

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	102.0375	102.012	4.797	1.79	
ZF	104.4375	104.140	4.825	3.88	
ZN	106.2031	106.065	4.880	5.70	
2y	100.147	100.0470	4.788	1.93	
5y	100.109	100.0350	4.849	4.32	
10y	96.469	96.1500	4.956	7.74	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.665	5.335	55	0.150	SEP	White Pack	
EDAZ07	94.710	5.290	146	0.399	DEC		
EDAH08	94.805	5.195	237	0.649	MAR		
EDAM08	94.880	5.120	328	0.898	JUN	Red Pack	
EDAU08	94.895	5.105	419	1.147	SEP		
EDAZ08	94.875	5.125	510	1.397	DEC		
EDAH09	94.840	5.160	601	1.646	MAR		
EDAM09	94.775	5.225	692	1.895	JUN	Green Pack	
EDAU09	94.720	5.280	783	2.145	SEP		
EDAZ09	94.655	5.345	874	2.394	DEC		
EDAH10	94.610	5.390	965	2.643	MAR		
EDAM10	94.565	5.435	1056	2.892	JUN	Blue Pack	
EDAU10	94.575	5.425	1147	3.142	SEP		
EDAZ10	94.465	5.535	1238	3.391	DEC		
EDAH11	94.440	5.560	1329	3.640	MAR		
EDAM11	94.405	5.595	1420	3.890	JUN	Gold Pack	
EDAU11	94.395	5.605	1518	4.158	SEP		
EDAZ11	94.330	5.670	1609	4.408	DEC		
EDAH12	94.345	5.655	1700	4.657	MAR		
EDAM12	94.290	5.710	1791	4.906	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	5.378	0.375	9476.500	Pack Prices
Q.ED.Red	5.294	0.625	9484.625	
Q.ED.Green	5.511	1.000	9463.750	
Q.ED.Blue		1.500	9447.625	
Q.ED.Gold		0.250	9434.125	
Q.ED.Purple		0.250	9434.125	

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

7/24/2007 5:46

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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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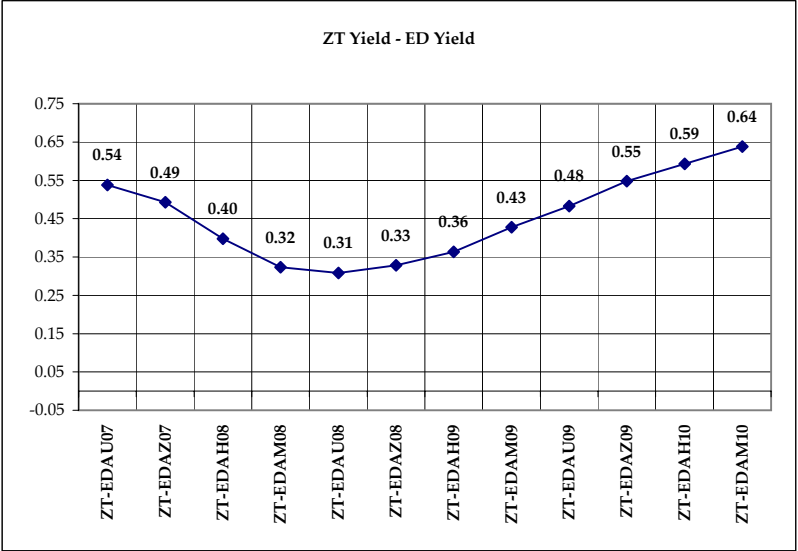
Eurodollar Color Codes for Individual Year Strips:

