

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	102.0625	102.020	4.781	1.79	
ZF	104.4531	104.145	4.802	3.88	
ZN	106.2188	106.070	4.915	5.70	
2y	100.188	100.0600	4.772	1.93	
5y	100.116	100.0370	4.844	4.33	
10y	96.484	96.1550	4.956	7.74	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.670	5.330	58	0.160	SEP	White Pack	
EDAZ07	94.740	5.260	149	0.409	DEC		
EDAH08	94.830	5.170	240	0.659	MAR		
EDAM08	94.895	5.105	331	0.908	JUN	Red Pack	
EDAU08	94.915	5.085	422	1.157	SEP		
EDAZ08	94.895	5.105	513	1.407	DEC		
EDAH09	94.855	5.145	604	1.656	MAR		
EDAM09	94.795	5.205	695	1.905	JUN	Green Pack	
EDAU09	94.730	5.270	786	2.155	SEP		
EDAZ09	94.660	5.340	877	2.404	DEC		
EDAH10	94.615	5.385	968	2.653	MAR		
EDAM10	94.560	5.440	1059	2.902	JUN	Blue Pack	
EDAU10	94.520	5.480	1150	3.152	SEP		
EDAZ10	94.475	5.525	1241	3.401	DEC		
EDAH11	94.450	5.550	1332	3.650	MAR		
EDAM11	94.415	5.585	1423	3.900	JUN	Gold Pack	
EDAU11	94.390	5.610	1521	4.168	SEP		
EDAZ11	94.325	5.675	1612	4.418	DEC		
EDAH12	94.345	5.655	1703	4.667	MAR		
EDAM12	94.325	5.675	1794	4.916	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	5.359	4.500	9478.375	Pack Prices
Q.ED.Red	5.274	6.625	9486.500	
Q.ED.Green	5.510	6.000	9463.875	
Q.ED.Blue	5.694	5.500	9446.125	
Q.ED.Gold	5.827	5.125	9433.375	
Q.ED.Purple	5.827	5.125	9433.375	

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

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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.

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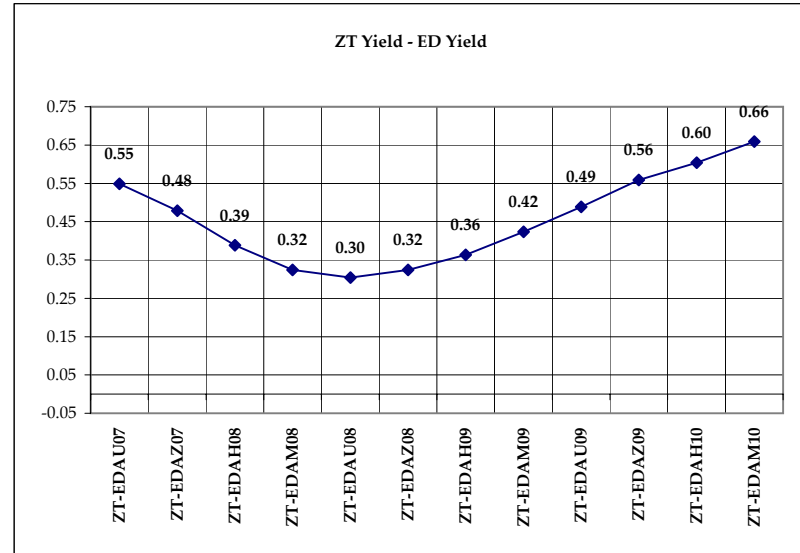
Eurodollar Color Codes for Individual Year Strips:

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

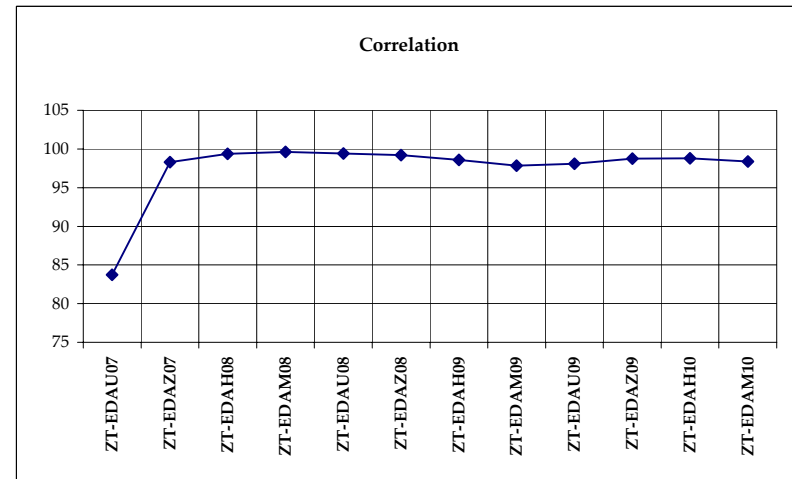
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.392	0.55	ZT-EDAU07	83.723
EDAZ07	7.322	0.48	ZT-EDAZ07	98.305
EDAH08	7.232	0.39	ZT-EDAH08	99.379
EDAM08	7.167	0.32	ZT-EDAM08	99.630
EDAU08	7.147	0.30	ZT-EDAU08	99.424
EDAZ08	7.167	0.32	ZT-EDAZ08	99.225
EDAH09	7.207	0.36	ZT-EDAH09	98.597
EDAM09	7.267	0.42	ZT-EDAM09	97.829
EDAU09	7.332	0.49	ZT-EDAU09	98.072
EDAZ09	7.402	0.56	ZT-EDAZ09	98.742
EDAH10	7.447	0.60	ZT-EDAH10	98.805
EDAM10	7.502	0.66	ZT-EDAM10	98.398

