

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	105.0781	105.025	3.004	1.90	
ZF	110.2969	110.095	3.378	4.02	
ZN	113.3594	113.115	3.703	5.97	
2y	100.194	100.0620	3.019	1.90	
5y	99.984	99.3150	3.379	4.54	
10y	102.031	102.0100	3.998	8.04	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.065	4.935	10	0.027	DEC	White Pack	
EDAH08	95.695	4.305	101	0.276	MAR		
EDAM08	96.165	3.835	192	0.525	JUN		
EDAU08	96.410	3.590	283	0.775	SEP	Red Pack	
EDAZ08	96.505	3.495	374	1.024	DEC		
EDAH09	96.505	3.495	465	1.273	MAR		
EDAM09	96.415	3.585	556	1.523	JUN	Green Pack	
EDAU09	96.290	3.710	647	1.772	SEP		
EDAZ09	96.140	3.860	738	2.021	DEC		
EDAH10	96.010	3.990	829	2.271	MAR	Blue Pack	
EDAM10	95.880	4.120	920	2.520	JUN		
EDAU10	95.775	4.225	1011	2.769	SEP		
EDAZ10	95.650	4.350	1102	3.019	DEC	Gold Pack	
EDAH11	95.575	4.425	1193	3.268	MAR		
EDAM11	95.485	4.515	1284	3.517	JUN		
EDAU11	95.415	4.585	1382	3.786	SEP	Gold Pack	
EDAZ11	95.315	4.685	1473	4.035	DEC		
EDAH12	95.270	4.730	1564	4.284	MAR		
EDAM12	95.185	4.815	1655	4.534	JUN	Gold Pack	
EDAU12	95.125	4.875	1746	4.783	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	4.269	-1.500	9583.375	Pack Prices
Q.ED.Red	3.653	-2.250	9642.875	
Q.ED.Green	4.147	-2.250	9595.125	
Q.ED.Blue		0.000	9555.750	
Q.ED.Gold		0.000	9523.250	

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

12/7/2007 5:52

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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

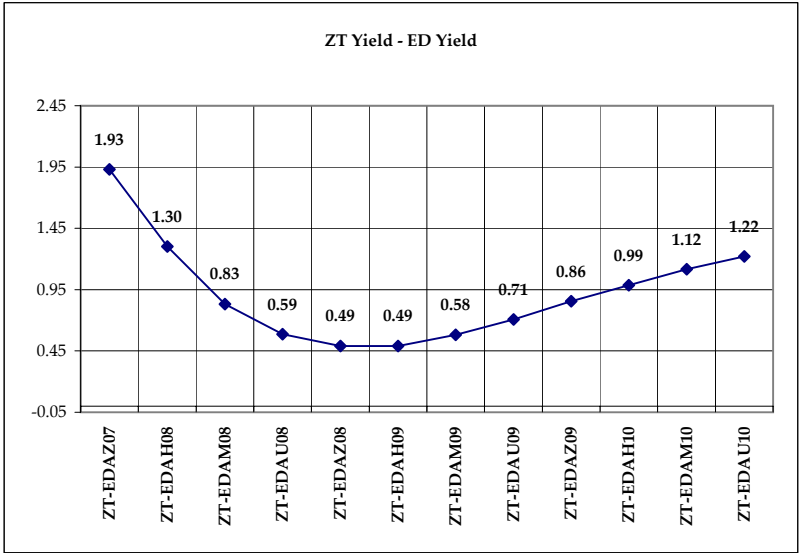
Eurodollar Color Codes for Individual Year Strips:

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

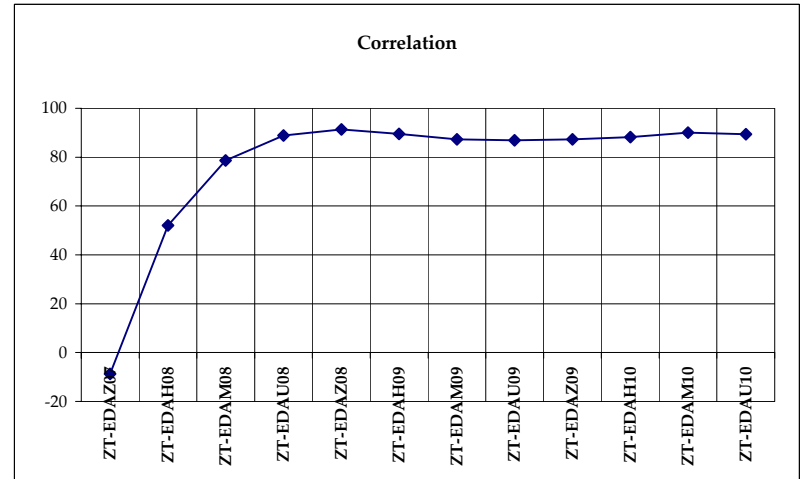
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	10.013	1.93	ZT-EDAZ07	-8.691
EDAH08	9.383	1.30	ZT-EDAH08	52.051
EDAM08	8.913	0.83	ZT-EDAM08	78.678
EDAU08	8.668	0.59	ZT-EDAU08	88.859
EDAZ08	8.573	0.49	ZT-EDAZ08	91.369
EDAH09	8.573	0.49	ZT-EDAH09	89.560
EDAM09	8.663	0.58	ZT-EDAM09	87.241
EDAU09	8.788	0.71	ZT-EDAU09	86.866
EDAZ09	8.938	0.86	ZT-EDAZ09	87.313
EDAH10	9.068	0.99	ZT-EDAH10	88.244
EDAM10	9.198	1.12	ZT-EDAM10	89.989
EDAU10	9.303	1.22	ZT-EDAU10	89.432