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

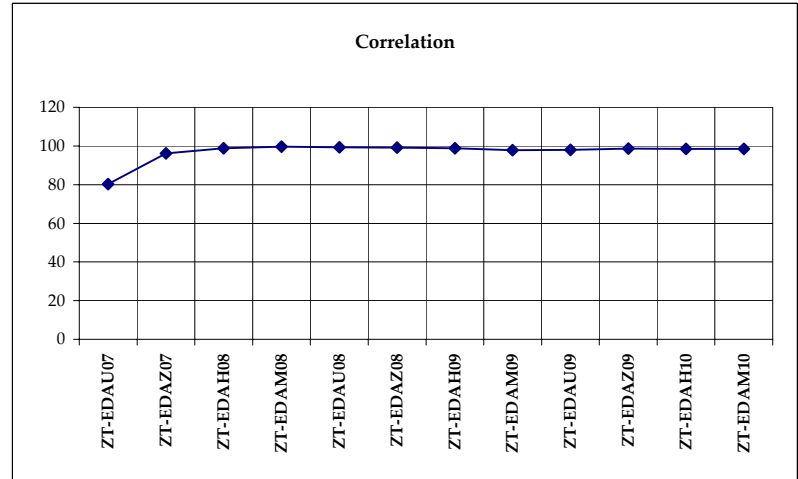
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.372	0.54	ZT-EDAU07	80.287
EDAZ07	7.327	0.49	ZT-EDAZ07	96.197
EDAH08	7.232	0.40	ZT-EDAH08	98.741
EDAM08	7.158	0.32	ZT-EDAM08	99.570
EDAU08	7.143	0.31	ZT-EDAU08	99.277
EDAZ08	7.162	0.33	ZT-EDAZ08	99.094
EDAH09	7.197	0.36	ZT-EDAH09	98.837
EDAM09	7.262	0.43	ZT-EDAM09	97.830
EDAU09	7.318	0.48	ZT-EDAU09	98.024
EDAZ09	7.382	0.55	ZT-EDAZ09	98.593
EDAH10	7.427	0.59	ZT-EDAH10	98.526
EDAM10	7.473	0.64	ZT-EDAM10	98.431

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	0.150	1.79	1.64	ZT-EDAU07
EDAZ07	0.399	1.79	1.39	ZT-EDAZ07
EDAH08	0.649	1.79	1.14	ZT-EDAH08
EDAM08	0.898	1.79	0.89	ZT-EDAM08
EDAU08	1.147	1.79	0.64	ZT-EDAU08
EDAZ08	1.397	1.79	0.39	ZT-EDAZ08
EDAH09	1.646	1.79	0.14	ZT-EDAH09
EDAM09	1.895	1.79	(0.11)	ZT-EDAM09
EDAU09	2.145	1.79	(0.36)	ZT-EDAU09
EDAZ09	2.394	1.79	(0.60)	ZT-EDAZ09
EDAH10	2.643	1.79	(0.85)	ZT-EDAH10
EDAM10	2.892	1.79	(1.10)	ZT-EDAM10

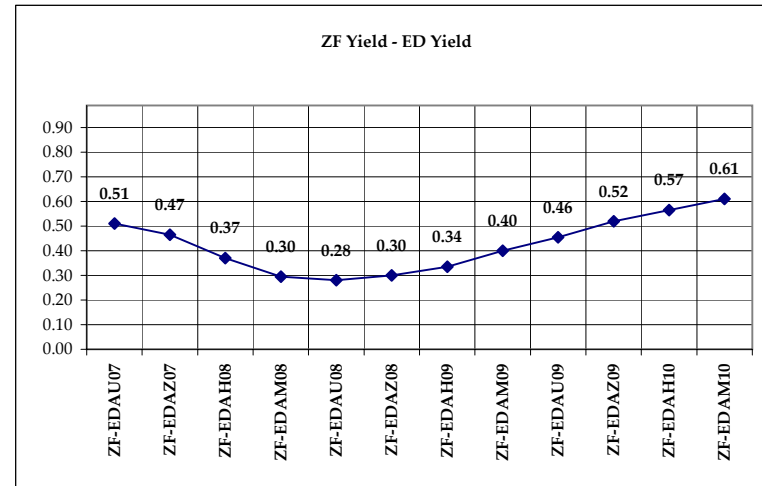
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.77	0.51	ZF-EDAU07	78.080
EDAZ07	9.73	0.47	ZF-EDAZ07	95.460
EDAH08	9.63	0.37	ZF-EDAH08	98.172
EDAM08	9.56	0.30	ZF-EDAM08	99.107
EDAU08	9.54	0.28	ZF-EDAU08	98.878
EDAZ08	9.56	0.30	ZF-EDAZ08	98.820
EDAH09	9.60	0.34	ZF-EDAH09	98.943
EDAM09	9.66	0.40	ZF-EDAM09	98.318
EDAU09	9.72	0.46	ZF-EDAU09	98.594
EDAZ09	9.78	0.52	ZF-EDAZ09	99.072
EDAH10	9.83	0.57	ZF-EDAH10	99.103
EDAM10	9.87	0.61	ZF-EDAM10	98.953

