

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	104.9063	104.290	3.134	1.90
ZF	110.0313	110.010	3.438	3.99
ZN	113.2500	113.080	3.726	5.93
2y	99.959	99.3070	3.146	1.87
5y	99.538	99.1720	3.476	4.51
10y	101.531	101.1700	4.058	8.00

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAH08	95.670	4.330	88	0.240	MAR	White Pack
EDAM08	96.135	3.865	179	0.490	JUN	
EDAU08	96.370	3.630	270	0.739	SEP	
EDAZ08	96.480	3.520	361	0.988	DEC	Red Pack
EDAH09	96.490	3.510	452	1.238	MAR	
EDAM09	96.380	3.620	543	1.487	JUN	
EDAU09	96.250	3.750	634	1.736	SEP	Green Pack
EDAZ09	96.115	3.885	725	1.986	DEC	
EDAH10	95.995	4.005	816	2.235	MAR	
EDAM10	95.855	4.145	907	2.484	JUN	Blue Pack
EDAU10	95.735	4.265	998	2.734	SEP	
EDAZ10	95.635	4.365	1089	2.983	DEC	
EDAH11	95.590	4.410	1180	3.232	MAR	Gold Pack
EDAM11	95.490	4.510	1271	3.482	JUN	
EDAU11	95.410	4.590	1369	3.750	SEP	
EDAZ11	95.330	4.670	1460	3.999	DEC	
EDAH12	95.250	4.750	1551	4.249	MAR	
EDAM12	95.180	4.820	1642	4.498	JUN	
EDAU12	95.135	4.865	1733	4.747	SEP	
EDAU12	95.135	4.865	1733	4.747	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	3.927	-1.500	9616.375	Pack Prices
Q.ED.Red	3.777	0.125	9630.875	
Q.ED.Green	4.298	0.375	9580.500	
Q.ED.Blue		0.000	9541.500	
Q.ED.Gold		0.000	9512.375	

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

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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

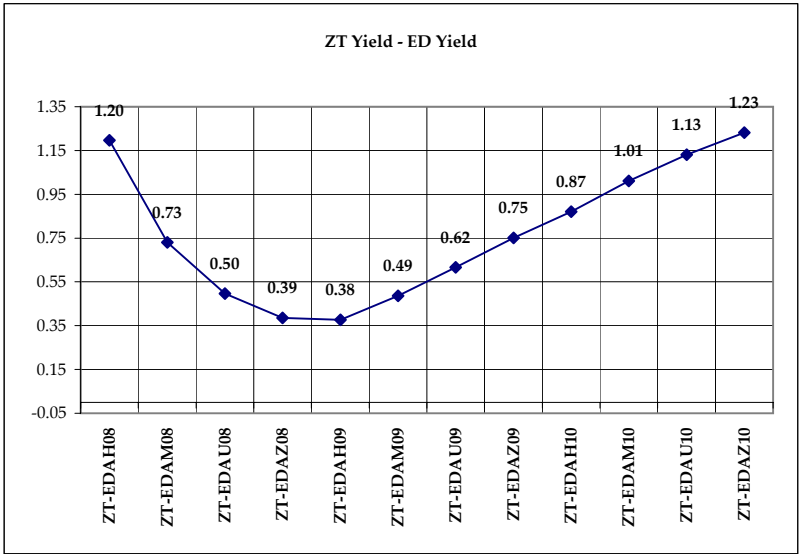
Eurodollar Color Codes for Individual Year Strips:

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

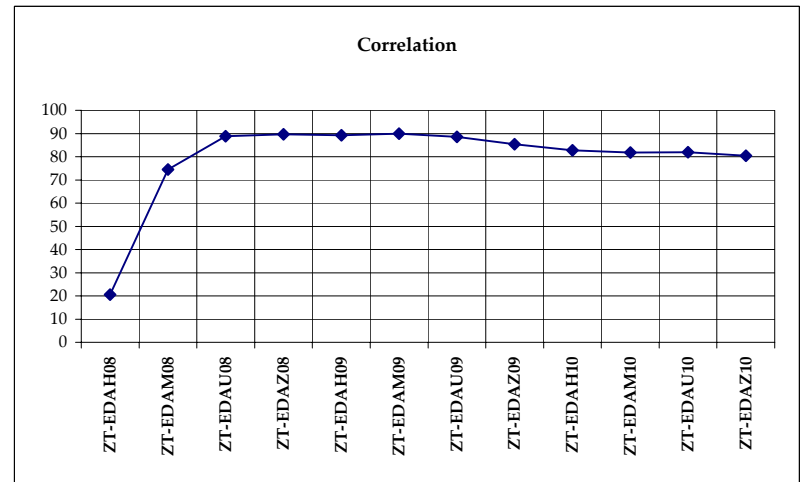
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	9.236	1.20	ZT-EDAH08	20.575
EDAM08	8.771	0.73	ZT-EDAM08	74.420
EDAU08	8.536	0.50	ZT-EDAU08	88.822
EDAZ08	8.426	0.39	ZT-EDAZ08	89.632
EDAH09	8.416	0.38	ZT-EDAH09	89.212
EDAM09	8.526	0.49	ZT-EDAM09	89.883
EDAU09	8.656	0.62	ZT-EDAU09	88.541
EDAZ09	8.791	0.75	ZT-EDAZ09	85.394
EDAH10	8.911	0.87	ZT-EDAH10	82.700
EDAM10	9.051	1.01	ZT-EDAM10	81.807
EDAU10	9.171	1.13	ZT-EDAU10	81.863
EDAZ10	9.271	1.23	ZT-EDAZ10	80.423

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		
EDAH08	0.240	1.90	1.66	ZT-EDAH08
EDAM08	0.490	1.90	1.41	ZT-EDAM08
EDAU08	0.739	1.90	1.16	ZT-EDAU08
EDAZ08	0.988	1.90	0.91	ZT-EDAZ08
EDAH09	1.238	1.90	0.67	ZT-EDAH09
EDAM09	1.487	1.90	0.42	ZT-EDAM09
EDAU09	1.736	1.90	0.17	ZT-EDAU09
EDAZ09	1.986	1.90	(0.08)	ZT-EDAZ09
EDAH10	2.235	1.90	(0.33)	ZT-EDAH10
EDAM10	2.484	1.90	(0.58)	ZT-EDAM10
EDAU10	2.734	1.90	(0.83)	ZT-EDAU10
EDAZ10	2.983	1.90	(1.08)	ZT-EDAZ10

