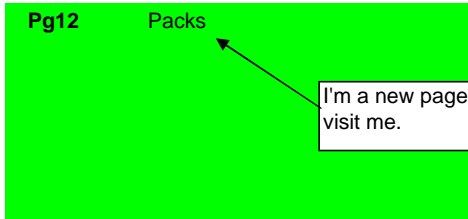


The Morning Email: TERM TEDS & Dirty TEDS

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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	101.8281	101.265	4.913	1.84	
ZF	103.9531	103.305	4.951	3.92	
ZN	105.3906	105.125	5.002	5.74	
2y	99.928	99.2970	4.909	1.98	
5y	99.584	99.1870	4.968	4.37	
10y	95.578	95.1850	5.073	7.77	

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.660	5.340	74	0.202	SEP	} White Pack
EDAZ07	94.680	5.320	165	0.451	DEC	
EDAH08	94.750	5.250	256	0.701	MAR	
EDAM08	94.795	5.205	347	0.950	JUN	} Red Pack
EDAU08	94.795	5.205	438	1.199	SEP	
EDAZ08	94.765	5.235	529	1.449	DEC	
EDAH09	94.720	5.280	620	1.698	MAR	} Green Pack
EDAM09	94.670	5.330	711	1.947	JUN	
EDAU09	94.625	5.375	802	2.197	SEP	
EDAZ09	94.575	5.425	893	2.446	DEC	}
EDAH10	94.550	5.450	984	2.695	MAR	
EDAM10	94.510	5.490	1075	2.945	JUN	
EDAU10	94.475	5.525	1166	3.194	SEP	}
EDAZ10	94.440	5.560	1257	3.443	DEC	
EDAH11	94.440	5.560	1348	3.692	MAR	
EDAM11	94.410	5.590	1439	3.942	JUN	}
EDAU11	94.420	5.580	1537	4.210	SEP	
EDAZ11	94.385	5.615	1628	4.460	DEC	
EDAH12	94.365	5.635	1719	4.709	MAR	}
EDAM12	94.340	5.660	1810	4.958	JUN	

	Last Yield	Net Yield	Last Price	
Q.ED.White	5.424	-1.375	9472.125	} Pack Prices
Q.ED.Red	5.407	-2.250	9473.750	
Q.ED.Green	5.586	-2.375	9456.500	
Q.ED.Blue		-0.750	9443.375	
Q.ED.Gold		0.000	9431.750	
Q.ED.Purple		0.000	9431.750	

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

Overview of Hedging

7/5/2007 5:53

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

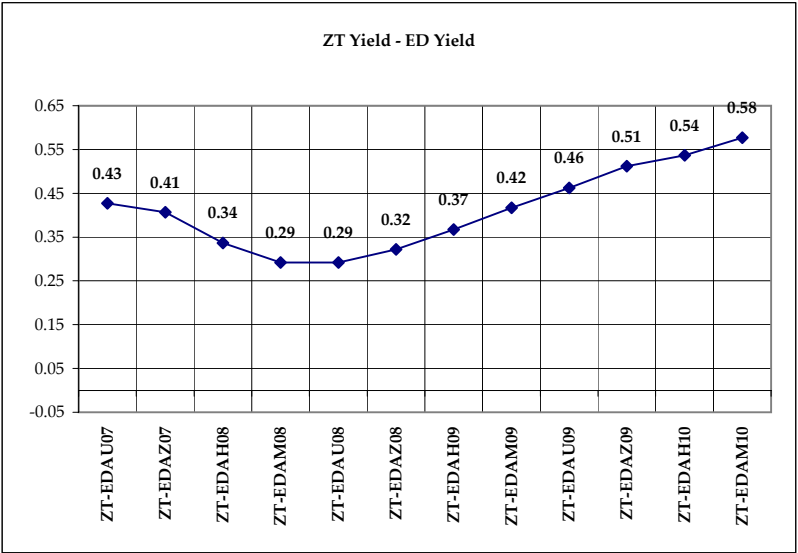
Eurodollar Color Codes for Individual Year Strips:

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

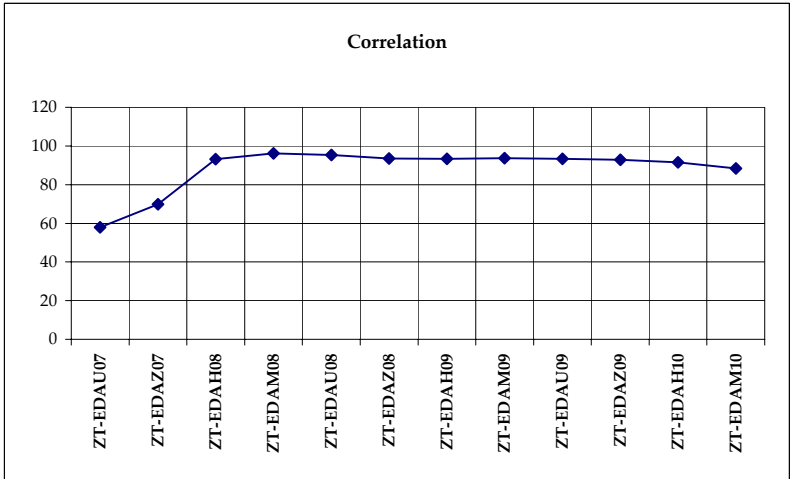
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.168	0.43	ZT-EDAU07	58.002
EDAZ07	7.148	0.41	ZT-EDAZ07	69.847
EDAH08	7.078	0.34	ZT-EDAH08	93.236
EDAM08	7.033	0.29	ZT-EDAM08	96.200
EDAU08	7.033	0.29	ZT-EDAU08	95.357
EDAZ08	7.063	0.32	ZT-EDAZ08	93.462
EDAH09	7.108	0.37	ZT-EDAH09	93.290
EDAM09	7.158	0.42	ZT-EDAM09	93.691
EDAU09	7.203	0.46	ZT-EDAU09	93.382
EDAZ09	7.253	0.51	ZT-EDAZ09	92.813
EDAH10	7.278	0.54	ZT-EDAH10	91.593
EDAM10	7.318	0.58	ZT-EDAM10	88.412