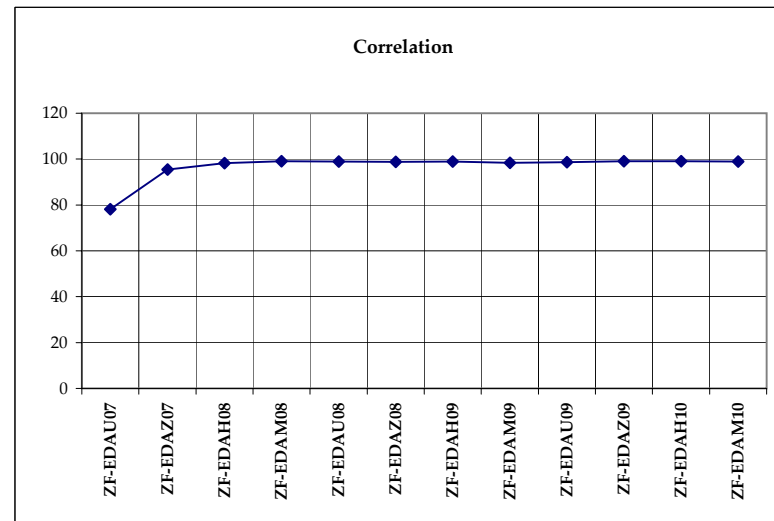
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.150	3.73	ZF-EDAU07
EDAZ07	0.399	3.48	ZF-EDAZ07
EDAH08	0.649	3.23	ZF-EDAH08
EDAM08	0.898	2.98	ZF-EDAM08
EDAU08	1.147	2.73	ZF-EDAU08
EDAZ08	1.397	2.48	ZF-EDAZ08
EDAH09	1.646	2.23	ZF-EDAH09
EDAM09	1.895	1.98	ZF-EDAM09
EDAU09	2.145	1.73	ZF-EDAU09
EDAZ09	2.394	1.48	ZF-EDAZ09
EDAH10	2.643	1.23	ZF-EDAH10
EDAM10	2.892	0.98	ZF-EDAM10

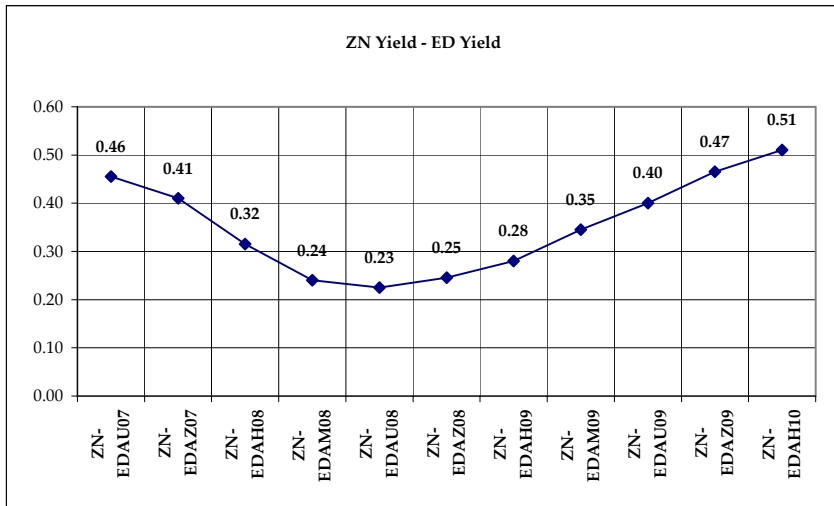
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	11.54	0.46	ZN-EDAU07	78.56
EDAZ07	11.49	0.41	ZN-EDAZ07	95.70
EDAH08	11.40	0.32	ZN-EDAH08	98.22
EDAM08	11.32	0.24	ZN-EDAM08	98.99
EDAU08	11.31	0.23	ZN-EDAU08	98.67
EDAZ08	11.33	0.25	ZN-EDAZ08	98.75
EDAH09	11.36	0.28	ZN-EDAH09	99.12
EDAM09	11.43	0.35	ZN-EDAM09	98.64
EDAU09	11.48	0.40	ZN-EDAU09	98.96
EDAZ09	11.55	0.47	ZN-EDAZ09	99.39
EDAH10	11.59	0.51	ZN-EDAH10	99.10
EDAM10	11.64	0.56	ZN-EDAM10	98.95