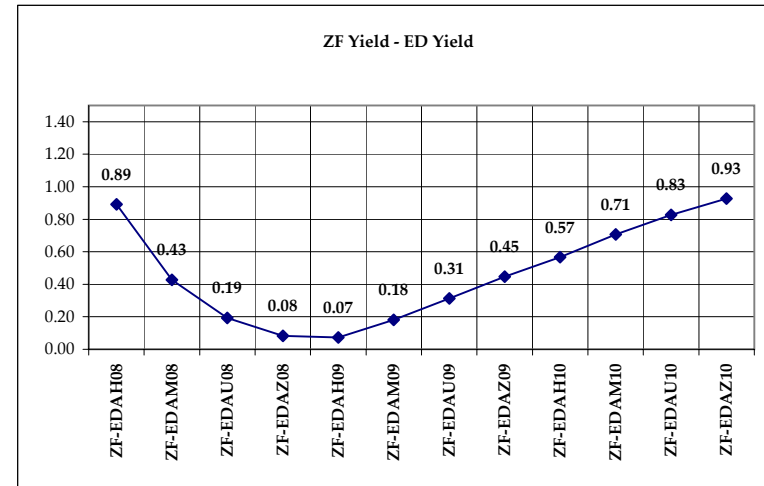
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	14.36	0.89	ZF-EDAH08	31.149
EDAM08	13.90	0.43	ZF-EDAM08	78.729
EDAU08	13.66	0.19	ZF-EDAU08	92.278
EDAZ08	13.55	0.08	ZF-EDAZ08	94.674
EDAH09	13.54	0.07	ZF-EDAH09	94.796
EDAM09	13.65	0.18	ZF-EDAM09	94.984
EDAU09	13.78	0.31	ZF-EDAU09	94.049
EDAZ09	13.92	0.45	ZF-EDAZ09	91.957
EDAH10	14.04	0.57	ZF-EDAH10	90.156
EDAM10	14.18	0.71	ZF-EDAM10	89.667
EDAU10	14.30	0.83	ZF-EDAU10	89.711
EDAZ10	14.40	0.93	ZF-EDAZ10	88.619

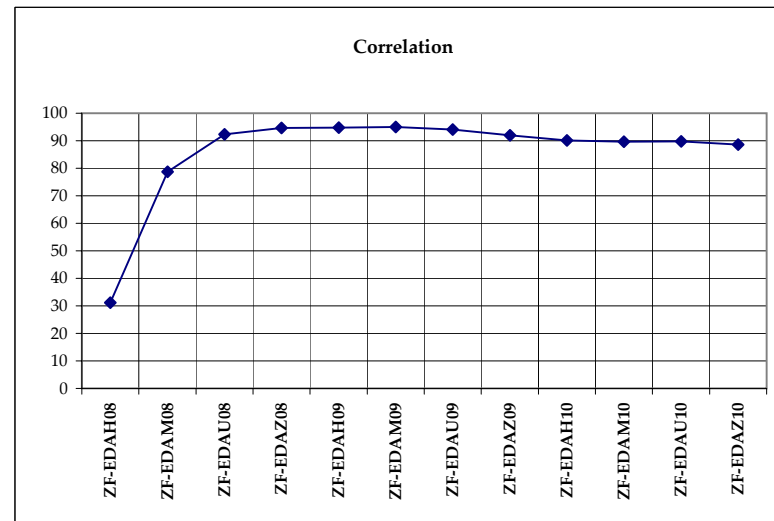
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.240	3.99	3.75	ZF-EDAH08
EDAM08	0.490	3.99	3.50	ZF-EDAM08
EDAU08	0.739	3.99	3.25	ZF-EDAU08
EDAZ08	0.988	3.99	3.00	ZF-EDAZ08
EDAH09	1.238	3.99	2.75	ZF-EDAH09
EDAM09	1.487	3.99	2.50	ZF-EDAM09
EDAU09	1.736	3.99	2.25	ZF-EDAU09
EDAZ09	1.986	3.99	2.01	ZF-EDAZ09
EDAH10	2.235	3.99	1.76	ZF-EDAH10
EDAM10	2.484	3.99	1.51	ZF-EDAM10
EDAU10	2.734	3.99	1.26	ZF-EDAU10
EDAZ10	2.983	3.99	1.01	ZF-EDAZ10

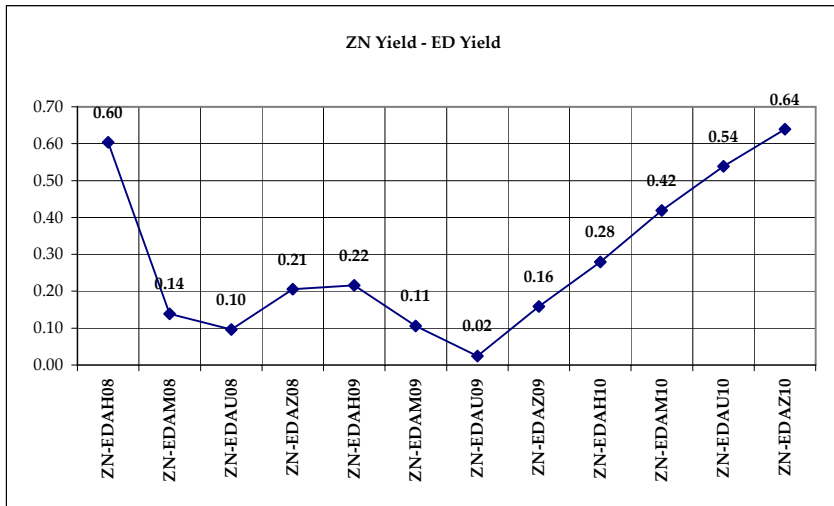
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

