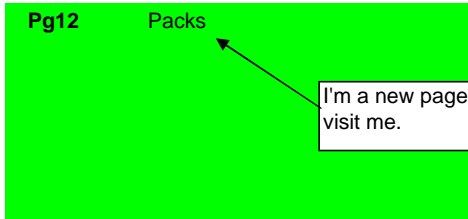


The Morning Email: TERM TEDS & Dirty TEDS

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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	101.7094	101.227	4.974	1.83	
ZF	103.6719	103.215	5.036	3.91	
ZN	104.9375	104.300	5.104	5.73	
2y	99.834	99.2670	4.963	1.97	
5y	99.256	99.0820	5.042	4.36	
10y	95.094	95.0300	5.138	7.76	

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.655	5.345	73	0.199	SEP	} White Pack
EDAZ07	94.655	5.345	164	0.449	DEC	
EDAH08	94.690	5.310	255	0.698	MAR	
EDAM08	94.715	5.285	346	0.947	JUN	} Red Pack
EDAU08	94.710	5.290	437	1.197	SEP	
EDAZ08	94.685	5.315	528	1.446	DEC	
EDAH09	94.645	5.355	619	1.695	MAR	} Green Pack
EDAM09	94.595	5.405	710	1.945	JUN	
EDAU09	94.545	5.455	801	2.194	SEP	
EDAZ09	94.500	5.500	892	2.443	DEC	
EDAH10	94.460	5.540	983	2.693	MAR	
EDAM10	94.420	5.580	1074	2.942	JUN	
EDAU10	94.370	5.630	1165	3.191	SEP	
EDAZ10	94.325	5.675	1256	3.440	DEC	
EDAH11	94.300	5.700	1347	3.690	MAR	
EDAM11	94.265	5.735	1438	3.939	JUN	
EDAU11	94.235	5.765	1536	4.208	SEP	
EDAZ11	94.200	5.800	1627	4.457	DEC	
EDAH12	94.175	5.825	1718	4.706	MAR	
EDAM12	94.150	5.850	1809	4.956	JUN	

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

	Last Yield	Net Yield	Last Price	
Q.ED.White	5.468	0.625	9467.875	} Pack Prices
Q.ED.Red	5.489	1.000	9465.875	
Q.ED.Green	5.674	0.375	9448.125	
Q.ED.Blue		0.000	9432.625	
Q.ED.Gold		0.000	9420.250	
Q.ED.Purple		0.000	9420.250	

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

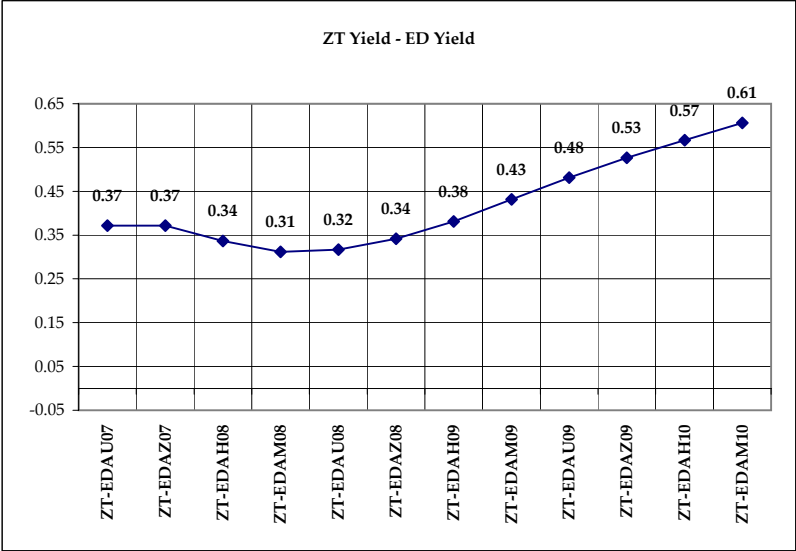
Eurodollar Color Codes for Individual Year Strips:

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

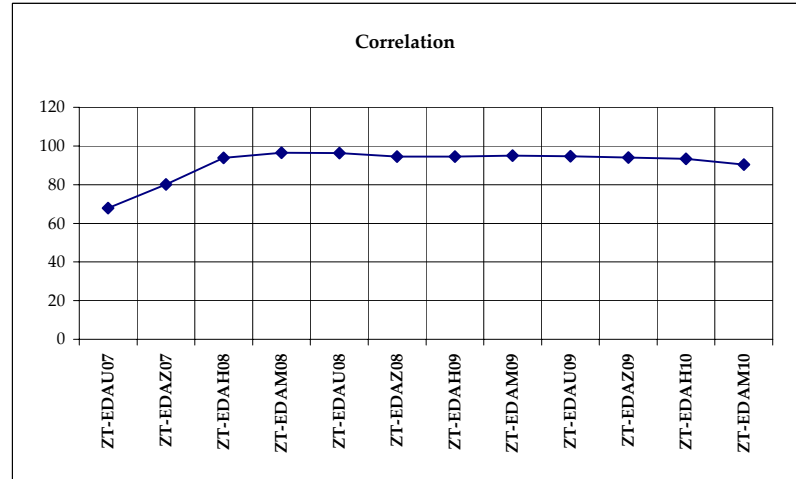
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.054	0.37	ZT-EDAU07	67.831
EDAZ07	7.054	0.37	ZT-EDAZ07	80.186
EDAH08	7.019	0.34	ZT-EDAH08	93.846
EDAM08	6.994	0.31	ZT-EDAM08	96.453
EDAU08	6.999	0.32	ZT-EDAU08	96.330
EDAZ08	7.024	0.34	ZT-EDAZ08	94.506
EDAH09	7.064	0.38	ZT-EDAH09	94.457
EDAM09	7.114	0.43	ZT-EDAM09	95.057
EDAU09	7.164	0.48	ZT-EDAU09	94.739
EDAZ09	7.209	0.53	ZT-EDAZ09	94.037
EDAH10	7.249	0.57	ZT-EDAH10	93.309
EDAM10	7.289	0.61	ZT-EDAM10	90.359