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	0.027	1.90	1.87	ZT-EDAZ07
EDAH08	0.276	1.90	1.63	ZT-EDAH08
EDAM08	0.525	1.90	1.38	ZT-EDAM08
EDAU08	0.775	1.90	1.13	ZT-EDAU08
EDAZ08	1.024	1.90	0.88	ZT-EDAZ08
EDAH09	1.273	1.90	0.63	ZT-EDAH09
EDAM09	1.523	1.90	0.38	ZT-EDAM09
EDAU09	1.772	1.90	0.13	ZT-EDAU09
EDAZ09	2.021	1.90	(0.12)	ZT-EDAZ09
EDAH10	2.271	1.90	(0.37)	ZT-EDAH10
EDAM10	2.520	1.90	(0.62)	ZT-EDAM10
EDAU10	2.769	1.90	(0.87)	ZT-EDAU10

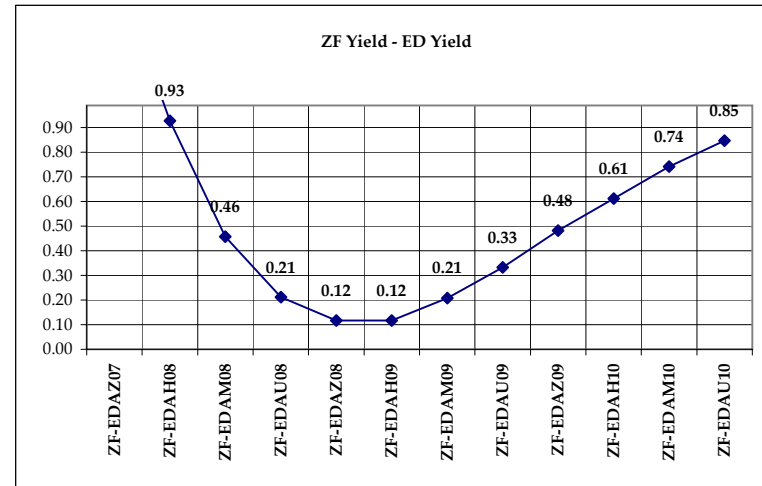
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	15.23	1.56	ZF-EDAZ07	-36.881
EDAH08	14.60	0.93	ZF-EDAH08	28.450
EDAM08	14.13	0.46	ZF-EDAM08	63.418
EDAU08	13.89	0.21	ZF-EDAU08	81.000
EDAZ08	13.79	0.12	ZF-EDAZ08	90.893
EDAH09	13.79	0.12	ZF-EDAH09	94.881
EDAM09	13.88	0.21	ZF-EDAM09	95.594
EDAU09	14.01	0.33	ZF-EDAU09	95.913
EDAZ09	14.16	0.48	ZF-EDAZ09	95.941
EDAH10	14.29	0.61	ZF-EDAH10	96.085
EDAM10	14.42	0.74	ZF-EDAM10	95.892
EDAU10	14.52	0.85	ZF-EDAU10	95.839

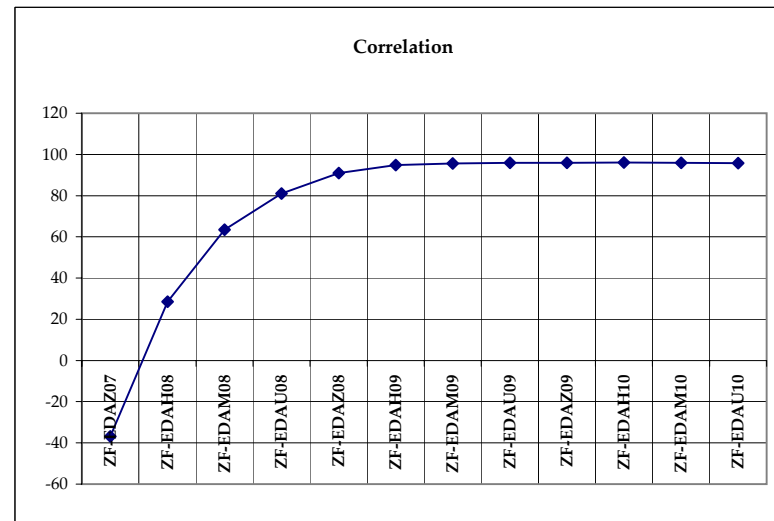
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAZ07	0.027	4.02	ZF-EDAZ07
EDAH08	0.276	4.02	ZF-EDAH08
EDAM08	0.525	4.02	ZF-EDAM08
EDAU08	0.775	4.02	ZF-EDAU08
EDAZ08	1.024	4.02	ZF-EDAZ08
EDAH09	1.273	4.02	ZF-EDAH09
EDAM09	1.523	4.02	ZF-EDAM09
EDAU09	1.772	4.02	ZF-EDAU09
EDAZ09	2.021	4.02	ZF-EDAZ09
EDAH10	2.271	4.02	ZF-EDAH10
EDAM10	2.520	4.02	ZF-EDAM10
EDAU10	2.769	4.02	ZF-EDAU10

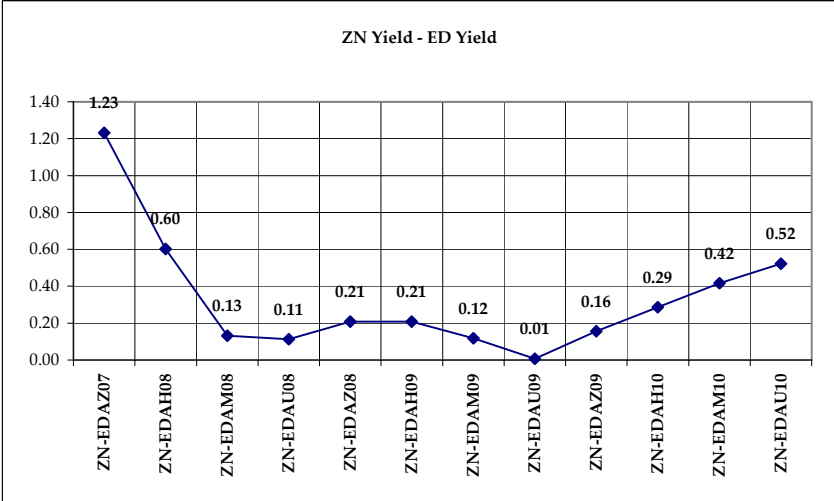
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