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	0.202	1.84	1.64	ZT-EDAU07
EDAZ07	0.451	1.84	1.39	ZT-EDAZ07
EDAH08	0.701	1.84	1.14	ZT-EDAH08
EDAM08	0.950	1.84	0.89	ZT-EDAM08
EDAU08	1.199	1.84	0.64	ZT-EDAU08
EDAZ08	1.449	1.84	0.39	ZT-EDAZ08
EDAH09	1.698	1.84	0.14	ZT-EDAH09
EDAM09	1.947	1.84	(0.11)	ZT-EDAM09
EDAU09	2.197	1.84	(0.36)	ZT-EDAU09
EDAZ09	2.446	1.84	(0.61)	ZT-EDAZ09
EDAH10	2.695	1.84	(0.86)	ZT-EDAH10
EDAM10	2.945	1.84	(1.11)	ZT-EDAM10

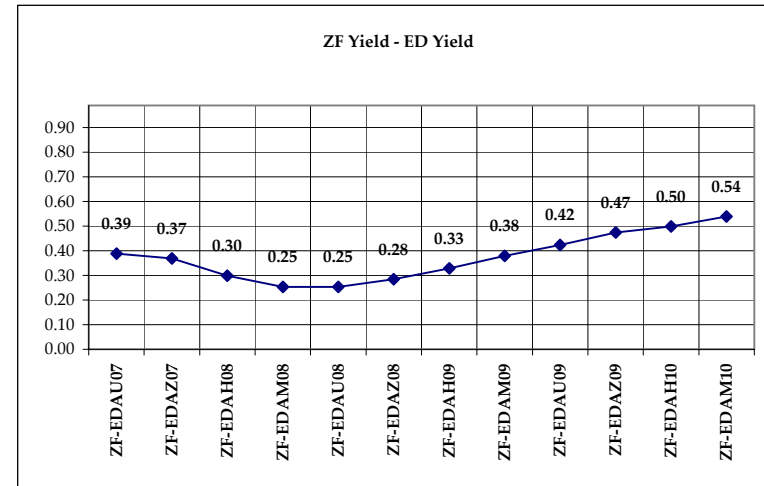
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.29	0.39	ZF-EDAU07	42.084
EDAZ07	9.27	0.37	ZF-EDAZ07	55.977
EDAH08	9.20	0.30	ZF-EDAH08	86.282
EDAM08	9.16	0.25	ZF-EDAM08	93.903
EDAU08	9.16	0.25	ZF-EDAU08	95.572
EDAZ08	9.19	0.28	ZF-EDAZ08	95.150
EDAH09	9.23	0.33	ZF-EDAH09	95.985
EDAM09	9.28	0.38	ZF-EDAM09	96.962
EDAU09	9.33	0.42	ZF-EDAU09	97.880
EDAZ09	9.38	0.47	ZF-EDAZ09	97.877
EDAH10	9.40	0.50	ZF-EDAH10	97.826
EDAM10	9.44	0.54	ZF-EDAM10	96.391

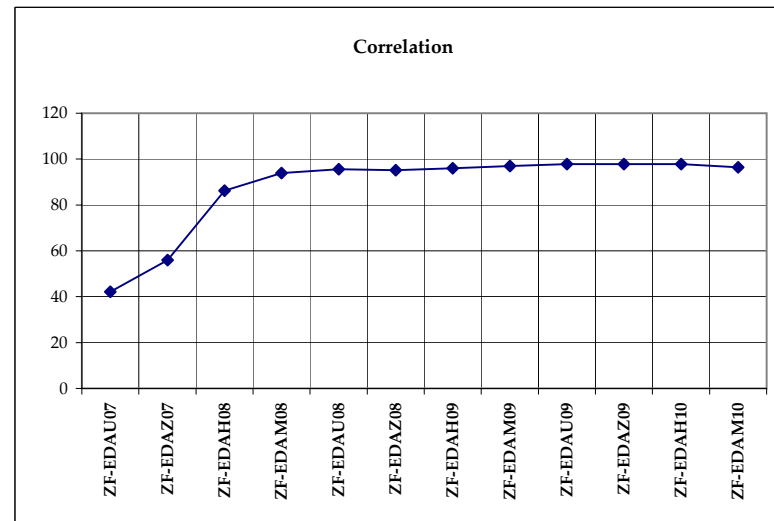
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.202	3.92	ZF-EDAU07
EDAZ07	0.451	3.92	ZF-EDAZ07
EDAH08	0.701	3.92	ZF-EDAH08
EDAM08	0.950	3.92	ZF-EDAM08
EDAU08	1.199	3.92	ZF-EDAU08
EDAZ08	1.449	3.92	ZF-EDAZ08
EDAH09	1.698	3.92	ZF-EDAH09
EDAM09	1.947	3.92	ZF-EDAM09
EDAU09	2.197	3.92	ZF-EDAU09
EDAZ09	2.446	3.92	ZF-EDAZ09
EDAH10	2.695	3.92	ZF-EDAH10
EDAM10	2.945	3.92	ZF-EDAM10

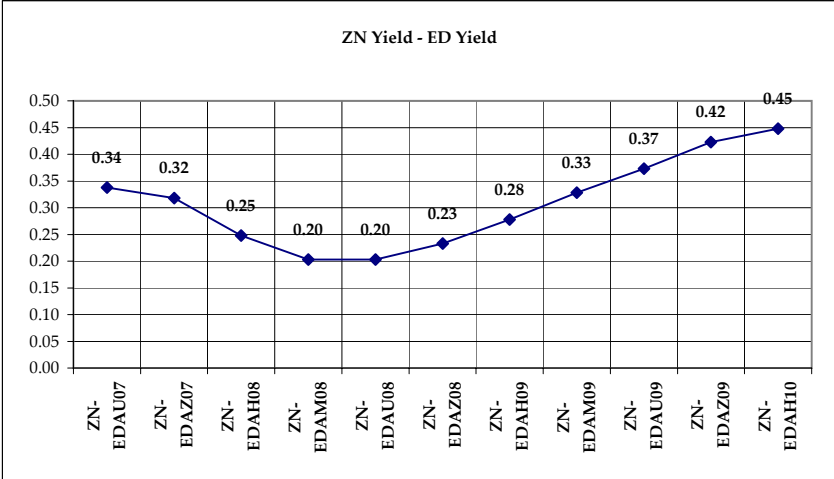
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

