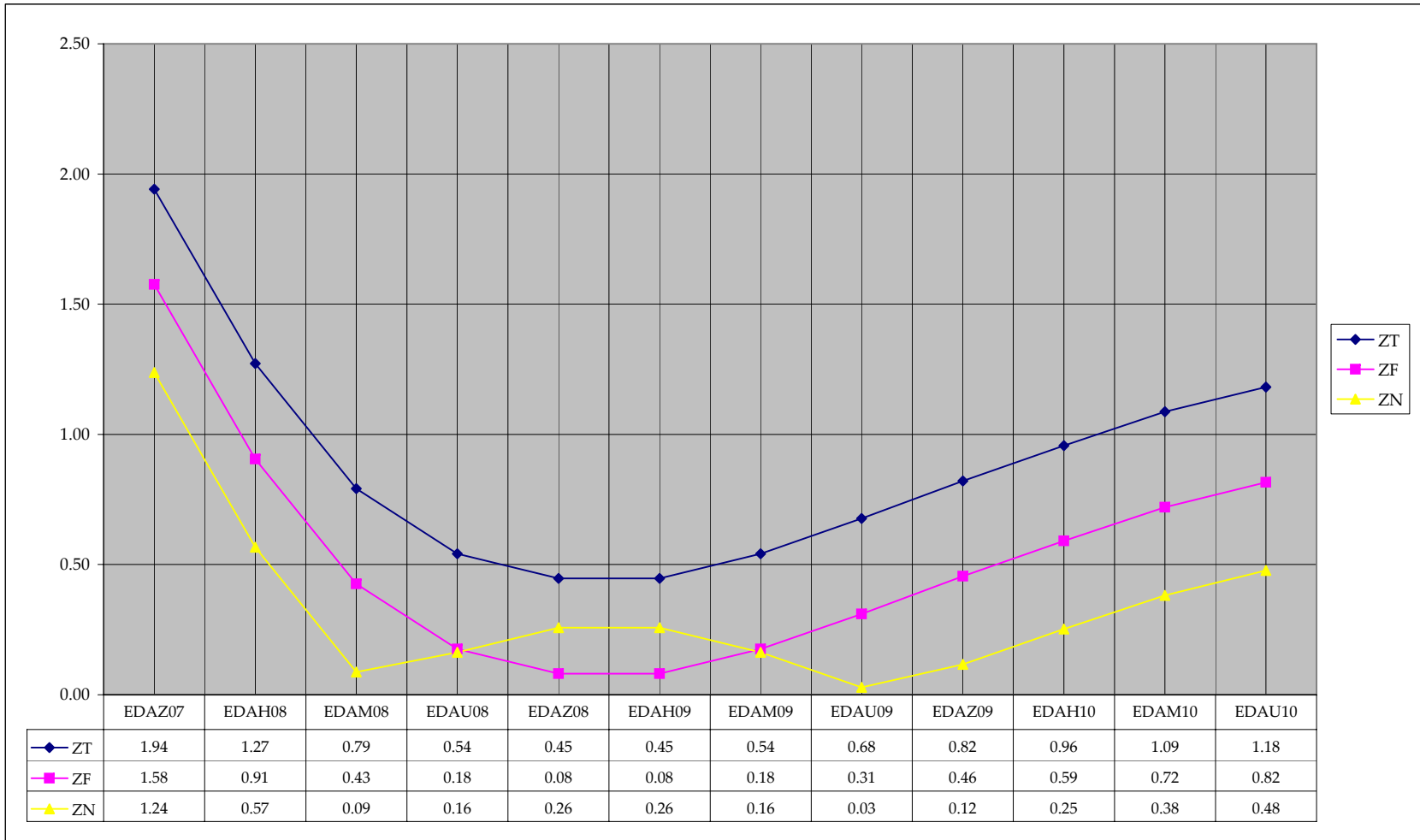
	GE Duration as Fraction of year	10Y Duration	Spread Duration	
EDAZ07	0.029	8.05	8.02	10y-EDAZ07
EDAH08	0.279	8.05	7.77	10y-EDAH08
EDAM08	0.528	8.05	7.52	10y-EDAM08
EDAU08	0.777	8.05	7.28	10y-EDAU08
EDAZ08	1.027	8.05	7.03	10y-EDAZ08
EDAH09	1.276	8.05	6.78	10y-EDAH09
EDAM09	1.525	8.05	6.53	10y-EDAM09
