

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	101.8281	101.265	4.922	1.81
ZF	103.9219	103.295	4.960	3.89
ZN	105.3594	105.115	5.030	5.71
2y	99.944	99.3020	4.900	1.94
5y	99.538	99.1720	4.981	4.34
10y	95.594	95.1900	5.074	7.74

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.660	5.340	61	0.168	SEP	White Pack
EDAZ07	94.675	5.325	152	0.418	DEC	
EDAH08	94.720	5.280	243	0.667	MAR	
EDAM08	94.760	5.240	334	0.916	JUN	Red Pack
EDAU08	94.770	5.230	425	1.166	SEP	
EDAZ08	94.750	5.250	516	1.415	DEC	
EDAH09	94.710	5.290	607	1.664	MAR	Green Pack
EDAM09	94.655	5.345	698	1.913	JUN	
EDAU09	94.595	5.405	789	2.163	SEP	
EDAZ09	94.530	5.470	880	2.412	DEC	Blue Pack
EDAH10	94.490	5.510	971	2.661	MAR	
EDAM10	94.440	5.560	1062	2.911	JUN	
EDAU10	94.430	5.570	1153	3.160	SEP	Gold Pack
EDAZ10	94.365	5.635	1244	3.409	DEC	
EDAH11	94.340	5.660	1335	3.659	MAR	
EDAM11	94.310	5.690	1426	3.908	JUN	Gold Pack
EDAU11	94.290	5.710	1524	4.176	SEP	
EDAZ11	#VALUE!	#VALUE!	1615	4.426	DEC	
EDAH12	#VALUE!	#VALUE!	1706	4.675	MAR	
EDAM12	#VALUE!	#VALUE!	1797	4.924	JUN	

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	5.442	-2.875	9470.375	Pack Prices
Q.ED.Red	5.424	-6.000	9472.125	
Q.ED.Green	5.640	-5.500	9451.375	
Q.ED.Blue	5.808	-4.750	9435.250	
Q.ED.Gold	5.923	-3.000	9424.250	
Q.ED.Purple	5.923	-3.000	9424.250	

Red pack is a 2yr proxy
 Gold pack is a 10 yr proxy
 Red pack/Gold pack is a 2/10 proxy

Overview of Hedging

7/17/2007 14:06

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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

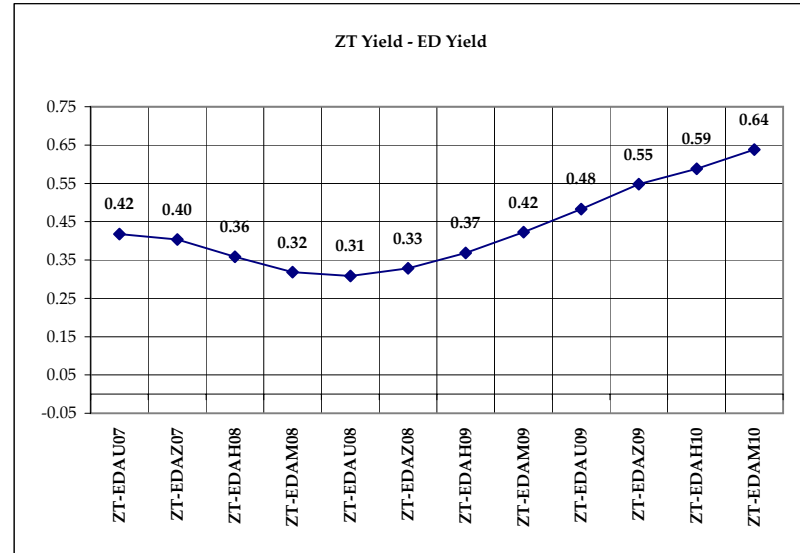
Eurodollar Color Codes for Individual Year Strips:

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

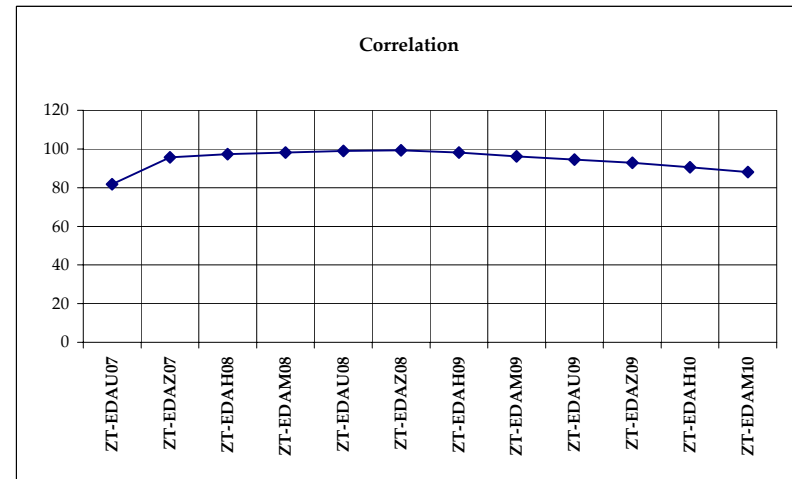
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.168	0.42	ZT-EDAU07	81.769
EDAZ07	7.153	0.40	ZT-EDAZ07	95.641
EDAH08	7.108	0.36	ZT-EDAH08	97.243
EDAM08	7.068	0.32	ZT-EDAM08	98.085
EDAU08	7.058	0.31	ZT-EDAU08	99.058
EDAZ08	7.078	0.33	ZT-EDAZ08	99.290
EDAH09	7.118	0.37	ZT-EDAH09	98.203
EDAM09	7.173	0.42	ZT-EDAM09	96.140
EDAU09	7.233	0.48	ZT-EDAU09	94.473
EDAZ09	7.298	0.55	ZT-EDAZ09	92.823
EDAH10	7.338	0.59	ZT-EDAH10	90.465
EDAM10	7.388	0.64	ZT-EDAM10	87.978