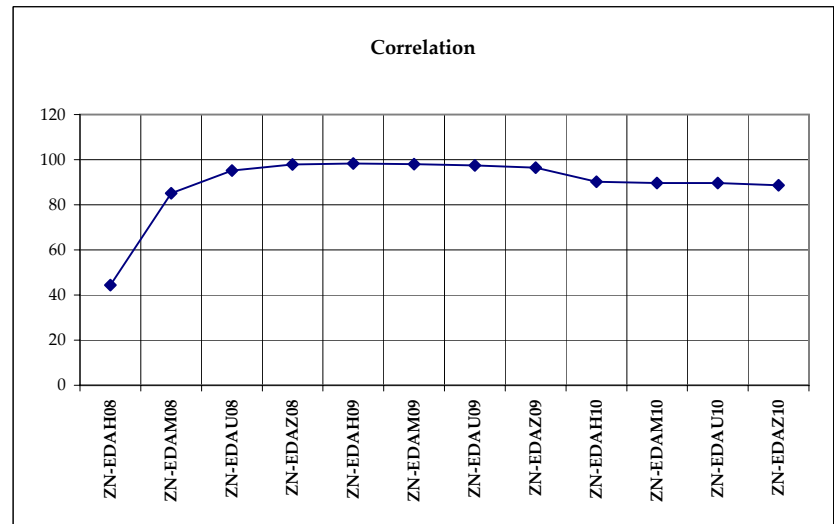
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	17.58	0.60	ZN-EDAH08	44.36
EDAM08	17.12	0.14	ZN-EDAM08	85.11
EDAU08	16.88	0.10	ZN-EDAU08	95.22
EDAZ08	16.77	0.21	ZN-EDAZ08	97.88
EDAH09	16.76	0.22	ZN-EDAH09	98.27
EDAM09	16.87	0.11	ZN-EDAM09	97.95
EDAU09	17.00	0.02	ZN-EDAU09	97.49
EDAZ09	17.14	0.16	ZN-EDAZ09	96.47
EDAH10	17.26	0.28	ZN-EDAH10	90.16
EDAM10	17.40	0.42	ZN-EDAM10	89.67
EDAU10	17.52	0.54	ZN-EDAU10	89.71
EDAZ10	17.62	0.64	ZN-EDAZ10	88.62

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	
EDAH08	0.240	5.93	5.69	ZN-EDAH08
EDAM08	0.490	5.93	5.45	ZN-EDAM08
EDAU08	0.739	5.93	5.20	ZN-EDAU08
EDAZ08	0.988	5.93	4.95	ZN-EDAZ08
EDAH09	1.238	5.93	4.70	ZN-EDAH09
EDAM09	1.487	5.93	4.45	ZN-EDAM09
EDAU09	1.736	5.93	4.20	ZN-EDAU09
EDAZ09	1.986	5.93	3.95	ZN-EDAZ09
EDAH10	2.235	5.93	3.70	ZN-EDAH10
EDAM10	2.484	5.93	3.45	ZN-EDAM10
EDAU10	2.734	5.93	3.20	ZN-EDAU10
EDAZ10	2.983	5.93	2.95	ZN-EDAZ10

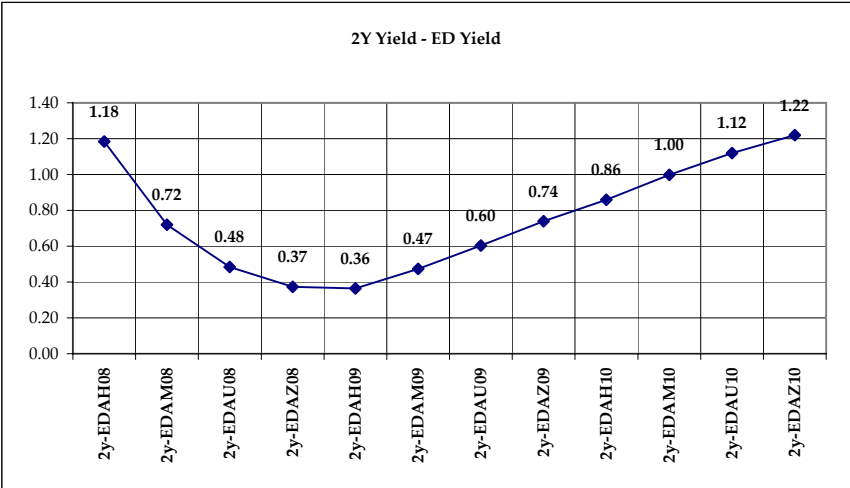
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	4.29	1.18	2y-EDAH08	4.788
EDAM08	3.82	0.72	2y-EDAM08	-53.369
EDAU08	3.59	0.48	2y-EDAU08	-72.222
EDAZ08	3.48	0.37	2y-EDAZ08	-53.369
EDAH09	3.47	0.36	2y-EDAH09	-75.639
EDAM09	3.58	0.47	2y-EDAM09	-75.980
EDAU09	3.71	0.60	2y-EDAU09	-73.952
EDAZ09	3.84	0.74	2y-EDAZ09	-69.619
EDAH10	3.96	0.86	2y-EDAH10	-65.957
EDAM10	4.10	1.00	2y-EDAM10	-64.683
EDAU10	4.22	1.12	2y-EDAU10	-64.564
EDAZ10	4.32	1.22	2y-EDAZ10	-62.558

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.