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	0.199	1.83	1.63	ZT-EDAU07
EDAZ07	0.449	1.83	1.38	ZT-EDAZ07
EDAH08	0.698	1.83	1.13	ZT-EDAH08
EDAM08	0.947	1.83	0.88	ZT-EDAM08
EDAU08	1.197	1.83	0.63	ZT-EDAU08
EDAZ08	1.446	1.83	0.38	ZT-EDAZ08
EDAH09	1.695	1.83	0.14	ZT-EDAH09
EDAM09	1.945	1.83	(0.11)	ZT-EDAM09
EDAU09	2.194	1.83	(0.36)	ZT-EDAU09
EDAZ09	2.443	1.83	(0.61)	ZT-EDAZ09
EDAH10	2.693	1.83	(0.86)	ZT-EDAH10
EDAM10	2.942	1.83	(1.11)	ZT-EDAM10

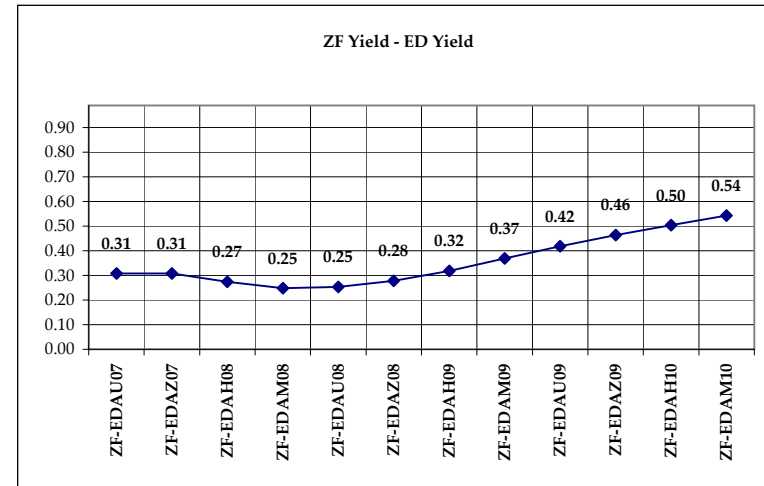
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.02	0.31	ZF-EDAU07	51.729
EDAZ07	9.02	0.31	ZF-EDAZ07	67.463
EDAH08	8.98	0.27	ZF-EDAH08	86.804
EDAM08	8.96	0.25	ZF-EDAM08	93.223
EDAU08	8.96	0.25	ZF-EDAU08	95.877
EDAZ08	8.99	0.28	ZF-EDAZ08	95.866
EDAH09	9.03	0.32	ZF-EDAH09	96.727
EDAM09	9.08	0.37	ZF-EDAM09	97.599
EDAU09	9.13	0.42	ZF-EDAU09	98.410
EDAZ09	9.17	0.46	ZF-EDAZ09	98.448
EDAH10	9.21	0.50	ZF-EDAH10	98.326
EDAM10	9.25	0.54	ZF-EDAM10	96.928

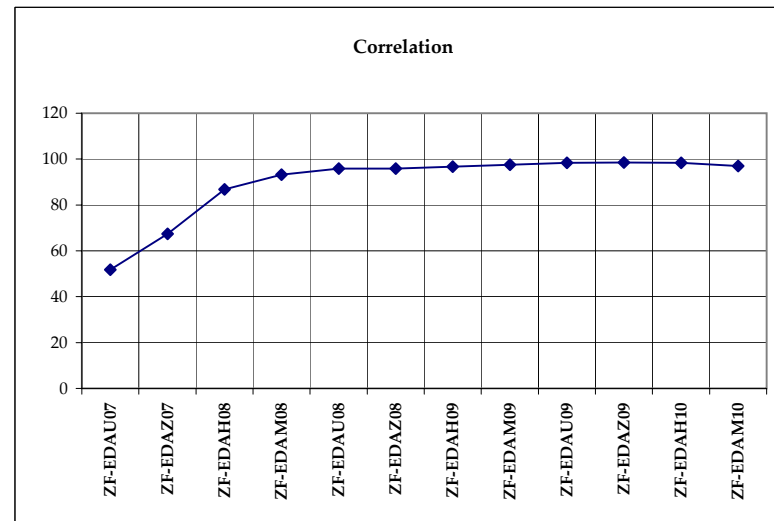
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAU07	0.199	3.91	3.71	ZF-EDAU07
EDAZ07	0.449	3.91	3.46	ZF-EDAZ07
EDAH08	0.698	3.91	3.22	ZF-EDAH08
EDAM08	0.947	3.91	2.97	ZF-EDAM08
EDAU08	1.197	3.91	2.72	ZF-EDAU08
EDAZ08	1.446	3.91	2.47	ZF-EDAZ08
EDAH09	1.695	3.91	2.22	ZF-EDAH09
EDAM09	1.945	3.91	1.97	ZF-EDAM09
EDAU09	2.194	3.91	1.72	ZF-EDAU09
EDAZ09	2.443	3.91	1.47	ZF-EDAZ09
EDAH10	2.693	3.91	1.22	ZF-EDAH10
EDAM10	2.942	3.91	0.97	ZF-EDAM10

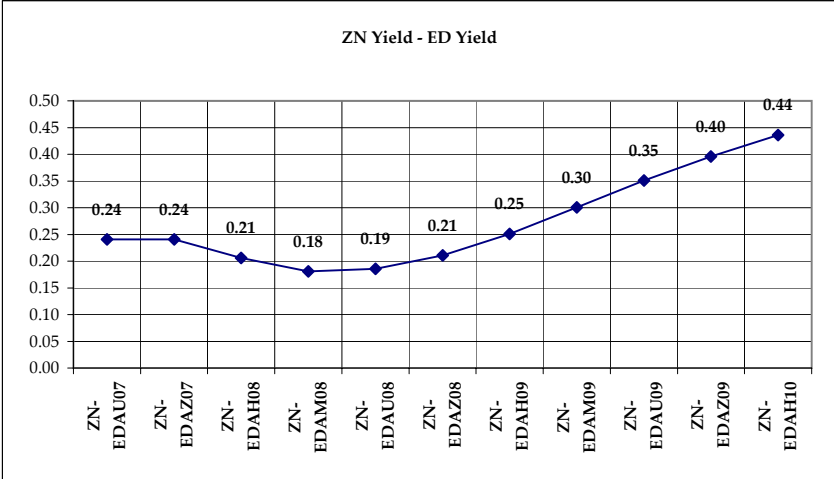
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