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	0.168	1.81	1.64	ZT-EDAU07
EDAZ07	0.418	1.81	1.39	ZT-EDAZ07
EDAH08	0.667	1.81	1.14	ZT-EDAH08
EDAM08	0.916	1.81	0.89	ZT-EDAM08
EDAU08	1.166	1.81	0.64	ZT-EDAU08
EDAZ08	1.415	1.81	0.39	ZT-EDAZ08
EDAH09	1.664	1.81	0.14	ZT-EDAH09
EDAM09	1.913	1.81	(0.11)	ZT-EDAM09
EDAU09	2.163	1.81	(0.36)	ZT-EDAU09
EDAZ09	2.412	1.81	(0.61)	ZT-EDAZ09
EDAH10	2.661	1.81	(0.85)	ZT-EDAH10
EDAM10	2.911	1.81	(1.10)	ZT-EDAM10

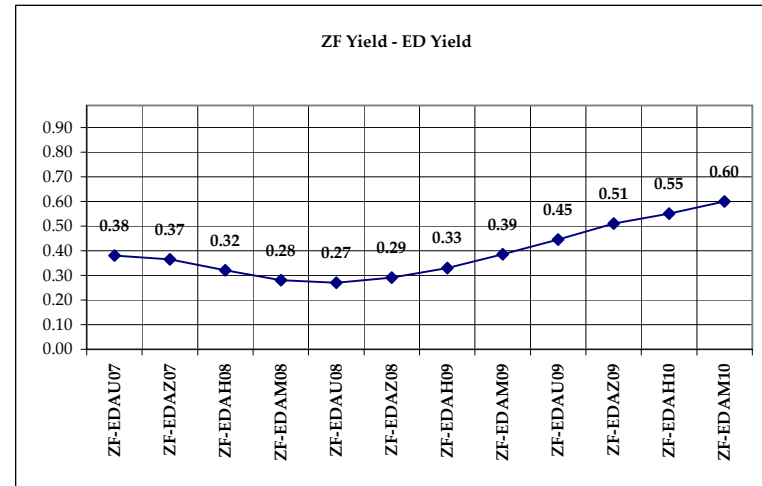
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.26	0.38	ZF-EDAU07	84.974
EDAZ07	9.25	0.37	ZF-EDAZ07	97.348
EDAH08	9.20	0.32	ZF-EDAH08	98.180
EDAM08	9.16	0.28	ZF-EDAM08	98.728
EDAU08	9.15	0.27	ZF-EDAU08	98.776
EDAZ08	9.17	0.29	ZF-EDAZ08	98.758
EDAH09	9.21	0.33	ZF-EDAH09	98.745
EDAM09	9.27	0.39	ZF-EDAM09	98.276
EDAU09	9.33	0.45	ZF-EDAU09	97.873
EDAZ09	9.39	0.51	ZF-EDAZ09	97.132
EDAH10	9.43	0.55	ZF-EDAH10	95.659
EDAM10	9.48	0.60	ZF-EDAM10	93.623

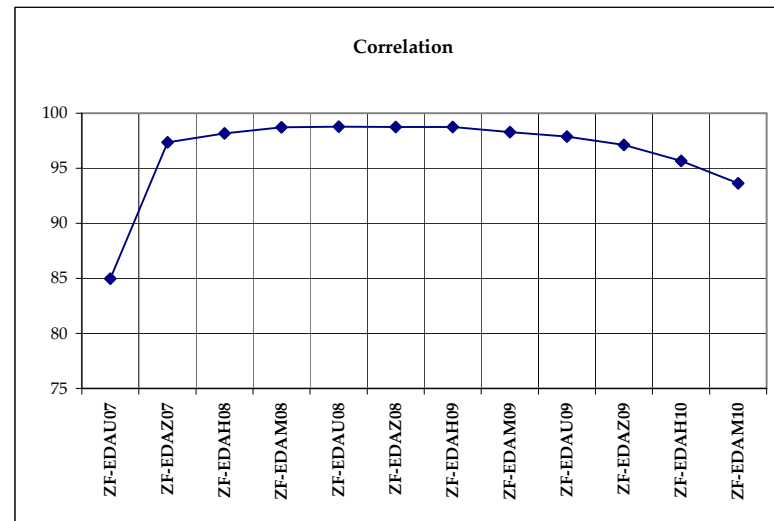
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAU07	0.168	3.89	3.72	ZF-EDAU07
EDAZ07	0.418	3.89	3.47	ZF-EDAZ07
EDAH08	0.667	3.89	3.22	ZF-EDAH08
EDAM08	0.916	3.89	2.98	ZF-EDAM08
EDAU08	1.166	3.89	2.73	ZF-EDAU08
EDAZ08	1.415	3.89	2.48	ZF-EDAZ08
EDAH09	1.664	3.89	2.23	ZF-EDAH09
EDAM09	1.913	3.89	1.98	ZF-EDAM09
EDAU09	2.163	3.89	1.73	ZF-EDAU09
EDAZ09	2.412	3.89	1.48	ZF-EDAZ09
EDAH10	2.661	3.89	1.23	ZF-EDAH10
EDAM10	2.911	3.89	0.98	ZF-EDAM10