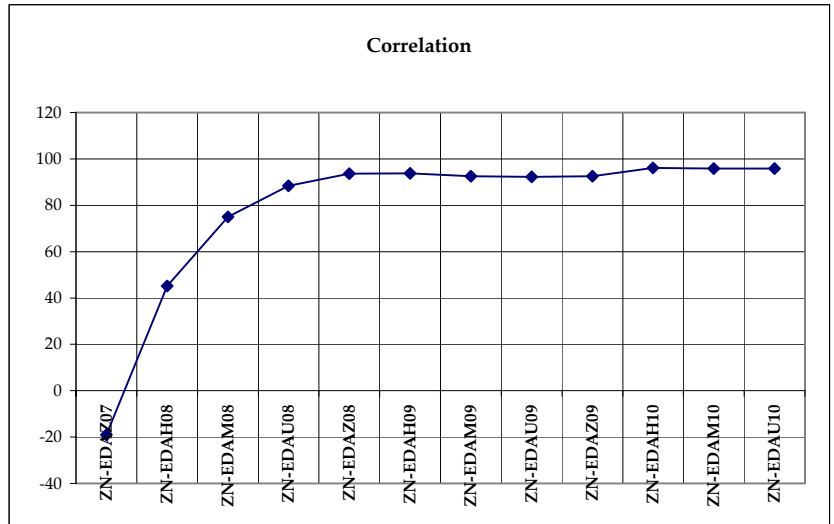
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	18.29	1.23	ZN-EDAZ07	-19.04
EDAH08	17.66	0.60	ZN-EDAH08	45.18
EDAM08	17.19	0.13	ZN-EDAM08	75.02
EDAU08	16.95	0.11	ZN-EDAU08	88.36
EDAZ08	16.85	0.21	ZN-EDAZ08	93.70
EDAH09	16.85	0.21	ZN-EDAH09	93.77
EDAM09	16.94	0.12	ZN-EDAM09	92.52
EDAU09	17.07	0.01	ZN-EDAU09	92.31
EDAZ09	17.22	0.16	ZN-EDAZ09	92.55
EDAH10	17.35	0.29	ZN-EDAH10	96.08
EDAM10	17.48	0.42	ZN-EDAM10	95.89
EDAU10	17.58	0.52	ZN-EDAU10	95.84

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	0.027	5.97	5.94	ZN-EDAZ07
EDAH08	0.276	5.97	5.69	ZN-EDAH08
EDAM08	0.525	5.97	5.44	ZN-EDAM08
EDAU08	0.775	5.97	5.19	ZN-EDAU08
EDAZ08	1.024	5.97	4.94	ZN-EDAZ08
EDAH09	1.273	5.97	4.69	ZN-EDAH09
EDAM09	1.523	5.97	4.44	ZN-EDAM09
EDAU09	1.772	5.97	4.19	ZN-EDAU09
EDAZ09	2.021	5.97	3.94	ZN-EDAZ09
EDAH10	2.271	5.97	3.70	ZN-EDAH10
EDAM10	2.520	5.97	3.45	ZN-EDAM10
EDAU10	2.769	5.97	3.20	ZN-EDAU10

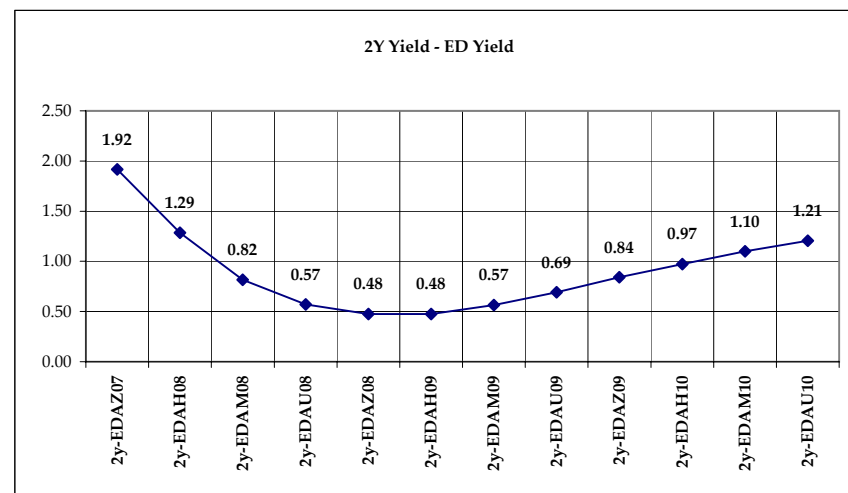
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TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.13	1.92	2y-EDAZ07	15.382
EDAH08	4.50	1.29	2y-EDAH08	-51.170
EDAM08	4.03	0.82	2y-EDAM08	-79.641
EDAU08	3.78	0.57	2y-EDAU08	-91.511
EDAZ08	3.69	0.48	2y-EDAZ08	-79.641
EDAH09	3.69	0.48	2y-EDAH09	-94.611
EDAM09	3.78	0.57	2y-EDAM09	-93.219
EDAU09	3.90	0.69	2y-EDAU09	-92.681
EDAZ09	4.05	0.84	2y-EDAZ09	-93.023
EDAH10	4.18	0.97	2y-EDAH10	-93.884
EDAM10	4.31	1.10	2y-EDAM10	-95.249
EDAU10	4.42	1.21	2y-EDAU10	-95.366

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.