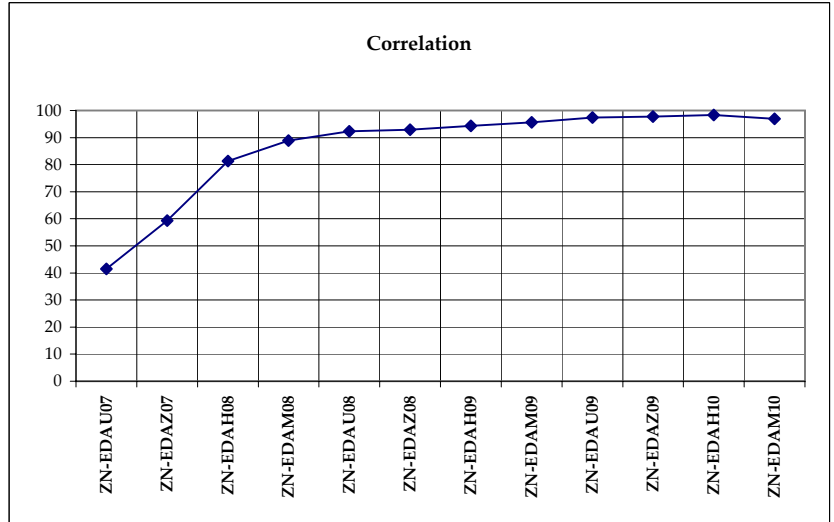
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	10.28	0.24	ZN-EDAU07	41.49
EDAZ07	10.28	0.24	ZN-EDAZ07	59.38
EDAH08	10.25	0.21	ZN-EDAH08	81.34
EDAM08	10.22	0.18	ZN-EDAM08	88.89
EDAU08	10.23	0.19	ZN-EDAU08	92.28
EDAZ08	10.25	0.21	ZN-EDAZ08	92.89
EDAH09	10.29	0.25	ZN-EDAH09	94.37
EDAM09	10.34	0.30	ZN-EDAM09	95.61
EDAU09	10.39	0.35	ZN-EDAU09	97.35
EDAZ09	10.44	0.40	ZN-EDAZ09	97.74
EDAH10	10.48	0.44	ZN-EDAH10	98.33
EDAM10	10.52	0.48	ZN-EDAM10	96.93

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	0.199	5.73	5.53	ZN-EDAU07
EDAZ07	0.449	5.73	5.28	ZN-EDAZ07
EDAH08	0.698	5.73	5.03	ZN-EDAH08
EDAM08	0.947	5.73	4.78	ZN-EDAM08
EDAU08	1.197	5.73	4.53	ZN-EDAU08
EDAZ08	1.446	5.73	4.28	ZN-EDAZ08
EDAH09	1.695	5.73	4.03	ZN-EDAH09
EDAM09	1.945	5.73	3.78	ZN-EDAM09
EDAU09	2.194	5.73	3.53	ZN-EDAU09
EDAZ09	2.443	5.73	3.29	ZN-EDAZ09
EDAH10	2.693	5.73	3.04	ZN-EDAH10
EDAM10	2.942	5.73	2.79	ZN-EDAM10

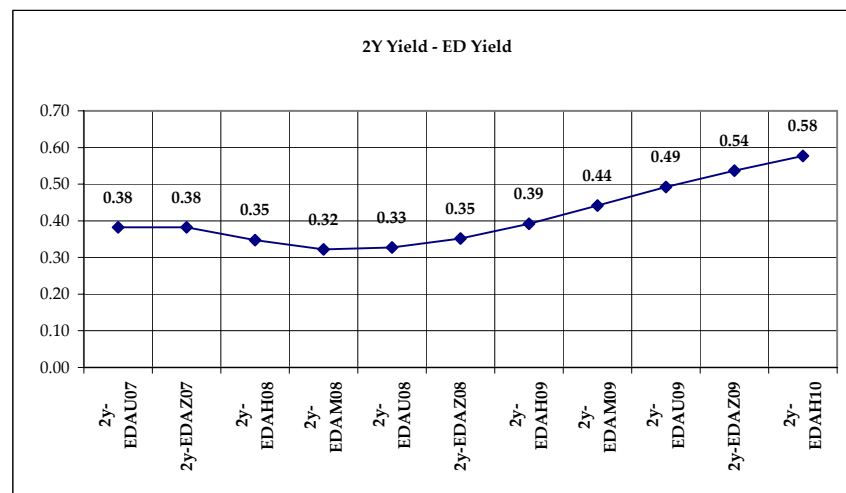
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.18	0.38	2y-EDAU07	-63.309
EDAZ07	5.18	0.38	2y-EDAZ07	-85.110
EDAH08	5.14	0.35	2y-EDAH08	-96.666
EDAM08	5.12	0.32	2y-EDAM08	-97.866
EDAU08	5.12	0.33	2y-EDAU08	-95.685
EDAZ08	5.15	0.35	2y-EDAZ08	-97.866
EDAH09	5.19	0.39	2y-EDAH09	-92.604
EDAM09	5.24	0.44	2y-EDAM09	-92.182
EDAU09	5.29	0.49	2y-EDAU09	-90.089
EDAZ09	5.33	0.54	2y-EDAZ09	-88.483
EDAH10	5.37	0.58	2y-EDAH10	-86.897
EDAM10	5.41	0.62	2y-EDAM10	-83.384

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.