EDAU09	1.775	8.05	6.28	10y-EDAU09
EDAZ09	2.024	8.05	6.03	10y-EDAZ09
EDAH10	2.273	8.05	5.78	10y-EDAH10
EDAM10	2.523	8.05	5.53	10y-EDAM10
EDAU10	2.772	8.05	5.28	10y-EDAU10

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



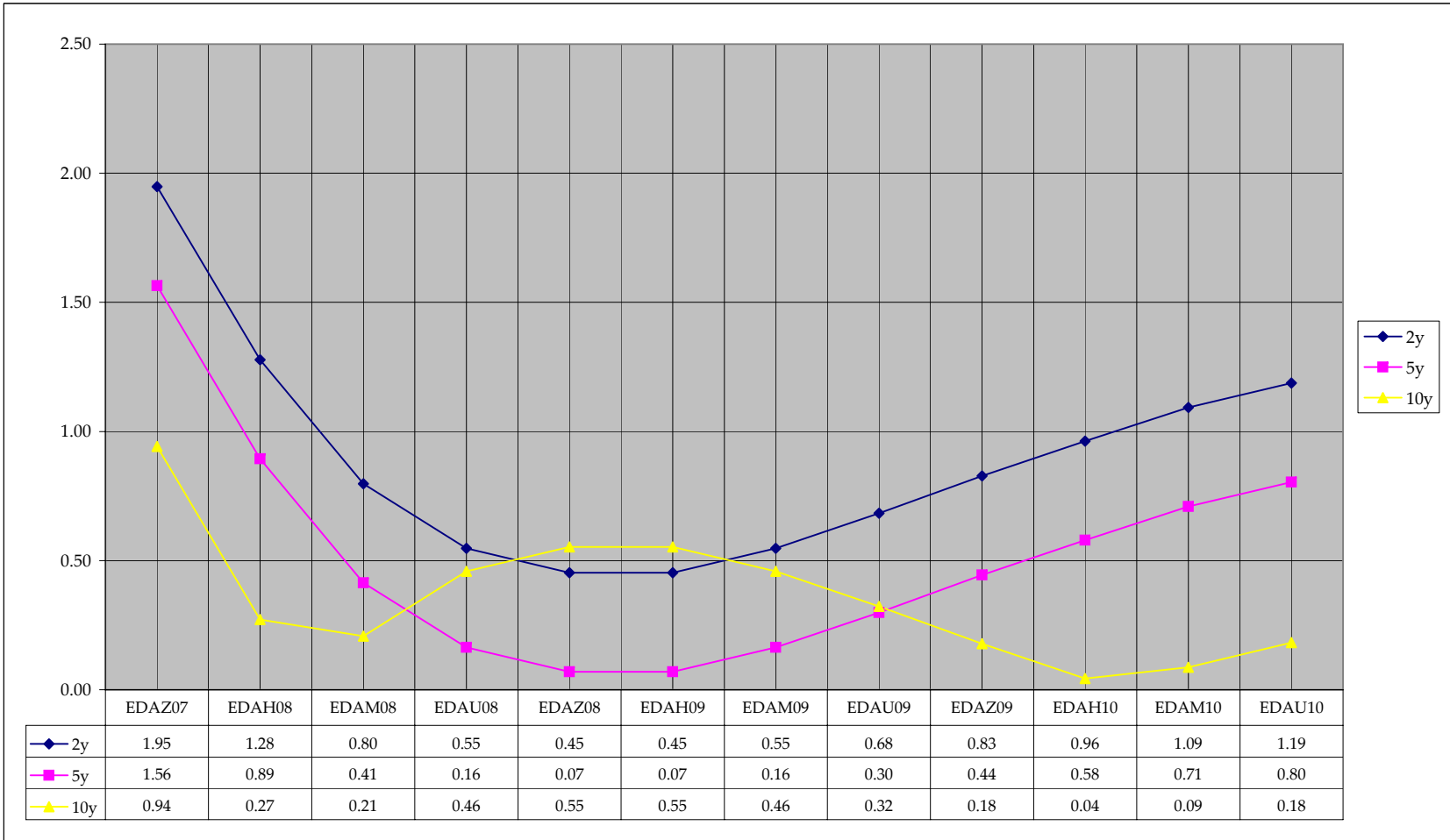
Dirty TED Curve

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.

