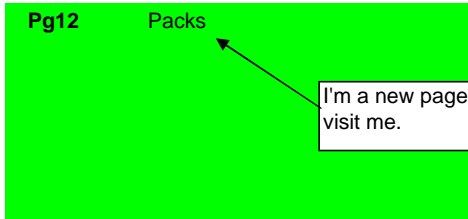


The Morning Email: TERM TEDS & Dirty TEDS

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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	101.7875	101.252	4.961	1.81	
ZF	103.7813	103.250	4.990	3.90	
ZN	105.1094	105.035	5.069	5.71	
2y	99.906	99.2900	4.925	1.95	
5y	99.391	99.1250	5.012	4.34	
10y	95.281	95.0900	5.114	7.74	

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.655	5.345	66	0.180	SEP	} White Pack
EDAZ07	94.665	5.335	157	0.429	DEC	
EDAH08	94.715	5.285	248	0.679	MAR	
EDAM08	94.755	5.245	339	0.928	JUN	} Red Pack
EDAU08	94.765	5.235	430	1.177	SEP	
EDAZ08	94.740	5.260	521	1.427	DEC	
EDAH09	94.690	5.310	612	1.676	MAR	} Green Pack
EDAM09	94.625	5.375	703	1.925	JUN	
EDAU09	94.565	5.435	794	2.175	SEP	
EDAZ09	94.500	5.500	885	2.424	DEC	
EDAH10	94.460	5.540	976	2.673	MAR	
EDAM10	94.425	5.575	1067	2.923	JUN	
EDAU10	94.370	5.630	1158	3.172	SEP	
EDAZ10	94.325	5.675	1249	3.421	DEC	
EDAH11	94.310	5.690	1340	3.671	MAR	
EDAM11	94.270	5.730	1431	3.920	JUN	
EDAU11	94.235	5.765	1529	4.188	SEP	
EDAZ11	94.200	5.800	1620	4.438	DEC	
EDAH12	94.180	5.820	1711	4.687	MAR	
EDAM12	94.145	5.855	1802	4.936	JUN	

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

	Last Yield	Net Yield	Last Price	
Q.ED.White	5.448	0.250	9469.750	} Pack Prices
Q.ED.Red	5.441	0.875	9470.500	
Q.ED.Green	5.667	0.250	9448.750	
Q.ED.Blue		0.000	9432.500	
Q.ED.Gold		0.000	9419.750	
Q.ED.Purple		0.000	9419.750	

Overview of Hedging

7/13/2007 5:47

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

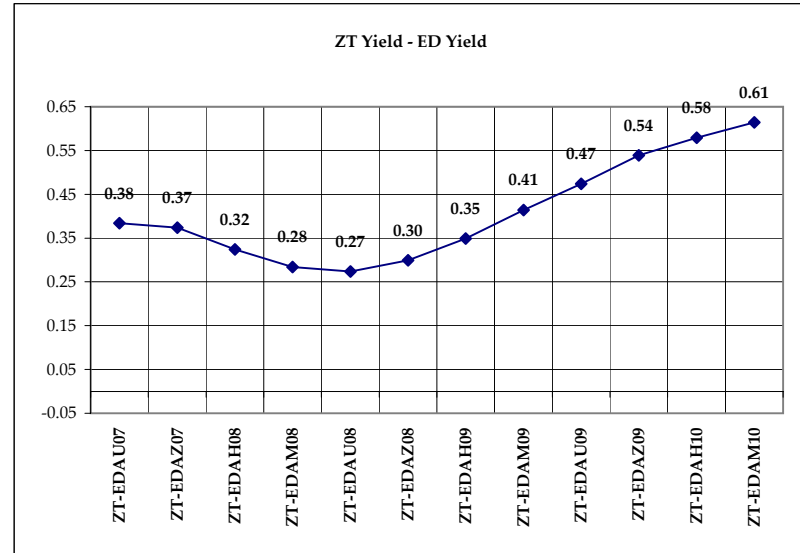
Eurodollar Color Codes for Individual Year Strips:

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

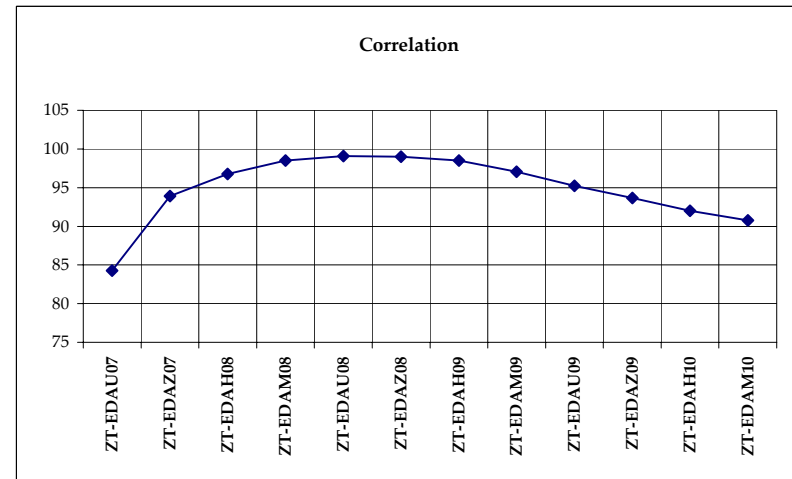
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.132	0.38	ZT-EDAU07	84.259
EDAZ07	7.122	0.37	ZT-EDAZ07	93.913
EDAH08	7.072	0.32	ZT-EDAH08	96.751
EDAM08	7.032	0.28	ZT-EDAM08	98.508
EDAU08	7.022	0.27	ZT-EDAU08	99.103
EDAZ08	7.047	0.30	ZT-EDAZ08	98.994
EDAH09	7.097	0.35	ZT-EDAH09	98.504
EDAM09	7.162	0.41	ZT-EDAM09	97.038
EDAU09	7.222	0.47	ZT-EDAU09	95.251
EDAZ09	7.287	0.54	ZT-EDAZ09	93.678
EDAH10	7.327	0.58	ZT-EDAH10	92.006
EDAM10	7.362	0.61	ZT-EDAM10	90.783