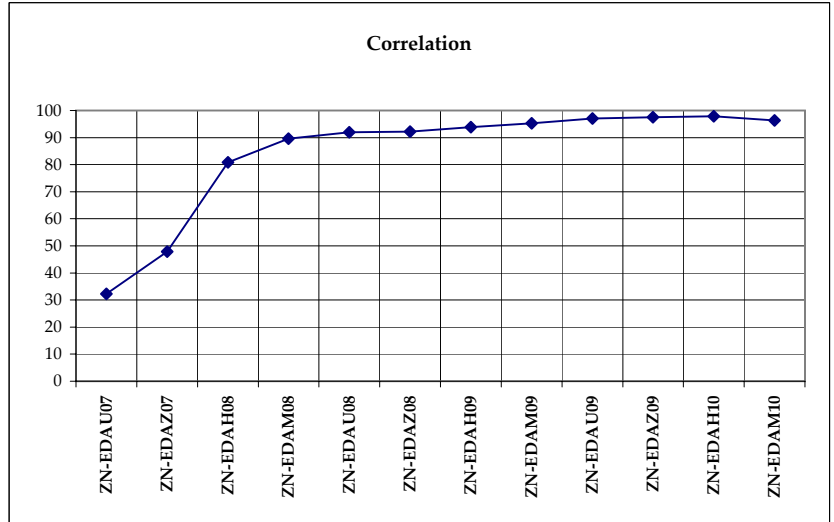
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	10.73	0.34	ZN-EDAU07	32.32
EDAZ07	10.71	0.32	ZN-EDAZ07	47.87
EDAH08	10.64	0.25	ZN-EDAH08	80.81
EDAM08	10.60	0.20	ZN-EDAM08	89.59
EDAU08	10.60	0.20	ZN-EDAU08	92.00
EDAZ08	10.63	0.23	ZN-EDAZ08	92.20
EDAH09	10.67	0.28	ZN-EDAH09	93.84
EDAM09	10.72	0.33	ZN-EDAM09	95.30
EDAU09	10.77	0.37	ZN-EDAU09	97.06
EDAZ09	10.82	0.42	ZN-EDAZ09	97.49
EDAH10	10.84	0.45	ZN-EDAH10	97.83
EDAM10	10.88	0.49	ZN-EDAM10	96.39

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	0.202	5.74	5.54	ZN-EDAU07
EDAZ07	0.451	5.74	5.29	ZN-EDAZ07
EDAH08	0.701	5.74	5.04	ZN-EDAH08
EDAM08	0.950	5.74	4.79	ZN-EDAM08
EDAU08	1.199	5.74	4.54	ZN-EDAU08
EDAZ08	1.449	5.74	4.29	ZN-EDAZ08
EDAH09	1.698	5.74	4.04	ZN-EDAH09
EDAM09	1.947	5.74	3.80	ZN-EDAM09
EDAU09	2.197	5.74	3.55	ZN-EDAU09
EDAZ09	2.446	5.74	3.30	ZN-EDAZ09
EDAH10	2.695	5.74	3.05	ZN-EDAH10
EDAM10	2.945	5.74	2.80	ZN-EDAM10

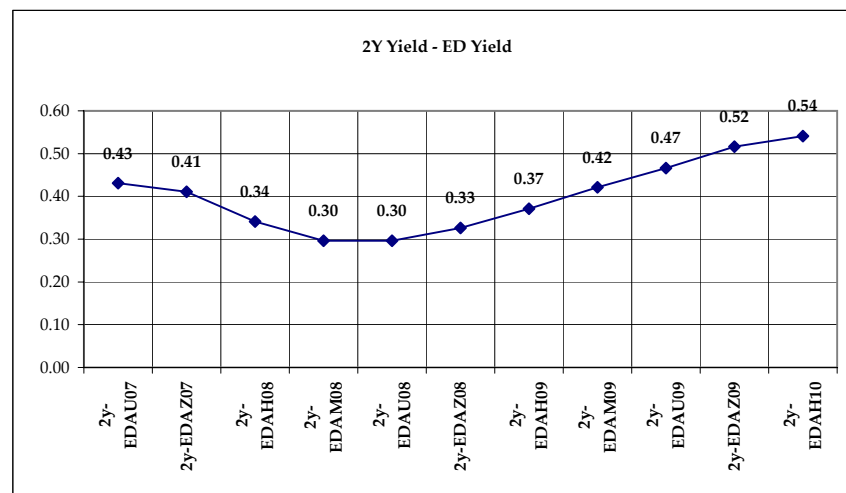
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.27	0.43	2y-EDAU07	-53.924
EDAZ07	5.25	0.41	2y-EDAZ07	-76.966
EDAH08	5.18	0.34	2y-EDAH08	-95.754
EDAM08	5.13	0.30	2y-EDAM08	-96.172
EDAU08	5.13	0.30	2y-EDAU08	-92.924
EDAZ08	5.16	0.33	2y-EDAZ08	-96.172
EDAH09	5.21	0.37	2y-EDAH09	-89.795
EDAM09	5.26	0.42	2y-EDAM09	-88.673
EDAU09	5.30	0.47	2y-EDAU09	-86.194
EDAZ09	5.35	0.52	2y-EDAZ09	-84.796
EDAH10	5.38	0.54	2y-EDAH10	-81.821
EDAM10	5.42	0.58	2y-EDAM10	-78.016

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.