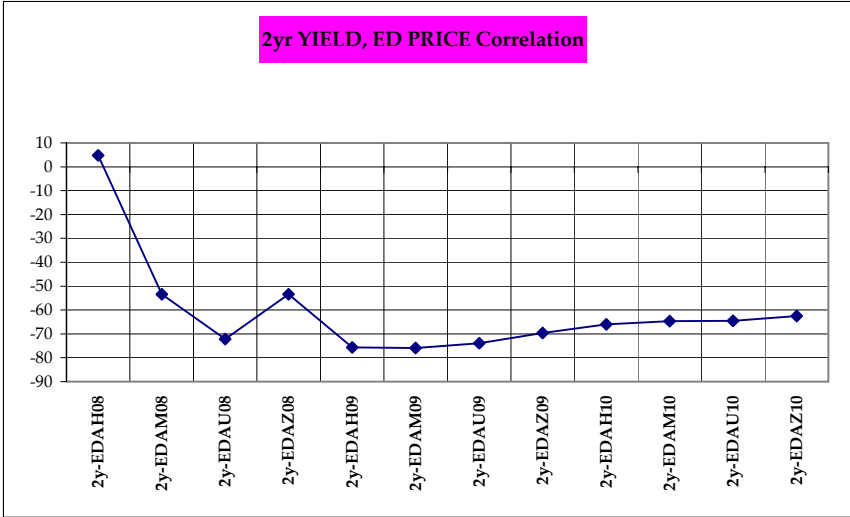


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAH08	0.240	1.87	2y-EDAH08
EDAM08	0.490	1.87	2y-EDAM08
EDAU08	0.739	1.87	2y-EDAU08
EDAZ08	0.988	1.87	2y-EDAZ08
EDAH09	1.238	1.87	2y-EDAH09
EDAM09	1.487	1.87	2y-EDAM09
EDAU09	1.736	1.87	2y-EDAU09
EDAZ09	1.986	1.87	2y-EDAZ09
EDAH10	2.235	1.87	2y-EDAH10
EDAM10	2.484	1.87	2y-EDAM10
EDAU10	2.734	1.87	2y-EDAU10
EDAZ10	2.983	1.87	2y-EDAZ10

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

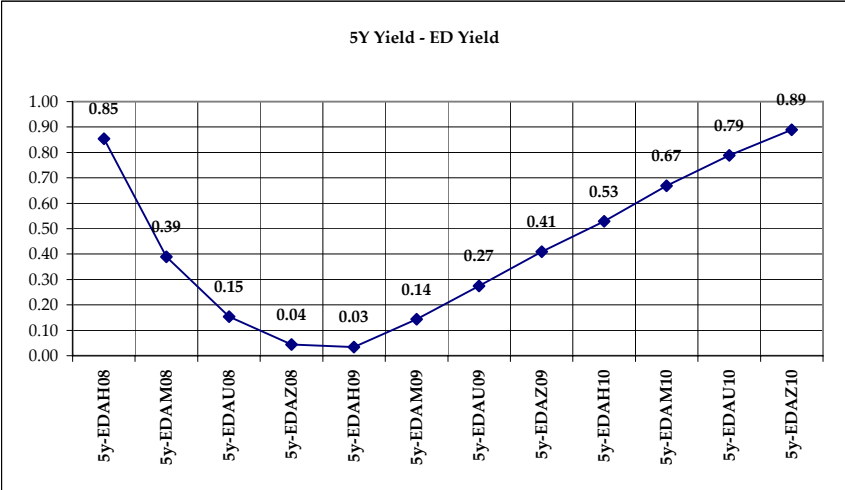
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.87	0.85	5y-EDAH08	-12.726
EDAM08	3.40	0.39	5y-EDAM08	-63.328
EDAU08	3.17	0.15	5y-EDAU08	-80.814
EDAZ08	3.06	0.04	5y-EDAZ08	-63.328
EDAH09	3.05	0.03	5y-EDAH09	-85.552
EDAM09	3.16	0.14	5y-EDAM09	-85.649
EDAU09	3.29	0.27	5y-EDAU09	-84.215
EDAZ09	3.42	0.41	5y-EDAZ09	-81.343
EDAH10	3.54	0.53	5y-EDAH10	-78.801
EDAM10	3.68	0.67	5y-EDAM10	-78.193
EDAU10	3.80	0.79	5y-EDAU10	-78.287
EDAZ10	3.90	0.89	5y-EDAZ10	-76.670

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.

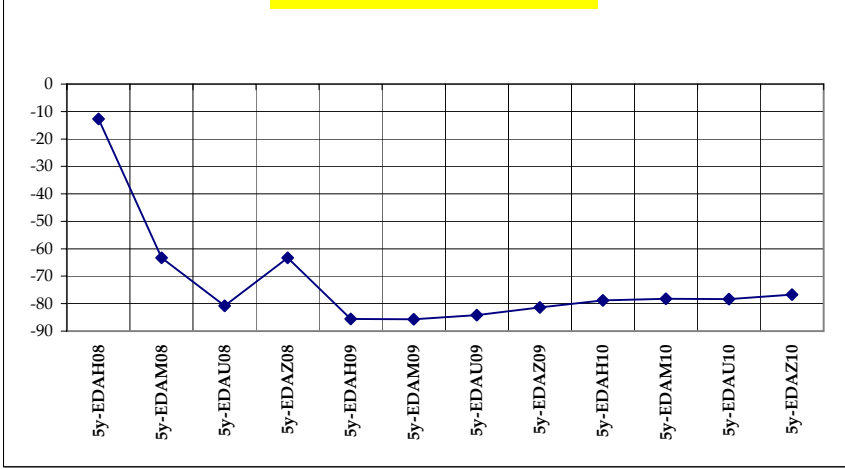


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAH08	0.240	4.51	4.27 5y-EDAH08
EDAM08	0.490	4.51	4.02 5y-EDAM08
EDAU08	0.739	4.51	3.77 5y-EDAU08
EDAZ08	0.988	4.51	3.52 5y-EDAZ08
EDAH09	1.238	4.51	3.27 5y-EDAH09
EDAM09	1.487	4.51	3.02 5y-EDAM09
EDAU09	1.736	4.51	2.77 5y-EDAU09
EDAZ09	1.986	4.51	2.52 5y-EDAZ09
EDAH10	2.235	4.51	2.27 5y-EDAH10
EDAM10	2.484	4.51	2.02 5y-EDAM10
EDAU10	2.734	4.51	1.77 5y-EDAU10
EDAZ10	2.983	4.51	1.52 5y-EDAZ10