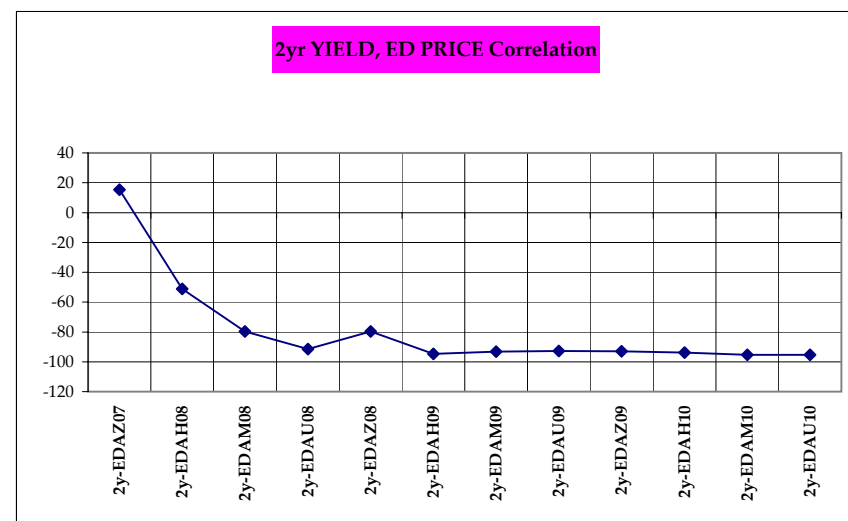


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.027	1.90	1.87 2y-EDAZ07
EDAH08	0.276	1.90	1.62 2y-EDAH08
EDAM08	0.525	1.90	1.37 2y-EDAM08
EDAU08	0.775	1.90	1.12 2y-EDAU08
EDAZ08	1.024	1.90	0.87 2y-EDAZ08
EDAH09	1.273	1.90	0.63 2y-EDAH09
EDAM09	1.523	1.90	0.38 2y-EDAM09
EDAU09	1.772	1.90	0.13 2y-EDAU09
EDAZ09	2.021	1.90	(0.12) 2y-EDAZ09
EDAH10	2.271	1.90	(0.37) 2y-EDAH10
EDAM10	2.520	1.90	(0.62) 2y-EDAM10
EDAU10	2.769	1.90	(0.87) 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

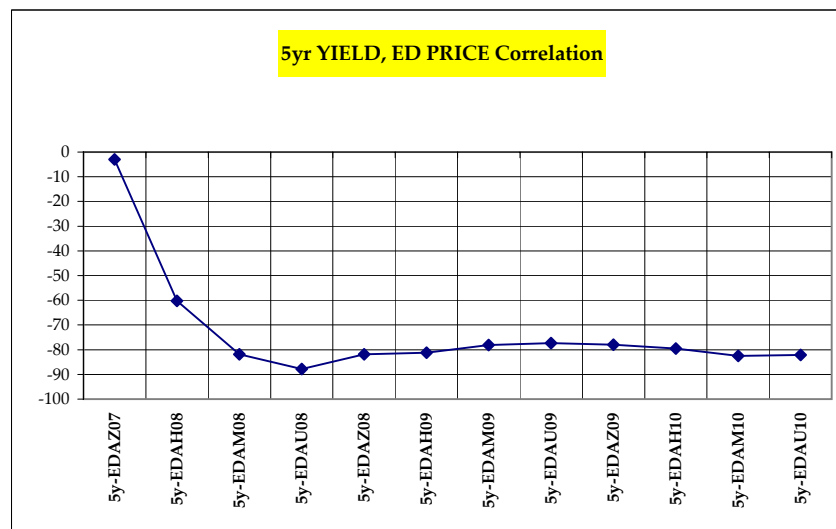
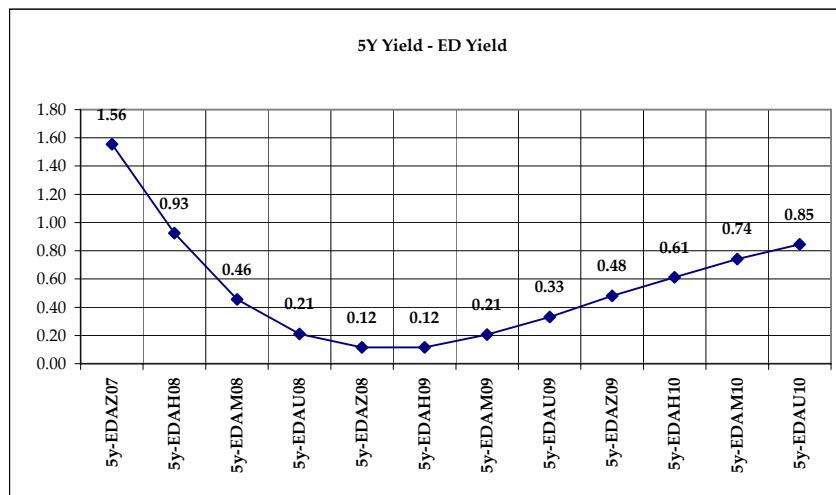
	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.92	1.56	5y-EDAZ07	-2.941
EDAH08	4.29	0.93	5y-EDAH08	-60.285
EDAM08	3.82	0.46	5y-EDAM08	-81.874
EDAU08	3.57	0.21	5y-EDAU08	-87.826
EDAZ08	3.48	0.12	5y-EDAZ08	-81.874
EDAH09	3.48	0.12	5y-EDAH09	-81.220
EDAM09	3.57	0.21	5y-EDAM09	-78.052
EDAU09	3.69	0.33	5y-EDAU09	-77.347
EDAZ09	3.84	0.48	5y-EDAZ09	-77.928
EDAH10	3.97	0.61	5y-EDAH10	-79.554
EDAM10	4.10	0.74	5y-EDAM10	-82.467
EDAU10	4.21	0.85	5y-EDAU10	-82.179

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	0.027	4.54	5y-EDAZ07
EDAH08	0.276	4.54	5y-EDAH08
EDAM08	0.525	4.54	5y-EDAM08
EDAU08	0.775	4.54	5y-EDAU08
EDAZ08	1.024	4.54	5y-EDAZ08
EDAH09	1.273	4.54	5y-EDAH09
EDAM09	1.523	4.54	5y-EDAM09
EDAU09	1.772	4.54	5y-EDAU09
EDAZ09	2.021	4.54	5y-EDAZ09
EDAH10	2.271	4.54	5y-EDAH10
EDAM10	2.520	4.54	5y-EDAM10
EDAU10	2.769	4.54	5y-EDAU10