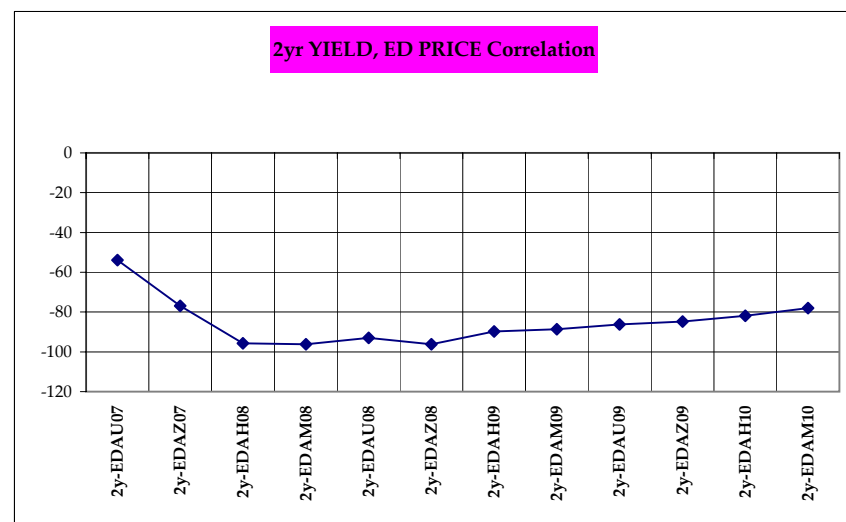


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.202	1.77	2y-EDAU07
EDAZ07	0.451	1.52	2y-EDAZ07
EDAH08	0.701	1.28	2y-EDAH08
EDAM08	0.950	1.03	2y-EDAM08
EDAU08	1.199	0.78	2y-EDAU08
EDAZ08	1.449	0.53	2y-EDAZ08
EDAH09	1.698	0.28	2y-EDAH09
EDAM09	1.947	0.03	2y-EDAM09
EDAU09	2.197	(0.22)	2y-EDAU09
EDAZ09	2.446	(0.47)	2y-EDAZ09
EDAH10	2.695	(0.72)	2y-EDAH10
EDAM10	2.945	(0.97)	2y-EDAM10

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

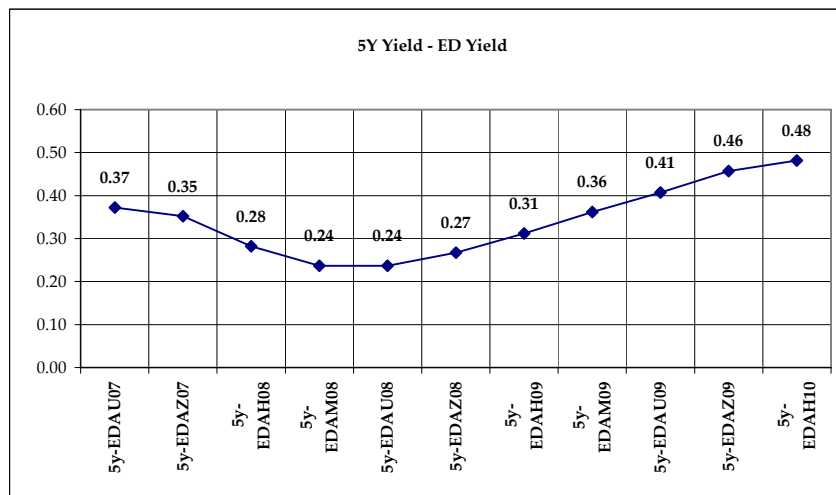
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.92	0.37	5y-EDAU07	-36.479
EDAZ07	4.90	0.35	5y-EDAZ07	-56.983
EDAH08	4.83	0.28	5y-EDAH08	-87.970
EDAM08	4.79	0.24	5y-EDAM08	-95.064
EDAU08	4.79	0.24	5y-EDAU08	-95.932
EDAZ08	4.82	0.27	5y-EDAZ08	-95.064
EDAH09	4.86	0.31	5y-EDAH09	-96.206
EDAM09	4.91	0.36	5y-EDAM09	-96.678
EDAU09	4.96	0.41	5y-EDAU09	-96.992
EDAZ09	5.01	0.46	5y-EDAZ09	-96.768
EDAH10	5.03	0.48	5y-EDAH10	-96.169
EDAM10	5.07	0.52	5y-EDAM10	-95.111

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.

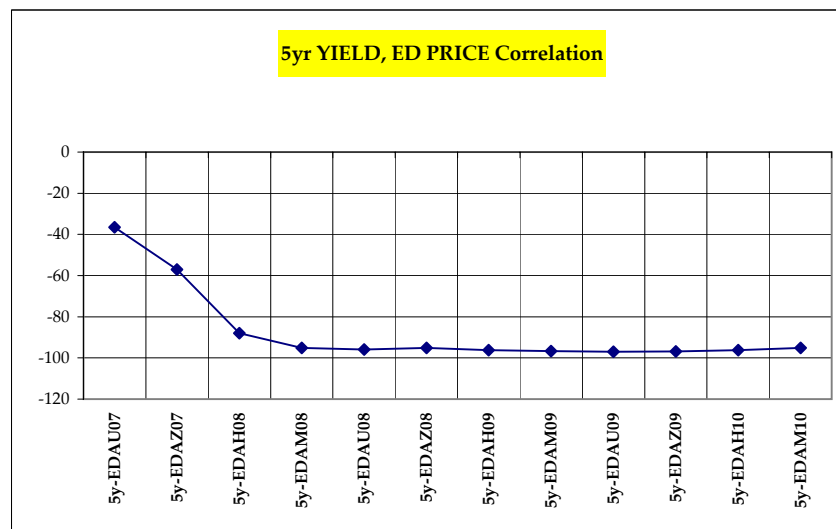


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.202	4.37	4.17	5y-EDAU07
EDAZ07	0.451	4.37	3.92	5y-EDAZ07
EDAH08	0.701	4.37	3.67	5y-EDAH08
EDAM08	0.950	4.37	3.42	5y-EDAM08
EDAU08	1.199	4.37	3.17	5y-EDAU08
EDAZ08	1.449	4.37	2.92	5y-EDAZ08
EDAH09	1.698	4.37	2.67	5y-EDAH09
EDAM09	1.947	4.37	2.42	5y-EDAM09
EDAU09	2.197	4.37	2.17	5y-EDAU09
EDAZ09	2.446	4.37	1.93	5y-EDAZ09
EDAH10	2.695	4.37	1.68	5y-EDAH10
EDAM10	2.945	4.37	1.43	5y-EDAM10