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

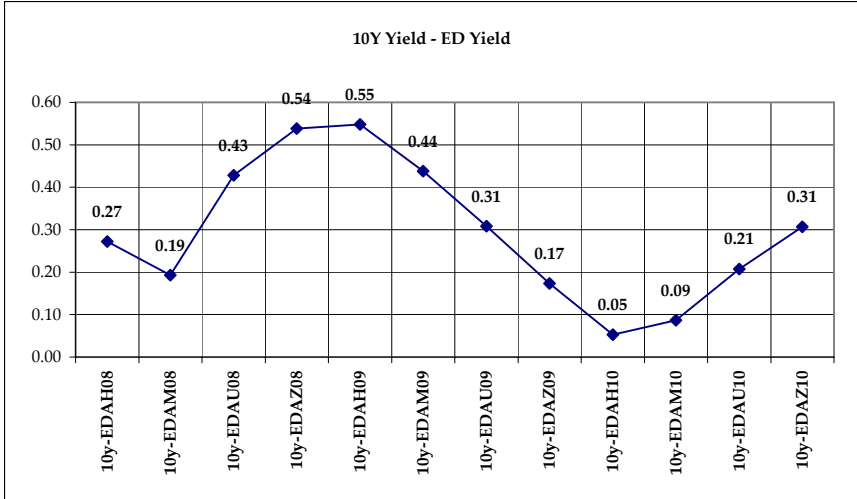
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

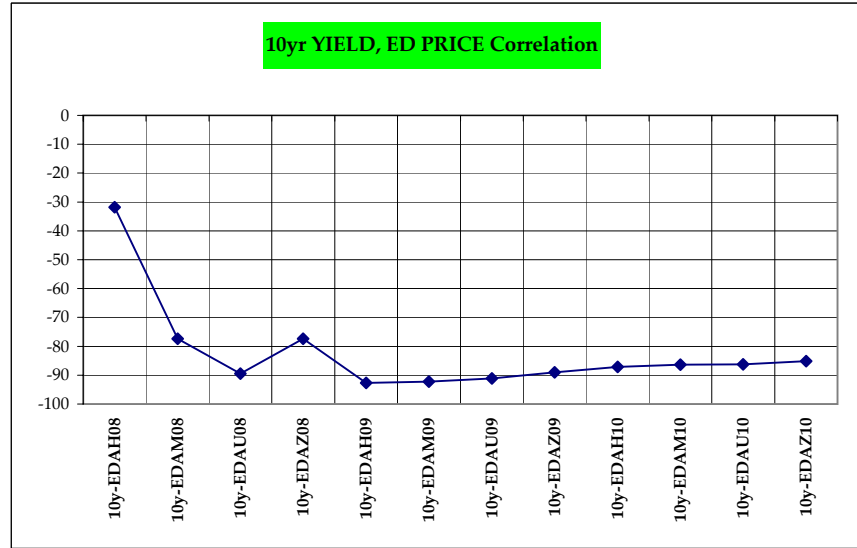
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.87	0.27	10y-EDAH08	-31.865
EDAM08	3.40	0.19	10y-EDAM08	-77.409
EDAU08	3.17	0.43	10y-EDAU08	-89.494
EDAZ08	3.06	0.54	10y-EDAZ08	-77.409
EDAH09	3.05	0.55	10y-EDAH09	-92.727
EDAM09	3.16	0.44	10y-EDAM09	-92.277
EDAU09	3.29	0.31	10y-EDAU09	-91.123
EDAZ09	3.42	0.17	10y-EDAZ09	-89.023
EDAH10	3.54	0.05	10y-EDAH10	-87.165
EDAM10	3.68	0.09	10y-EDAM10	-86.372
EDAU10	3.80	0.21	10y-EDAU10	-86.219
EDAZ10	3.90	0.31	10y-EDAZ10	-85.123

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	
EDAH08	0.240	8.00	7.76	10y-EDAH08
EDAM08	0.490	8.00	7.51	10y-EDAM08
EDAU08	0.739	8.00	7.27	10y-EDAU08
EDAZ08	0.988	8.00	7.02	10y-EDAZ08
EDAH09	1.238	8.00	6.77	10y-EDAH09
EDAM09	1.487	8.00	6.52	10y-EDAM09
EDAU09	1.736	8.00	6.27	10y-EDAU09
EDAZ09	1.986	8.00	6.02	10y-EDAZ09
EDAH10	2.235	8.00	5.77	10y-EDAH10
EDAM10	2.484	8.00	5.52	10y-EDAM10
EDAU10	2.734	8.00	5.27	10y-EDAU10
EDAZ10	2.983	8.00	5.02	10y-EDAZ10