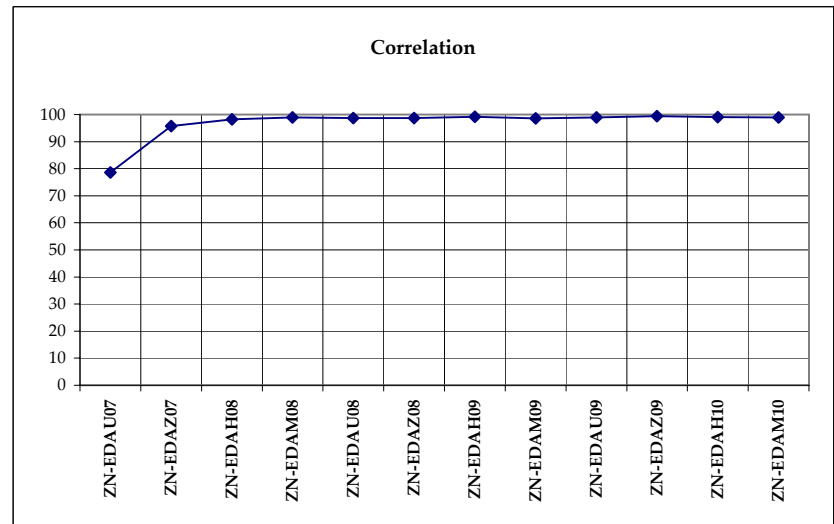
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZN Duration	Spread Duration	
EDAU07	0.150	5.70	ZN-EDAU07
EDAZ07	0.399	5.70	ZN-EDAZ07
EDAH08	0.649	5.70	ZN-EDAH08
EDAM08	0.898	5.70	ZN-EDAM08
EDAU08	1.147	5.70	ZN-EDAU08
EDAZ08	1.397	5.70	ZN-EDAZ08
EDAH09	1.646	5.70	ZN-EDAH09
EDAM09	1.895	5.70	ZN-EDAM09
EDAU09	2.145	5.70	ZN-EDAU09
EDAZ09	2.394	5.70	ZN-EDAZ09
EDAH10	2.643	5.70	ZN-EDAH10
EDAM10	2.892	5.70	ZN-EDAM10

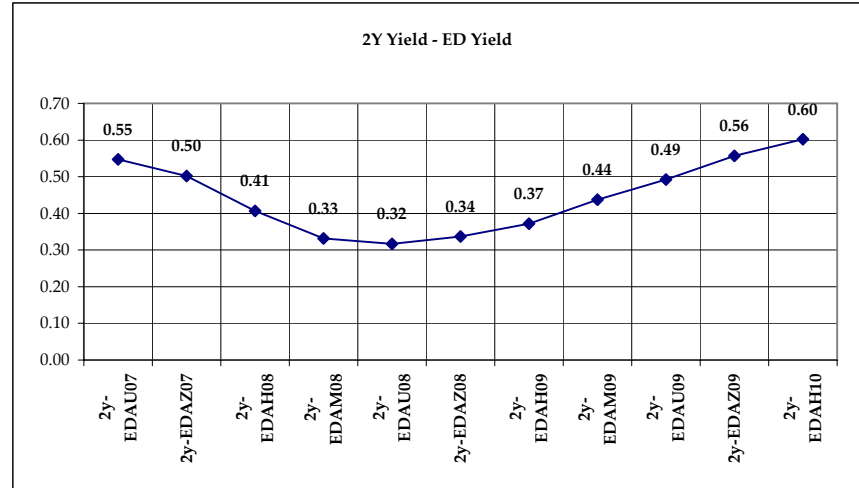
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