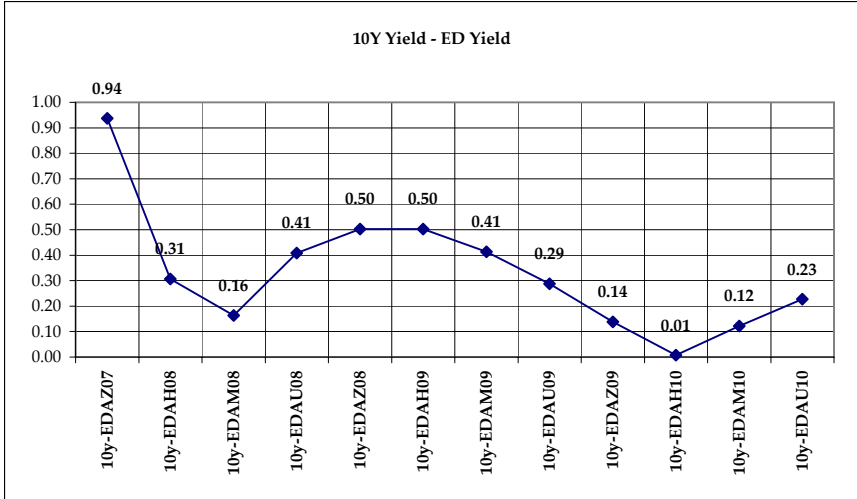
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

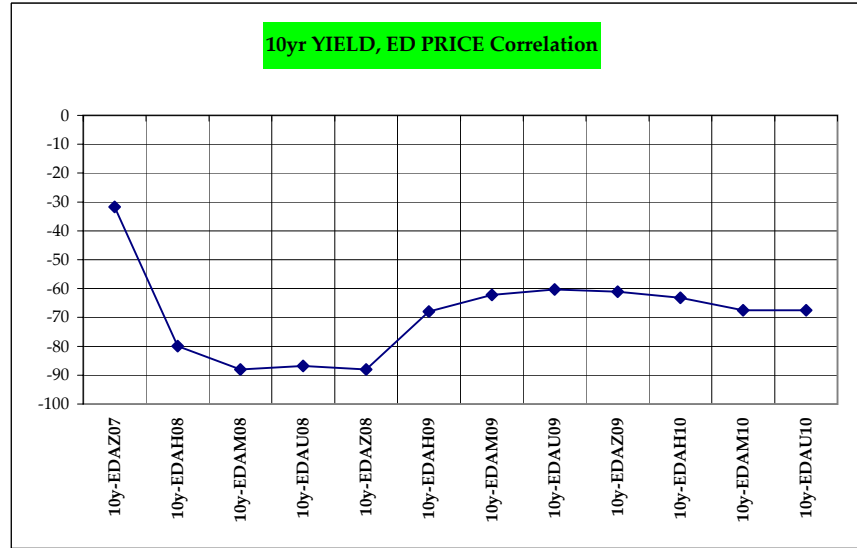
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.92	0.94	10y-EDAZ07	-31.685
EDAH08	4.29	0.31	10y-EDAH08	-79.970
EDAM08	3.82	0.16	10y-EDAM08	-88.041
EDAU08	3.57	0.41	10y-EDAU08	-86.758
EDAZ08	3.48	0.50	10y-EDAZ08	-88.041
EDAH09	3.48	0.50	10y-EDAH09	-67.951
EDAM09	3.57	0.41	10y-EDAM09	-62.165
EDAU09	3.69	0.29	10y-EDAU09	-60.336
EDAZ09	3.84	0.14	10y-EDAZ09	-61.050
EDAH10	3.97	0.01	10y-EDAH10	-63.205
EDAM10	4.10	0.12	10y-EDAM10	-67.500
EDAU10	4.21	0.23	10y-EDAU10	-67.512

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.



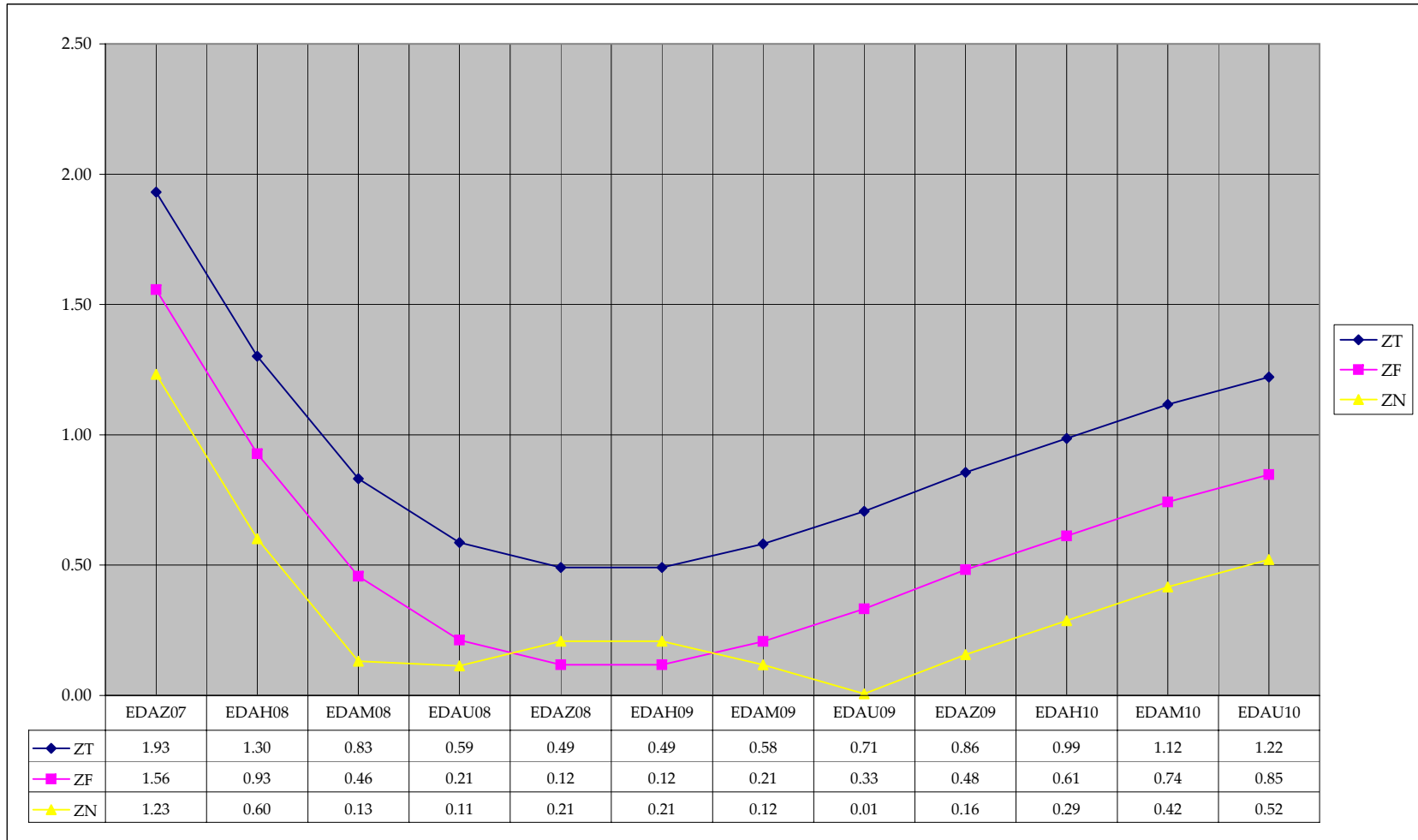
	GE Duration as Fraction of year	10Y Duration	Spread Duration	
EDAZ07	0.027	8.04	8.01	10y-EDAZ07
EDAH08	0.276	8.04	7.77	10y-EDAH08
EDAM08	0.525	8.04	7.52	10y-EDAM08
EDAU08	0.775	8.04	7.27	10y-EDAU08
EDAZ08	1.024	8.04	7.02	10y-EDAZ08
EDAH09	1.273	8.04	6.77	10y-EDAH09
EDAM09	1.523	8.04	6.52	10y-EDAM09
EDAU09	1.772	8.04	6.27	10y-EDAU09
EDAZ09	2.021	8.04	6.02	10y-EDAZ09
EDAH10	2.271	8.04	5.77	10y-EDAH10
EDAM10	2.520	8.04	5.52	10y-EDAM10
EDAU10	2.769	8.04	5.27	10y-EDAU10