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

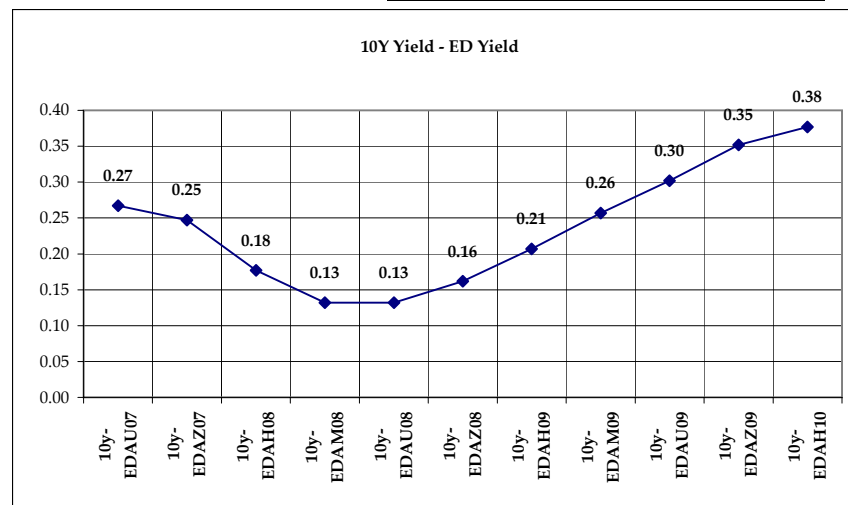
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.92	0.27	10y-EDAU07	-26.635
EDAZ07	4.90	0.25	10y-EDAZ07	-46.668
EDAH08	4.83	0.18	10y-EDAH08	-81.088
EDAM08	4.79	0.13	10y-EDAM08	-90.192
EDAU08	4.79	0.13	10y-EDAU08	-92.414
EDAZ08	4.82	0.16	10y-EDAZ08	-90.192
EDAH09	4.86	0.21	10y-EDAH09	-94.141
EDAM09	4.91	0.26	10y-EDAM09	-95.035
EDAU09	4.96	0.30	10y-EDAU09	-96.312
EDAZ09	5.01	0.35	10y-EDAZ09	-96.490
EDAH10	5.03	0.38	10y-EDAH10	-96.744
EDAM10	5.07	0.42	10y-EDAM10	-96.955

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.

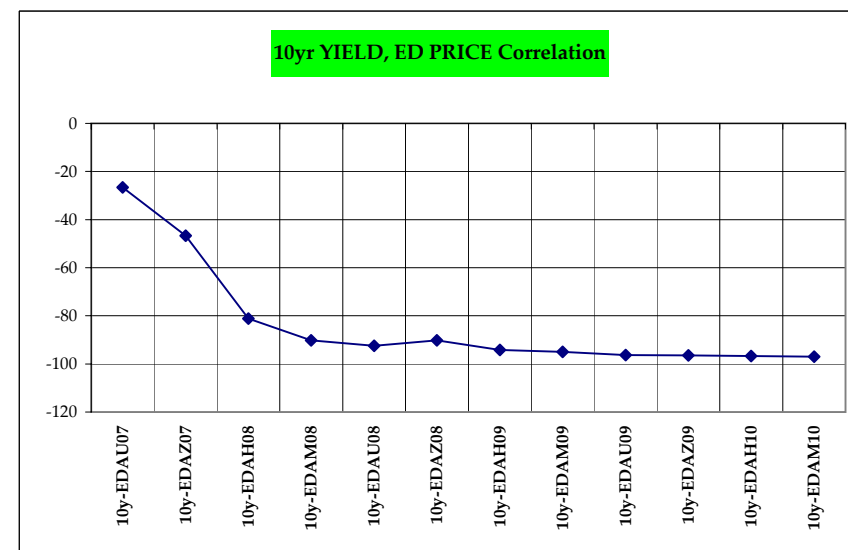


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.202	7.77	7.57	10y-EDAU07
EDAZ07	0.451	7.77	7.32	10y-EDAZ07
EDAH08	0.701	7.77	7.07	10y-EDAH08
EDAM08	0.950	7.77	6.82	10y-EDAM08
EDAU08	1.199	7.77	6.57	10y-EDAU08
EDAZ08	1.449	7.77	6.32	10y-EDAZ08
EDAH09	1.698	7.77	6.07	10y-EDAH09
EDAM09	1.947	7.77	5.82	10y-EDAM09
EDAU09	2.197	7.77	5.58	10y-EDAU09
EDAZ09	2.446	7.77	5.33	10y-EDAZ09
EDAH10	2.695	7.77	5.08	10y-EDAH10
EDAM10	2.945	7.77	4.83	10y-EDAM10

