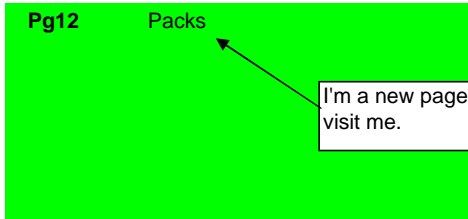


The Morning Email: TERM TEDS & Dirty TEDS

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I'm a new page, come and visit me.

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	101.9219	101.295	4.860	1.85	
ZF	104.1250	104.040	4.902	3.93	
ZN	105.7188	105.230	4.925	5.76	
2y	100.031	100.0100	4.859	1.98	
5y	99.813	99.2600	4.918	4.38	
10y	95.891	95.2850	5.031	7.79	

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.670	5.330	77	0.210	SEP	} White Pack
EDAZ07	94.720	5.280	168	0.460	DEC	
EDAH08	94.805	5.195	259	0.709	MAR	
EDAM08	94.850	5.150	350	0.958	JUN	} Red Pack
EDAU08	94.845	5.155	441	1.208	SEP	
EDAZ08	94.805	5.195	532	1.457	DEC	
EDAH09	94.765	5.235	623	1.706	MAR	} Green Pack
EDAM09	94.720	5.280	714	1.955	JUN	
EDAU09	94.670	5.330	805	2.205	SEP	
EDAZ09	94.615	5.385	896	2.454	DEC	
EDAH10	94.580	5.420	987	2.703	MAR	
EDAM10	94.550	5.450	1078	2.953	JUN	
EDAU10	#VALUE!	#VALUE!	1169	3.202	SEP	
EDAZ10	#VALUE!	#VALUE!	1260	3.451	DEC	
EDAH11	#VALUE!	#VALUE!	1351	3.701	MAR	
EDAM11	#VALUE!	#VALUE!	1442	3.950	JUN	
EDAU11	94.410	5.590	1540	4.218	SEP	
EDAZ11	#VALUE!	#VALUE!	1631	4.468	DEC	
EDAH12	94.305	5.695	1722	4.717	MAR	
EDAM12	94.275	5.725	1813	4.966	JUN	

Notes
 Futures use CTD for Last Yield
 Mduration = Modified Macaulay Duration

	Last Yield	Net Yield	Last Price	
Q.ED.White	5.382	1.125	9476.125	} Pack Prices
Q.ED.Red	5.359	2.750	9478.375	
Q.ED.Green	5.546	2.000	9460.375	
Q.ED.Blue		0.000	9444.125	
Q.ED.Gold		0.000	9431.750	
Q.ED.Purple		0.000	9431.750	

Overview of Hedging

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Page A

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

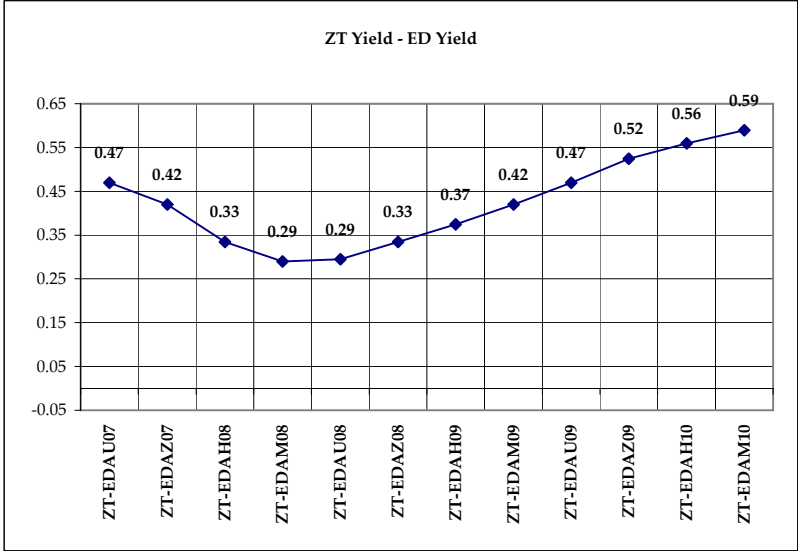
Eurodollar Color Codes for Individual Year Strips:

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

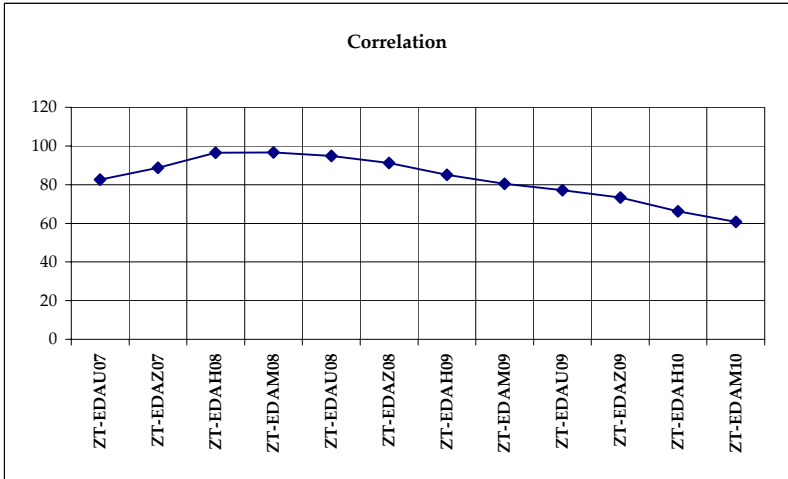
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.252	0.47	ZT-EDAU07	82.659
EDAZ07	7.202	0.42	ZT-EDAZ07	88.677
EDAH08	7.117	0.33	ZT-EDAH08	96.536
EDAM08	7.072	0.29	ZT-EDAM08	96.670
EDAU08	7.077	0.29	ZT-EDAU08	94.765
EDAZ08	7.117	0.33	ZT-EDAZ08	91.193
EDAH09	7.157	0.37	ZT-EDAH09	85.132
EDAM09	7.202	0.42	ZT-EDAM09	80.385
EDAU09	7.252	0.47	ZT-EDAU09	77.201
EDAZ09	7.307	0.52	ZT-EDAZ09	73.344
EDAH10	7.342	0.56	ZT-EDAH10	66.196
EDAM10	7.372	0.59	ZT-EDAM10	60.666