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



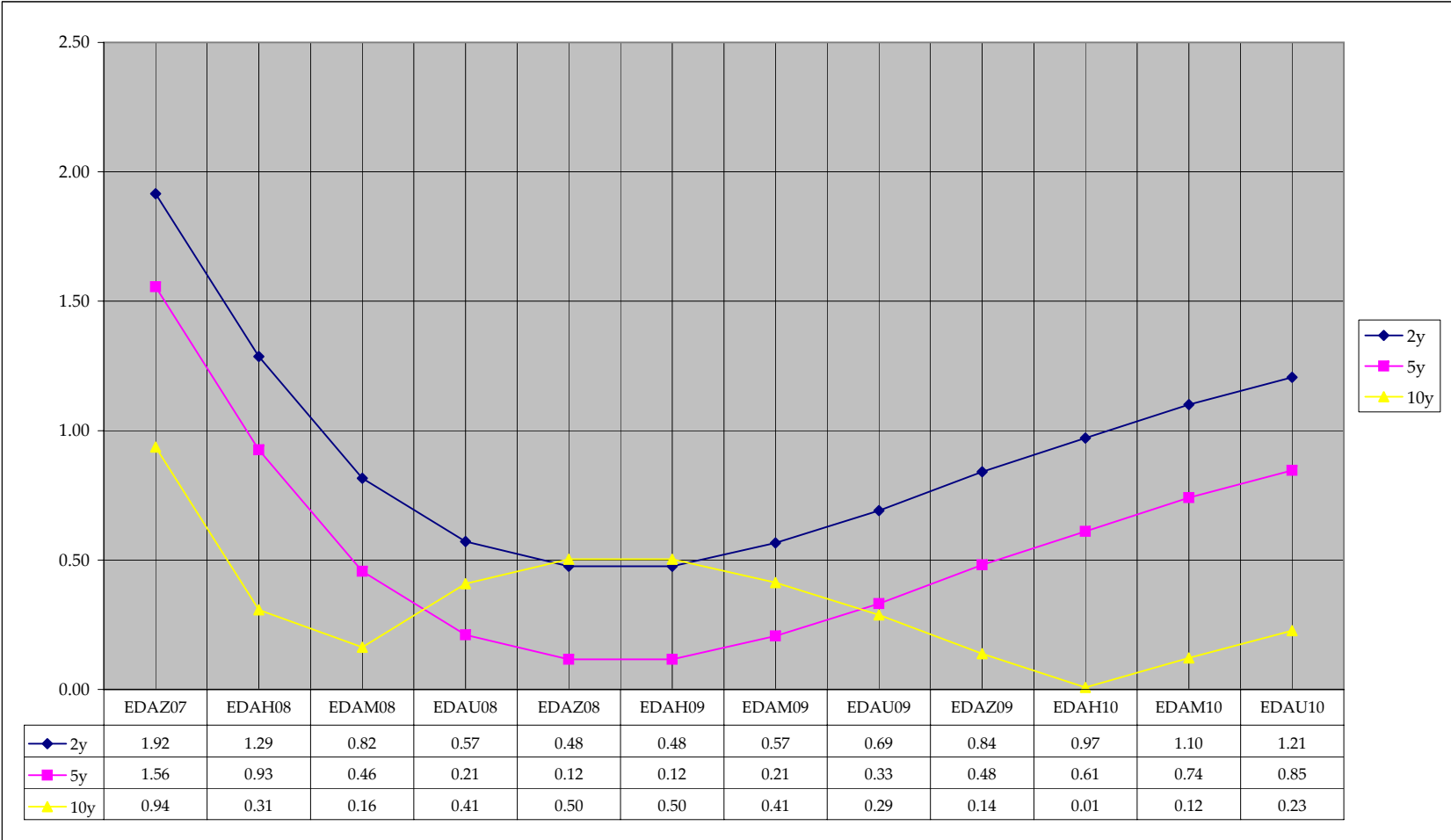
Dirty TED Curve

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.