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	0.180	1.81	1.63	ZT-EDAU07
EDAZ07	0.429	1.81	1.38	ZT-EDAZ07
EDAH08	0.679	1.81	1.13	ZT-EDAH08
EDAM08	0.928	1.81	0.88	ZT-EDAM08
EDAU08	1.177	1.81	0.63	ZT-EDAU08
EDAZ08	1.427	1.81	0.39	ZT-EDAZ08
EDAH09	1.676	1.81	0.14	ZT-EDAH09
EDAM09	1.925	1.81	(0.11)	ZT-EDAM09
EDAU09	2.175	1.81	(0.36)	ZT-EDAU09
EDAZ09	2.424	1.81	(0.61)	ZT-EDAZ09
EDAH10	2.673	1.81	(0.86)	ZT-EDAH10
EDAM10	2.923	1.81	(1.11)	ZT-EDAM10

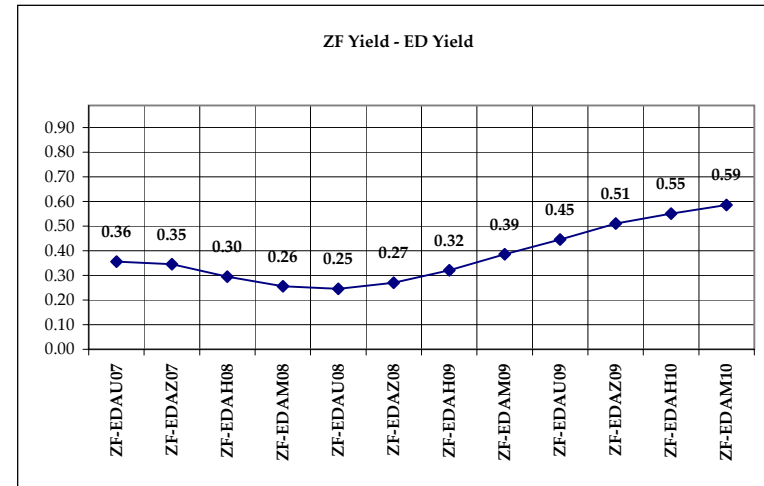
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.13	0.36	ZF-EDAU07	86.630
EDAZ07	9.12	0.35	ZF-EDAZ07	95.646
EDAH08	9.07	0.30	ZF-EDAH08	98.090
EDAM08	9.03	0.26	ZF-EDAM08	99.370
EDAU08	9.02	0.25	ZF-EDAU08	98.962
EDAZ08	9.04	0.27	ZF-EDAZ08	98.472
EDAH09	9.09	0.32	ZF-EDAH09	99.041
EDAM09	9.16	0.39	ZF-EDAM09	99.126
EDAU09	9.22	0.45	ZF-EDAU09	98.527
EDAZ09	9.28	0.51	ZF-EDAZ09	97.706
EDAH10	9.32	0.55	ZF-EDAH10	96.675
EDAM10	9.36	0.59	ZF-EDAM10	95.779

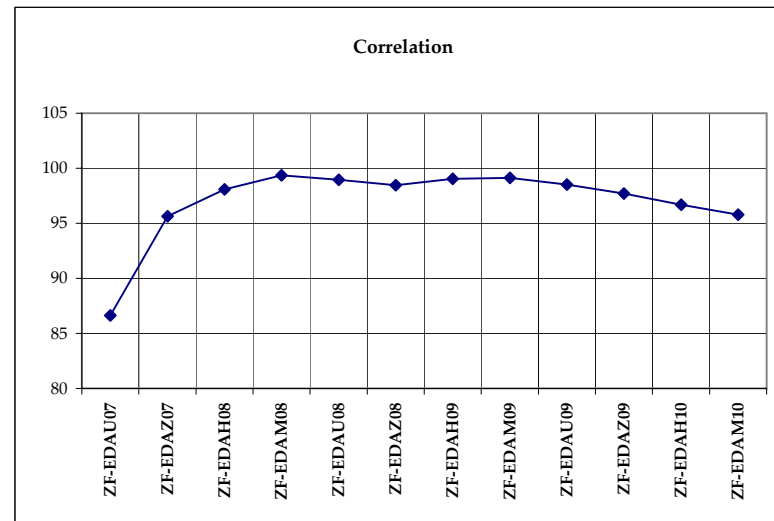
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAU07	0.180	3.90	3.72	ZF-EDAU07
EDAZ07	0.429	3.90	3.47	ZF-EDAZ07
EDAH08	0.679	3.90	3.22	ZF-EDAH08
EDAM08	0.928	3.90	2.97	ZF-EDAM08
EDAU08	1.177	3.90	2.72	ZF-EDAU08
EDAZ08	1.427	3.90	2.47	ZF-EDAZ08
EDAH09	1.676	3.90	2.22	ZF-EDAH09
EDAM09	1.925	3.90	1.97	ZF-EDAM09
EDAU09	2.175	3.90	1.72	ZF-EDAU09
EDAZ09	2.424	3.90	1.47	ZF-EDAZ09
EDAH10	2.673	3.90	1.22	ZF-EDAH10
EDAM10	2.923	3.90	0.97	ZF-EDAM10

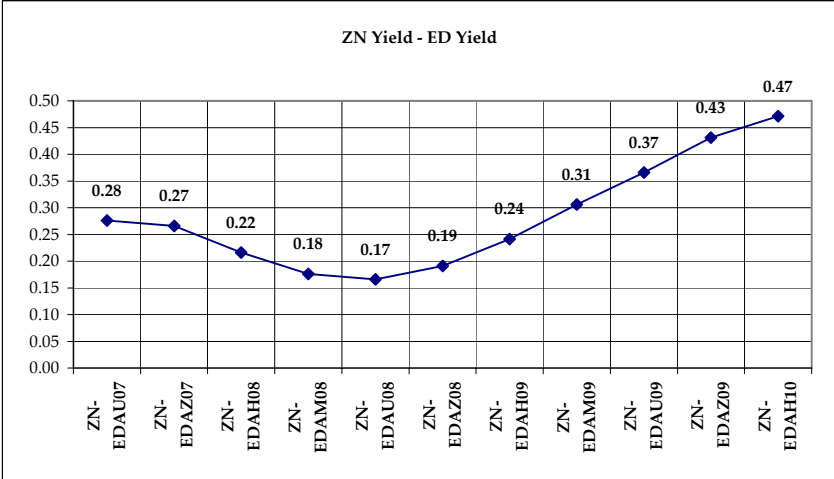
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