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		
EDAU07	0.210	1.85	1.64	ZT-EDAU07
EDAZ07	0.460	1.85	1.39	ZT-EDAZ07
EDAH08	0.709	1.85	1.14	ZT-EDAH08
EDAM08	0.958	1.85	0.89	ZT-EDAM08
EDAU08	1.208	1.85	0.64	ZT-EDAU08
EDAZ08	1.457	1.85	0.39	ZT-EDAZ08
EDAH09	1.706	1.85	0.14	ZT-EDAH09
EDAM09	1.955	1.85	(0.11)	ZT-EDAM09
EDAU09	2.205	1.85	(0.36)	ZT-EDAU09
EDAZ09	2.454	1.85	(0.61)	ZT-EDAZ09
EDAH10	2.703	1.85	(0.86)	ZT-EDAH10
EDAM10	2.953	1.85	(1.11)	ZT-EDAM10

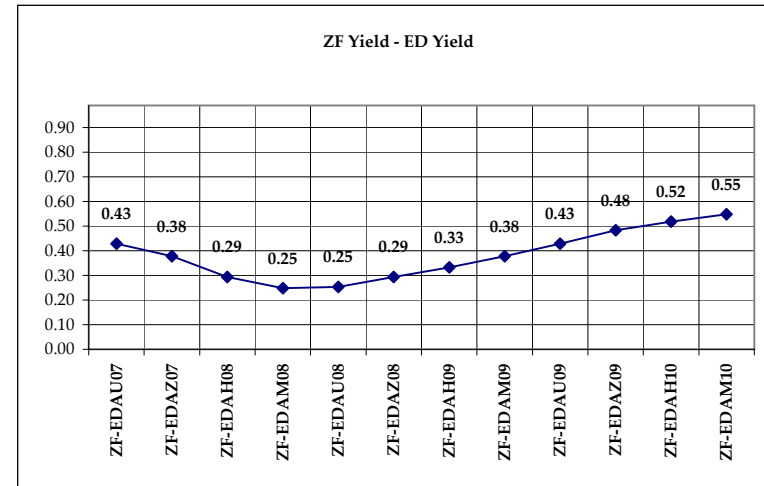
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.46	0.43	ZF-EDAU07	69.753
EDAZ07	9.41	0.38	ZF-EDAZ07	78.989
EDAH08	9.32	0.29	ZF-EDAH08	91.316
EDAM08	9.28	0.25	ZF-EDAM08	94.248
EDAU08	9.28	0.25	ZF-EDAU08	95.133
EDAZ08	9.32	0.29	ZF-EDAZ08	93.891
EDAH09	9.36	0.33	ZF-EDAH09	91.620
EDAM09	9.41	0.38	ZF-EDAM09	89.321
EDAU09	9.46	0.43	ZF-EDAU09	88.303
EDAZ09	9.51	0.48	ZF-EDAZ09	85.969
EDAH10	9.55	0.52	ZF-EDAH10	81.173
EDAM10	9.58	0.55	ZF-EDAM10	77.450

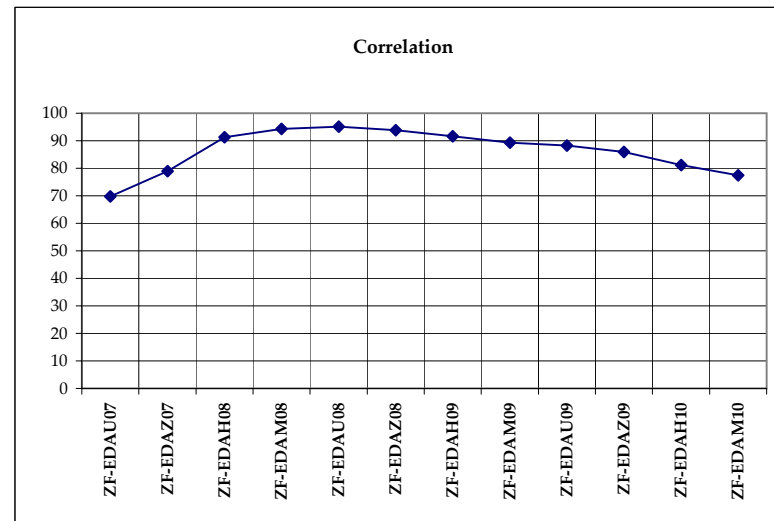
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.210	3.93	3.72
EDAZ07	0.460	3.93	3.47
EDAH08	0.709	3.93	3.22
EDAM08	0.958	3.93	2.98
EDAU08	1.208	3.93	2.73
EDAZ08	1.457	3.93	2.48
EDAH09	1.706	3.93	2.23
EDAM09	1.955	3.93	1.98
EDAU09	2.205	3.93	1.73
EDAZ09	2.454	3.93	1.48
EDAH10	2.703	3.93	1.23
EDAM10	2.953	3.93	0.98

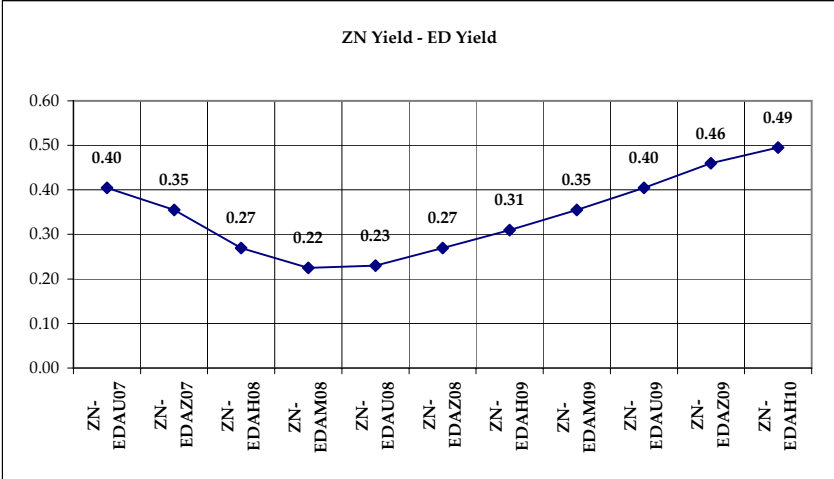
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