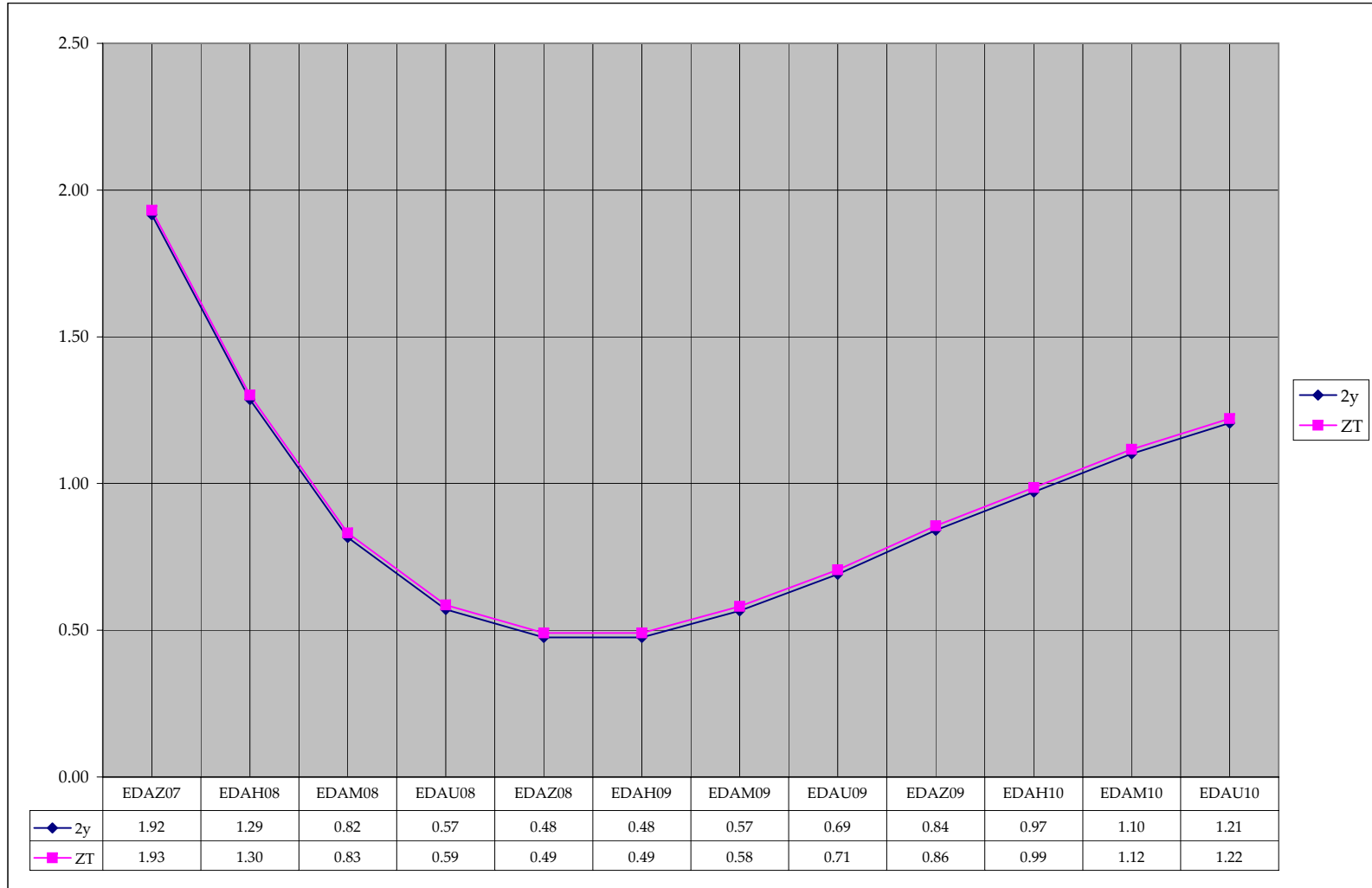


TED Curve

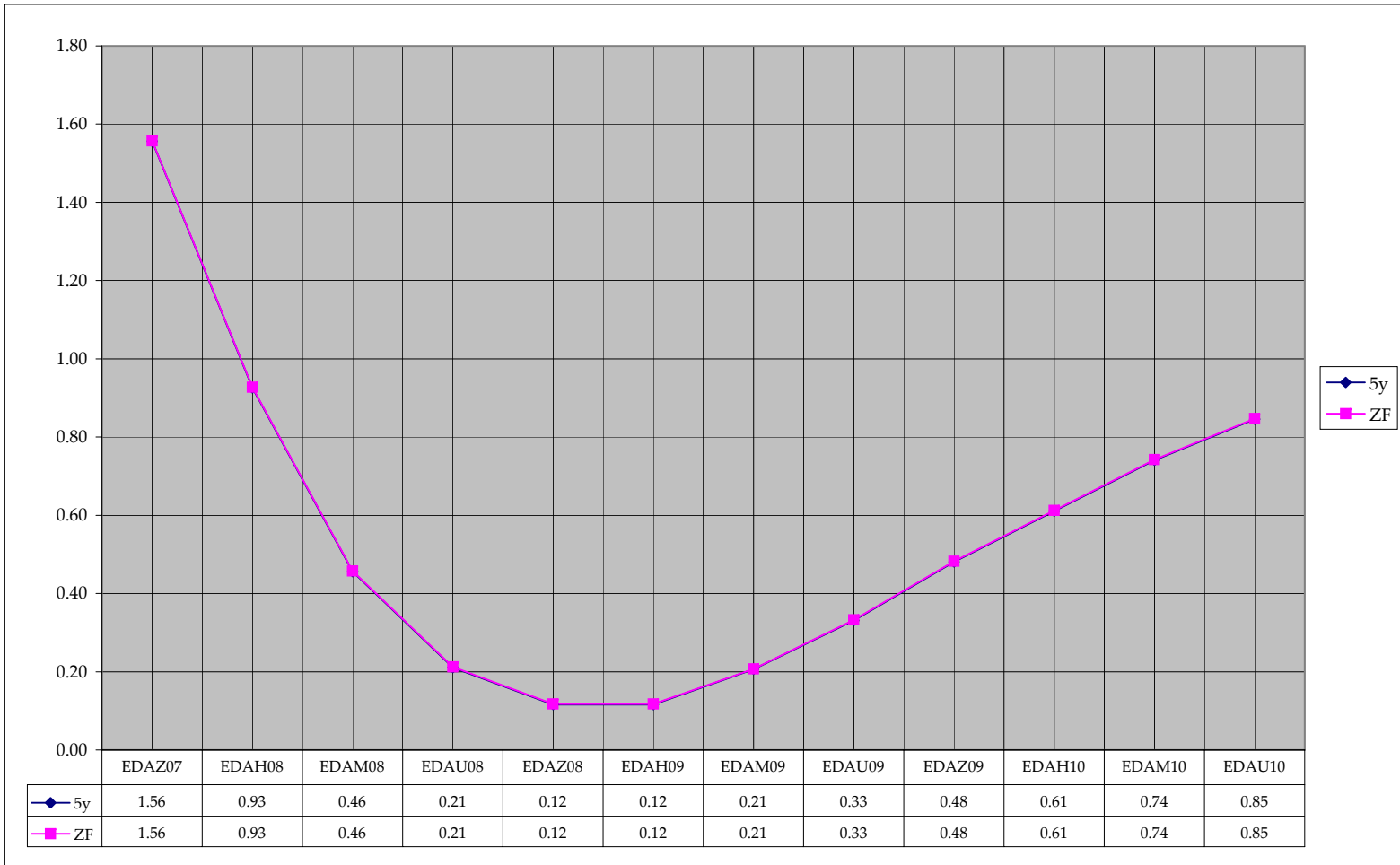
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