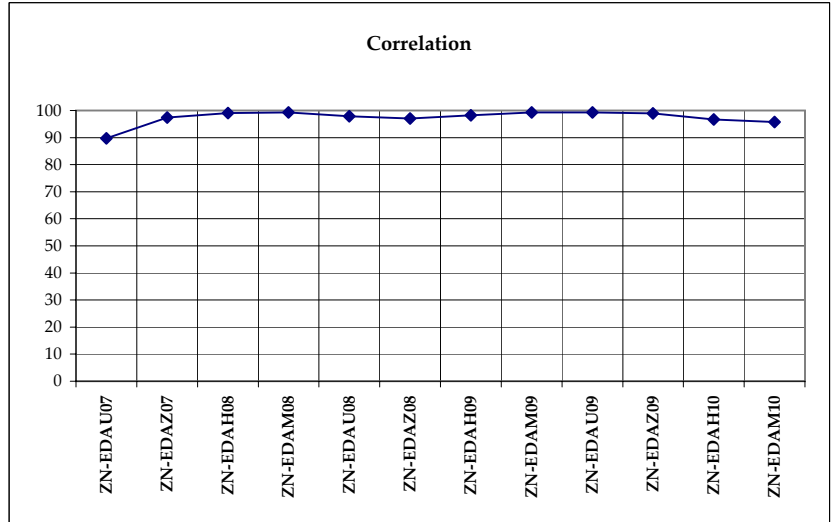
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	10.45	0.28	ZN-EDAU07	89.76
EDAZ07	10.44	0.27	ZN-EDAZ07	97.35
EDAH08	10.39	0.22	ZN-EDAH08	99.03
EDAM08	10.35	0.18	ZN-EDAM08	99.29
EDAU08	10.34	0.17	ZN-EDAU08	97.92
EDAZ08	10.37	0.19	ZN-EDAZ08	97.00
EDAH09	10.42	0.24	ZN-EDAH09	98.28
EDAM09	10.48	0.31	ZN-EDAM09	99.26
EDAU09	10.54	0.37	ZN-EDAU09	99.29
EDAZ09	10.61	0.43	ZN-EDAZ09	98.88
EDAH10	10.65	0.47	ZN-EDAH10	96.68
EDAM10	10.68	0.51	ZN-EDAM10	95.78

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	0.180	5.71	5.53	ZN-EDAU07
EDAZ07	0.429	5.71	5.28	ZN-EDAZ07
EDAH08	0.679	5.71	5.03	ZN-EDAH08
EDAM08	0.928	5.71	4.78	ZN-EDAM08
EDAU08	1.177	5.71	4.53	ZN-EDAU08
EDAZ08	1.427	5.71	4.29	ZN-EDAZ08
EDAH09	1.676	5.71	4.04	ZN-EDAH09
EDAM09	1.925	5.71	3.79	ZN-EDAM09
EDAU09	2.175	5.71	3.54	ZN-EDAU09
EDAZ09	2.424	5.71	3.29	ZN-EDAZ09
EDAH10	2.673	5.71	3.04	ZN-EDAH10
EDAM10	2.923	5.71	2.79	ZN-EDAM10

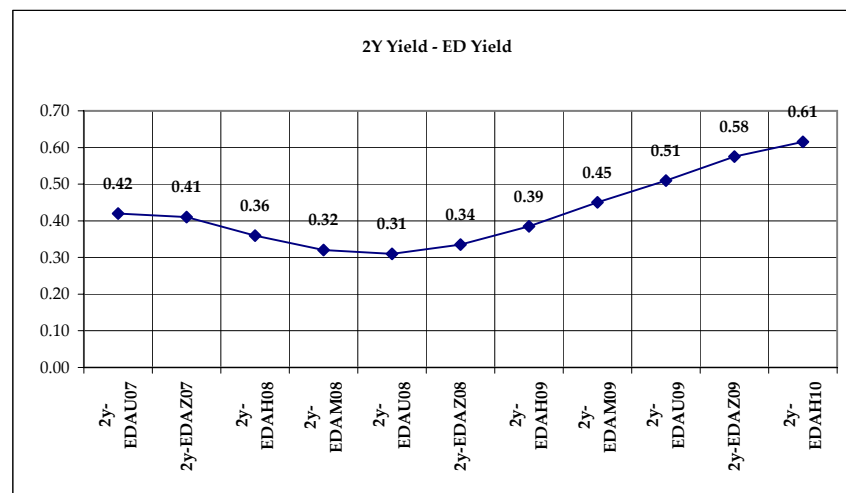
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.25	0.42	2y-EDAU07	-80.180
EDAZ07	5.24	0.41	2y-EDAZ07	-93.609
EDAH08	5.19	0.36	2y-EDAH08	-95.455
EDAM08	5.15	0.32	2y-EDAM08	-95.722
EDAU08	5.14	0.31	2y-EDAU08	-95.006
EDAZ08	5.17	0.34	2y-EDAZ08	-95.722
EDAH09	5.22	0.39	2y-EDAH09	-94.517
EDAM09	5.28	0.45	2y-EDAM09	-94.305
EDAU09	5.34	0.51	2y-EDAU09	-93.923
EDAZ09	5.41	0.58	2y-EDAZ09	-93.299
EDAH10	5.45	0.61	2y-EDAH10	-92.405
EDAM10	5.48	0.65	2y-EDAM10	-91.425

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.