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

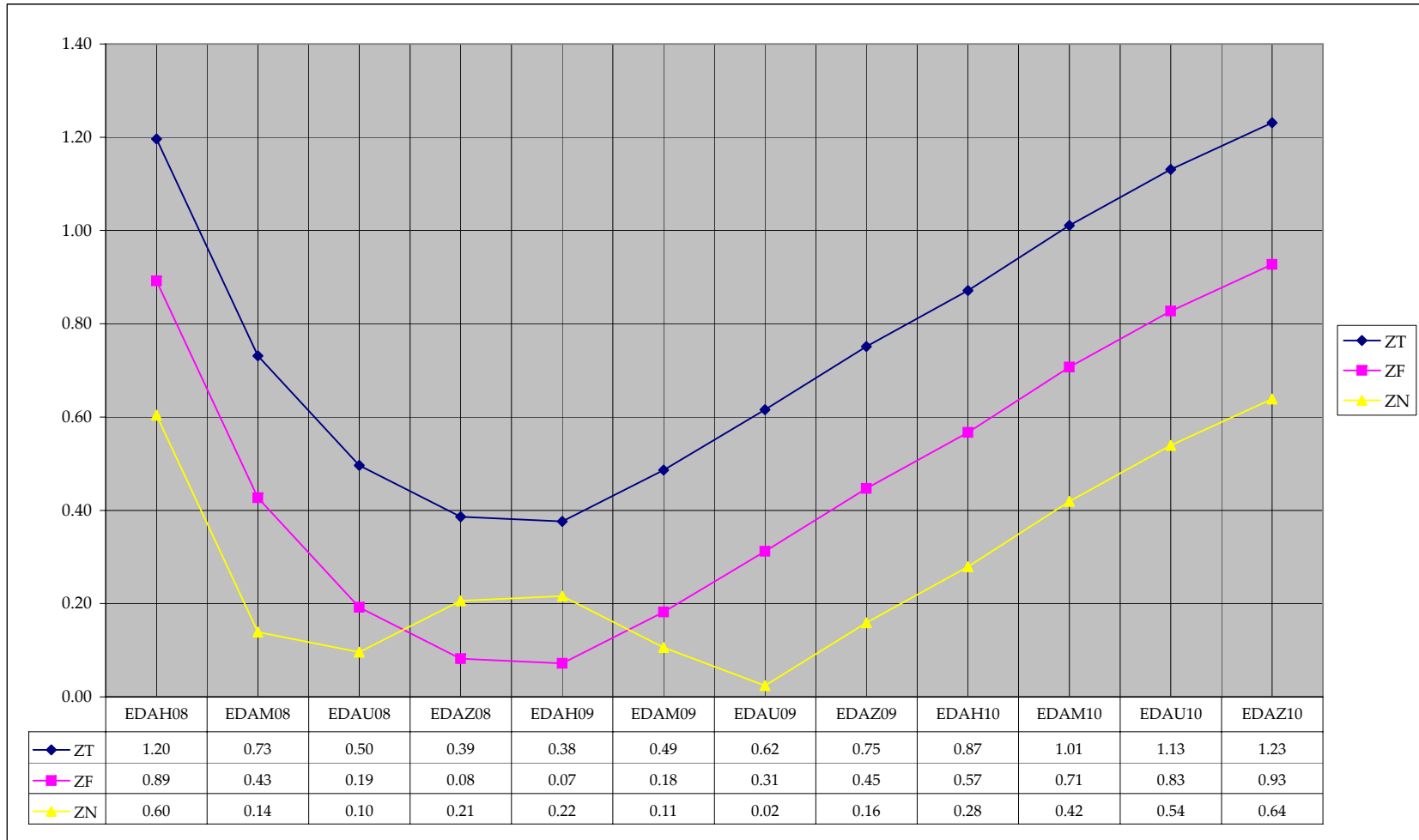


Dirty TED Curve

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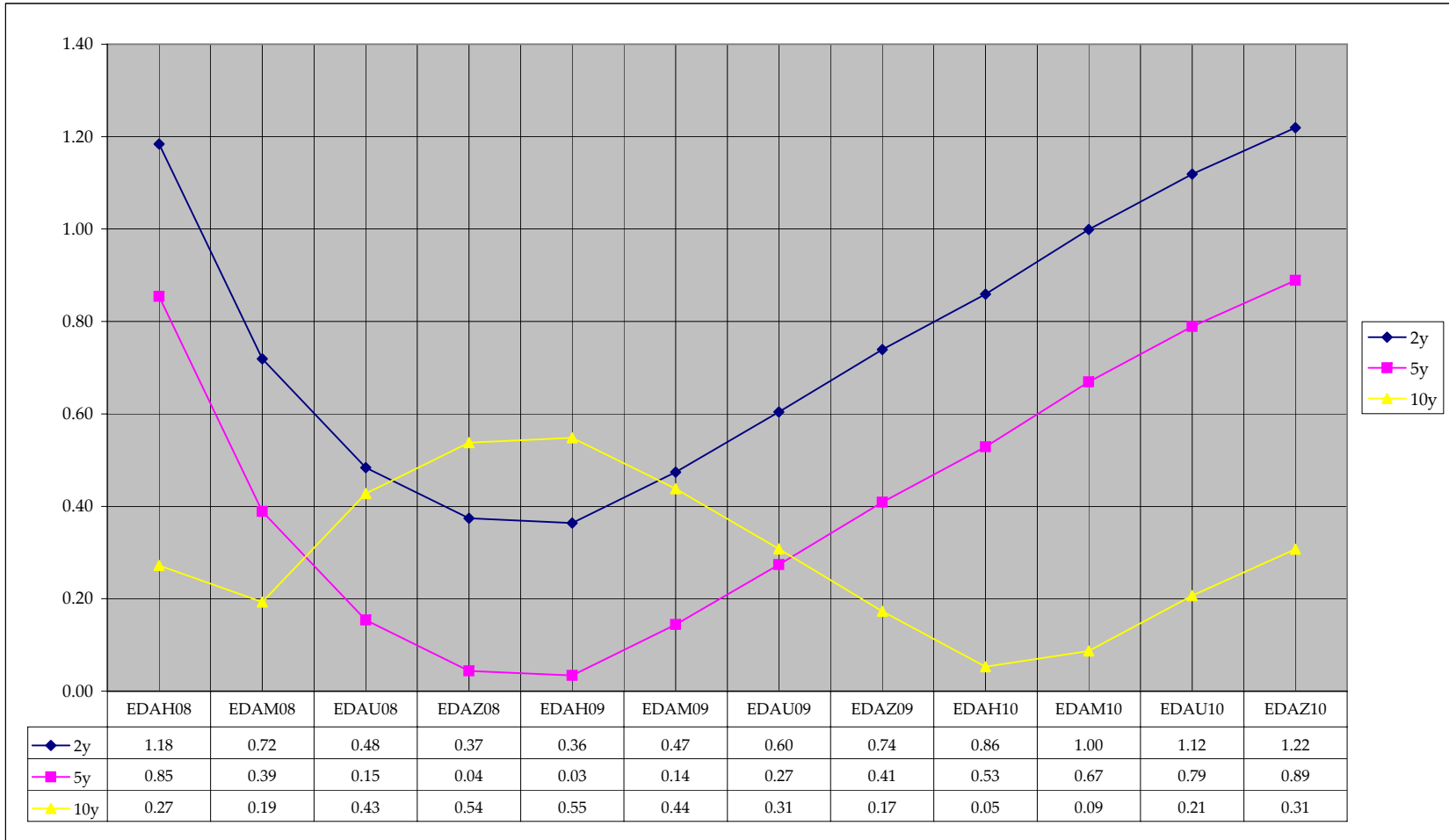
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