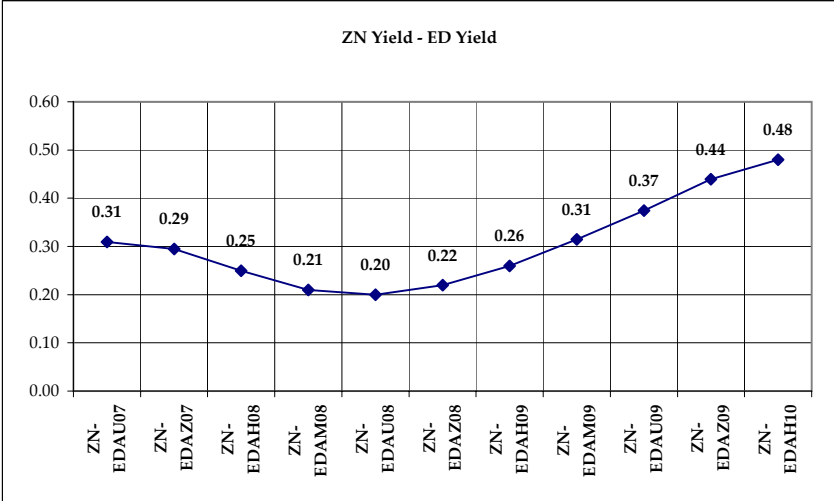
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Dirty TED: ZN vs Eurodollar Contracts

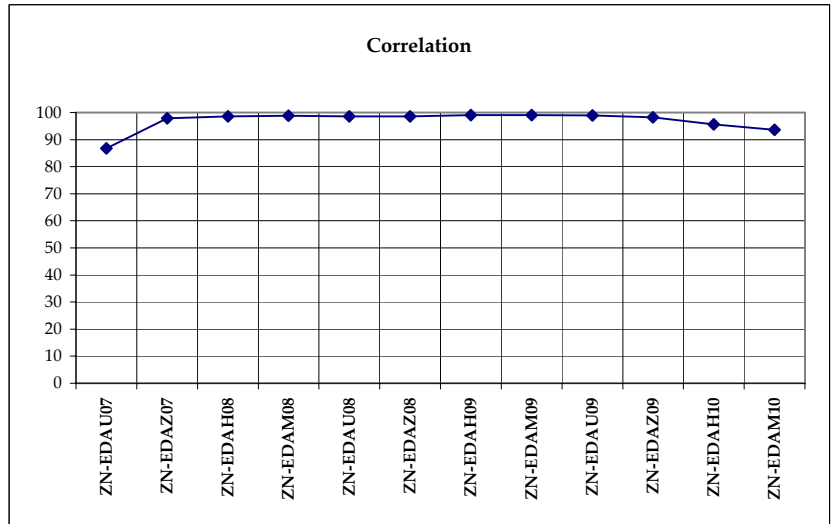
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	10.70	0.31	ZN-EDAU07	86.72
EDAZ07	10.68	0.29	ZN-EDAZ07	97.90
EDAH08	10.64	0.25	ZN-EDAH08	98.54
EDAM08	10.60	0.21	ZN-EDAM08	98.83
EDAU08	10.59	0.20	ZN-EDAU08	98.59
EDAZ08	10.61	0.22	ZN-EDAZ08	98.56
EDAH09	10.65	0.26	ZN-EDAH09	99.04
EDAM09	10.70	0.31	ZN-EDAM09	99.10
EDAU09	10.76	0.37	ZN-EDAU09	98.94
EDAZ09	10.83	0.44	ZN-EDAZ09	98.24
EDAH10	10.87	0.48	ZN-EDAH10	95.66
EDAM10	10.92	0.53	ZN-EDAM10	93.62

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	
EDAU07	0.168	5.71	5.54	ZN-EDAU07
EDAZ07	0.418	5.71	5.29	ZN-EDAZ07
EDAH08	0.667	5.71	5.04	ZN-EDAH08
EDAM08	0.916	5.71	4.79	ZN-EDAM08
EDAU08	1.166	5.71	4.54	ZN-EDAU08
EDAZ08	1.415	5.71	4.29	ZN-EDAZ08
EDAH09	1.664	5.71	4.05	ZN-EDAH09
EDAM09	1.913	5.71	3.80	ZN-EDAM09
EDAU09	2.163	5.71	3.55	ZN-EDAU09
EDAZ09	2.412	5.71	3.30	ZN-EDAZ09
EDAH10	2.661	5.71	3.05	ZN-EDAH10
EDAM10	2.911	5.71	2.80	ZN-EDAM10

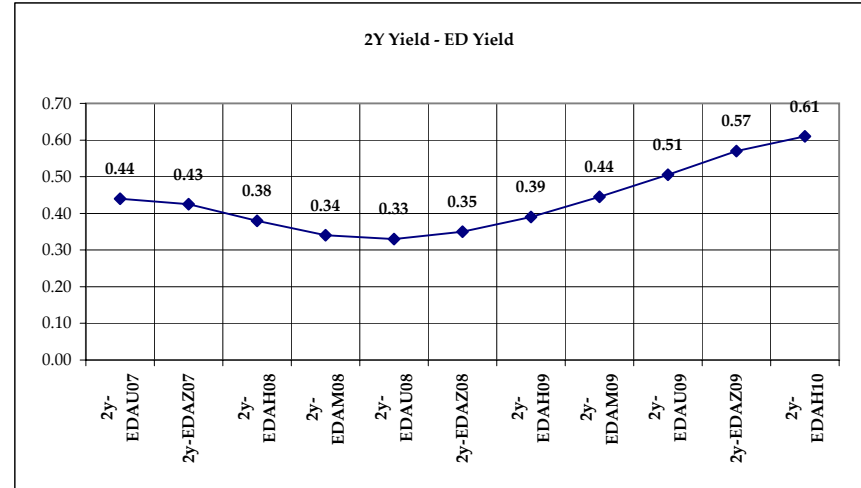
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TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.28	0.44	2y-EDAU07	-74.025
EDAZ07	5.27	0.43	2y-EDAZ07	-90.440
EDAH08	5.22	0.38	2y-EDAH08	-91.646
EDAM08	5.18	0.34	2y-EDAM08	-91.263
EDAU08	5.17	0.33	2y-EDAU08	-91.736
EDAZ08	5.19	0.35	2y-EDAZ08	-91.263
EDAH09	5.23	0.39	2y-EDAH09	-92.442
EDAM09	5.29	0.44	2y-EDAM09	-91.326
EDAU09	5.35	0.51	2y-EDAU09	-90.004
EDAZ09	5.41	0.57	2y-EDAZ09	-88.520
EDAH10	5.45	0.61	2y-EDAH10	-86.970
EDAM10	5.50	0.66	2y-EDAM10	-85.223