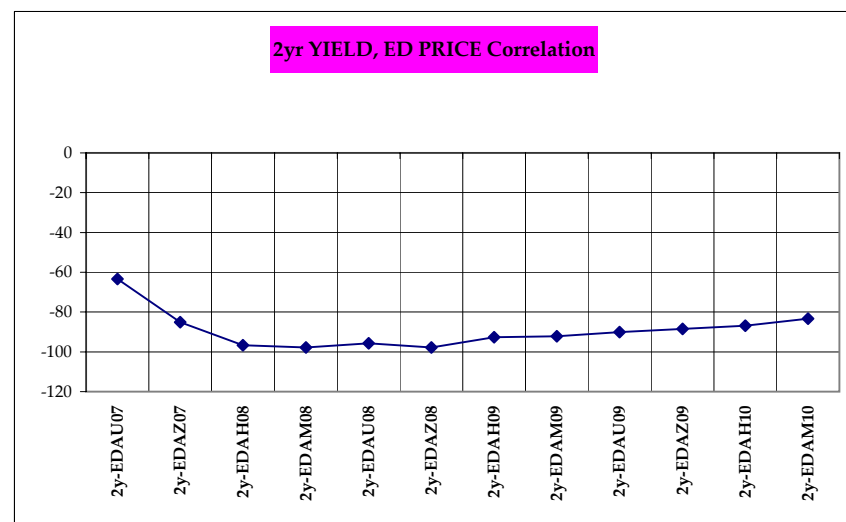


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.199	1.77	2y-EDAU07
EDAZ07	0.449	1.52	2y-EDAZ07
EDAH08	0.698	1.27	2y-EDAH08
EDAM08	0.947	1.02	2y-EDAM08
EDAU08	1.197	0.77	2y-EDAU08
EDAZ08	1.446	0.52	2y-EDAZ08
EDAH09	1.695	0.27	2y-EDAH09
EDAM09	1.945	0.02	2y-EDAM09
EDAU09	2.194	(0.23)	2y-EDAU09
EDAZ09	2.443	(0.48)	2y-EDAZ09
EDAH10	2.693	(0.73)	2y-EDAH10
EDAM10	2.942	(0.98)	2y-EDAM10

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

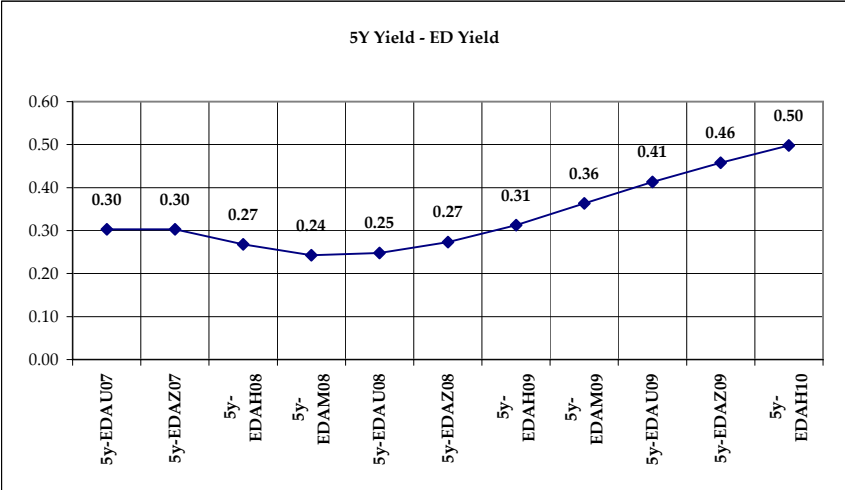
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.60	0.30	5y-EDAU07	-46.849
EDAZ07	4.60	0.30	5y-EDAZ07	-69.051
EDAH08	4.57	0.27	5y-EDAH08	-89.175
EDAM08	4.54	0.24	5y-EDAM08	-95.243
EDAU08	4.55	0.25	5y-EDAU08	-96.989
EDAZ08	4.57	0.27	5y-EDAZ08	-95.243
EDAH09	4.61	0.31	5y-EDAH09	-97.428
EDAM09	4.66	0.36	5y-EDAM09	-97.954
EDAU09	4.71	0.41	5y-EDAU09	-98.251
EDAZ09	4.76	0.46	5y-EDAZ09	-97.902
EDAH10	4.80	0.50	5y-EDAH10	-97.715
EDAM10	4.84	0.54	5y-EDAM10	-96.598

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.

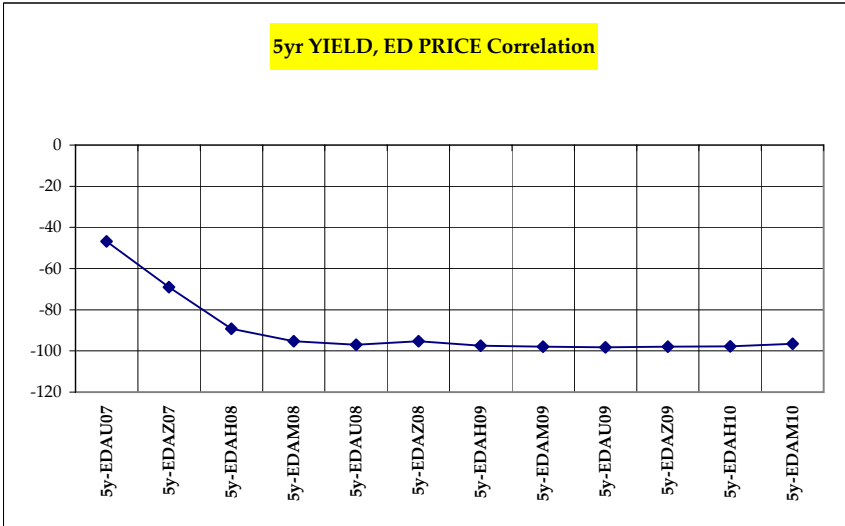


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.199	4.36	4.16	5y-EDAU07
EDAZ07	0.449	4.36	3.91	5y-EDAZ07
EDAH08	0.698	4.36	3.66	5y-EDAH08
EDAM08	0.947	4.36	3.41	5y-EDAM08
EDAU08	1.197	4.36	3.16	5y-EDAU08
EDAZ08	1.446	4.36	2.91	5y-EDAZ08
EDAH09	1.695	4.36	2.67	5y-EDAH09
EDAM09	1.945	4.36	2.42	5y-EDAM09
EDAU09	2.194	4.36	2.17	5y-EDAU09
EDAZ09	2.443	4.36	1.92	5y-EDAZ09
EDAH10	2.693	4.36	1.67	5y-EDAH10
EDAM10	2.942	4.36	1.42	5y-EDAM10