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	0.160	1.79	1.63	ZT-EDAU07
EDAZ07	0.409	1.79	1.39	ZT-EDAZ07
EDAH08	0.659	1.79	1.14	ZT-EDAH08
EDAM08	0.908	1.79	0.89	ZT-EDAM08
EDAU08	1.157	1.79	0.64	ZT-EDAU08
EDAZ08	1.407	1.79	0.39	ZT-EDAZ08
EDAH09	1.656	1.79	0.14	ZT-EDAH09
EDAM09	1.905	1.79	(0.11)	ZT-EDAM09
EDAU09	2.155	1.79	(0.36)	ZT-EDAU09
EDAZ09	2.404	1.79	(0.61)	ZT-EDAZ09
EDAH10	2.653	1.79	(0.86)	ZT-EDAH10
EDAM10	2.902	1.79	(1.11)	ZT-EDAM10

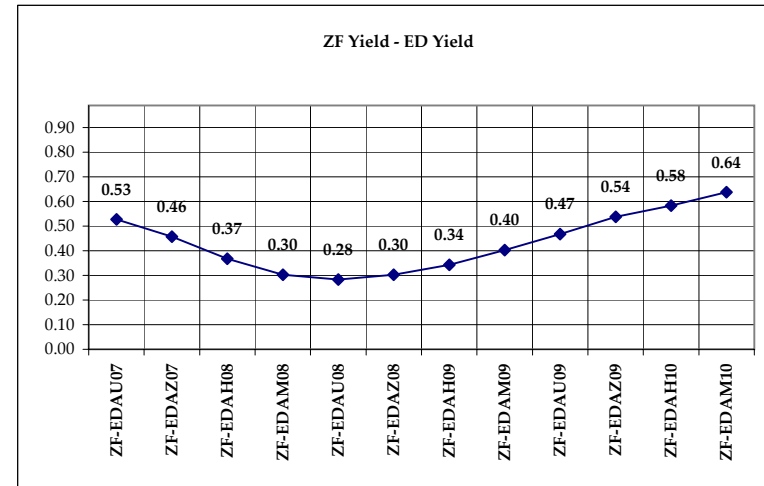
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.78	0.53	ZF-EDAU07	80.355
EDAZ07	9.71	0.46	ZF-EDAZ07	97.927
EDAH08	9.62	0.37	ZF-EDAH08	99.152
EDAM08	9.56	0.30	ZF-EDAM08	99.355
EDAU08	9.54	0.28	ZF-EDAU08	99.274
EDAZ08	9.56	0.30	ZF-EDAZ08	99.199
EDAH09	9.60	0.34	ZF-EDAH09	98.880
EDAM09	9.66	0.40	ZF-EDAM09	98.409
EDAU09	9.72	0.47	ZF-EDAU09	98.697
EDAZ09	9.79	0.54	ZF-EDAZ09	99.171
EDAH10	9.84	0.58	ZF-EDAH10	99.190
EDAM10	9.89	0.64	ZF-EDAM10	98.841

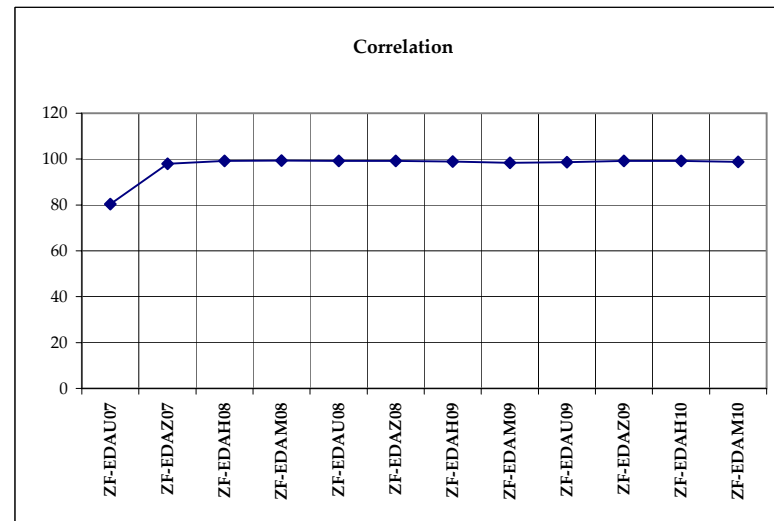
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.160	3.88	3.72
EDAZ07	0.409	3.88	3.47
EDAH08	0.659	3.88	3.22
EDAM08	0.908	3.88	2.97
EDAU08	1.157	3.88	2.73
EDAZ08	1.407	3.88	2.48
EDAH09	1.656	3.88	2.23
EDAM09	1.905	3.88	1.98
EDAU09	2.155	3.88	1.73
EDAZ09	2.404	3.88	1.48
EDAH10	2.653	3.88	1.23
EDAM10	2.902	3.88	0.98

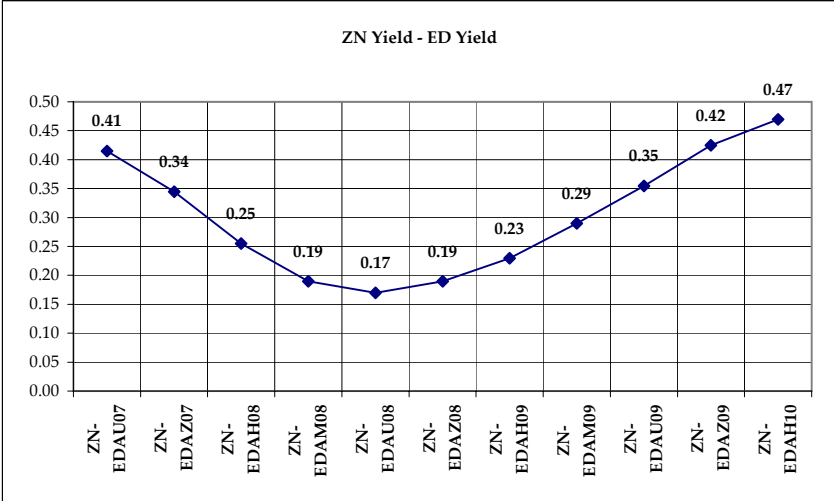
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