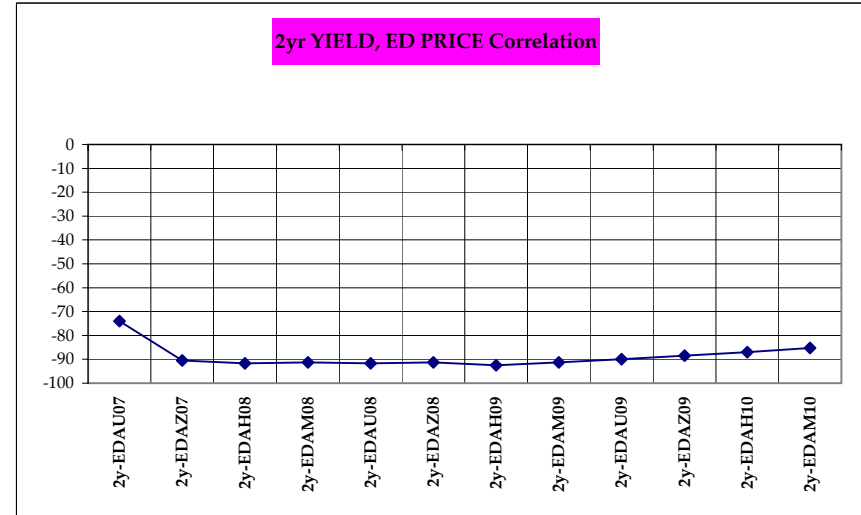
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days.
 These are measuring YIELD correlations.



GE Duration as

	Fraction of year	2Y Duration	Spread Duration	
EDAU07	0.168	1.94	1.77	2y-EDAU07
EDAZ07	0.418	1.94	1.53	2y-EDAZ07
EDAH08	0.667	1.94	1.28	2y-EDAH08
EDAM08	0.916	1.94	1.03	2y-EDAM08
EDAU08	1.166	1.94	0.78	2y-EDAU08
EDAZ08	1.415	1.94	0.53	2y-EDAZ08
EDAH09	1.664	1.94	0.28	2y-EDAH09
EDAM09	1.913	1.94	0.03	2y-EDAM09
EDAU09	2.163	1.94	(0.22)	2y-EDAU09
EDAZ09	2.412	1.94	(0.47)	2y-EDAZ09
EDAH10	2.661	1.94	(0.72)	2y-EDAH10
EDAM10	2.911	1.94	(0.97)	2y-EDAM10

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



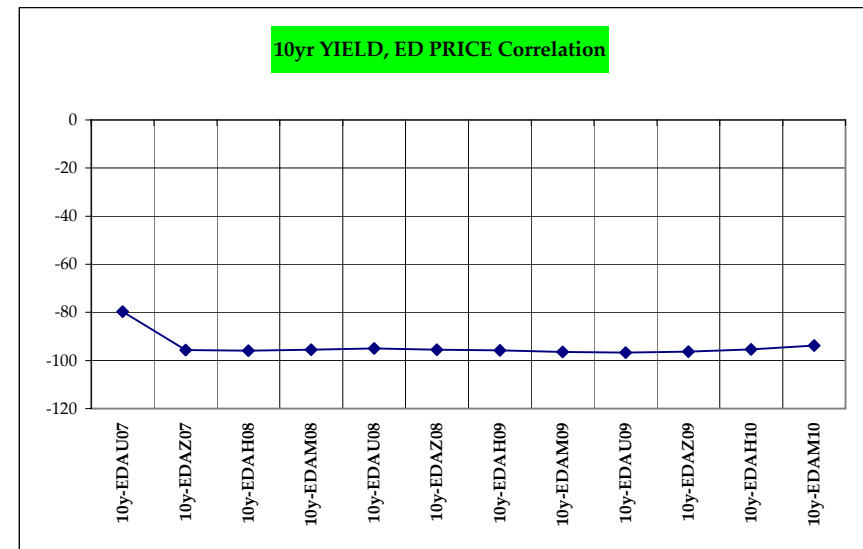
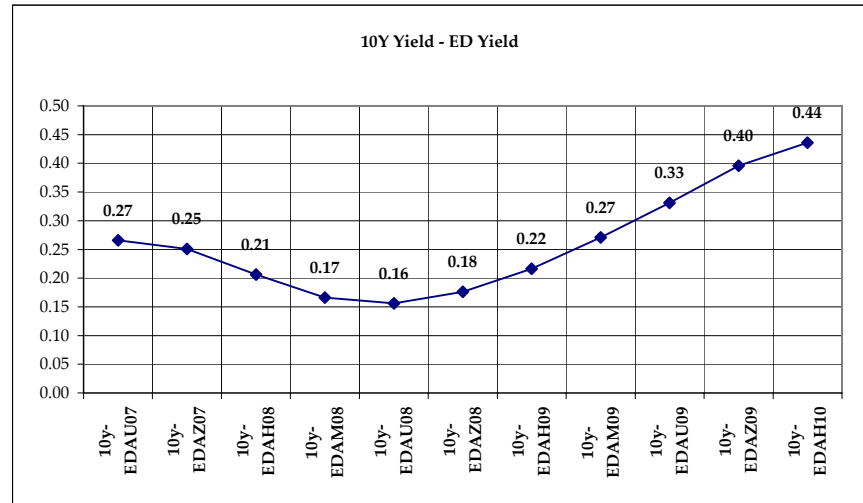
TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.88	0.27	10y-EDAU07	-79.696
EDAZ07	4.86	0.25	10y-EDAZ07	-95.635
EDAH08	4.82	0.21	10y-EDAH08	-95.878
EDAM08	4.78	0.17	10y-EDAM08	-95.462
EDAU08	4.77	0.16	10y-EDAU08	-94.936
EDAZ08	4.79	0.18	10y-EDAZ08	-95.462
EDAH09	4.83	0.22	10y-EDAH09	-95.795
EDAM09	4.88	0.27	10y-EDAM09	-96.388
EDAU09	4.94	0.33	10y-EDAU09	-96.725
EDAZ09	5.01	0.40	10y-EDAZ09	-96.318
EDAH10	5.05	0.44	10y-EDAH10	-95.422
EDAM10	5.10	0.49	10y-EDAM10	-93.783