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

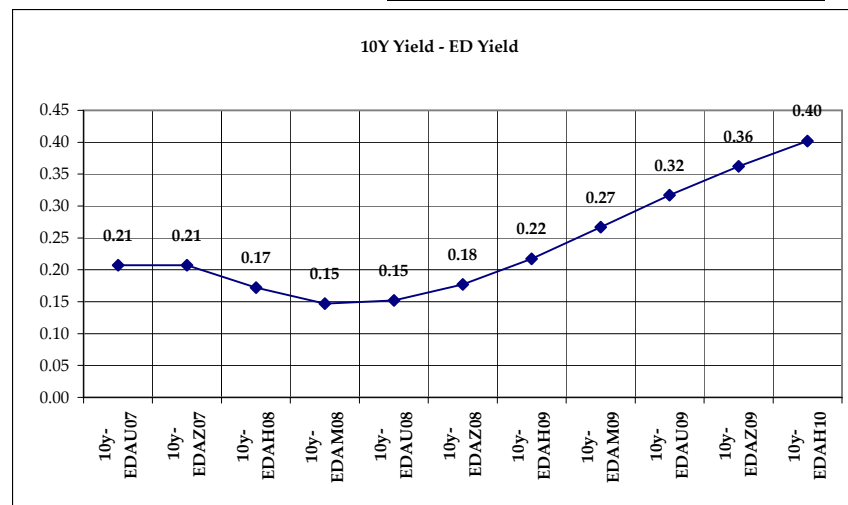
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.60	0.21	10y-EDAU07	-33.342
EDAZ07	4.60	0.21	10y-EDAZ07	-56.050
EDAH08	4.57	0.17	10y-EDAH08	-80.126
EDAM08	4.54	0.15	10y-EDAM08	-88.465
EDAU08	4.55	0.15	10y-EDAU08	-92.247
EDAZ08	4.57	0.18	10y-EDAZ08	-88.465
EDAH09	4.61	0.22	10y-EDAH09	-94.573
EDAM09	4.66	0.27	10y-EDAM09	-95.215
EDAU09	4.71	0.32	10y-EDAU09	-96.535
EDAZ09	4.76	0.36	10y-EDAZ09	-96.759
EDAH10	4.80	0.40	10y-EDAH10	-97.142
EDAM10	4.84	0.44	10y-EDAM10	-97.273

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.

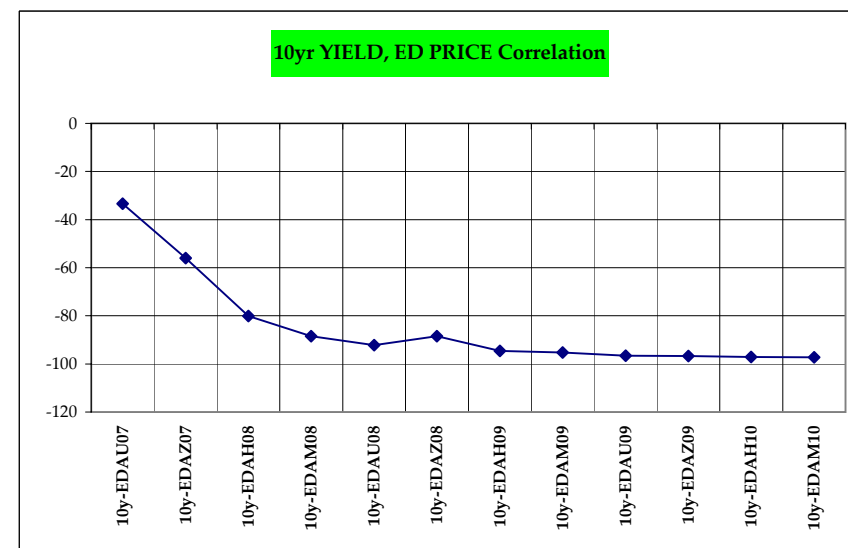


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.199	7.76	7.56	10y-EDAU07
EDAZ07	0.449	7.76	7.31	10y-EDAZ07
EDAH08	0.698	7.76	7.06	10y-EDAH08
EDAM08	0.947	7.76	6.81	10y-EDAM08
EDAU08	1.197	7.76	6.56	10y-EDAU08
EDAZ08	1.446	7.76	6.31	10y-EDAZ08
EDAH09	1.695	7.76	6.06	10y-EDAH09
EDAM09	1.945	7.76	5.81	10y-EDAM09
EDAU09	2.194	7.76	5.56	10y-EDAU09
EDAZ09	2.443	7.76	5.31	10y-EDAZ09
EDAH10	2.693	7.76	5.06	10y-EDAH10
EDAM10	2.942	7.76	4.81	10y-EDAM10