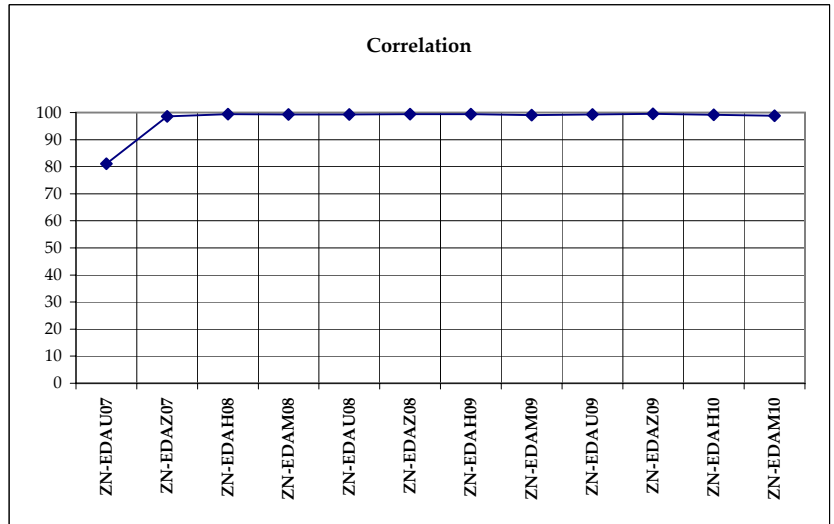
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	11.55	0.41	ZN-EDAU07	81.06
EDAZ07	11.48	0.34	ZN-EDAZ07	98.53
EDAH08	11.39	0.25	ZN-EDAH08	99.39
EDAM08	11.32	0.19	ZN-EDAM08	99.35
EDAU08	11.30	0.17	ZN-EDAU08	99.29
EDAZ08	11.32	0.19	ZN-EDAZ08	99.35
EDAH09	11.36	0.23	ZN-EDAH09	99.36
EDAM09	11.42	0.29	ZN-EDAM09	99.09
EDAU09	11.49	0.35	ZN-EDAU09	99.29
EDAZ09	11.56	0.42	ZN-EDAZ09	99.50
EDAH10	11.60	0.47	ZN-EDAH10	99.19
EDAM10	11.66	0.52	ZN-EDAM10	98.84

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	0.160	5.70	5.54	ZN-EDAU07
EDAZ07	0.409	5.70	5.29	ZN-EDAZ07
EDAH08	0.659	5.70	5.04	ZN-EDAH08
EDAM08	0.908	5.70	4.80	ZN-EDAM08
EDAU08	1.157	5.70	4.55	ZN-EDAU08
EDAZ08	1.407	5.70	4.30	ZN-EDAZ08
EDAH09	1.656	5.70	4.05	ZN-EDAH09
EDAM09	1.905	5.70	3.80	ZN-EDAM09
EDAU09	2.155	5.70	3.55	ZN-EDAU09
EDAZ09	2.404	5.70	3.30	ZN-EDAZ09
EDAH10	2.653	5.70	3.05	ZN-EDAH10
EDAM10	2.902	5.70	2.80	ZN-EDAM10

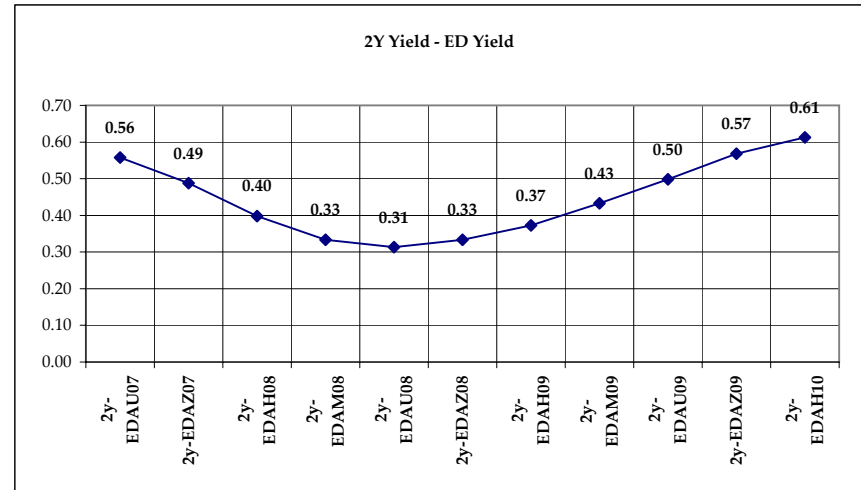
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.52	0.56	2y-EDAU07	-78.216
EDAZ07	5.45	0.49	2y-EDAZ07	-95.257
EDAH08	5.36	0.40	2y-EDAH08	-93.448
EDAM08	5.29	0.33	2y-EDAM08	-91.938
EDAU08	5.27	0.31	2y-EDAU08	-91.125
EDAZ08	5.29	0.33	2y-EDAZ08	-91.938
EDAH09	5.33	0.37	2y-EDAH09	-92.230
EDAM09	5.39	0.43	2y-EDAM09	-92.755
EDAU09	5.46	0.50	2y-EDAU09	-93.500
EDAZ09	5.53	0.57	2y-EDAZ09	-94.295
EDAH10	5.57	0.61	2y-EDAH10	-95.222
EDAM10	5.63	0.67	2y-EDAM10	-94.602

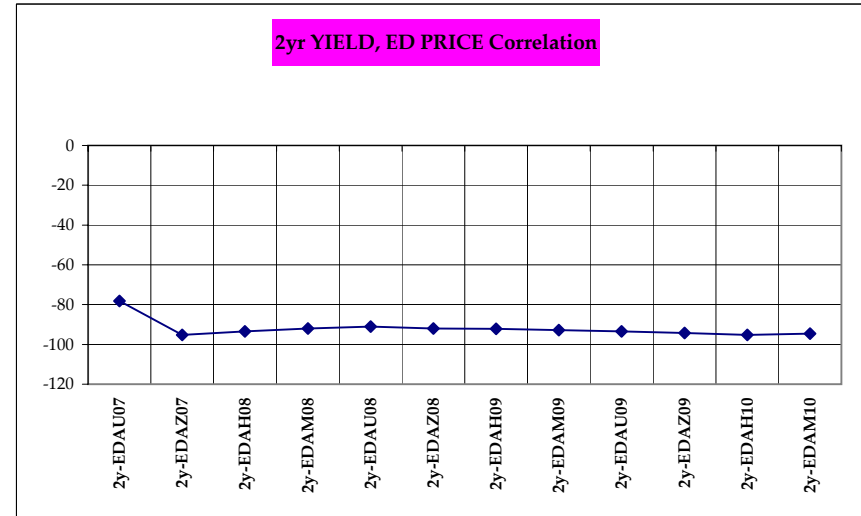
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days.
 These are measuring YIELD correlations.