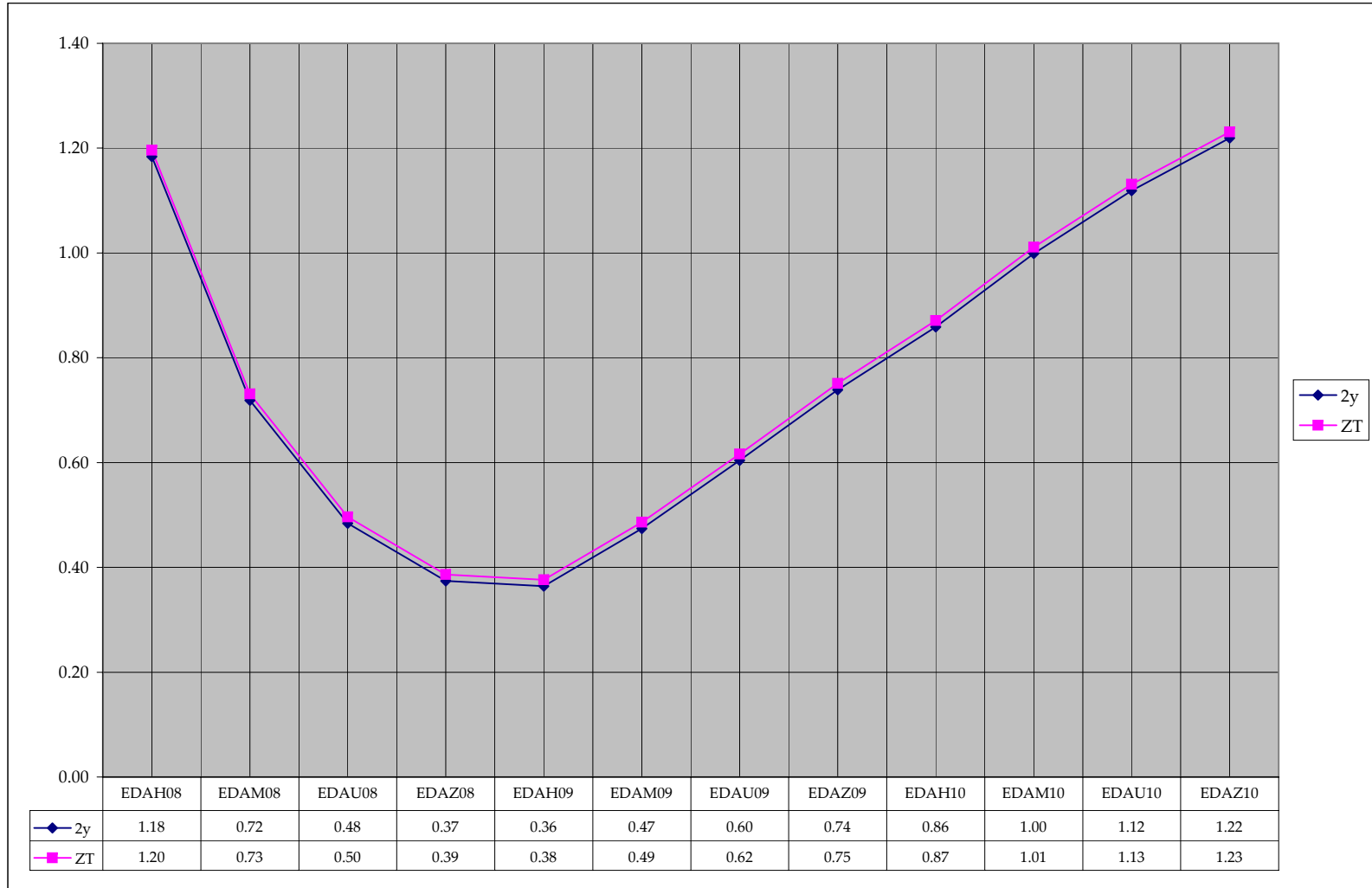


TED Curve

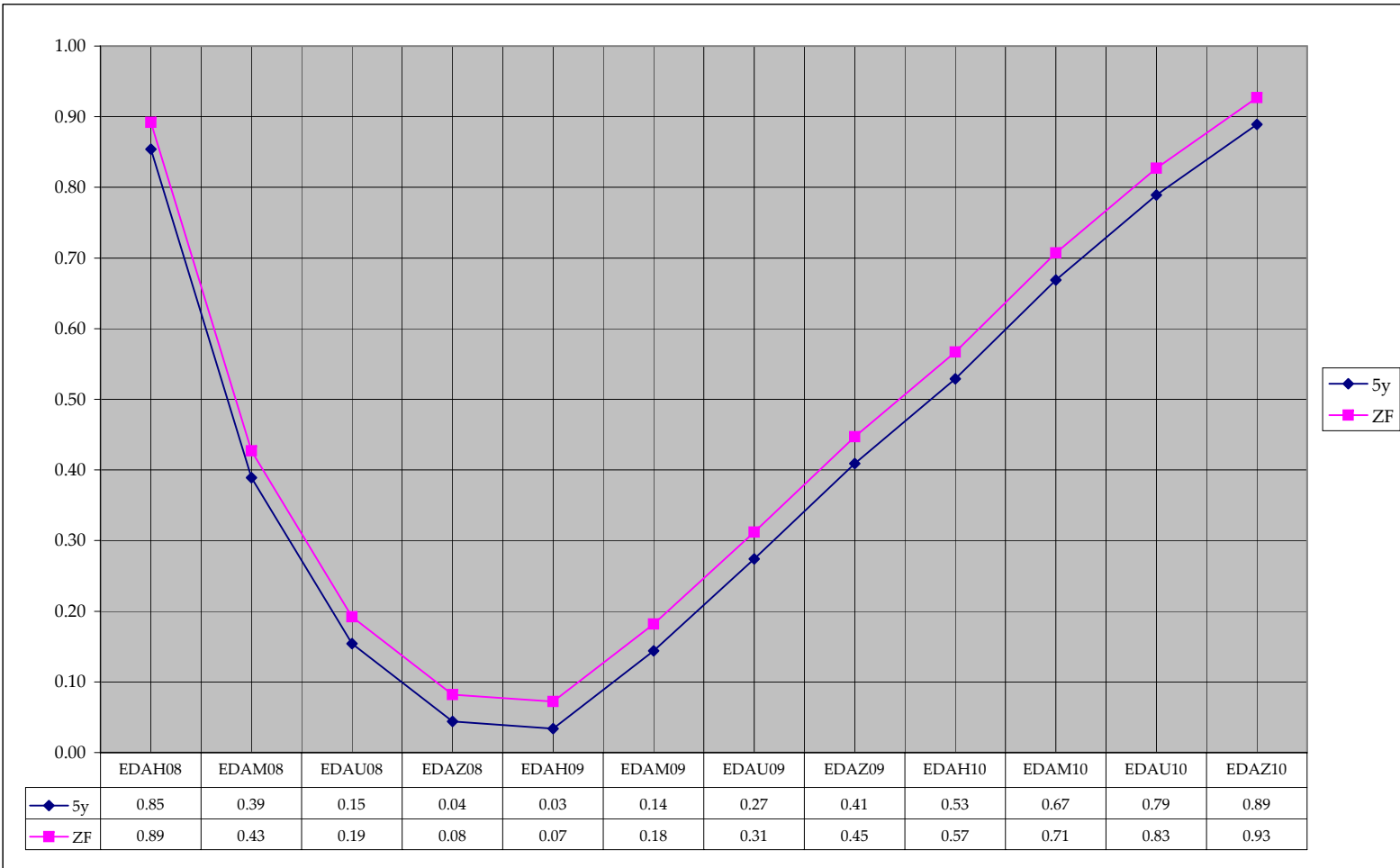
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