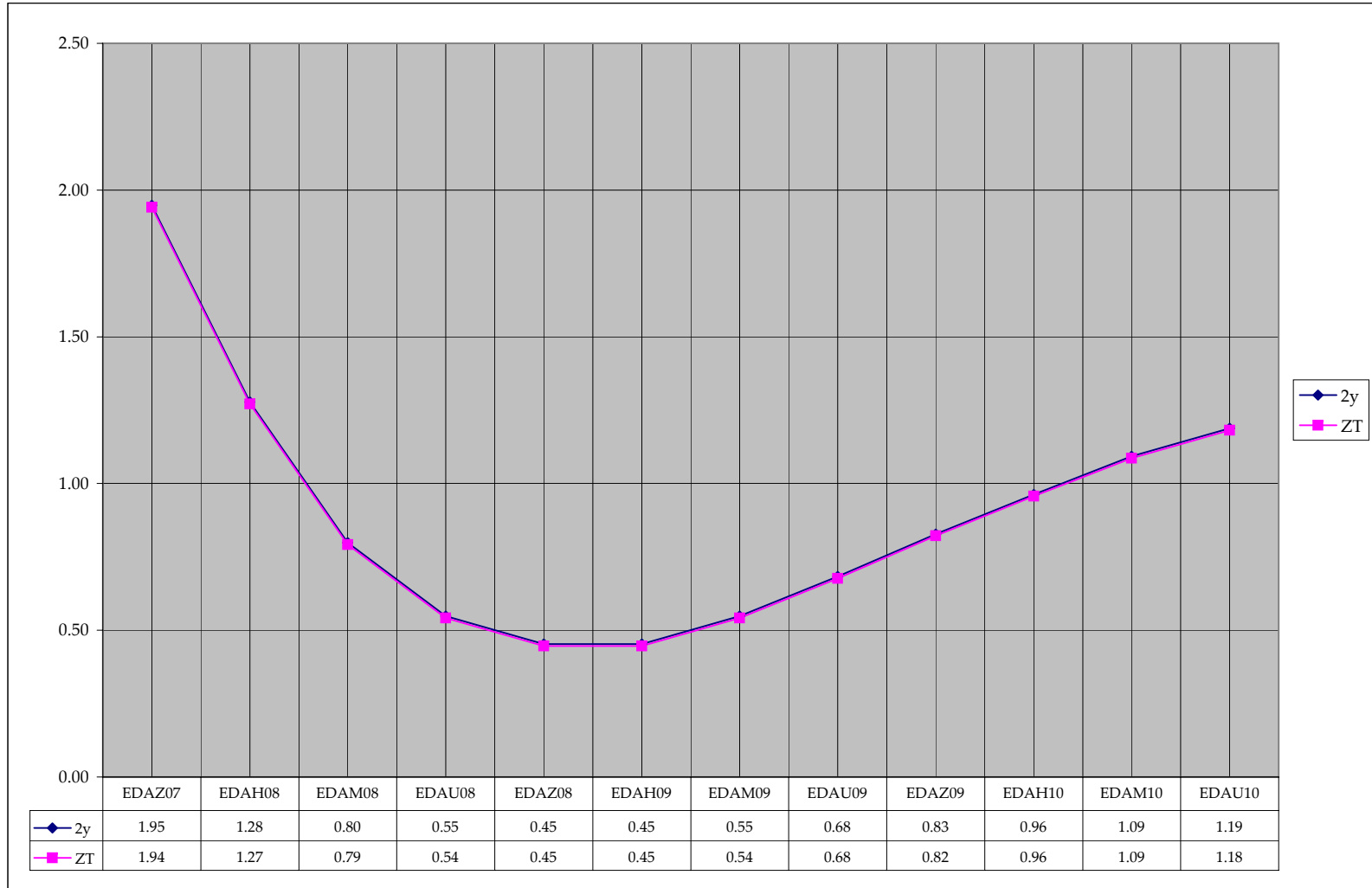


TED Curve

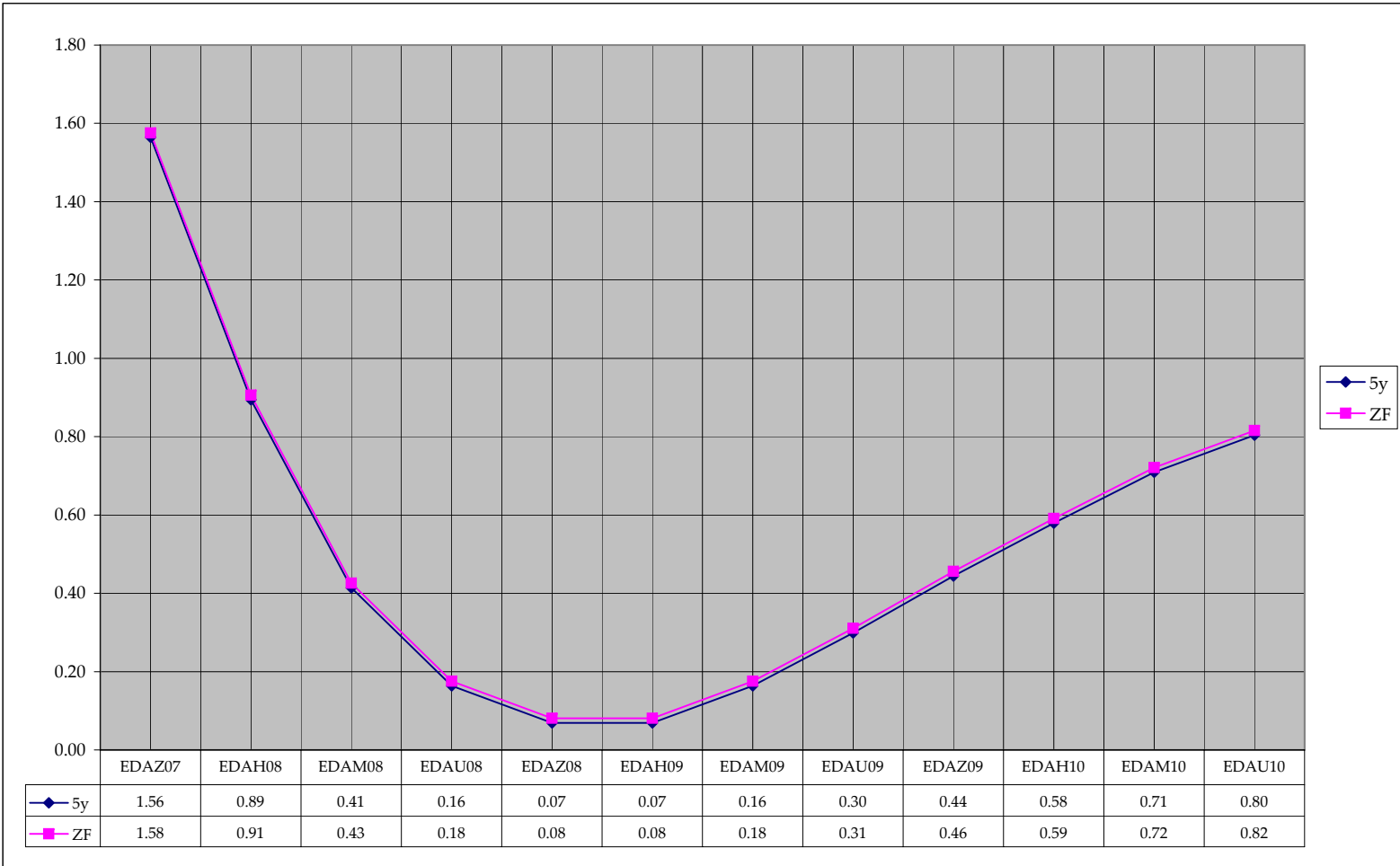
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