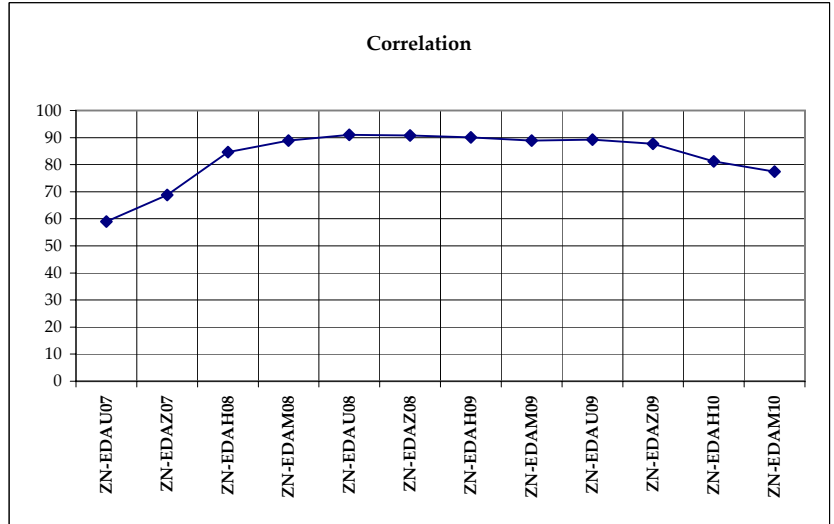
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	11.05	0.40	ZN-EDAU07	59.00
EDAZ07	11.00	0.35	ZN-EDAZ07	68.81
EDAH08	10.91	0.27	ZN-EDAH08	84.64
EDAM08	10.87	0.22	ZN-EDAM08	88.93
EDAU08	10.87	0.23	ZN-EDAU08	91.06
EDAZ08	10.91	0.27	ZN-EDAZ08	90.74
EDAH09	10.95	0.31	ZN-EDAH09	90.05
EDAM09	11.00	0.35	ZN-EDAM09	88.90
EDAU09	11.05	0.40	ZN-EDAU09	89.24
EDAZ09	11.10	0.46	ZN-EDAZ09	87.74
EDAH10	11.14	0.49	ZN-EDAH10	81.17
EDAM10	11.17	0.52	ZN-EDAM10	77.45

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	
EDAU07	0.210	5.76	5.55	ZN-EDAU07
EDAZ07	0.460	5.76	5.30	ZN-EDAZ07
EDAH08	0.709	5.76	5.05	ZN-EDAH08
EDAM08	0.958	5.76	4.80	ZN-EDAM08
EDAU08	1.208	5.76	4.55	ZN-EDAU08
EDAZ08	1.457	5.76	4.30	ZN-EDAZ08
EDAH09	1.706	5.76	4.05	ZN-EDAH09
EDAM09	1.955	5.76	3.80	ZN-EDAM09
EDAU09	2.205	5.76	3.55	ZN-EDAU09
EDAZ09	2.454	5.76	3.30	ZN-EDAZ09
EDAH10	2.703	5.76	3.05	ZN-EDAH10
EDAM10	2.953	5.76	2.80	ZN-EDAM10

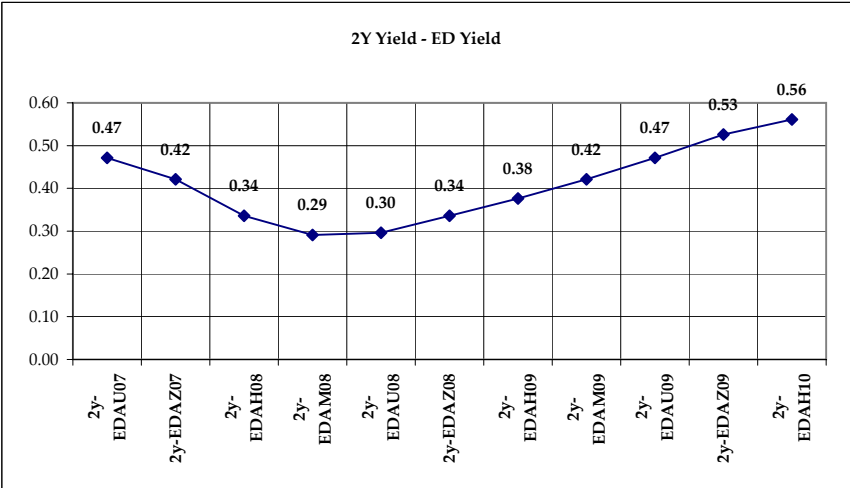
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.36	0.47	2y-EDAU07	-78.202
EDAZ07	5.31	0.42	2y-EDAZ07	-91.860
EDAH08	5.23	0.34	2y-EDAH08	-97.624
EDAM08	5.18	0.29	2y-EDAM08	-96.731
EDAU08	5.19	0.30	2y-EDAU08	-93.200
EDAZ08	5.23	0.34	2y-EDAZ08	-96.731
EDAH09	5.27	0.38	2y-EDAH09	-82.719
EDAM09	5.31	0.42	2y-EDAM09	-76.268
EDAU09	5.36	0.47	2y-EDAU09	-71.410
EDAZ09	5.42	0.53	2y-EDAZ09	-66.976
EDAH10	5.45	0.56	2y-EDAH10	-59.010
EDAM10	5.48	0.59	2y-EDAM10	-52.423

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days.
 These are measuring YIELD correlations.