GE Duration as

	Fraction of year	2Y Duration	Spread Duration	
EDAU07	0.160	1.93	1.77	2y-EDAU07
EDAZ07	0.409	1.93	1.52	2y-EDAZ07
EDAH08	0.659	1.93	1.27	2y-EDAH08
EDAM08	0.908	1.93	1.02	2y-EDAM08
EDAU08	1.157	1.93	0.77	2y-EDAU08
EDAZ08	1.407	1.93	0.52	2y-EDAZ08
EDAH09	1.656	1.93	0.28	2y-EDAH09
EDAM09	1.905	1.93	0.03	2y-EDAM09
EDAU09	2.155	1.93	(0.22)	2y-EDAU09
EDAZ09	2.404	1.93	(0.47)	2y-EDAZ09
EDAH10	2.653	1.93	(0.72)	2y-EDAH10
EDAM10	2.902	1.93	(0.97)	2y-EDAM10

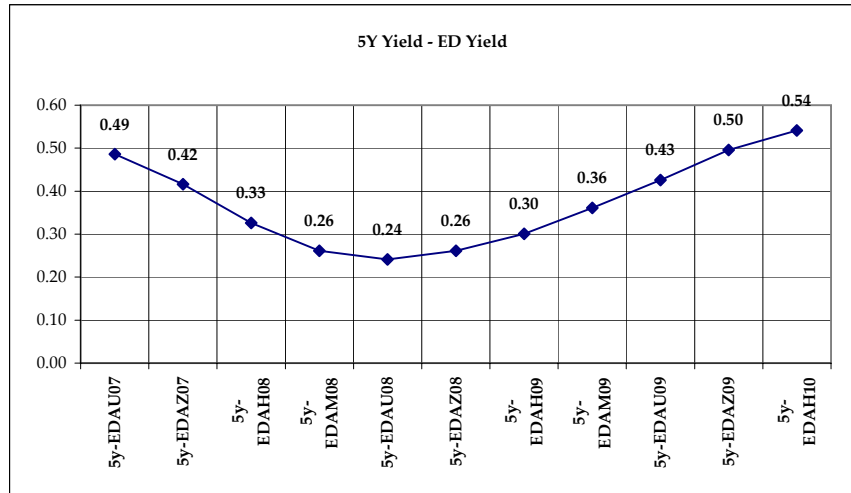
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.45	0.49	5y-EDAU07	-75.463
EDAZ07	5.38	0.42	5y-EDAZ07	-95.995
EDAH08	5.29	0.33	5y-EDAH08	-94.859
EDAM08	5.22	0.26	5y-EDAM08	-93.832
EDAU08	5.20	0.24	5y-EDAU08	-93.254
EDAZ08	5.22	0.26	5y-EDAZ08	-93.832
EDAH09	5.26	0.30	5y-EDAH09	-93.606
EDAM09	5.32	0.36	5y-EDAM09	-93.785
EDAU09	5.39	0.43	5y-EDAU09	-94.653
EDAZ09	5.46	0.50	5y-EDAZ09	-95.470
EDAH10	5.50	0.54	5y-EDAH10	-96.133
EDAM10	5.56	0.60	5y-EDAM10	-95.309

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.

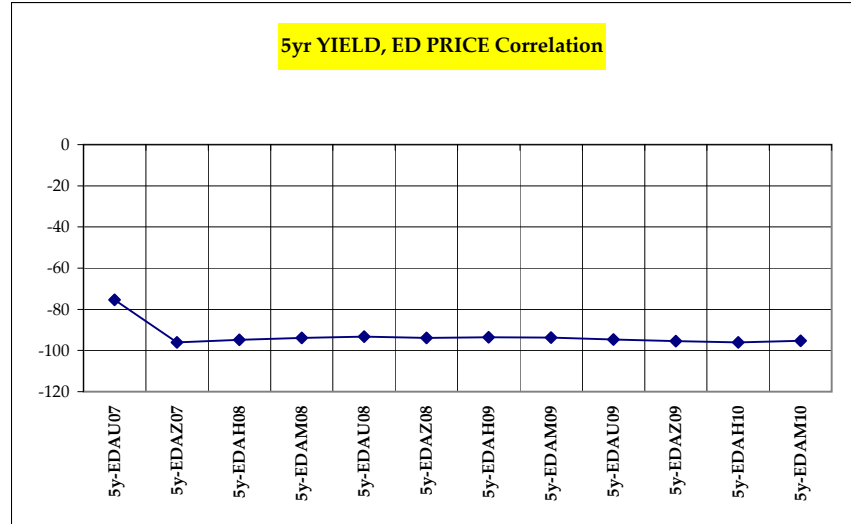


GE Duration as Fraction of year

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.160	4.33	4.17	5y-EDAU07
EDAZ07	0.409	4.33	3.92	5y-EDAZ07
EDAH08	0.659	4.33	3.67	5y-EDAH08
EDAM08	0.908	4.33	3.42	5y-EDAM08
EDAU08	1.157	4.33	3.17	5y-EDAU08
EDAZ08	1.407	4.33	2.92	5y-EDAZ08
EDAH09	1.656	4.33	2.67	5y-EDAH09
EDAM09	1.905	4.33	2.42	5y-EDAM09
EDAU09	2.155	4.33	2.18	5y-EDAU09
EDAZ09	2.404	4.33	1.93	5y-EDAZ09
EDAH10	2.653	4.33	1.68	5y-EDAH10
EDAM10	2.902	4.33	1.43	5y-EDAM10