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

	GE Duration as Fraction of year			
	Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.168	7.74	7.57	10y-EDAU07
EDAZ07	0.418	7.74	7.32	10y-EDAZ07
EDAH08	0.667	7.74	7.07	10y-EDAH08
EDAM08	0.916	7.74	6.82	10y-EDAM08
EDAU08	1.166	7.74	6.57	10y-EDAU08
EDAZ08	1.415	7.74	6.33	10y-EDAZ08
EDAH09	1.664	7.74	6.08	10y-EDAH09
EDAM09	1.913	7.74	5.83	10y-EDAM09
EDAU09	2.163	7.74	5.58	10y-EDAU09
EDAZ09	2.412	7.74	5.33	10y-EDAZ09
EDAH10	2.661	7.74	5.08	10y-EDAH10
EDAM10	2.911	7.74	4.83	10y-EDAM10

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

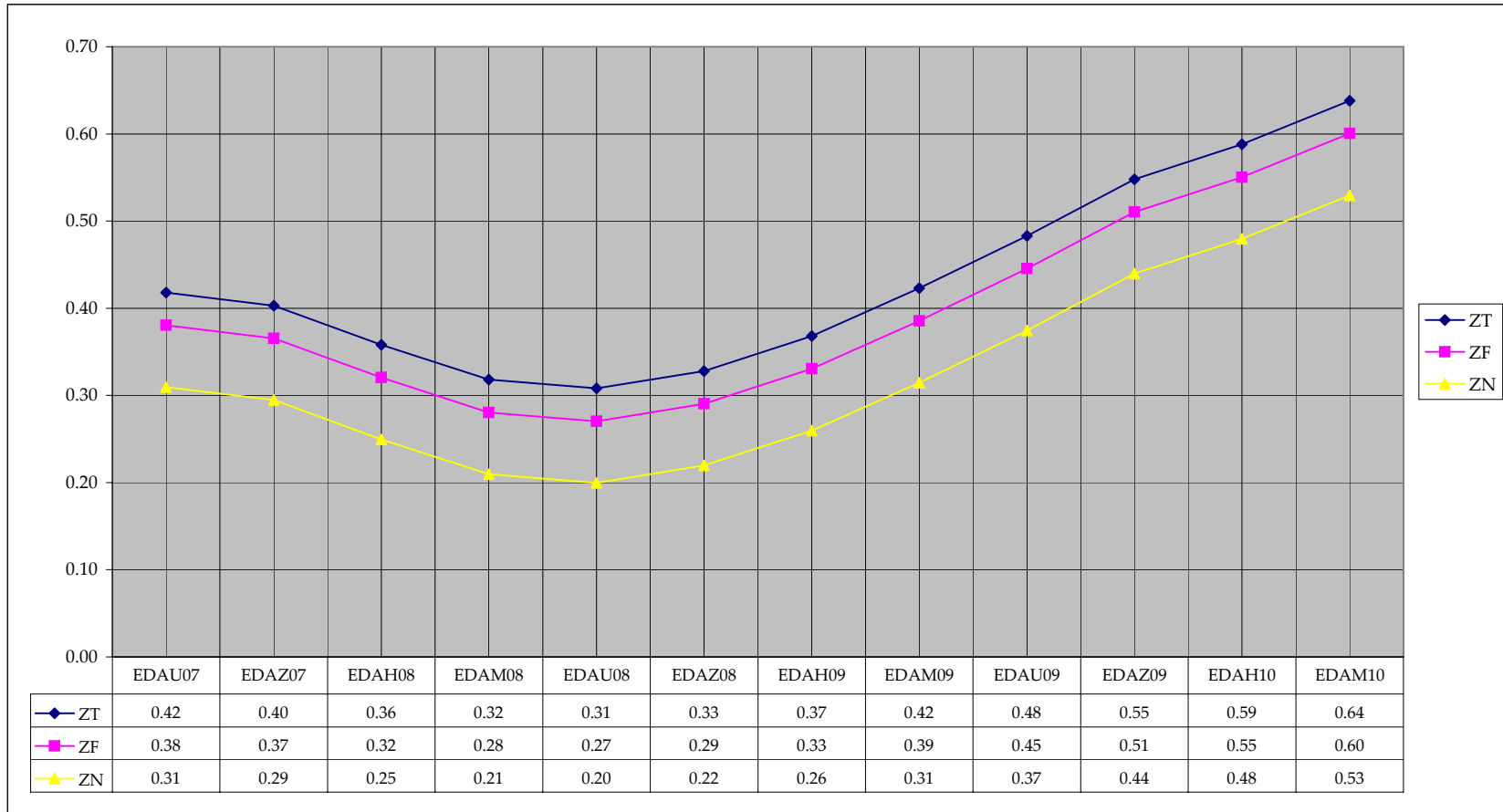


Jim Goulding, jgoulding@ghco.com

The Morning Email, TED

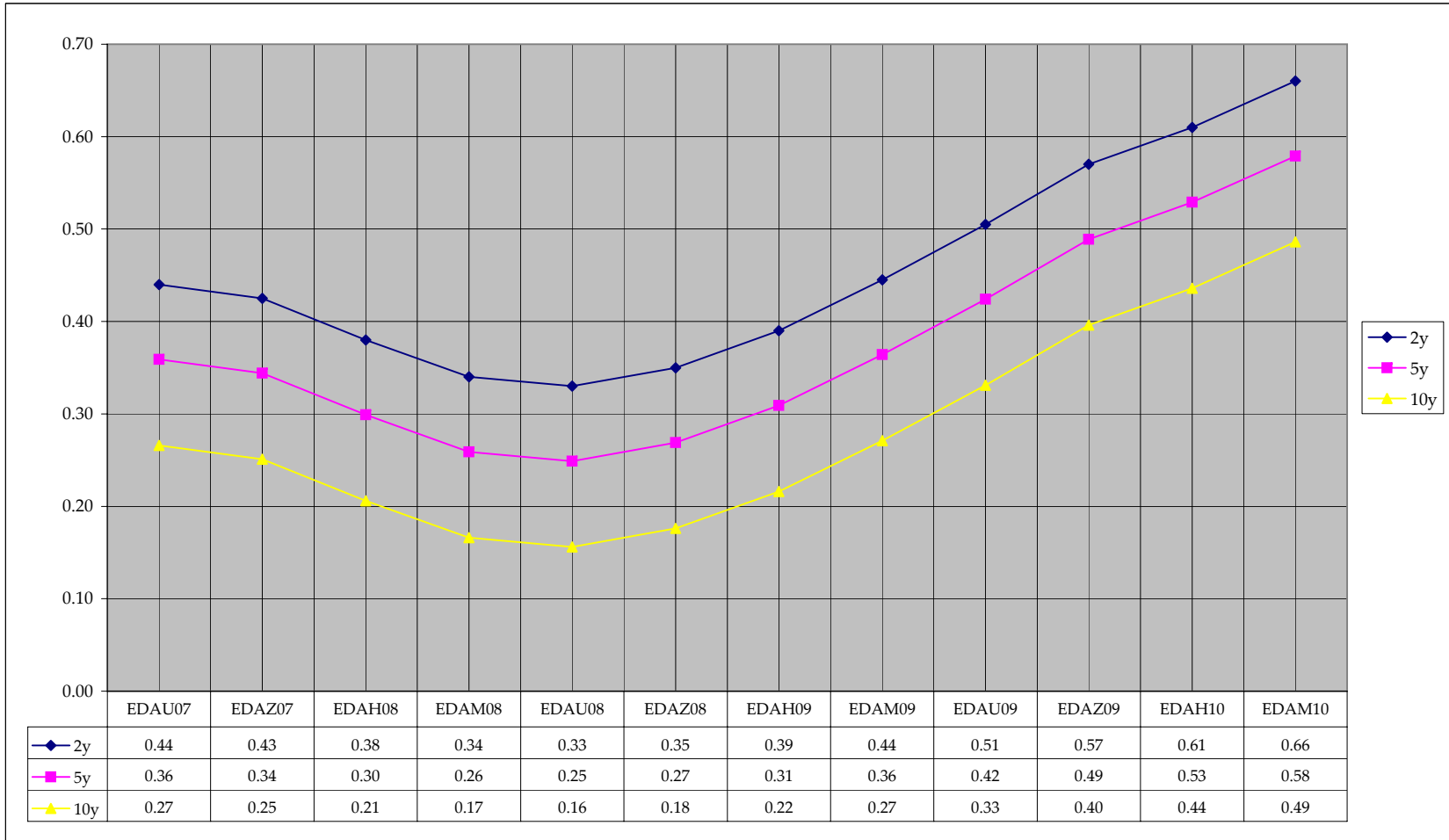
Dirty TED Curve

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.