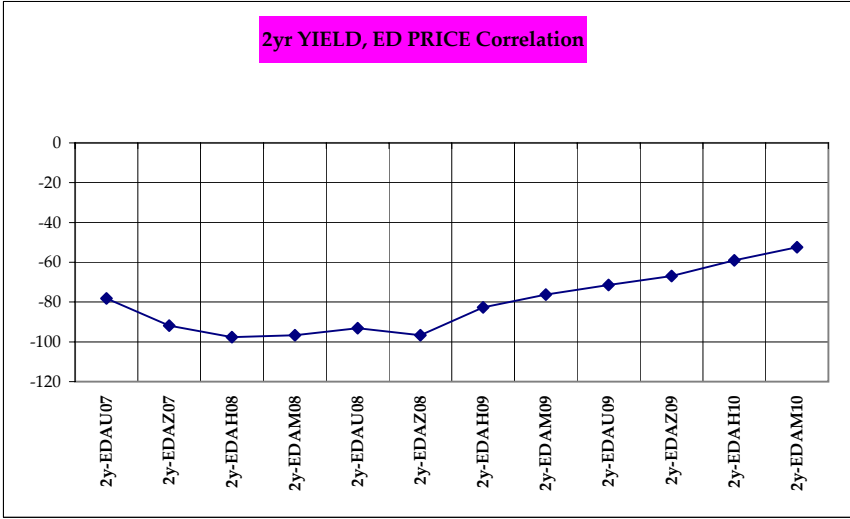


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.210	1.77	2y-EDAU07
EDAZ07	0.460	1.52	2y-EDAZ07
EDAH08	0.709	1.28	2y-EDAH08
EDAM08	0.958	1.03	2y-EDAM08
EDAU08	1.208	0.78	2y-EDAU08
EDAZ08	1.457	0.53	2y-EDAZ08
EDAH09	1.706	0.28	2y-EDAH09
EDAM09	1.955	0.03	2y-EDAM09
EDAU09	2.205	(0.22)	2y-EDAU09
EDAZ09	2.454	(0.47)	2y-EDAZ09
EDAH10	2.703	(0.72)	2y-EDAH10
EDAM10	2.953	(0.97)	2y-EDAM10

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

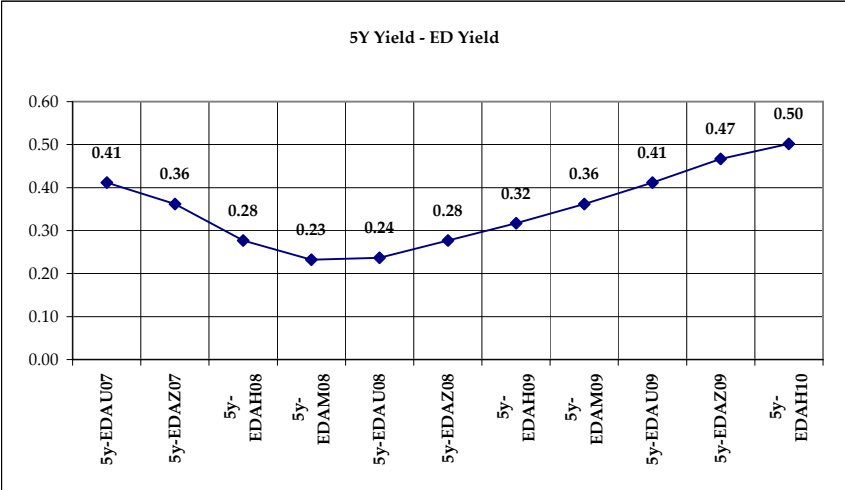
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.14	0.41	5y-EDAU07	-65.933
EDAZ07	5.09	0.36	5y-EDAZ07	-79.500
EDAH08	5.01	0.28	5y-EDAH08	-92.723
EDAM08	4.96	0.23	5y-EDAM08	-95.391
EDAU08	4.97	0.24	5y-EDAU08	-95.461
EDAZ08	5.01	0.28	5y-EDAZ08	-95.391
EDAH09	5.05	0.32	5y-EDAH09	-91.334
EDAM09	5.09	0.36	5y-EDAM09	-88.232
EDAU09	5.14	0.41	5y-EDAU09	-86.669
EDAZ09	5.20	0.47	5y-EDAZ09	-84.089
EDAH10	5.23	0.50	5y-EDAH10	-79.002
EDAM10	5.26	0.53	5y-EDAM10	-75.478

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.

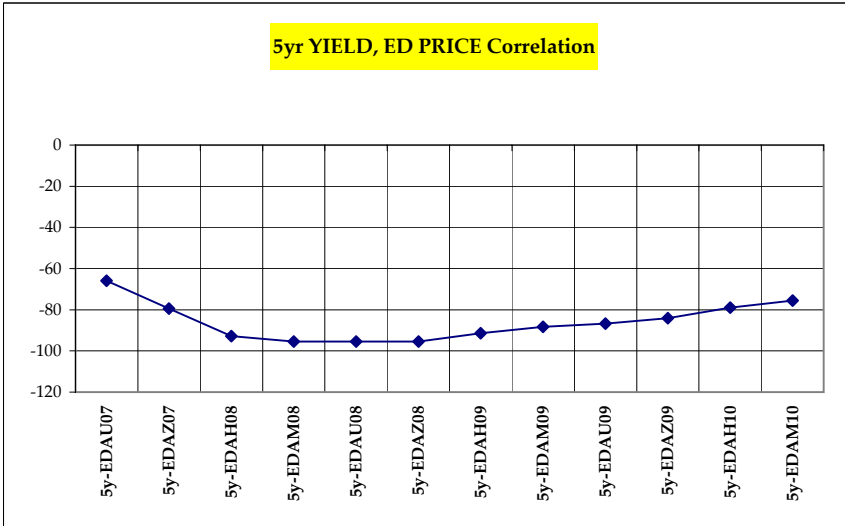


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.210	4.38	4.17	5y-EDAU07
EDAZ07	0.460	4.38	3.92	5y-EDAZ07
EDAH08	0.709	4.38	3.67	5y-EDAH08
EDAM08	0.958	4.38	3.42	5y-EDAM08
EDAU08	1.208	4.38	3.17	5y-EDAU08
EDAZ08	1.457	4.38	2.92	5y-EDAZ08
EDAH09	1.706	4.38	2.67	5y-EDAH09
EDAM09	1.955	4.38	2.43	5y-EDAM09
EDAU09	2.205	4.38	2.18	5y-EDAU09
EDAZ09	2.454	4.38	1.93	5y-EDAZ09
EDAH10	2.703	4.38	1.68	5y-EDAH10
EDAM10	2.953	4.38	1.43	5y-EDAM10