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

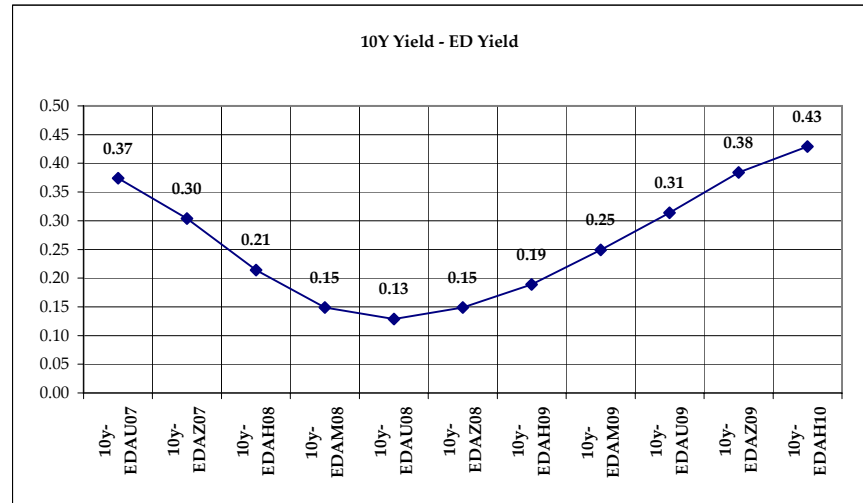
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

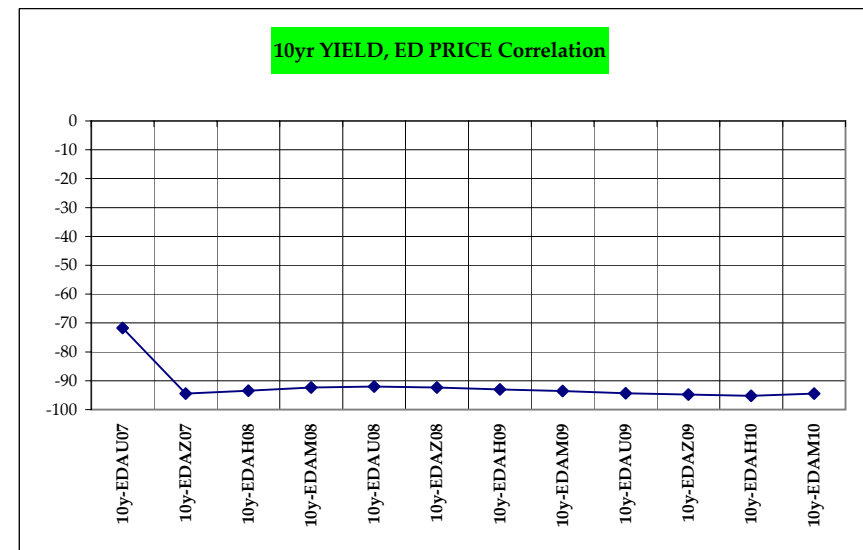
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.45	0.37	10y-EDAU07	-71.760
EDAZ07	5.38	0.30	10y-EDAZ07	-94.447
EDAH08	5.29	0.21	10y-EDAH08	-93.511
EDAM08	5.22	0.15	10y-EDAM08	-92.401
EDAU08	5.20	0.13	10y-EDAU08	-91.994
EDAZ08	5.22	0.15	10y-EDAZ08	-92.401
EDAH09	5.26	0.19	10y-EDAH09	-93.050
EDAM09	5.32	0.25	10y-EDAM09	-93.550
EDAU09	5.39	0.31	10y-EDAU09	-94.320
EDAZ09	5.46	0.38	10y-EDAZ09	-94.742
EDAH10	5.50	0.43	10y-EDAH10	-95.193
EDAM10	5.56	0.48	10y-EDAM10	-94.436

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	0.160	7.74	7.58	10y-EDAU07	
EDAZ07	0.409	7.74	7.33	10y-EDAZ07	
EDAH08	0.659	7.74	7.08	10y-EDAH08	
EDAM08	0.908	7.74	6.83	10y-EDAM08	
EDAU08	1.157	7.74	6.58	10y-EDAU08	
EDAZ08	1.407	7.74	6.34	10y-EDAZ08	
EDAH09	1.656	7.74	6.09	10y-EDAH09	
EDAM09	1.905	7.74	5.84	10y-EDAM09	
EDAU09	2.155	7.74	5.59	10y-EDAU09	
EDAZ09	2.404	7.74	5.34	10y-EDAZ09	
EDAH10	2.653	7.74	5.09	10y-EDAH10	
EDAM10	2.902	7.74	4.84	10y-EDAM10	