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

10yr YIELD, ED PRICE Correlation

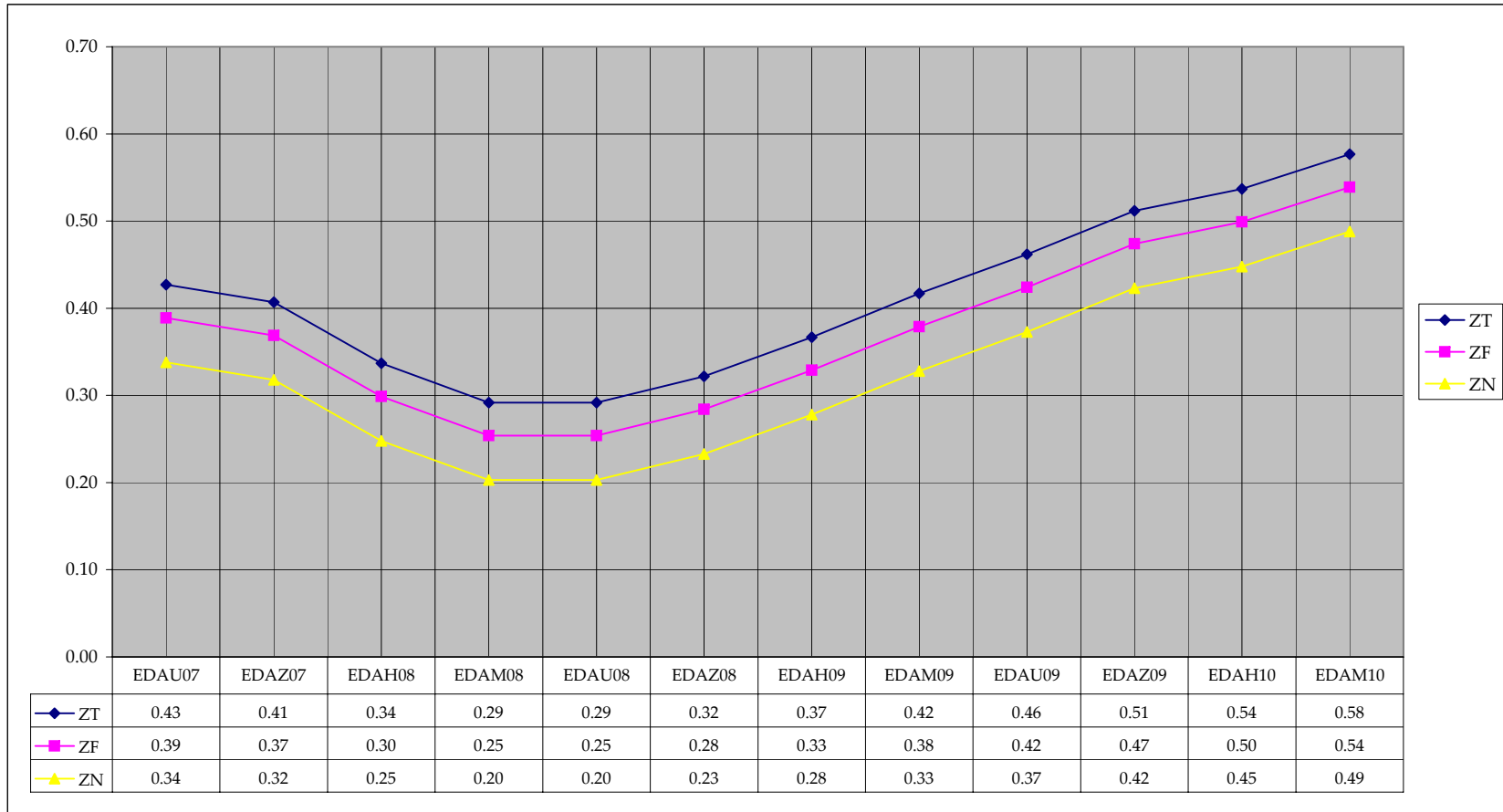


Dirty TED Curve

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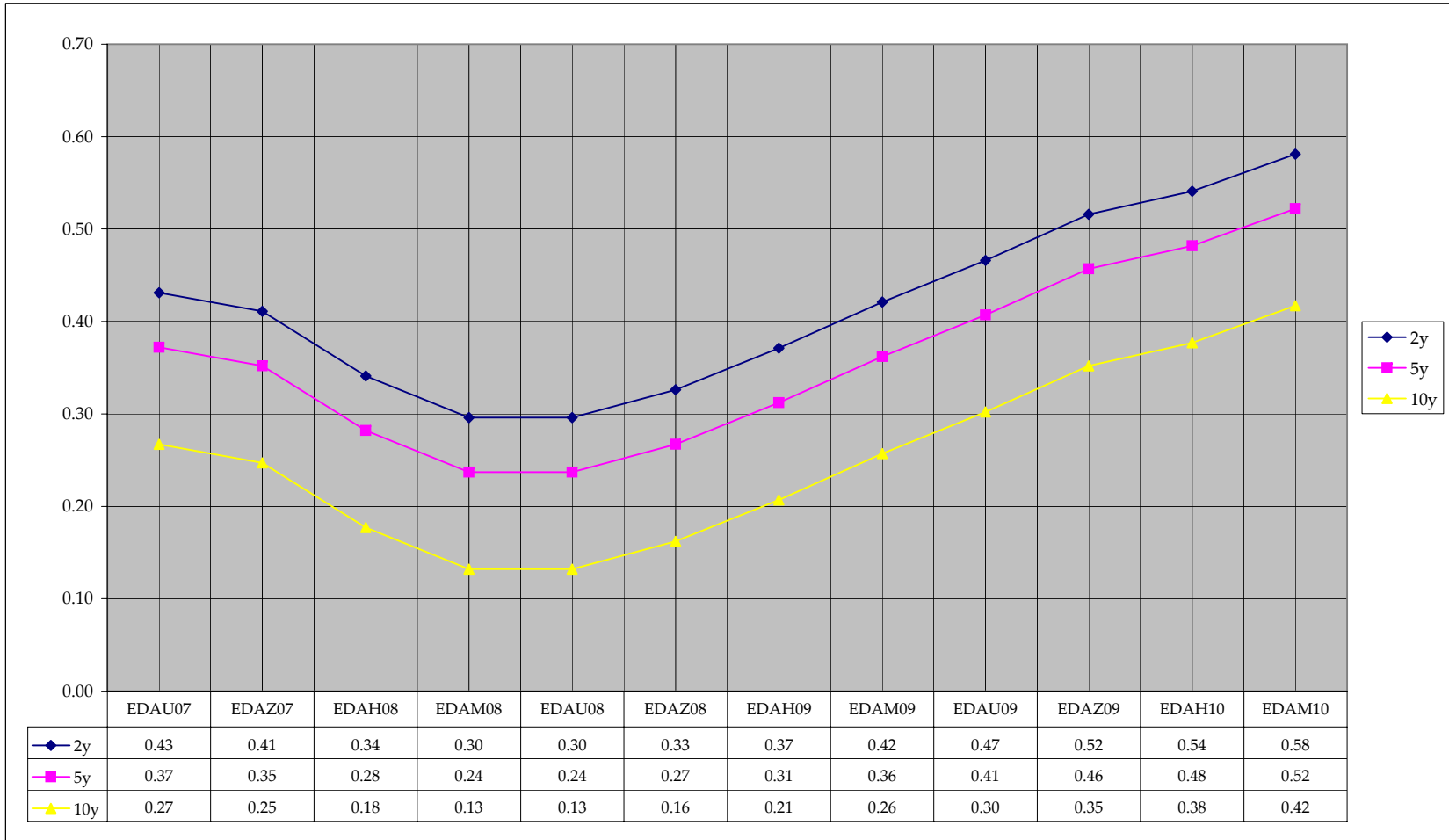
Page 7

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.