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

10yr YIELD, ED PRICE Correlation

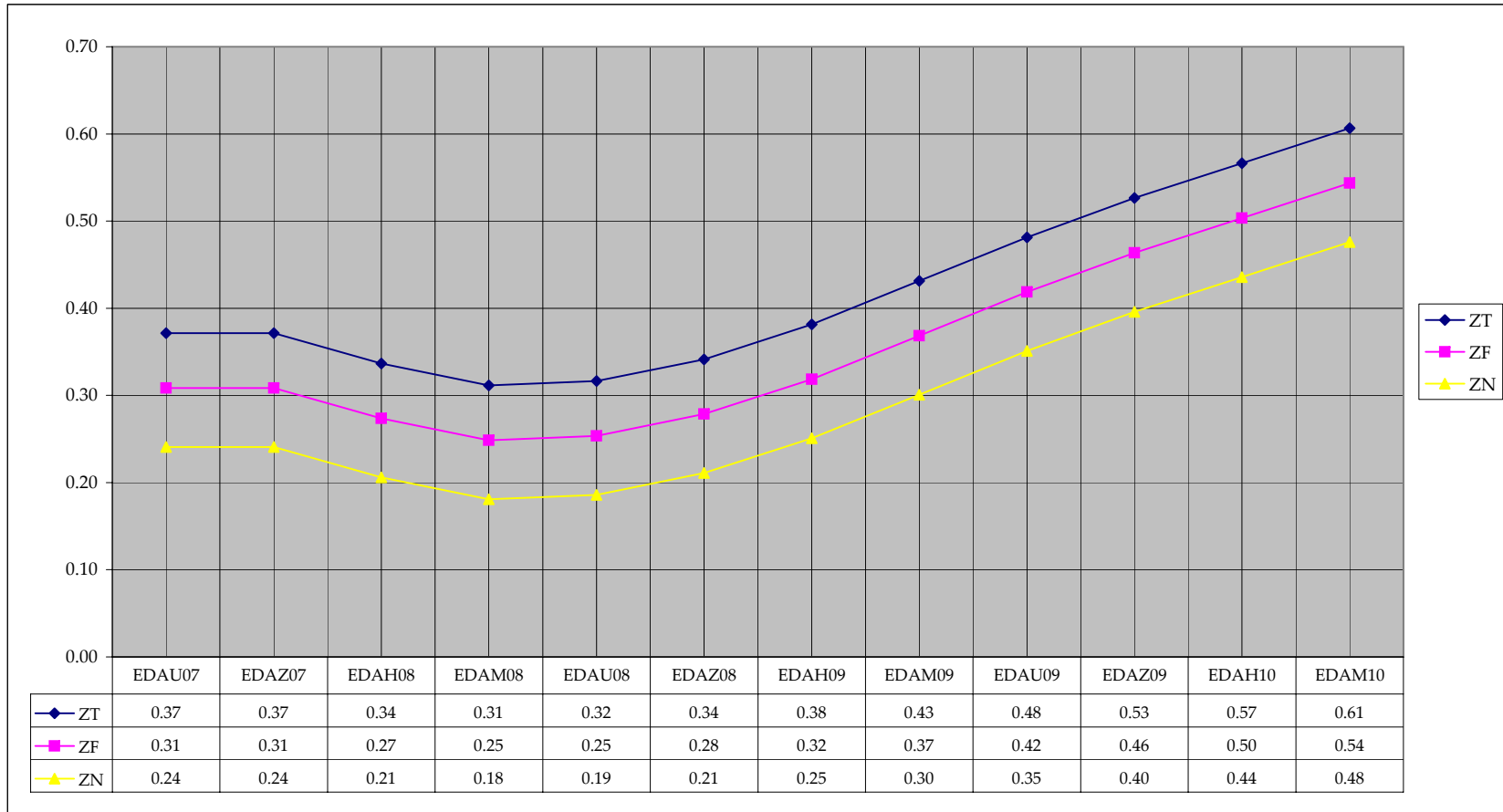


Dirty TED Curve

7/6/2007 5:41

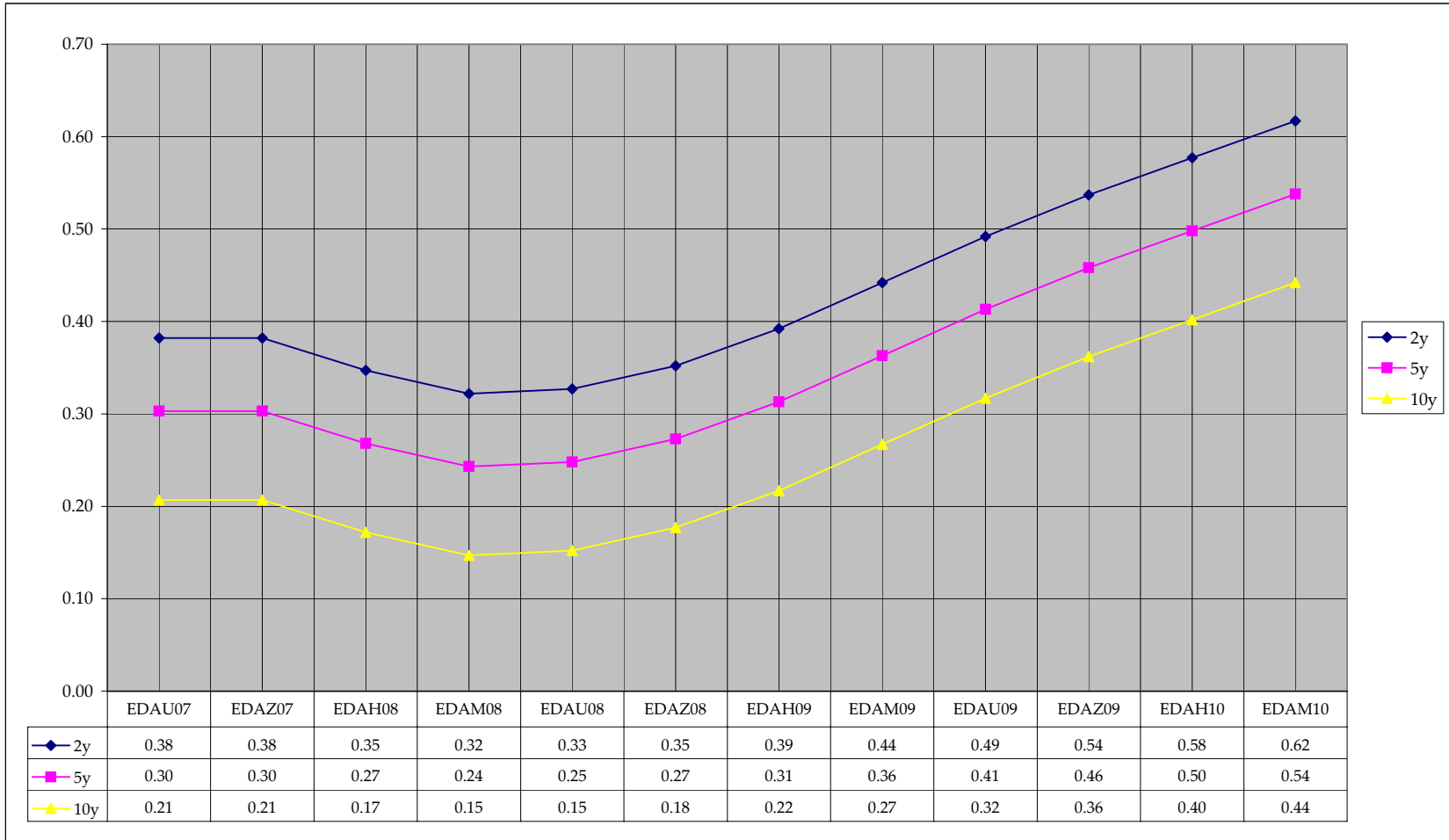
Page 7

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.