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



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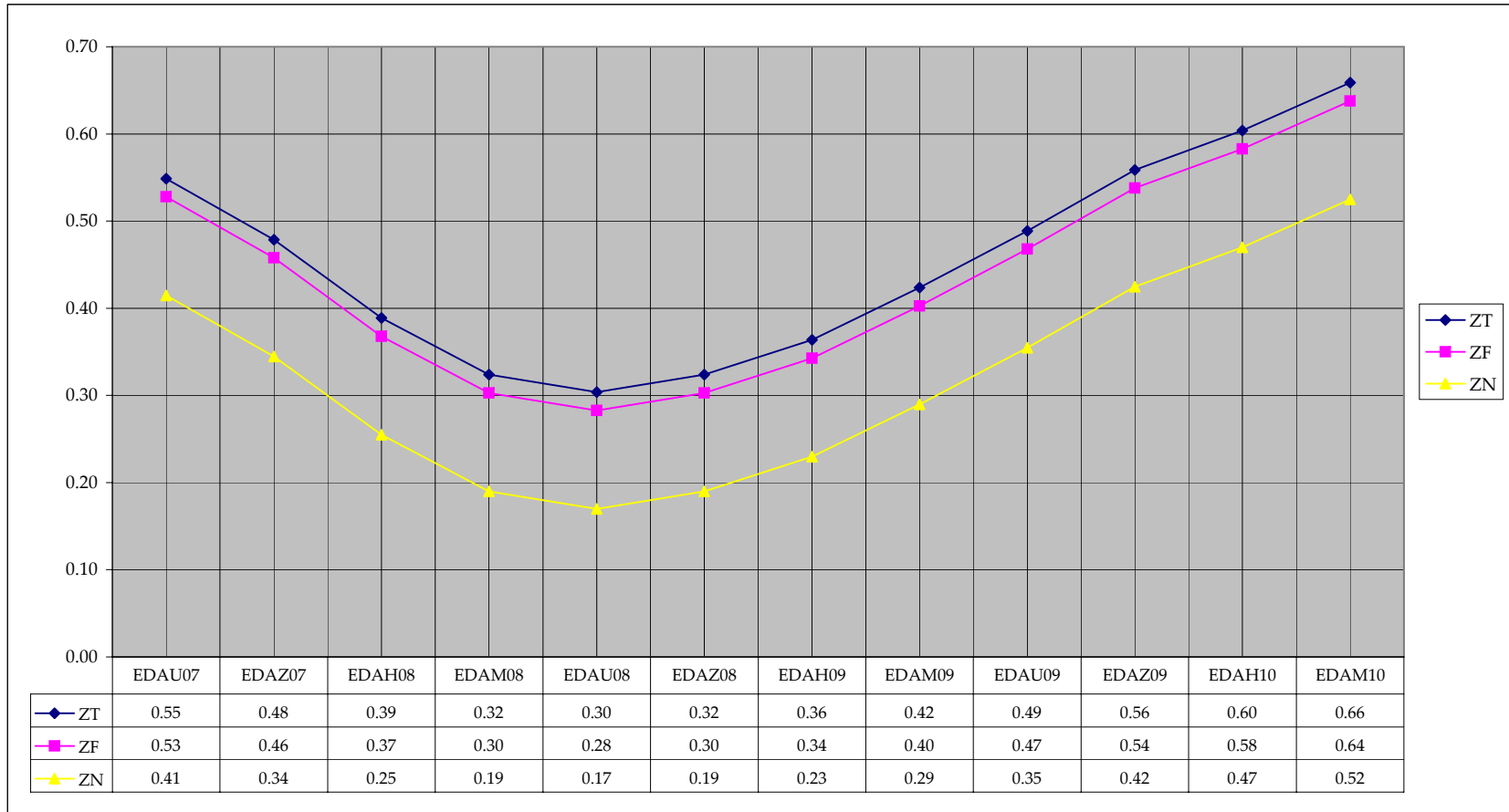
The Morning Email, TED

Dirty TED Curve

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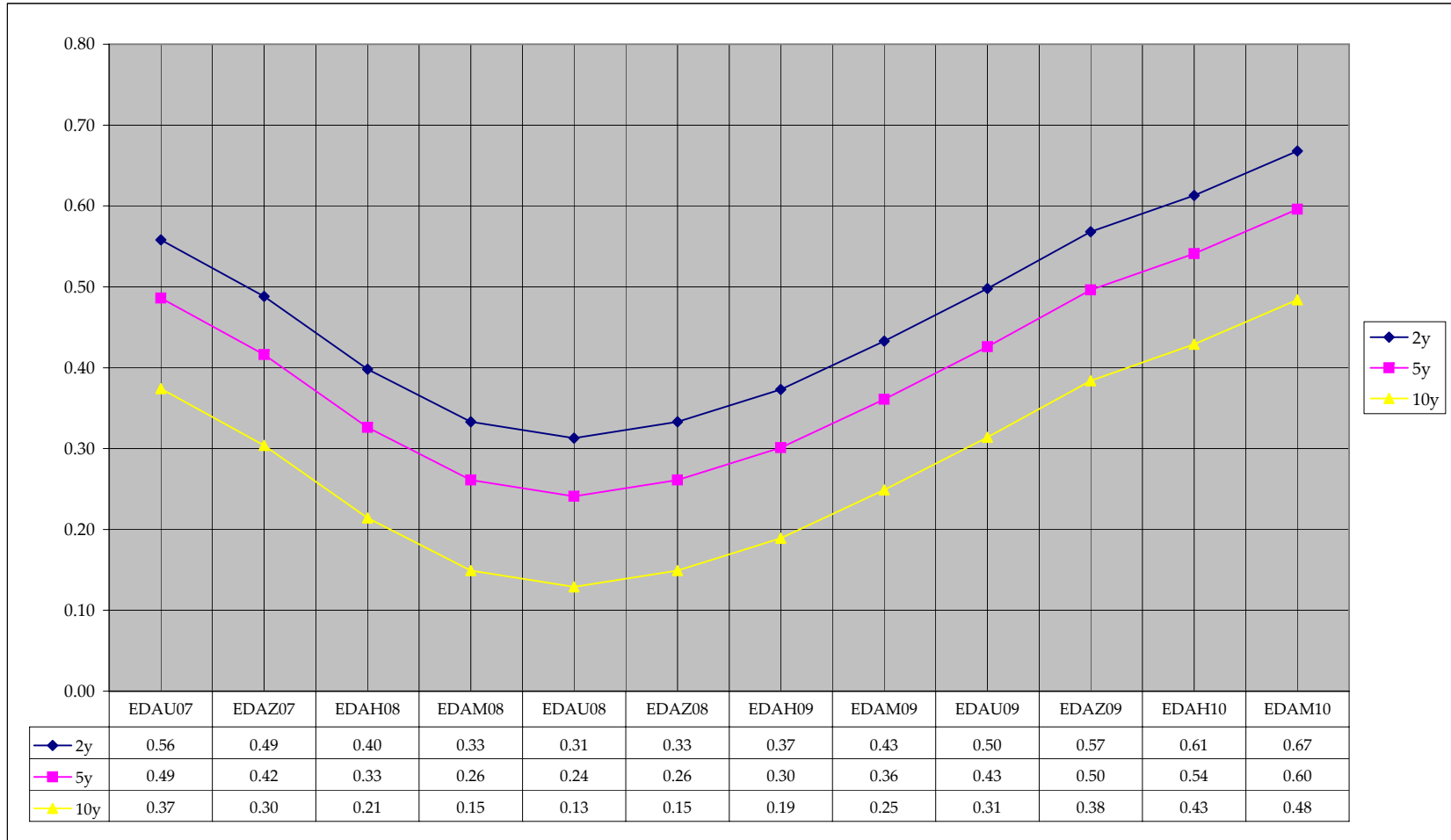
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