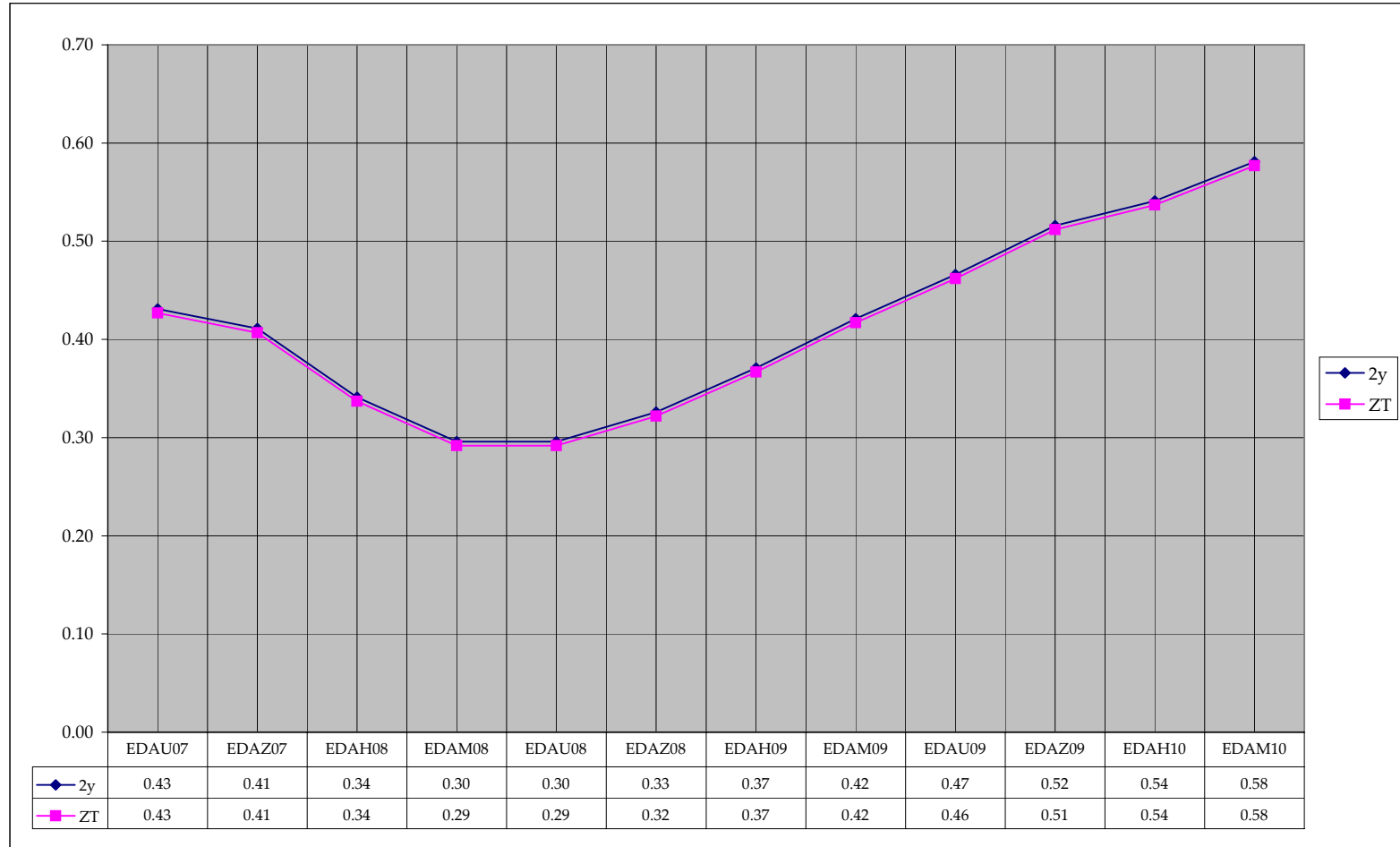


TED Curve

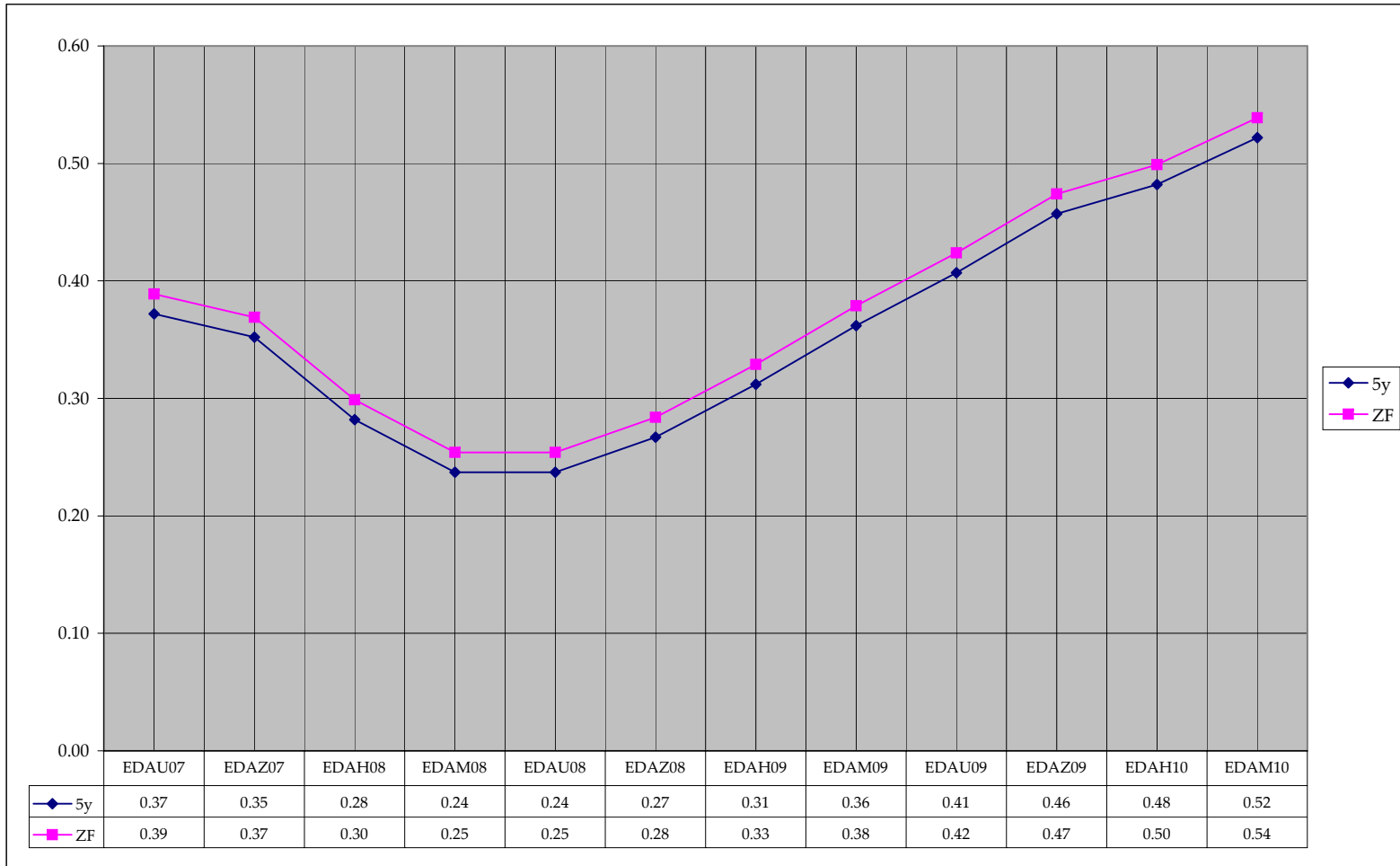
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