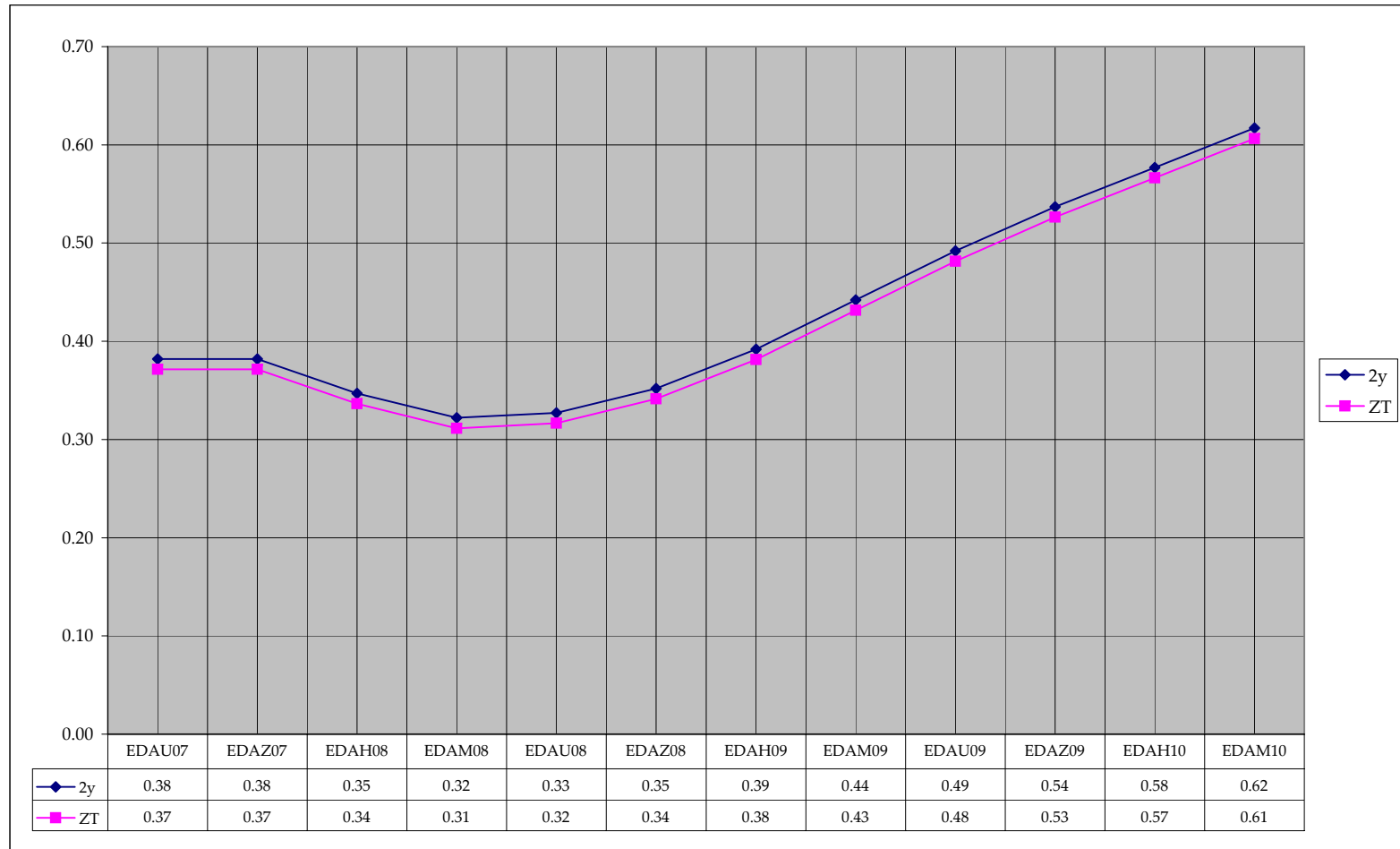


TED Curve

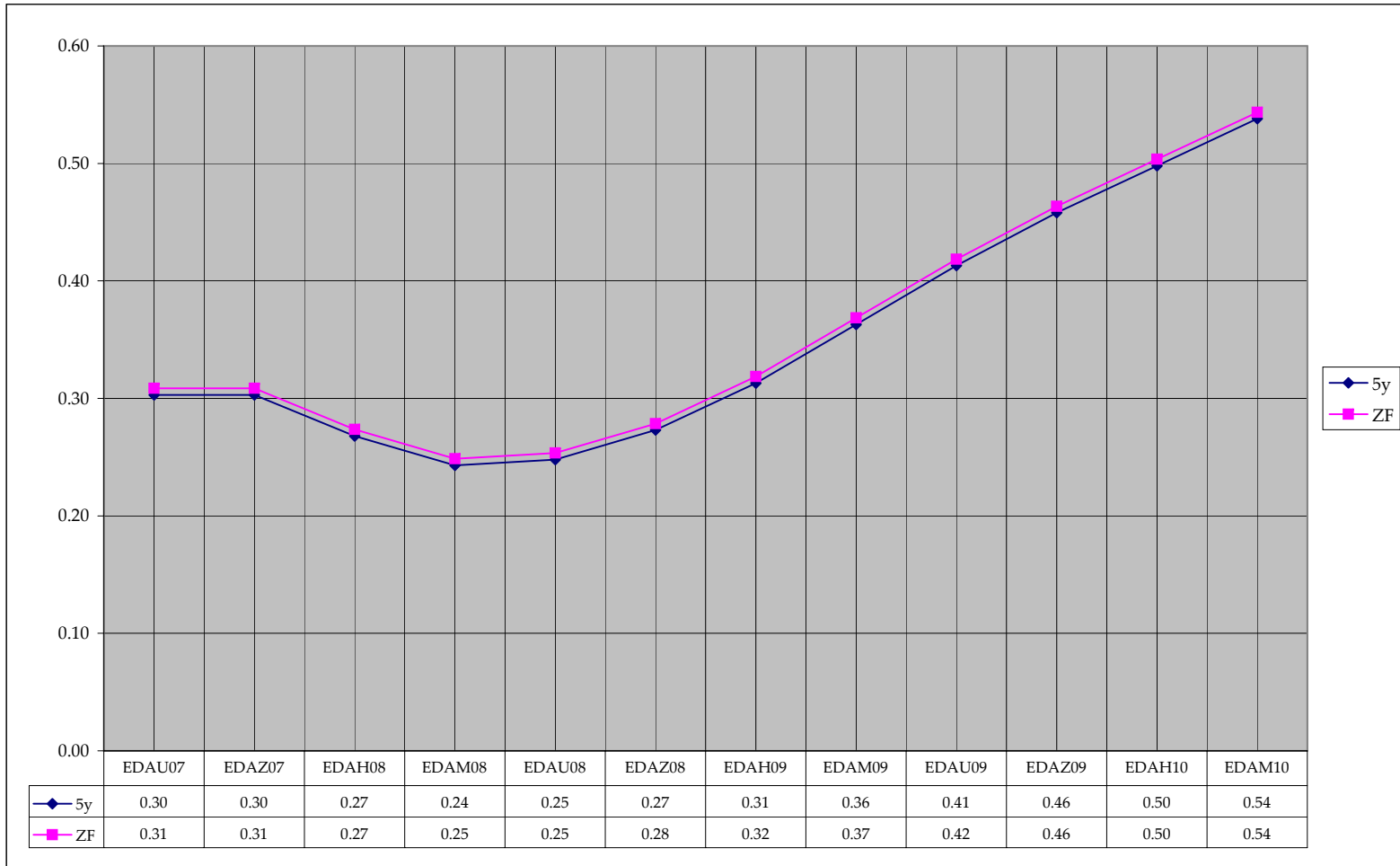
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