2y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.48	0.55	2y-EDAU07	-76.869
EDAZ07	5.44	0.50	2y-EDAZ07	-93.705
EDAH08	5.34	0.41	2y-EDAH08	-93.529
EDAM08	5.27	0.33	2y-EDAM08	-92.765
EDAU08	5.25	0.32	2y-EDAU08	-91.951
EDAZ08	5.27	0.34	2y-EDAZ08	-92.765
EDAH09	5.31	0.37	2y-EDAH09	-93.683
EDAM09	5.37	0.44	2y-EDAM09	-93.769
EDAU09	5.43	0.49	2y-EDAU09	-94.070
EDAZ09	5.49	0.56	2y-EDAZ09	-94.500
EDAH10	5.54	0.60	2y-EDAH10	-94.789
EDAM10	5.58	0.65	2y-EDAM10	-94.939

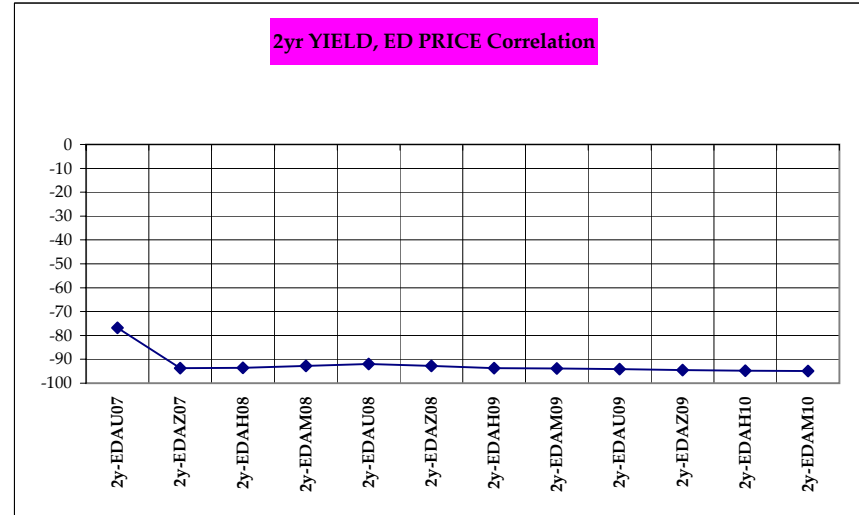
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days.
 These are measuring YIELD correlations.



GE Duration as

	Fraction of year	2Y Duration	Spread Duration	
EDAU07	0.150	1.93	1.78	2y-EDAU07
EDAZ07	0.399	1.93	1.53	2y-EDAZ07
EDAH08	0.649	1.93	1.28	2y-EDAH08
EDAM08	0.898	1.93	1.03	2y-EDAM08
EDAU08	1.147	1.93	0.78	2y-EDAU08
EDAZ08	1.397	1.93	0.53	2y-EDAZ08
EDAH09	1.646	1.93	0.28	2y-EDAH09
EDAM09	1.895	1.93	0.03	2y-EDAM09
EDAU09	2.145	1.93	(0.22)	2y-EDAU09
EDAZ09	2.394	1.93	(0.47)	2y-EDAZ09
EDAH10	2.643	1.93	(0.72)	2y-EDAH10
EDAM10	2.892	1.93	(0.97)	2y-EDAM10