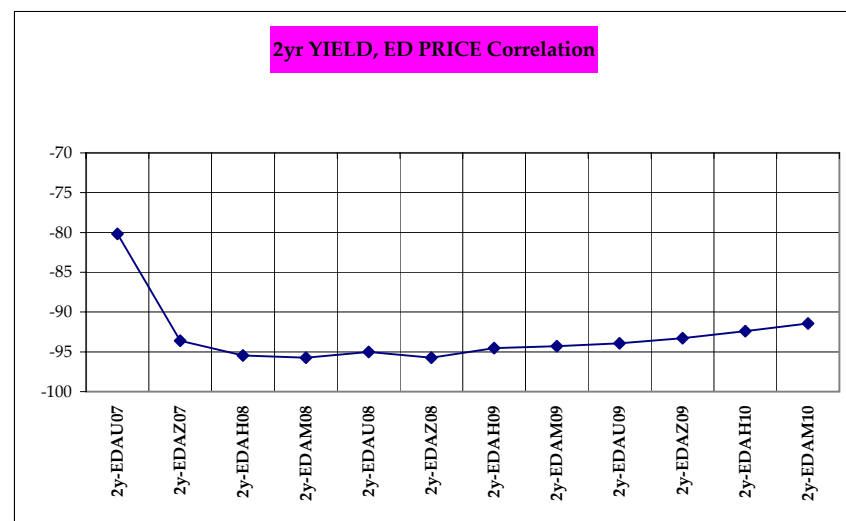


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.180	1.77	2y-EDAU07
EDAZ07	0.429	1.52	2y-EDAZ07
EDAH08	0.679	1.27	2y-EDAH08
EDAM08	0.928	1.02	2y-EDAM08
EDAU08	1.177	0.77	2y-EDAU08
EDAZ08	1.427	0.52	2y-EDAZ08
EDAH09	1.676	0.27	2y-EDAH09
EDAM09	1.925	0.02	2y-EDAM09
EDAU09	2.175	(0.23)	2y-EDAU09
EDAZ09	2.424	(0.48)	2y-EDAZ09
EDAH10	2.673	(0.72)	2y-EDAH10
EDAM10	2.923	(0.97)	2y-EDAM10

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

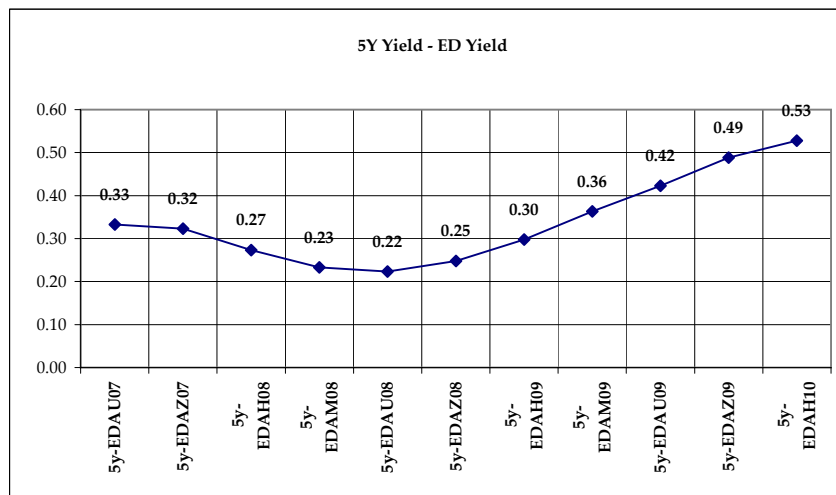
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.74	0.33	5y-EDAU07	-84.603
EDAZ07	4.73	0.32	5y-EDAZ07	-95.632
EDAH08	4.68	0.27	5y-EDAH08	-97.322
EDAM08	4.64	0.23	5y-EDAM08	-97.266
EDAU08	4.63	0.22	5y-EDAU08	-95.664
EDAZ08	4.65	0.25	5y-EDAZ08	-97.266
EDAH09	4.70	0.30	5y-EDAH09	-95.799
EDAM09	4.77	0.36	5y-EDAM09	-97.074
EDAU09	4.83	0.42	5y-EDAU09	-97.657
EDAZ09	4.89	0.49	5y-EDAZ09	-97.582
EDAH10	4.93	0.53	5y-EDAH10	-97.173
EDAM10	4.97	0.56	5y-EDAM10	-96.625

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.

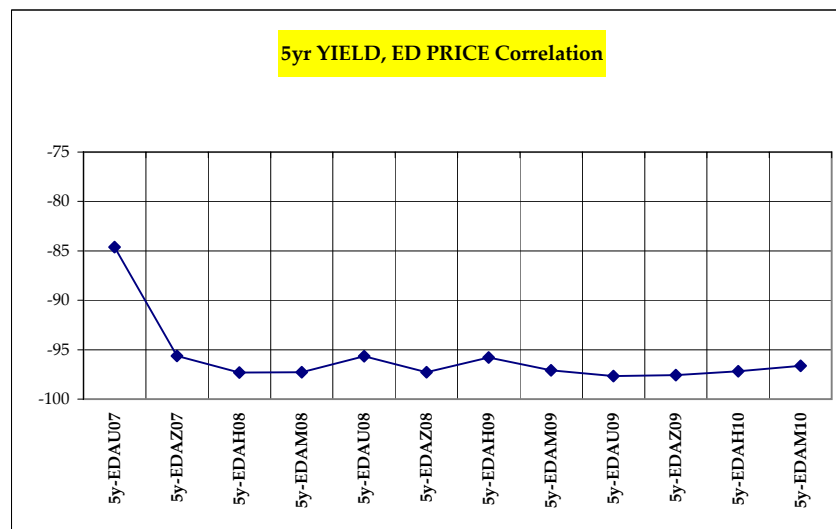


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAU07	0.180	4.34	5y-EDAU07
EDAZ07	0.429	4.34	5y-EDAZ07
EDAH08	0.679	4.34	5y-EDAH08
EDAM08	0.928	4.34	5y-EDAM08
EDAU08	1.177	4.34	5y-EDAU08
EDAZ08	1.427	4.34	5y-EDAZ08
EDAH09	1.676	4.34	5y-EDAH09
EDAM09	1.925	4.34	5y-EDAM09
EDAU09	2.175	4.34	5y-EDAU09
EDAZ09	2.424	4.34	5y-EDAZ09
EDAH10	2.673	4.34	5y-EDAH10
EDAM10	2.923	4.34	5y-EDAM10