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

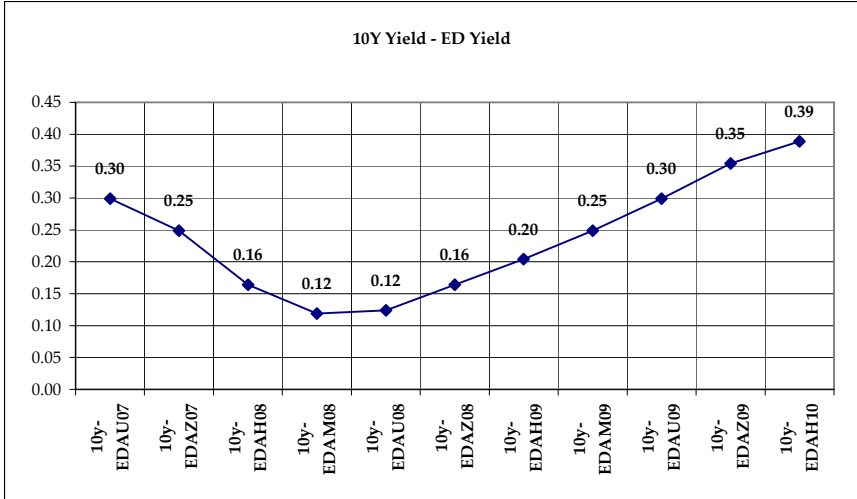
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.14	0.30	10y-EDAU07	-47.949
EDAZ07	5.09	0.25	10y-EDAZ07	-62.791
EDAH08	5.01	0.16	10y-EDAH08	-80.746
EDAM08	4.96	0.12	10y-EDAM08	-86.135
EDAU08	4.97	0.12	10y-EDAU08	-89.372
EDAZ08	5.01	0.16	10y-EDAZ08	-86.135
EDAH09	5.05	0.20	10y-EDAH09	-91.323
EDAM09	5.09	0.25	10y-EDAM09	-90.541
EDAU09	5.14	0.30	10y-EDAU09	-91.183
EDAZ09	5.20	0.35	10y-EDAZ09	-90.208
EDAH10	5.23	0.39	10y-EDAH10	-87.723
EDAM10	5.26	0.42	10y-EDAM10	-86.201

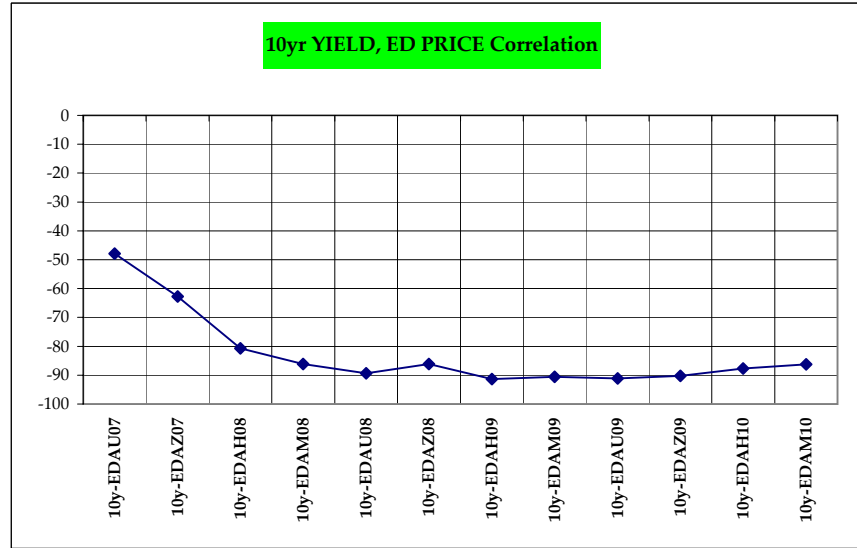
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.



GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.210	7.79	7.58	10y-EDAU07
EDAZ07	0.460	7.79	7.33	10y-EDAZ07
EDAH08	0.709	7.79	7.08	10y-EDAH08
EDAM08	0.958	7.79	6.83	10y-EDAM08
EDAU08	1.208	7.79	6.58	10y-EDAU08
EDAZ08	1.457	7.79	6.33	10y-EDAZ08
EDAH09	1.706	7.79	6.08	10y-EDAH09
EDAM09	1.955	7.79	5.83	10y-EDAM09
EDAU09	2.205	7.79	5.58	10y-EDAU09
EDAZ09	2.454	7.79	5.33	10y-EDAZ09
EDAH10	2.703	7.79	5.08	10y-EDAH10
EDAM10	2.953	7.79	4.83	10y-EDAM10