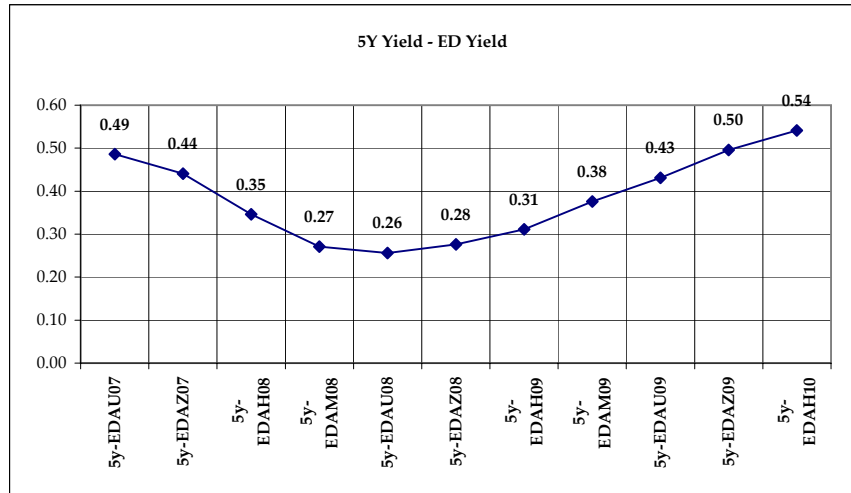
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.44	0.49	5y-EDAU07	-75.891
EDAZ07	5.40	0.44	5y-EDAZ07	-92.404
EDAH08	5.30	0.35	5y-EDAH08	-93.872
EDAM08	5.23	0.27	5y-EDAM08	-94.331
EDAU08	5.21	0.26	5y-EDAU08	-93.735
EDAZ08	5.23	0.28	5y-EDAZ08	-94.331
EDAH09	5.27	0.31	5y-EDAH09	-94.954
EDAM09	5.33	0.38	5y-EDAM09	-94.829
EDAU09	5.39	0.43	5y-EDAU09	-95.459
EDAZ09	5.45	0.50	5y-EDAZ09	-96.086
EDAH10	5.50	0.54	5y-EDAH10	-96.368
EDAM10	5.54	0.59	5y-EDAM10	-96.281

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.

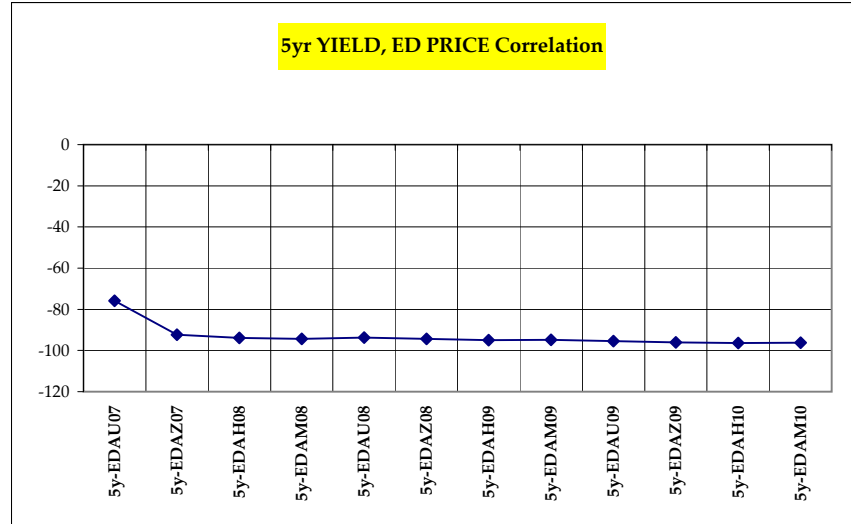


GE Duration as Fraction of year

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.150	4.32	4.17	5y-EDAU07
EDAZ07	0.399	4.32	3.93	5y-EDAZ07
EDAH08	0.649	4.32	3.68	5y-EDAH08
EDAM08	0.898	4.32	3.43	5y-EDAM08
EDAU08	1.147	4.32	3.18	5y-EDAU08
EDAZ08	1.397	4.32	2.93	5y-EDAZ08
EDAH09	1.646	4.32	2.68	5y-EDAH09
EDAM09	1.895	4.32	2.43	5y-EDAM09
EDAU09	2.145	4.32	2.18	5y-EDAU09
EDAZ09	2.394	4.32	1.93	5y-EDAZ09
EDAH10	2.643	4.32	1.68	5y-EDAH10
EDAM10	2.892	4.32	1.43	5y-EDAM10