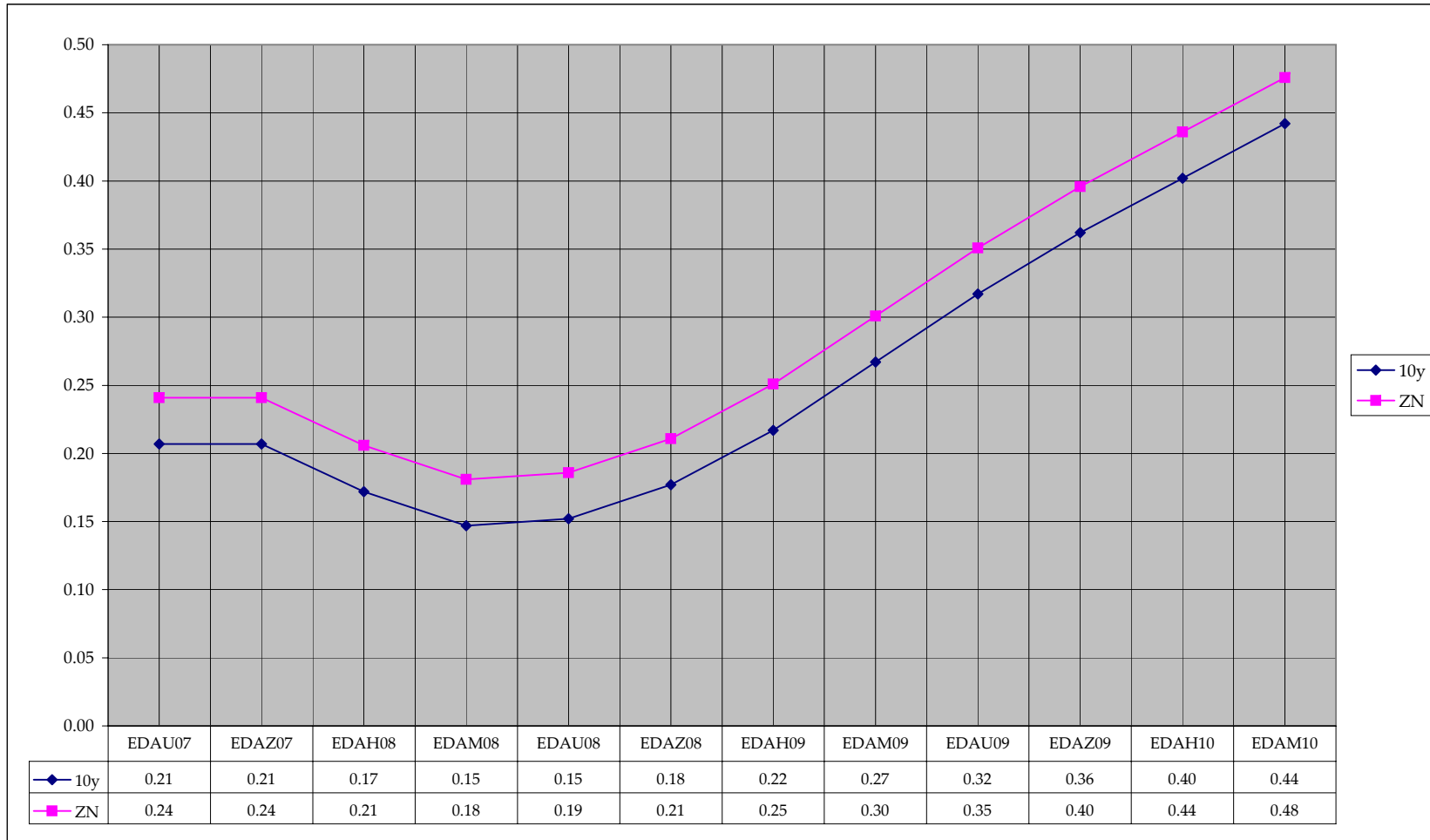
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price	Duration			
Q.ED.White	5.468	0.625	9467.875				
Q.ED.Red	5.489	1.000	9465.875				
Q.ED.Green	5.674	0.375	9448.125				
Q.ED.Blue		0.000	9432.625				
Q.ED.Gold		0.000	9420.250				
Q.ED.Purple		0.000	9420.250				