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

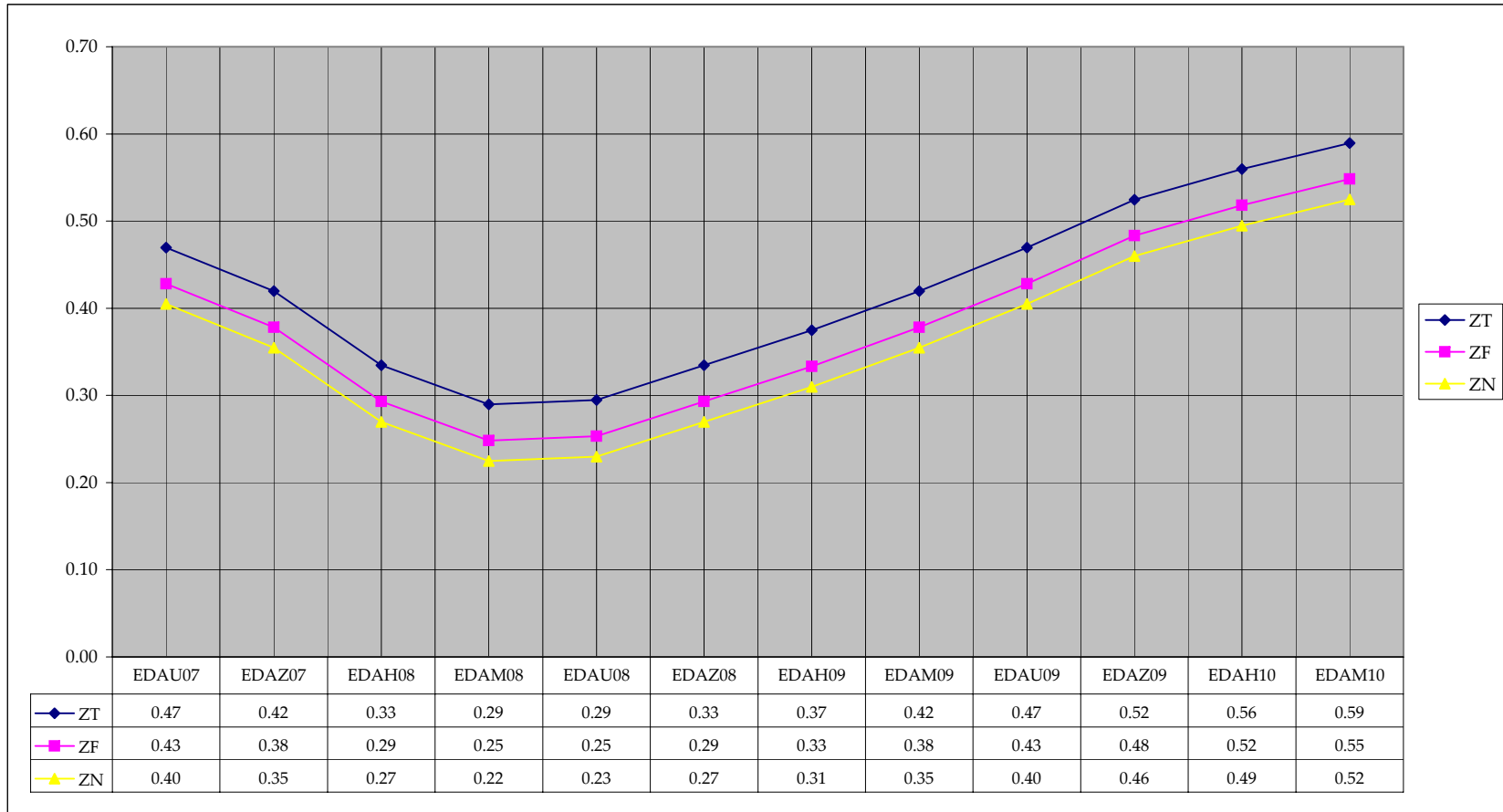


Dirty TED Curve

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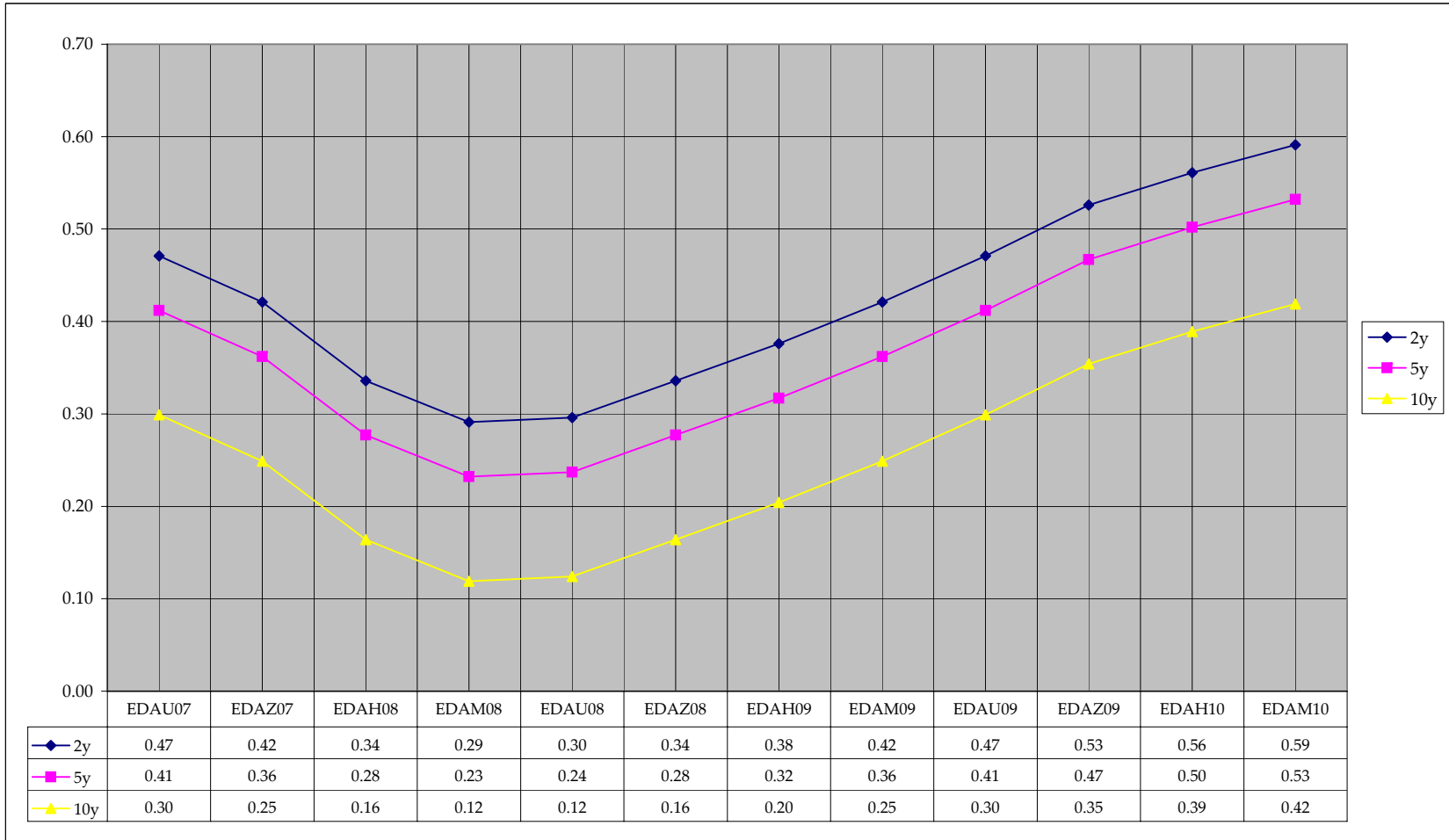
Page 7

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.