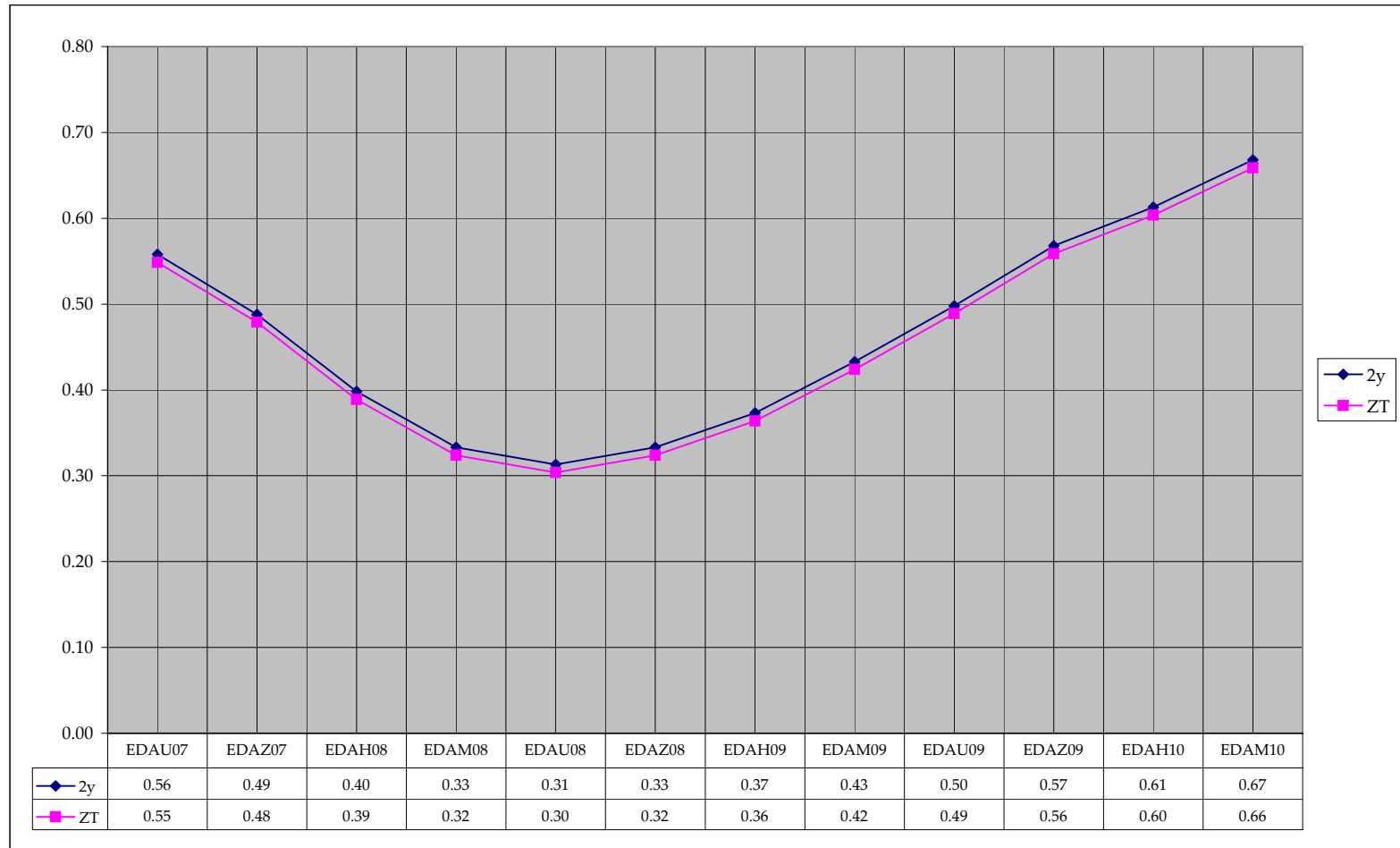


TED Curve

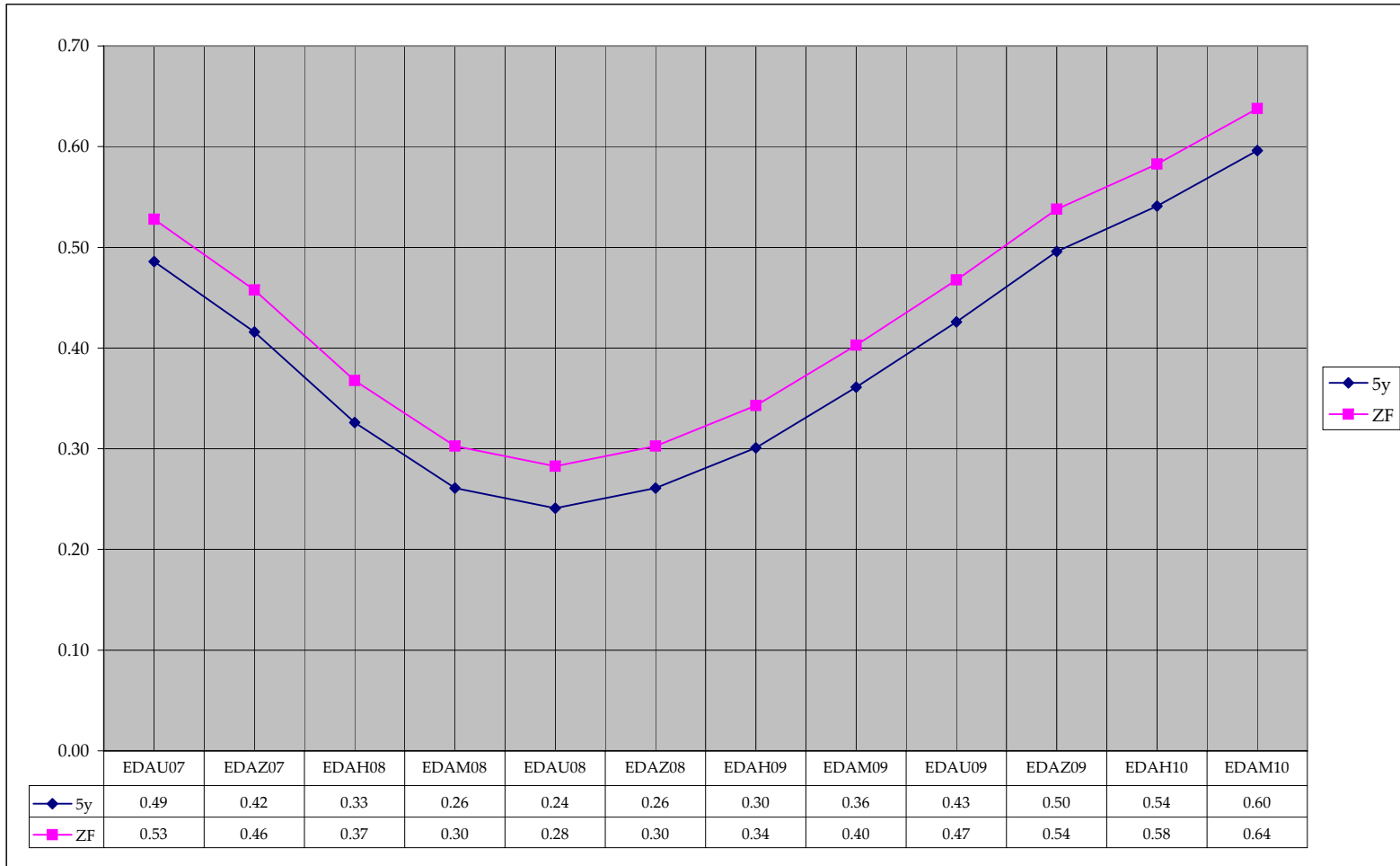
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