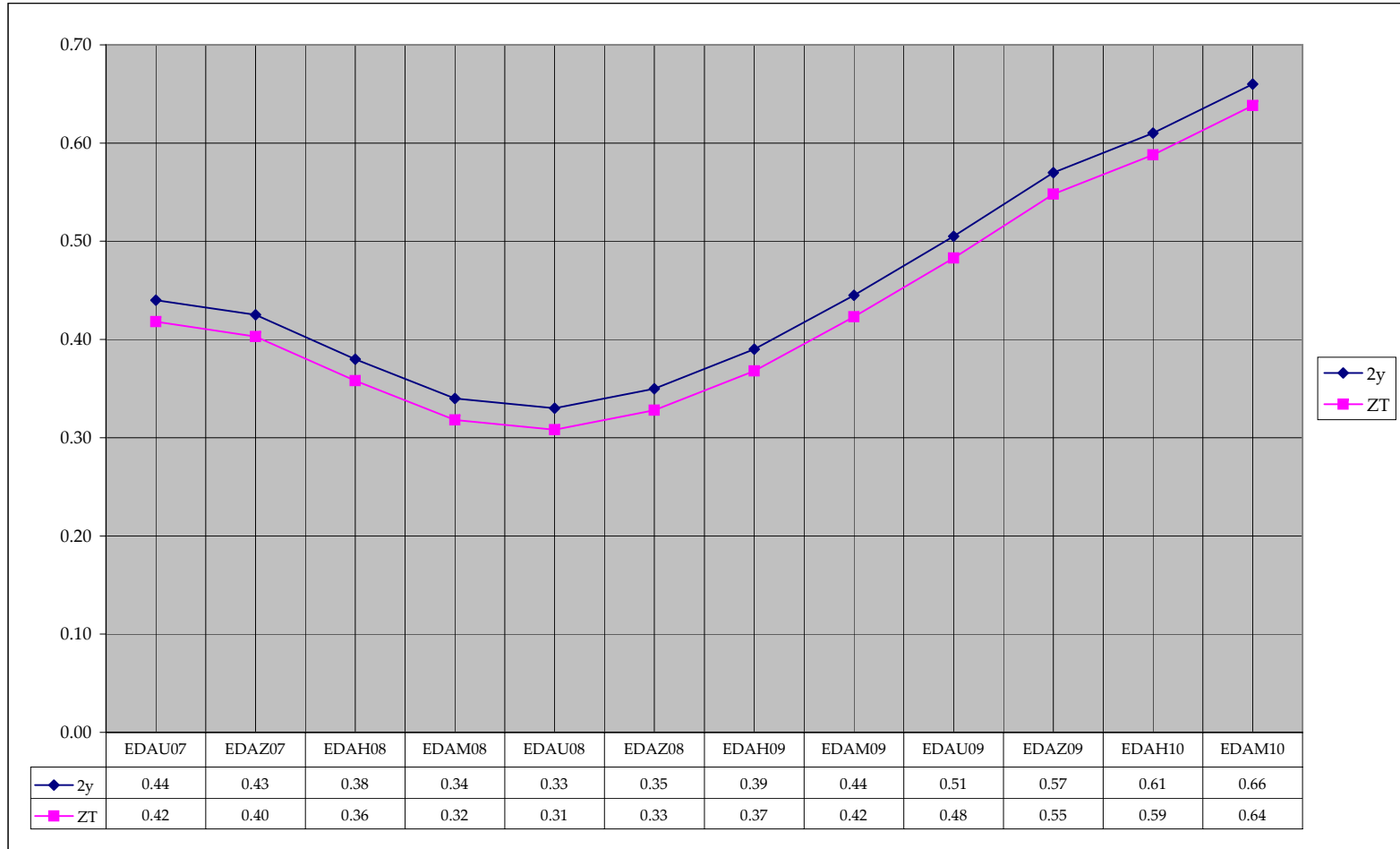


TED Curve

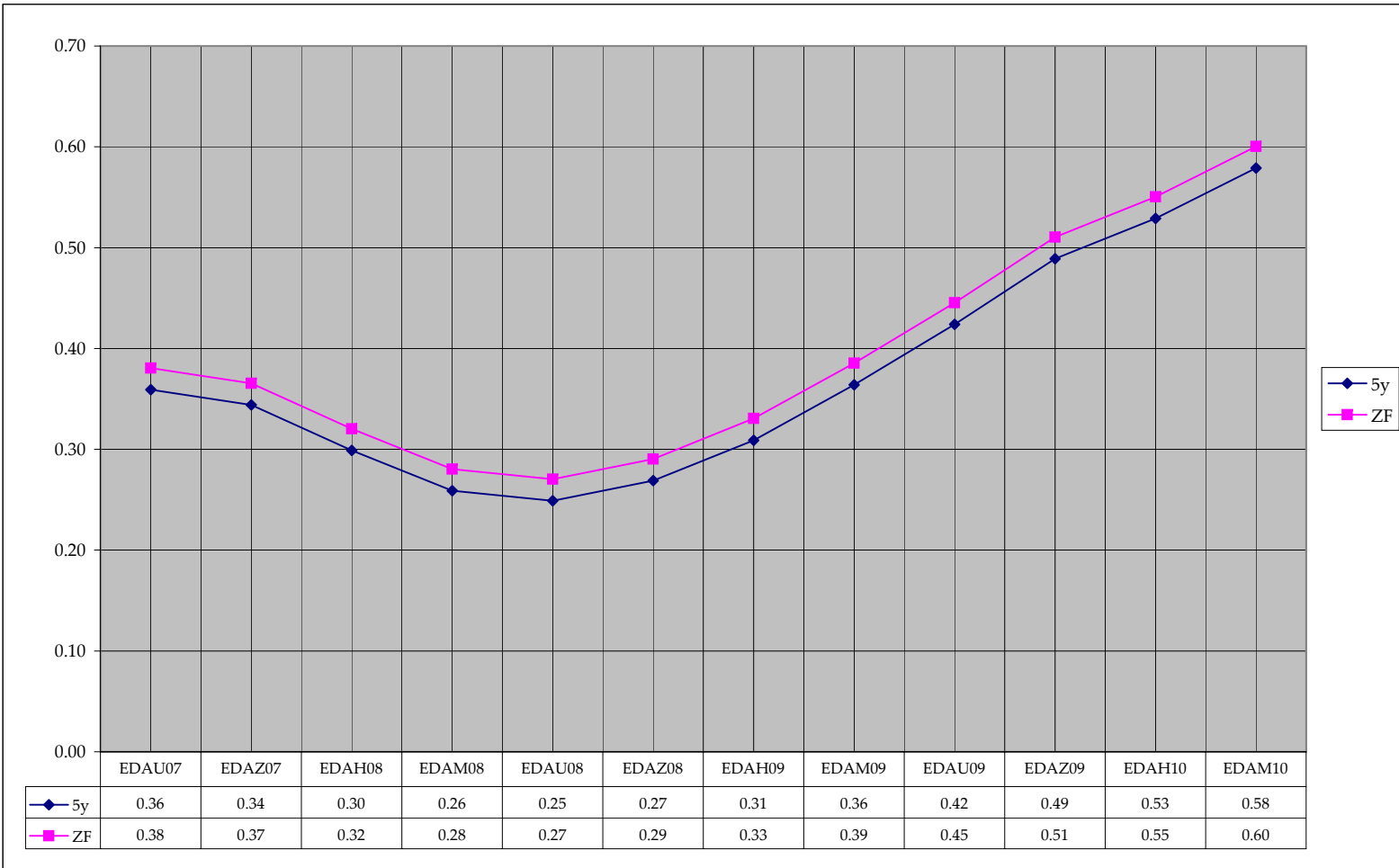
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