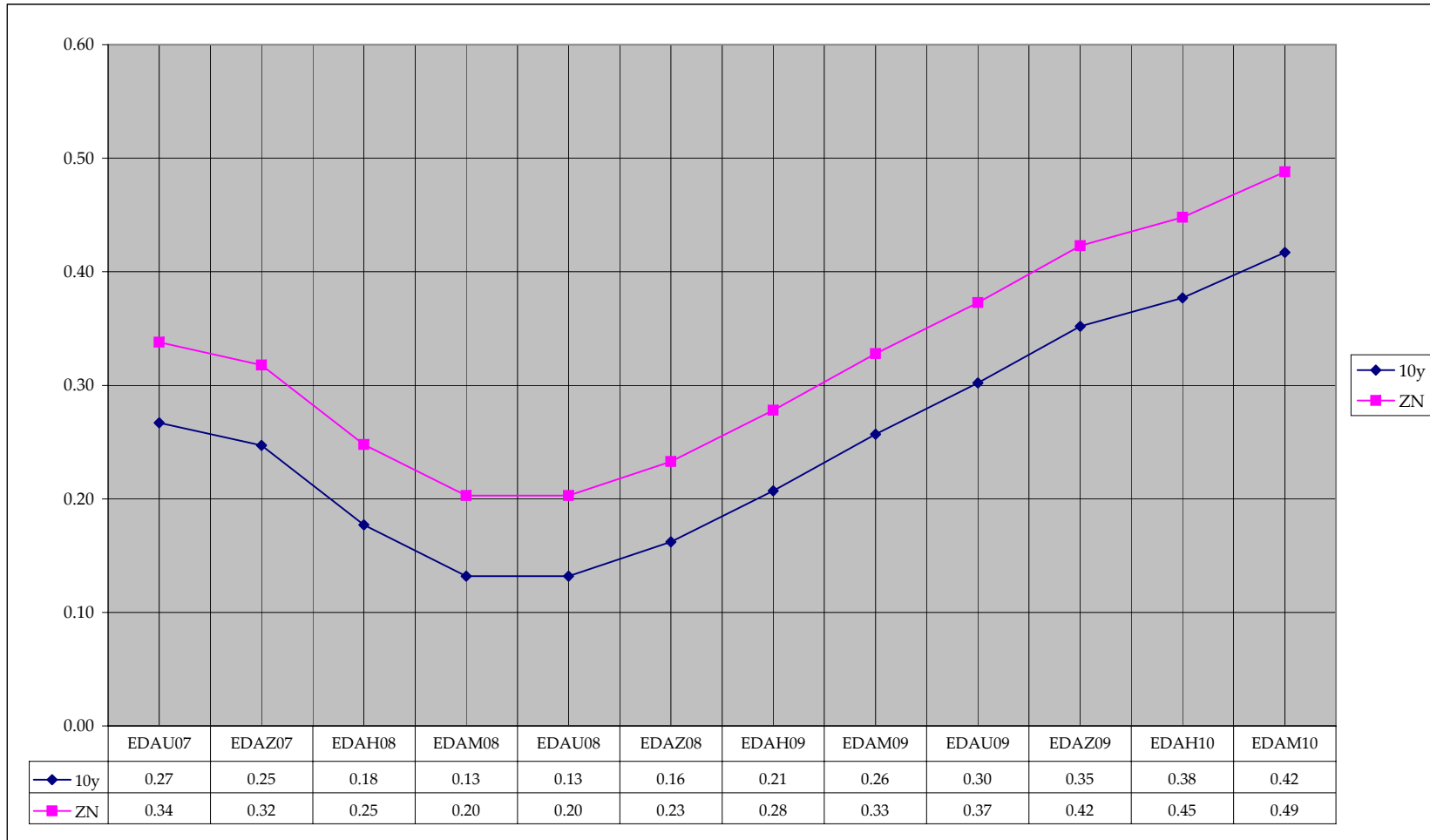
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price	Duration			
Q.ED.White	5.424	-1.375	9472.125				
Q.ED.Red	5.407	-2.250	9473.750				
Q.ED.Green	5.586	-2.375	9456.500				
Q.ED.Blue		-0.750	9443.375				
Q.ED.Gold		0.000	9431.750				
Q.ED.Purple		0.000	9431.750				