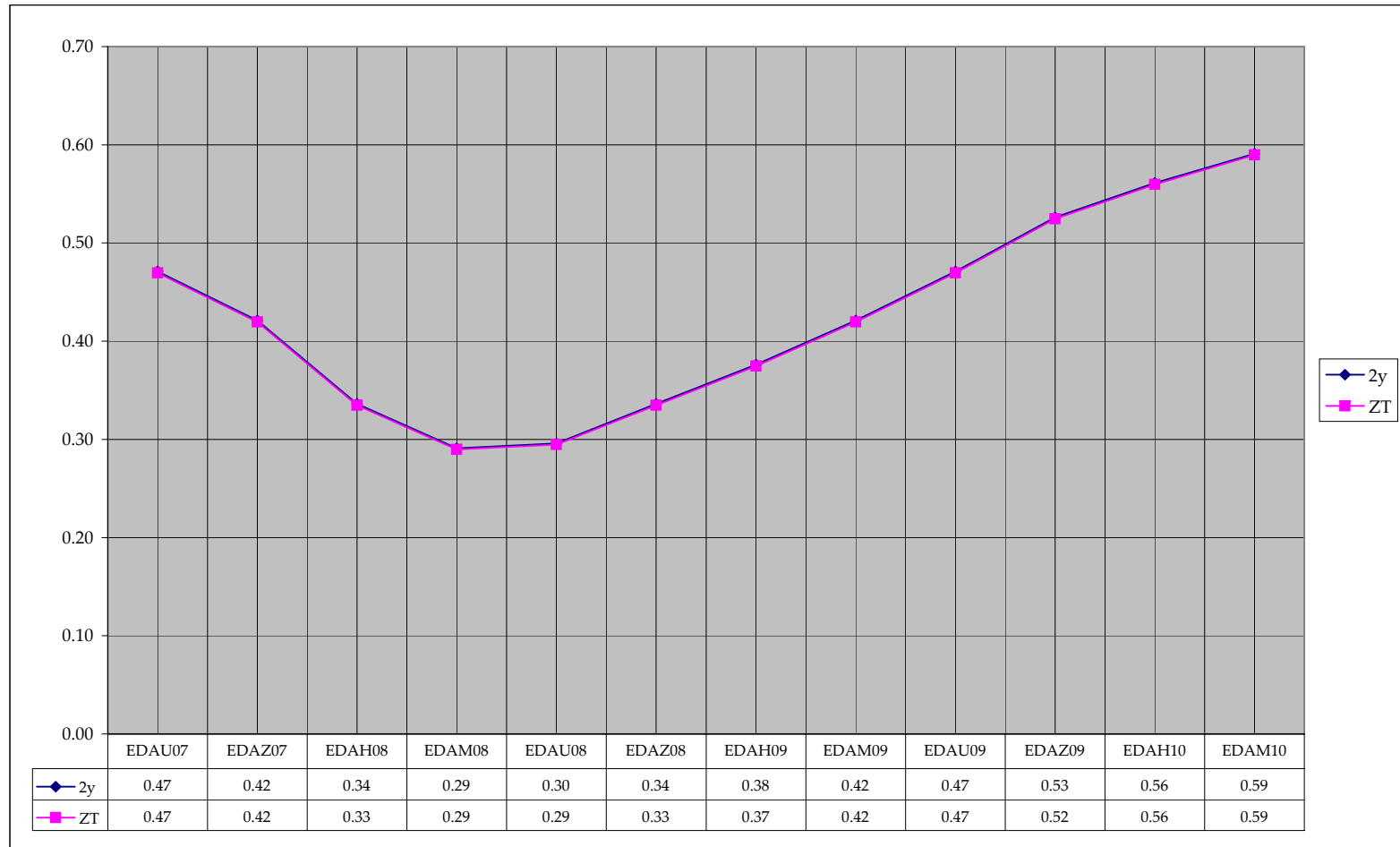


TED Curve

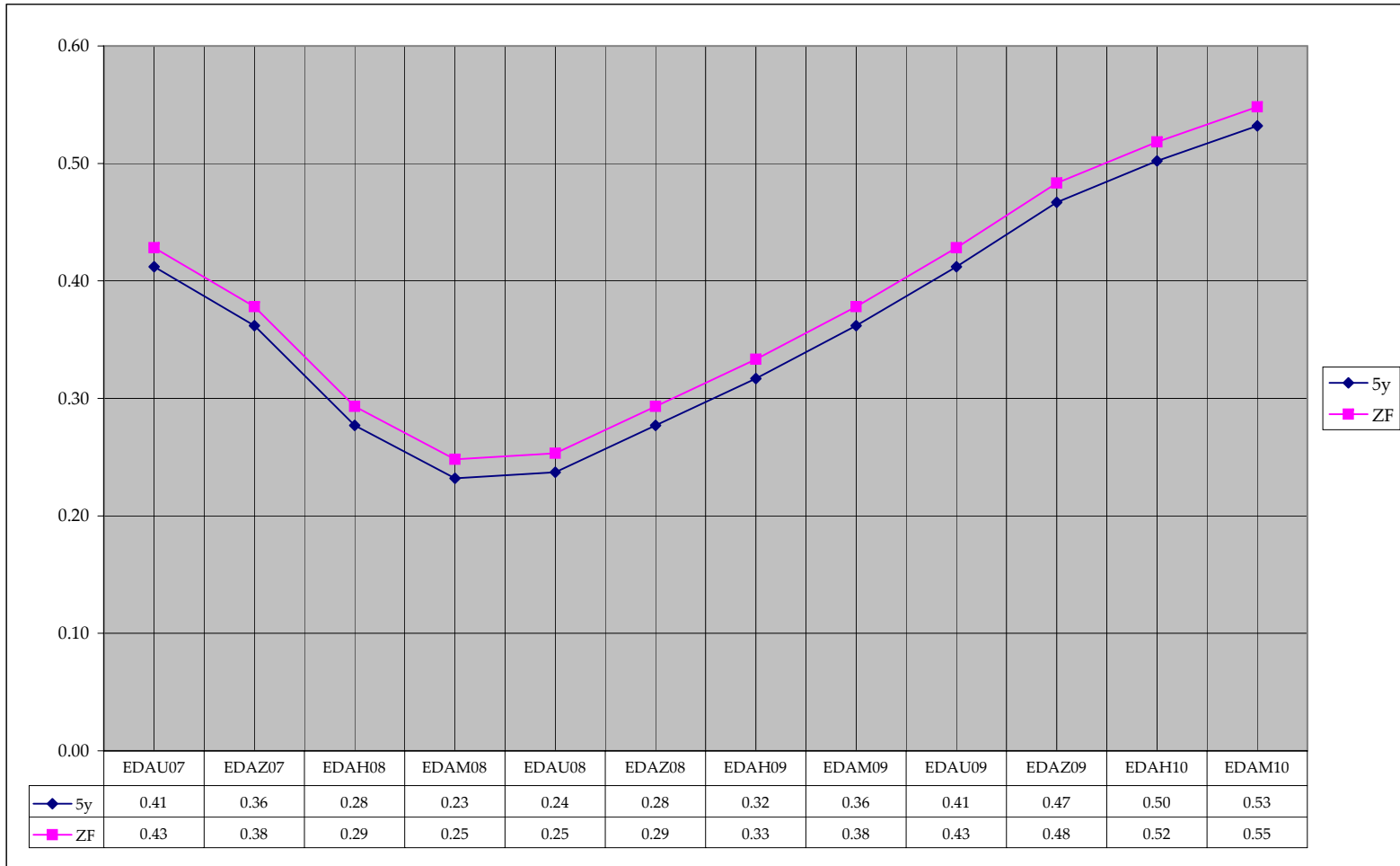
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