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

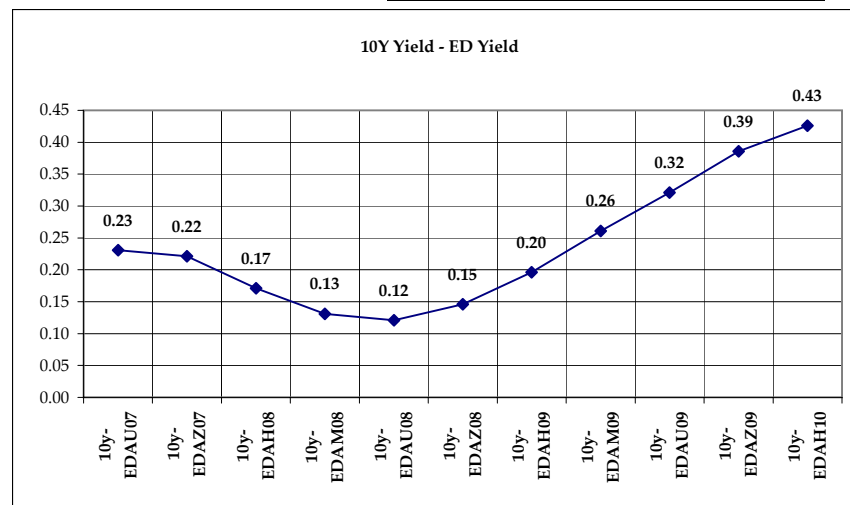
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.74	0.23	10y-EDAU07	-85.993
EDAZ07	4.73	0.22	10y-EDAZ07	-96.683
EDAH08	4.68	0.17	10y-EDAH08	-97.702
EDAM08	4.64	0.13	10y-EDAM08	-96.946
EDAU08	4.63	0.12	10y-EDAU08	-94.803
EDAZ08	4.65	0.15	10y-EDAZ08	-96.946
EDAH09	4.70	0.20	10y-EDAH09	-95.029
EDAM09	4.77	0.26	10y-EDAM09	-96.687
EDAU09	4.83	0.32	10y-EDAU09	-97.562
EDAZ09	4.89	0.39	10y-EDAZ09	-97.698
EDAH10	4.93	0.43	10y-EDAH10	-97.468
EDAM10	4.97	0.46	10y-EDAM10	-97.006

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.

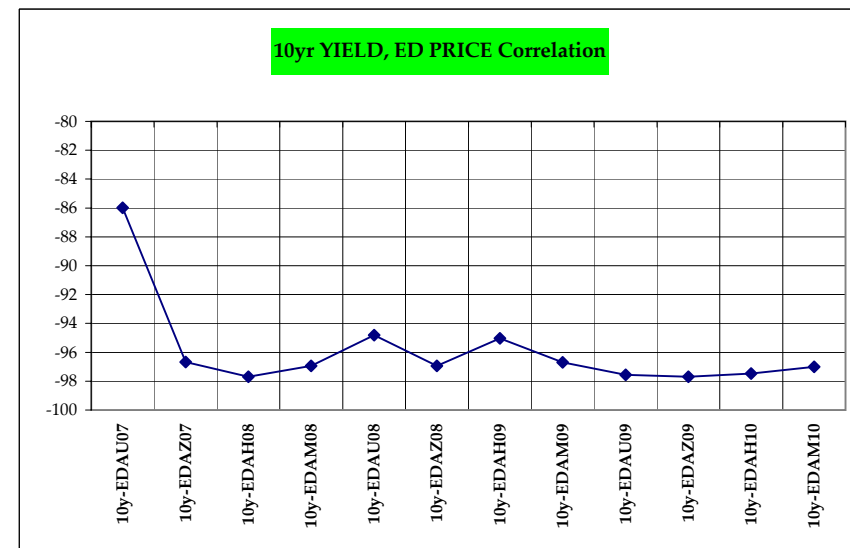


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.180	7.74	7.56	10y-EDAU07
EDAZ07	0.429	7.74	7.31	10y-EDAZ07
EDAH08	0.679	7.74	7.06	10y-EDAH08
EDAM08	0.928	7.74	6.81	10y-EDAM08
EDAU08	1.177	7.74	6.56	10y-EDAU08
EDAZ08	1.427	7.74	6.31	10y-EDAZ08
EDAH09	1.676	7.74	6.06	10y-EDAH09
EDAM09	1.925	7.74	5.82	10y-EDAM09
EDAU09	2.175	7.74	5.57	10y-EDAU09
EDAZ09	2.424	7.74	5.32	10y-EDAZ09
EDAH10	2.673	7.74	5.07	10y-EDAH10
EDAM10	2.923	7.74	4.82	10y-EDAM10