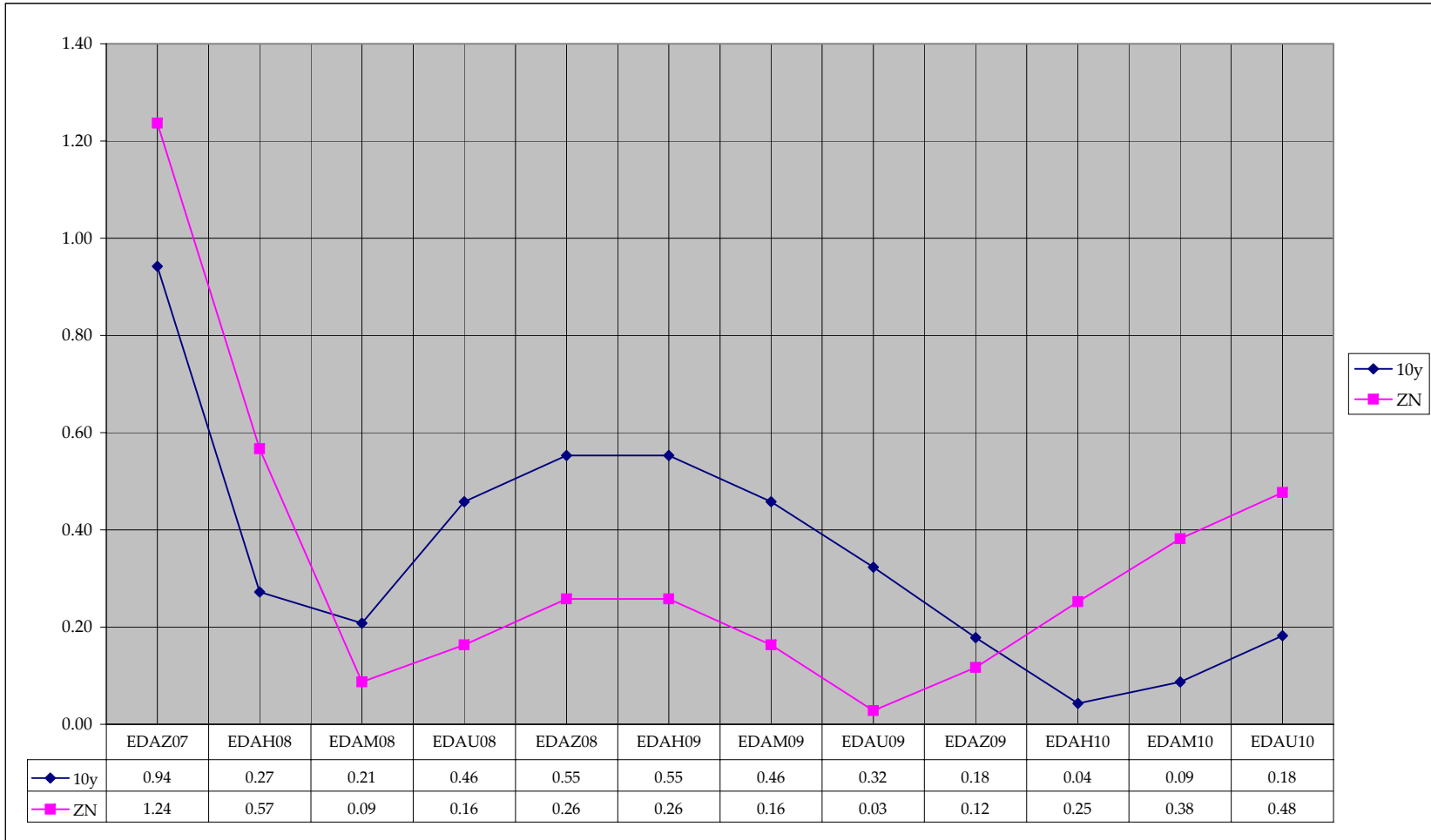
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.206	-3.375	9589.500
Q.ED.Red	3.576	-6.875	9650.375
Q.ED.Green	4.076	-5.875	9602.000
Q.ED.Blue		0.000	9564.625
Q.ED.Gold		0.000	9531.250