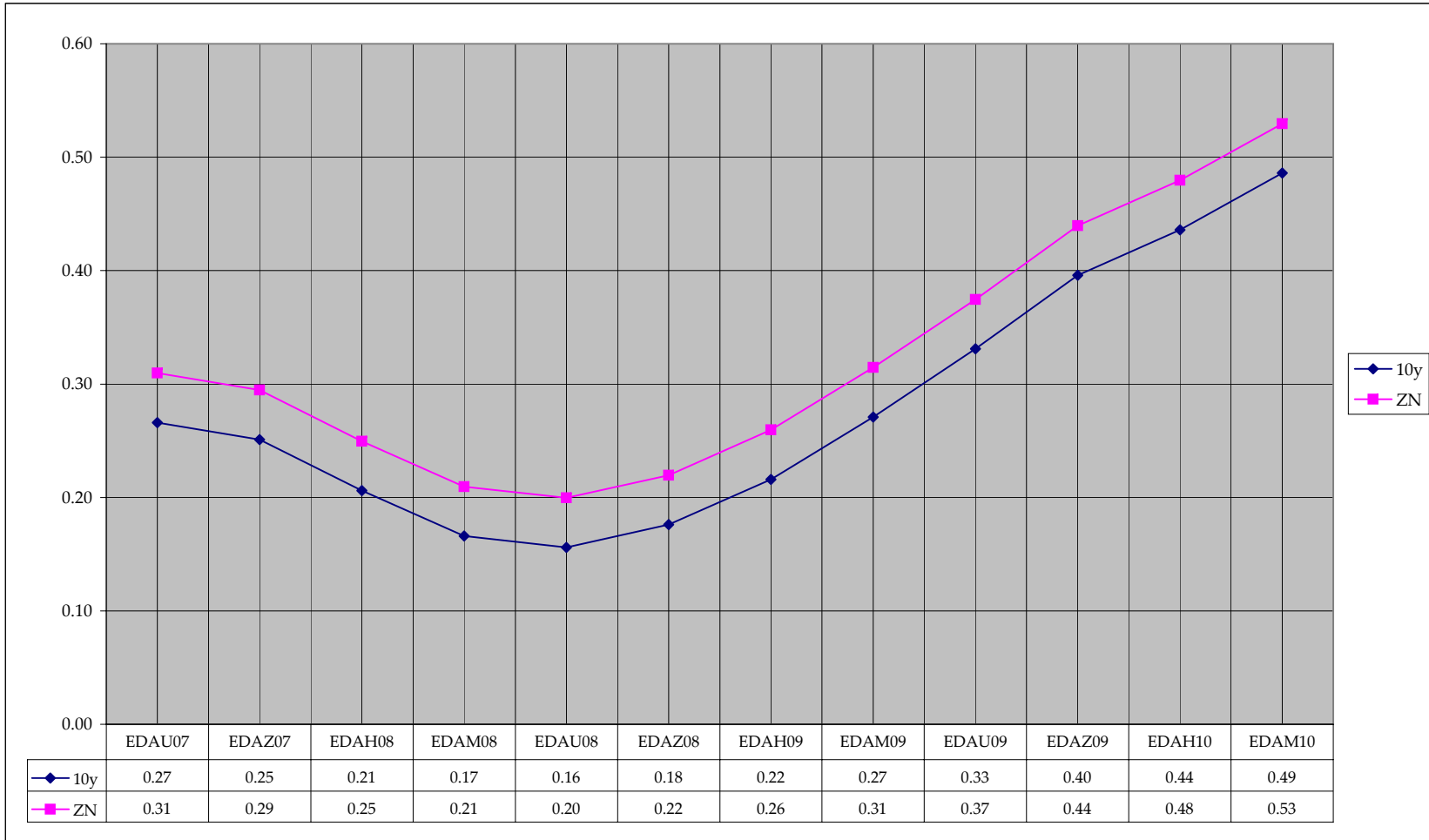
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	5.442	-2.875	9470.375
Q.ED.Red	5.424	-6.000	9472.125
Q.ED.Green	5.640	-5.500	9451.375
Q.ED.Blue	5.808	-4.750	9435.250
Q.ED.Gold	5.923	-3.000	9424.250
Q.ED.Purple	5.923	-3.000	9424.250