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

10yr YIELD, ED PRICE Correlation

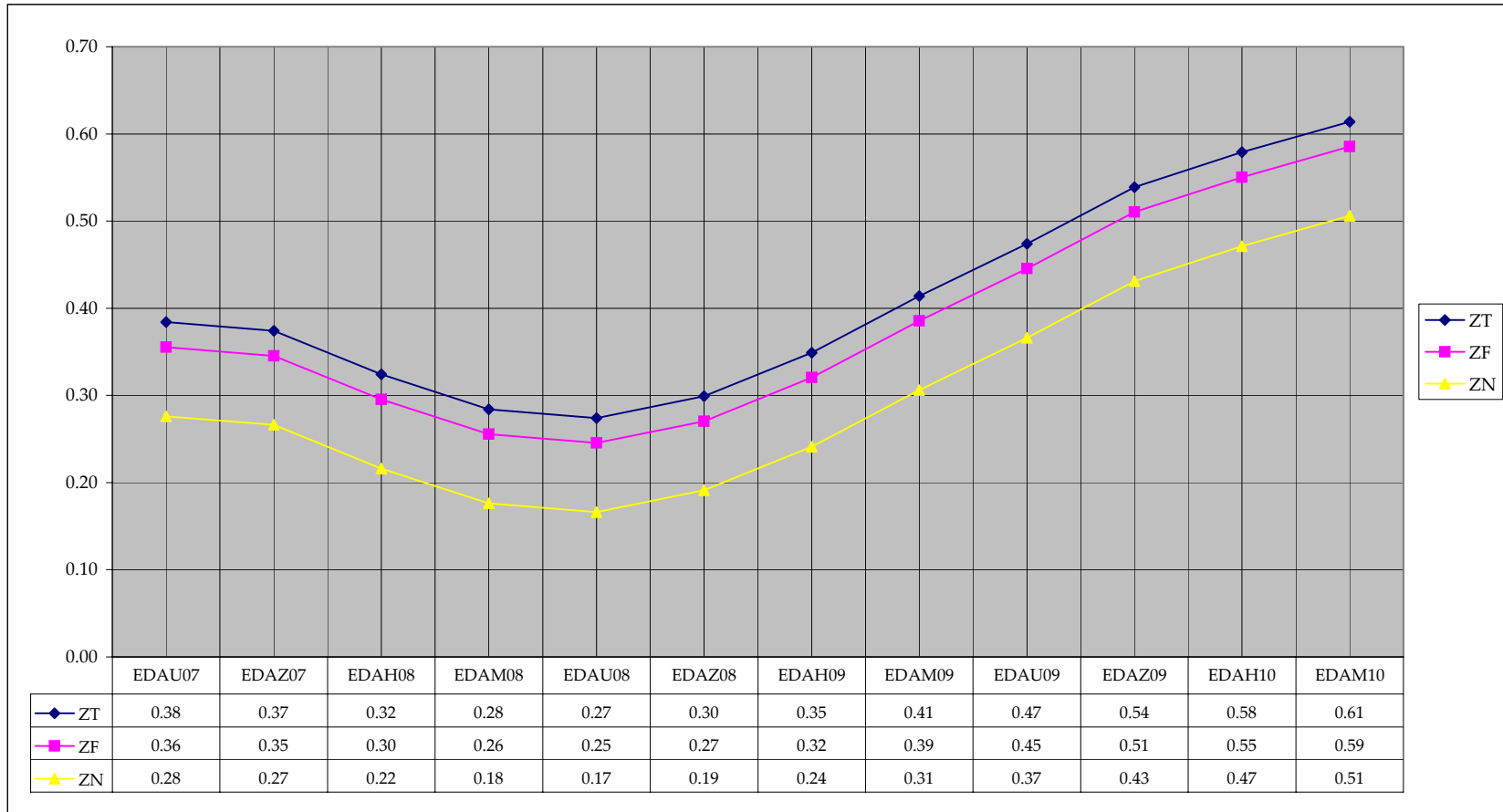


Dirty TED Curve

7/13/2007 5:47

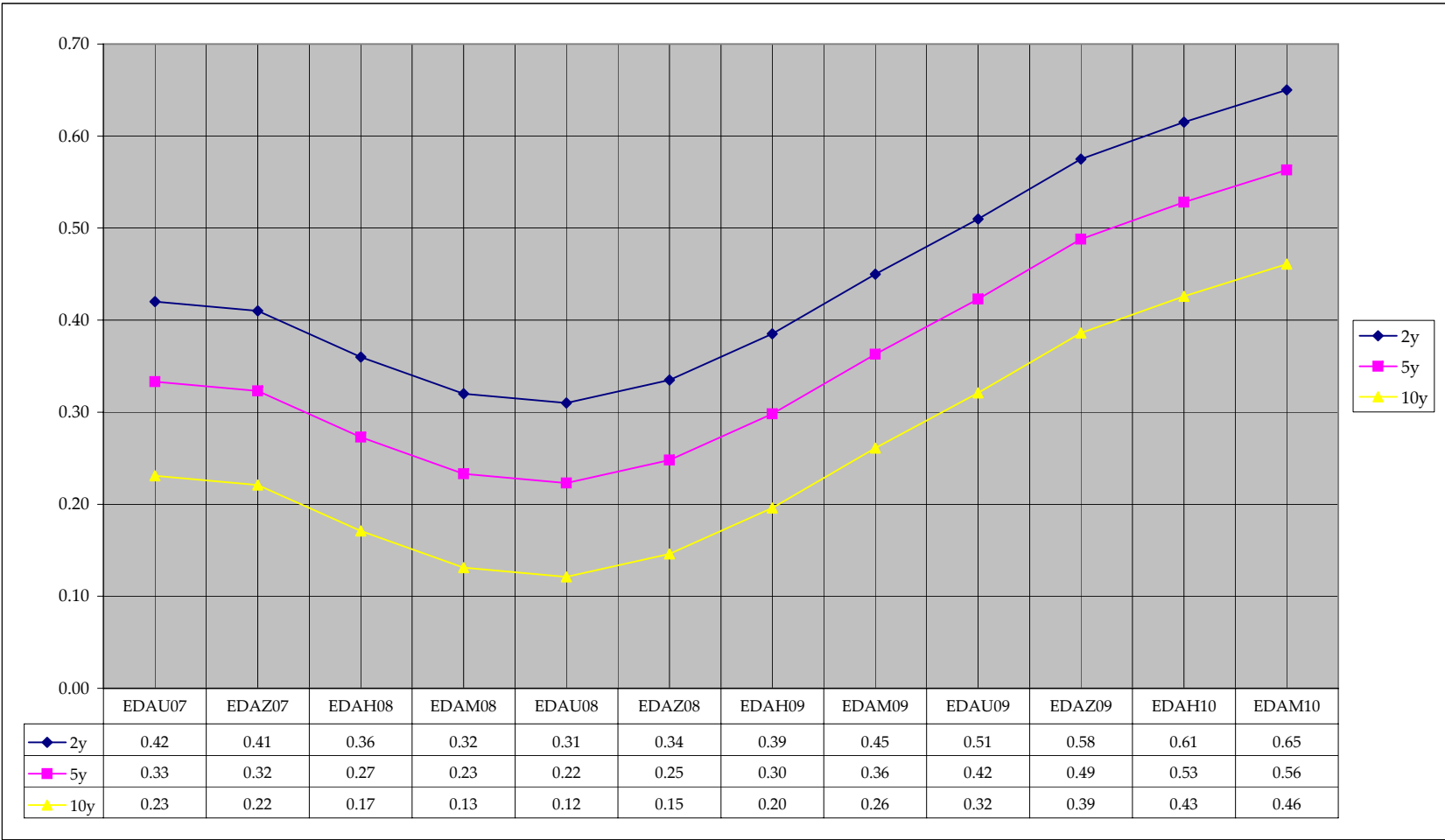
Page 7

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.