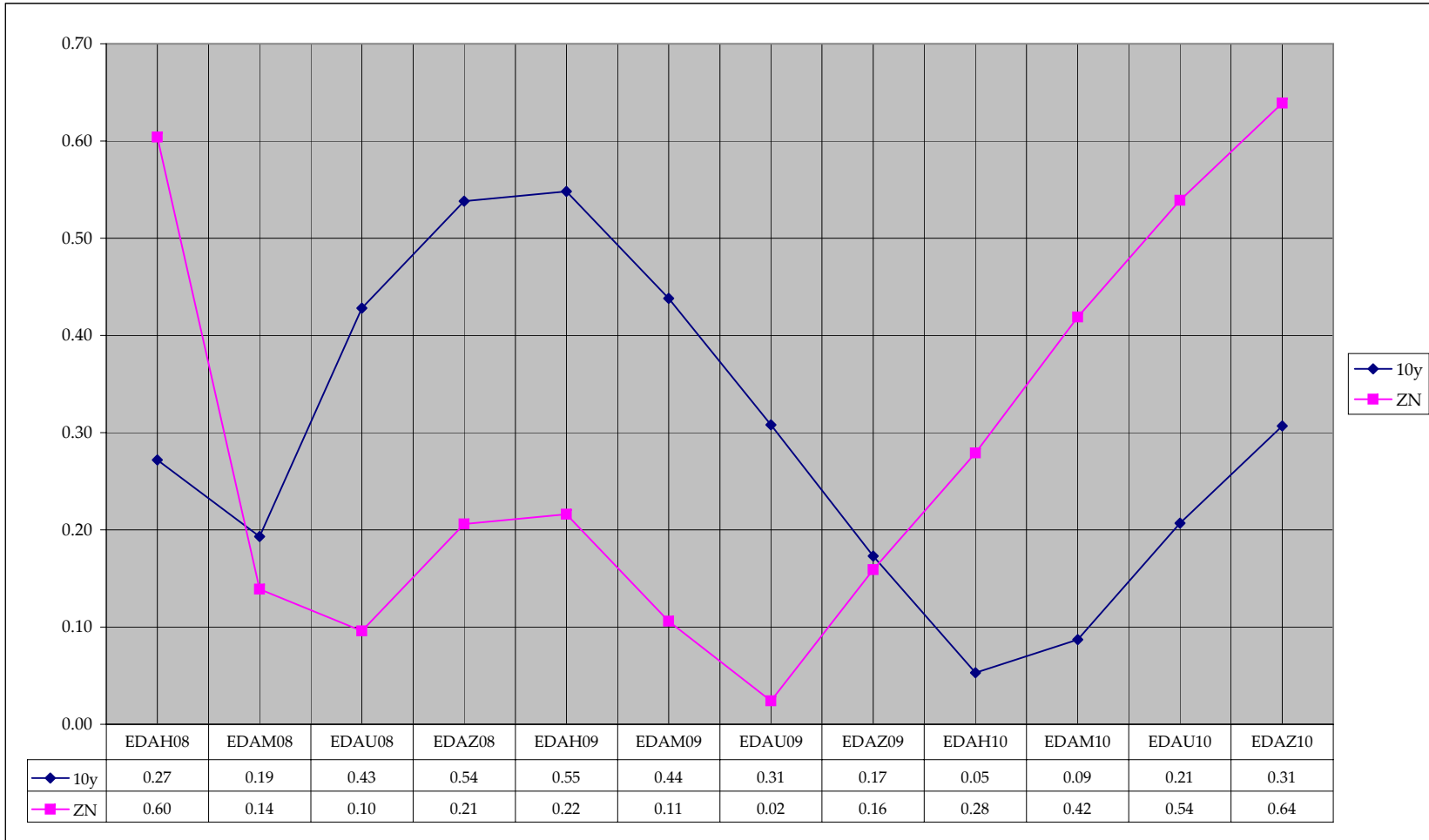
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	3.927	-1.500	9616.375
Q.ED.Red	3.777	0.125	9630.875
Q.ED.Green	4.298	0.375	9580.500
Q.ED.Blue	0.000	0.000	9541.500
Q.ED.Gold	0.000	0.000	9512.375