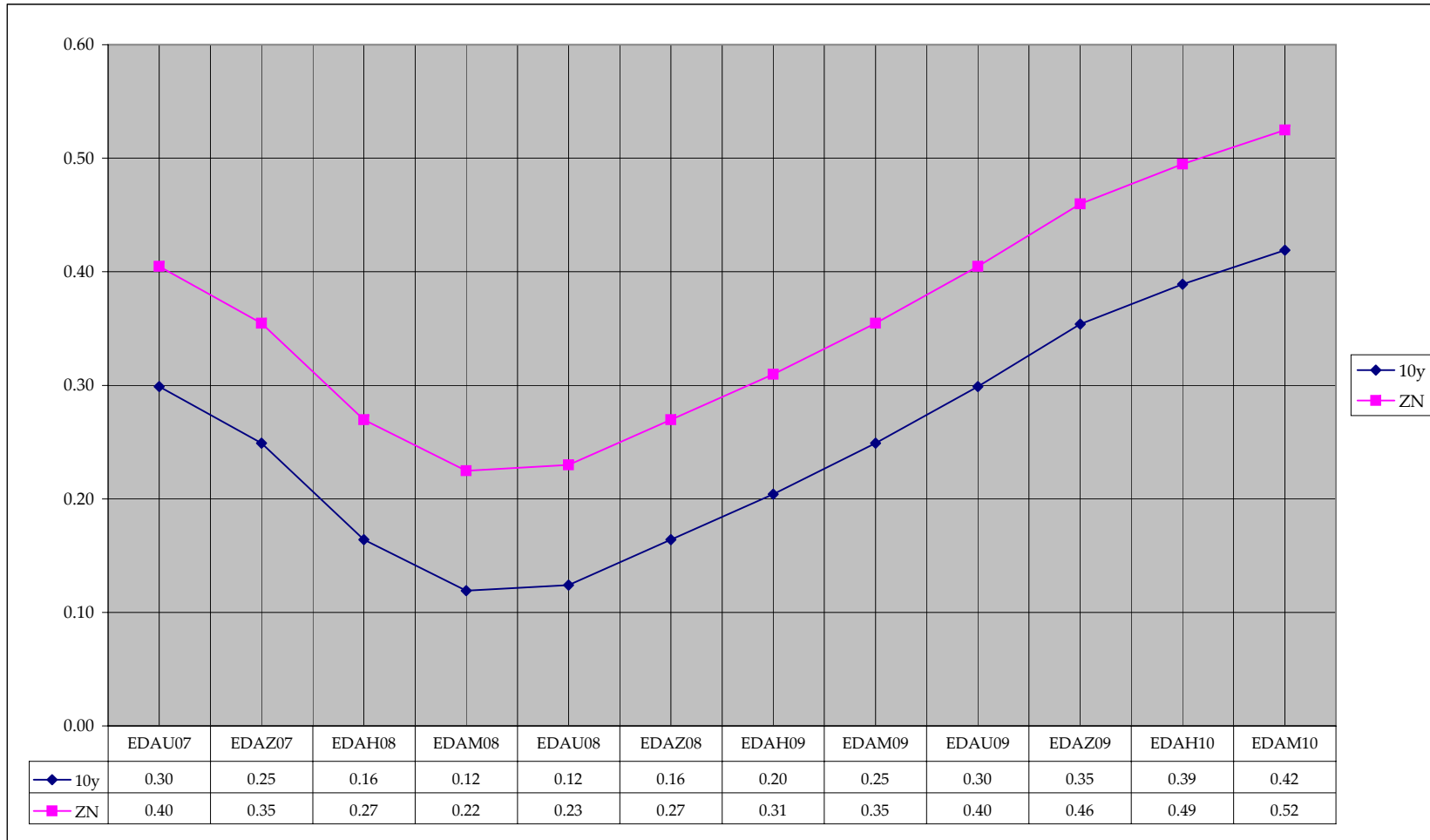
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

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	last Yield	Net Last Yield	Last Price	Duration			
Q.ED.White	5.382	1.125	9476.125				
Q.ED.Red	5.359	2.750	9478.375				
Q.ED.Green	5.546	2.000	9460.375				
Q.ED.Blue		0.000	9444.125				
Q.ED.Gold		0.000	9431.750				
Q.ED.Purple		0.000	9431.750				