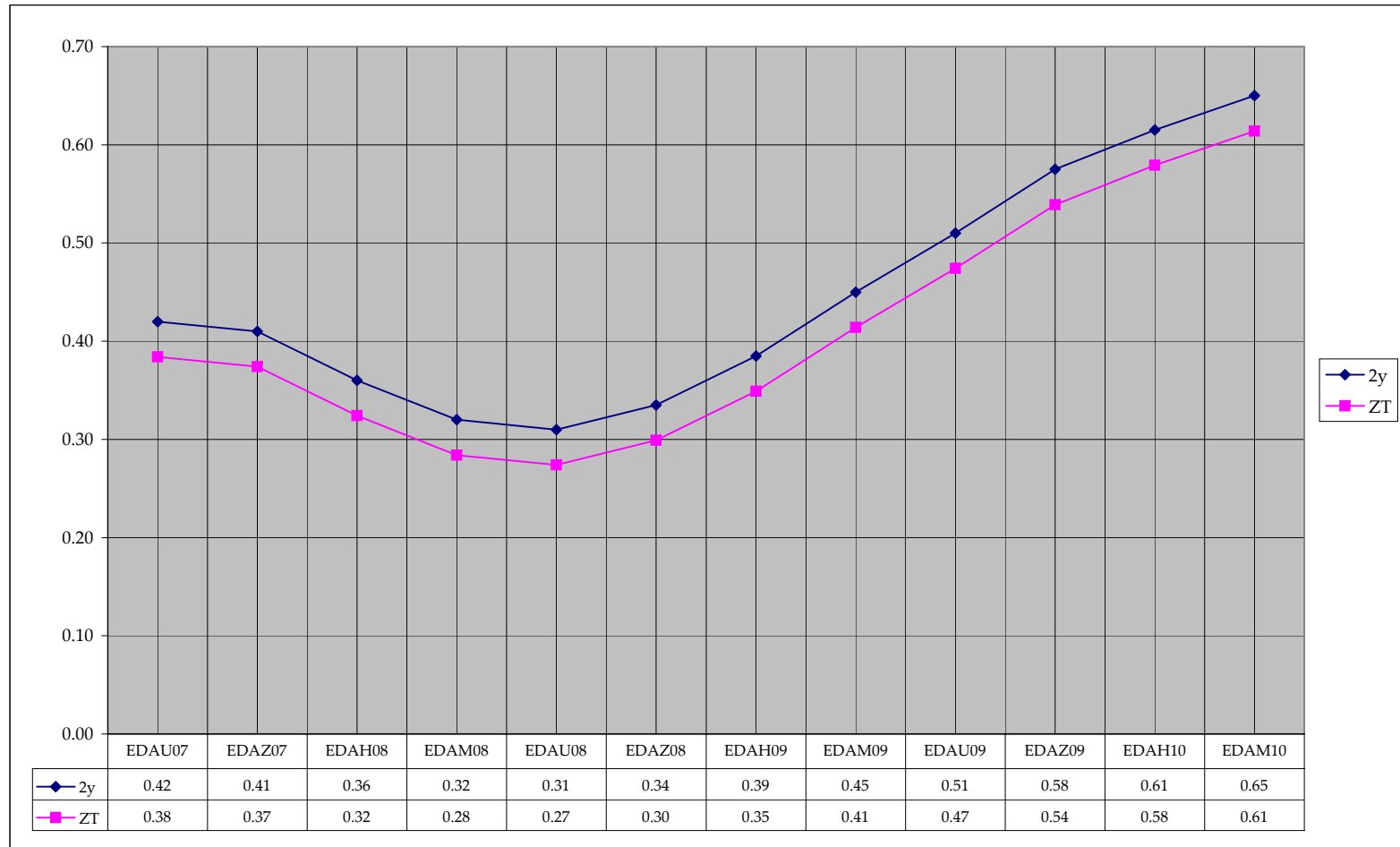


TED Curve

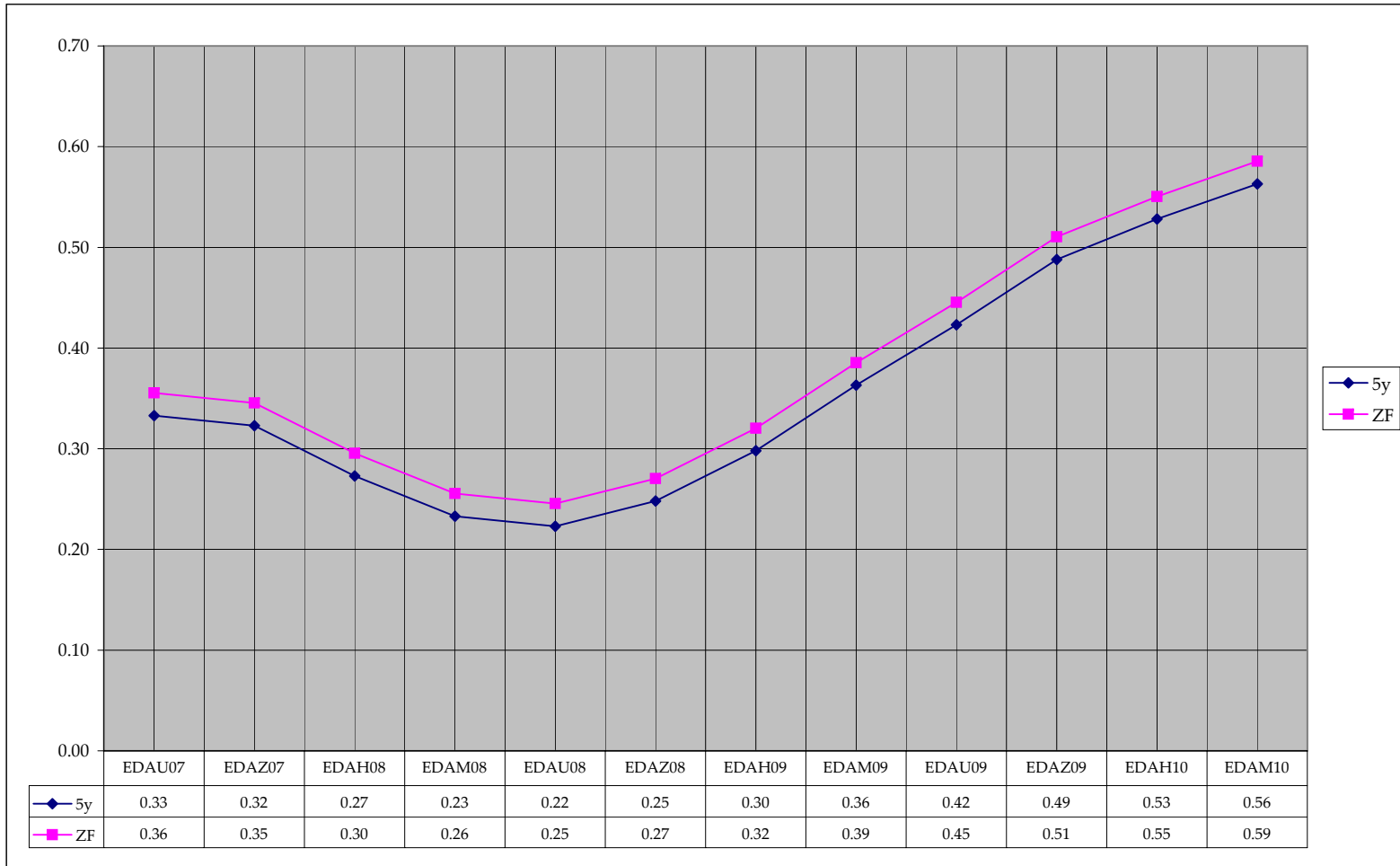
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