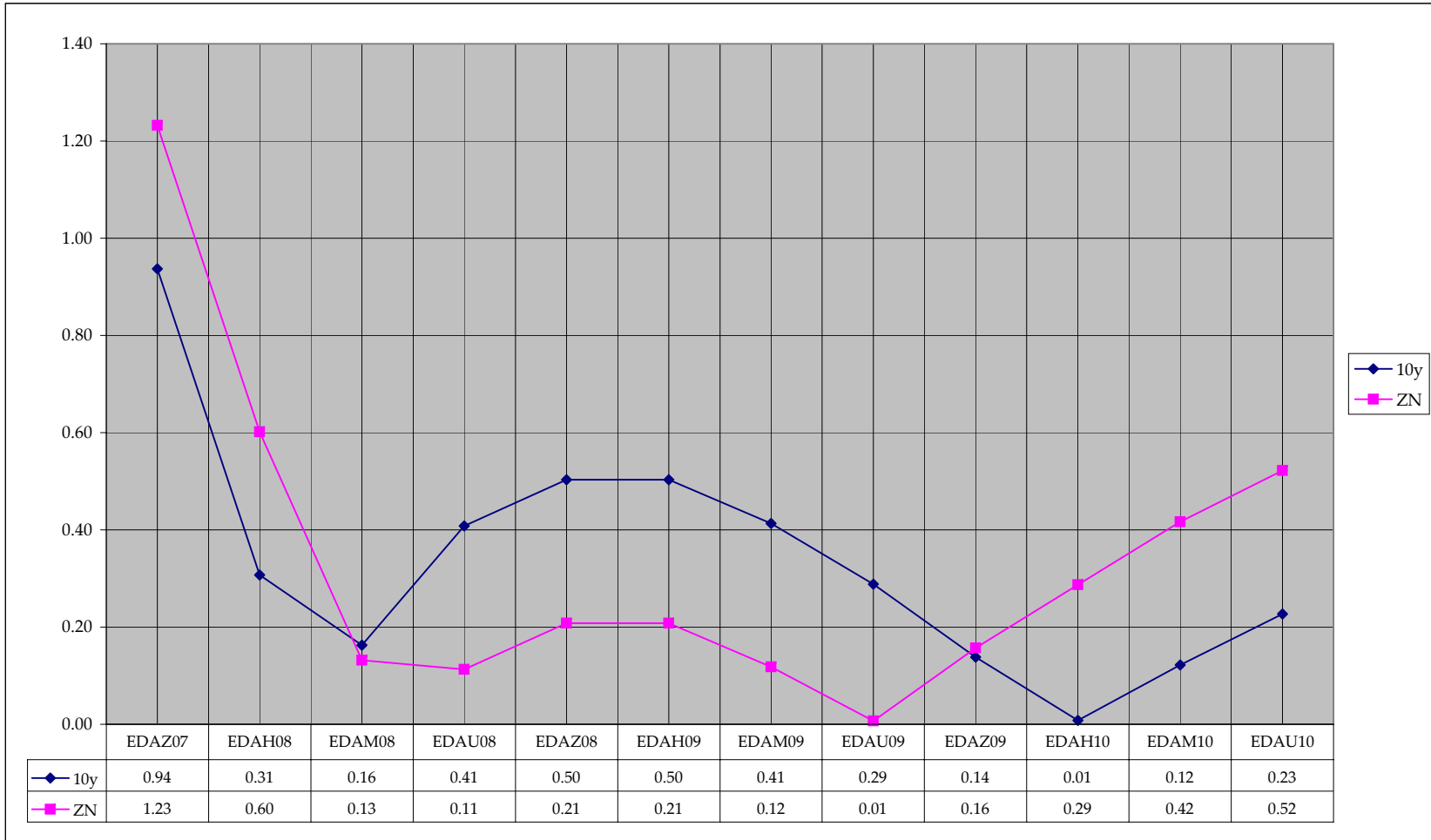
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.269	-1.500	9583.375
Q.ED.Red	3.653	-2.250	9642.875
Q.ED.Green	4.147	-2.250	9595.125
Q.ED.Blue		0.000	9555.750
Q.ED.Gold		0.000	9523.250