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

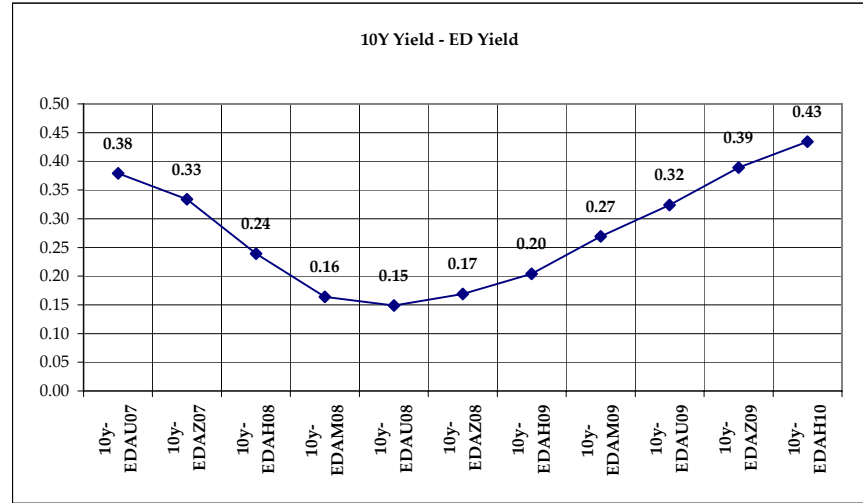
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

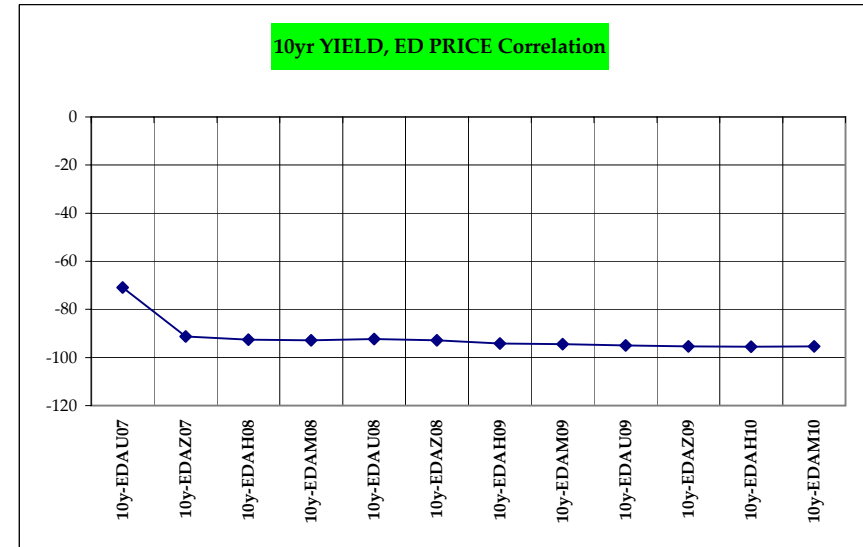
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.44	0.38	10y-EDAU07	-70.947
EDAZ07	5.40	0.33	10y-EDAZ07	-91.254
EDAH08	5.30	0.24	10y-EDAH08	-92.627
EDAM08	5.23	0.16	10y-EDAM08	-92.904
EDAU08	5.21	0.15	10y-EDAU08	-92.386
EDAZ08	5.23	0.17	10y-EDAZ08	-92.904
EDAH09	5.27	0.20	10y-EDAH09	-94.147
EDAM09	5.33	0.27	10y-EDAM09	-94.399
EDAU09	5.39	0.32	10y-EDAU09	-95.032
EDAZ09	5.45	0.39	10y-EDAZ09	-95.368
EDAH10	5.50	0.43	10y-EDAH10	-95.571
EDAM10	5.54	0.48	10y-EDAM10	-95.370

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	0.150	7.74	7.59	10y-EDAU07	
EDAZ07	0.399	7.74	7.34	10y-EDAZ07	
EDAH08	0.649	7.74	7.09	10y-EDAH08	
EDAM08	0.898	7.74	6.84	10y-EDAM08	
EDAU08	1.147	7.74	6.59	10y-EDAU08	
EDAZ08	1.397	7.74	6.34	10y-EDAZ08	
EDAH09	1.646	7.74	6.09	10y-EDAH09	
EDAM09	1.895	7.74	5.84	10y-EDAM09	
EDAU09	2.145	7.74	5.59	10y-EDAU09	
EDAZ09	2.394	7.74	5.34	10y-EDAZ09	
EDAH10	2.643	7.74	5.09	10y-EDAH10	
EDAM10	2.892	7.74	4.84	10y-EDAM10	