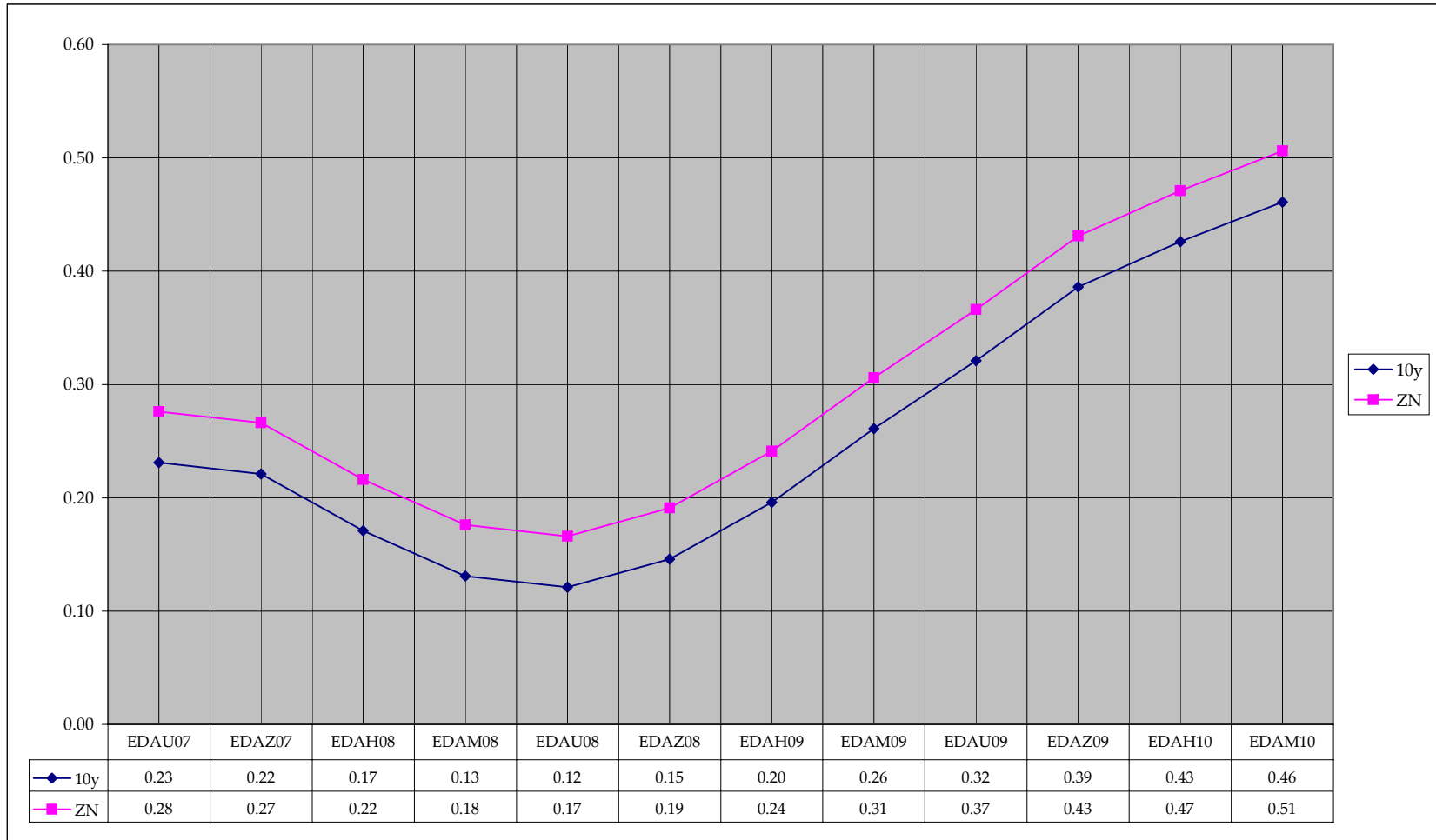
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price	Duration			
Q.ED.White	5.448	0.250	9469.750				
Q.ED.Red	5.441	0.875	9470.500				
Q.ED.Green	5.667	0.250	9448.750				
Q.ED.Blue		0.000	9432.500				
Q.ED.Gold		0.000	9419.750				
Q.ED.Purple		0.000	9419.750				