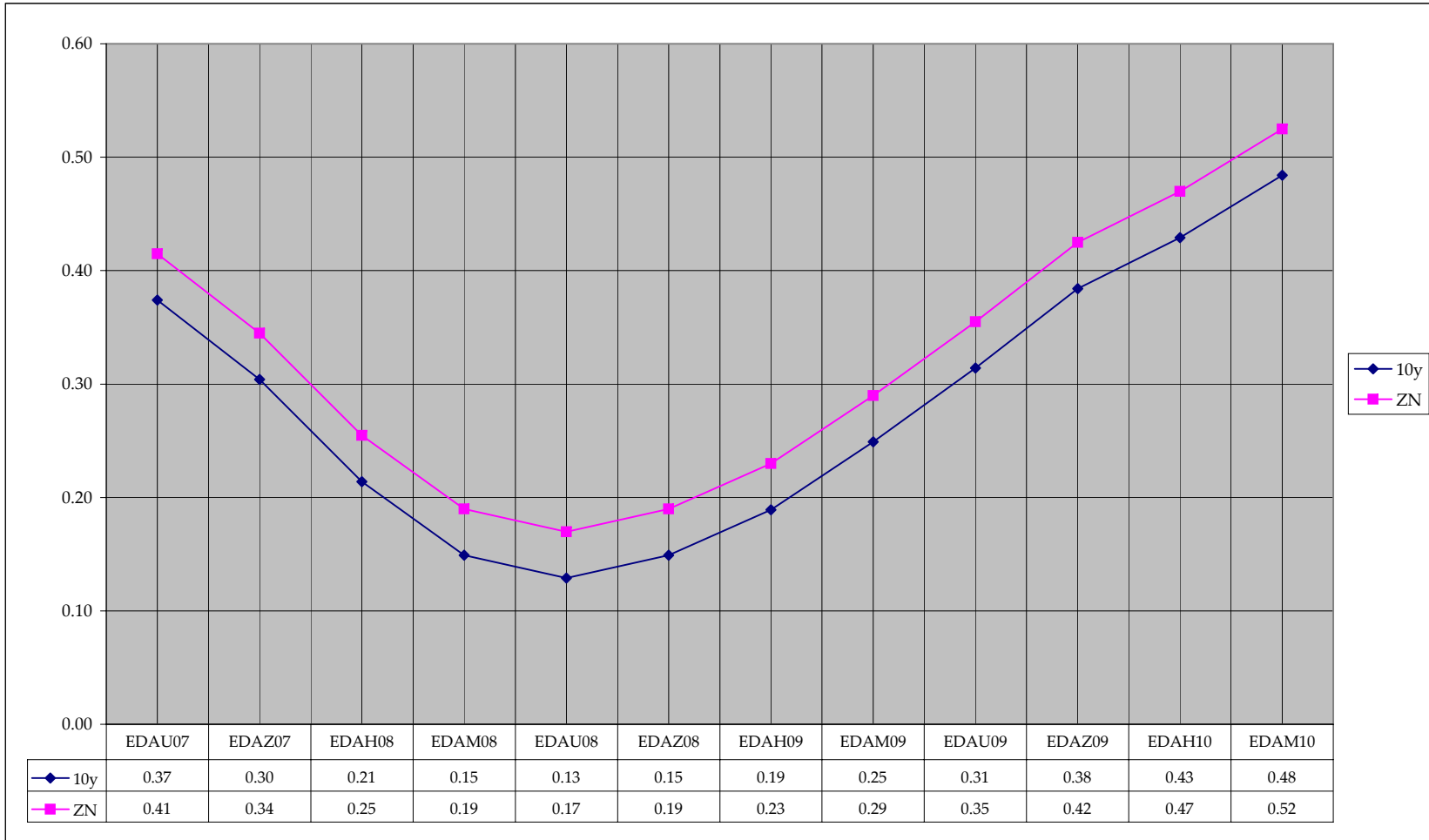
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	5.359	4.500	9478.375
Q.ED.Red	5.274	6.625	9486.500
Q.ED.Green	5.510	6.000	9463.875
Q.ED.Blue	5.694	5.500	9446.125
Q.ED.Gold	5.827	5.125	9433.375
Q.ED.Purple	5.827	5.125	9433.375