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

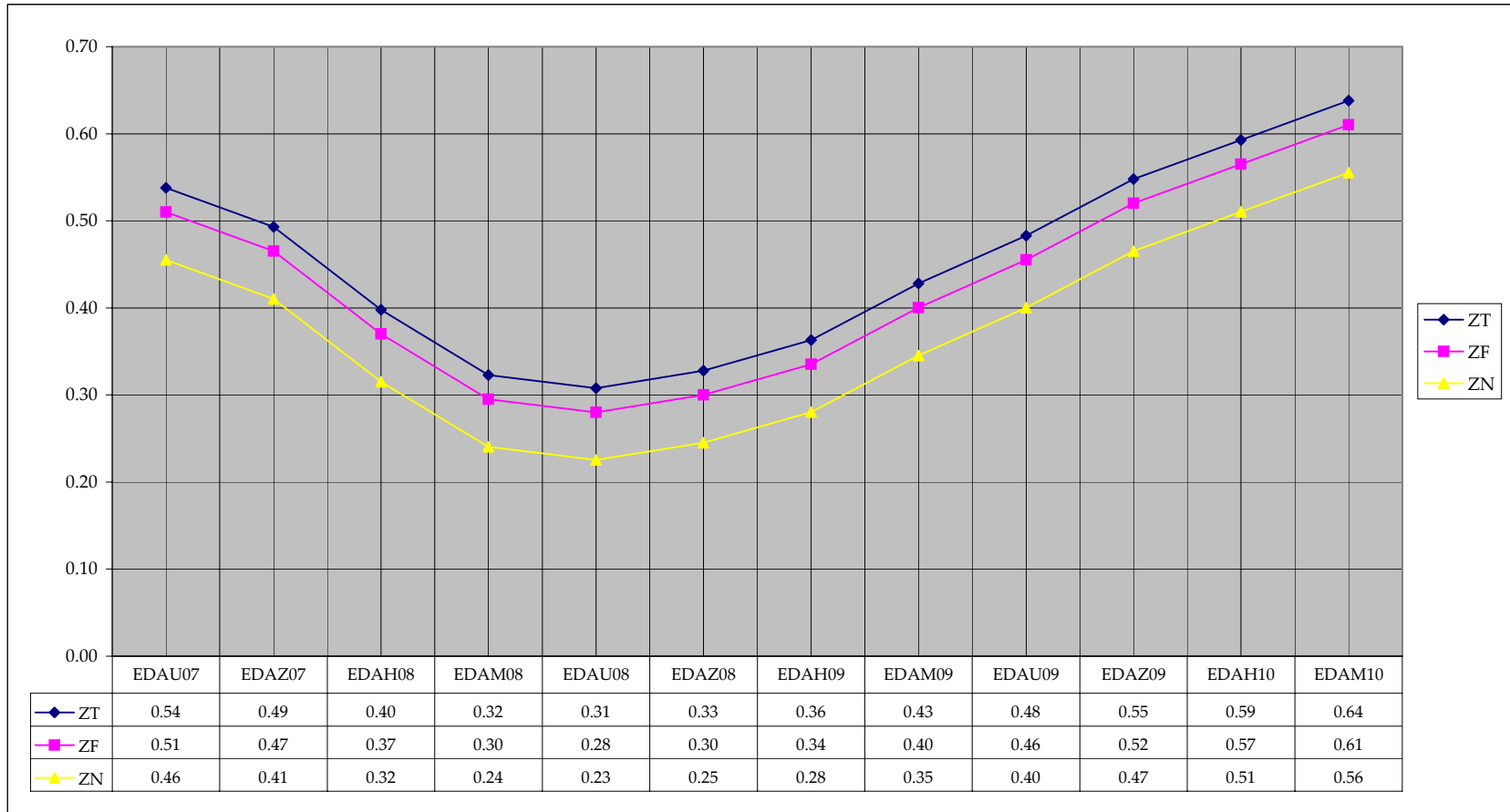


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The Morning Email, TED

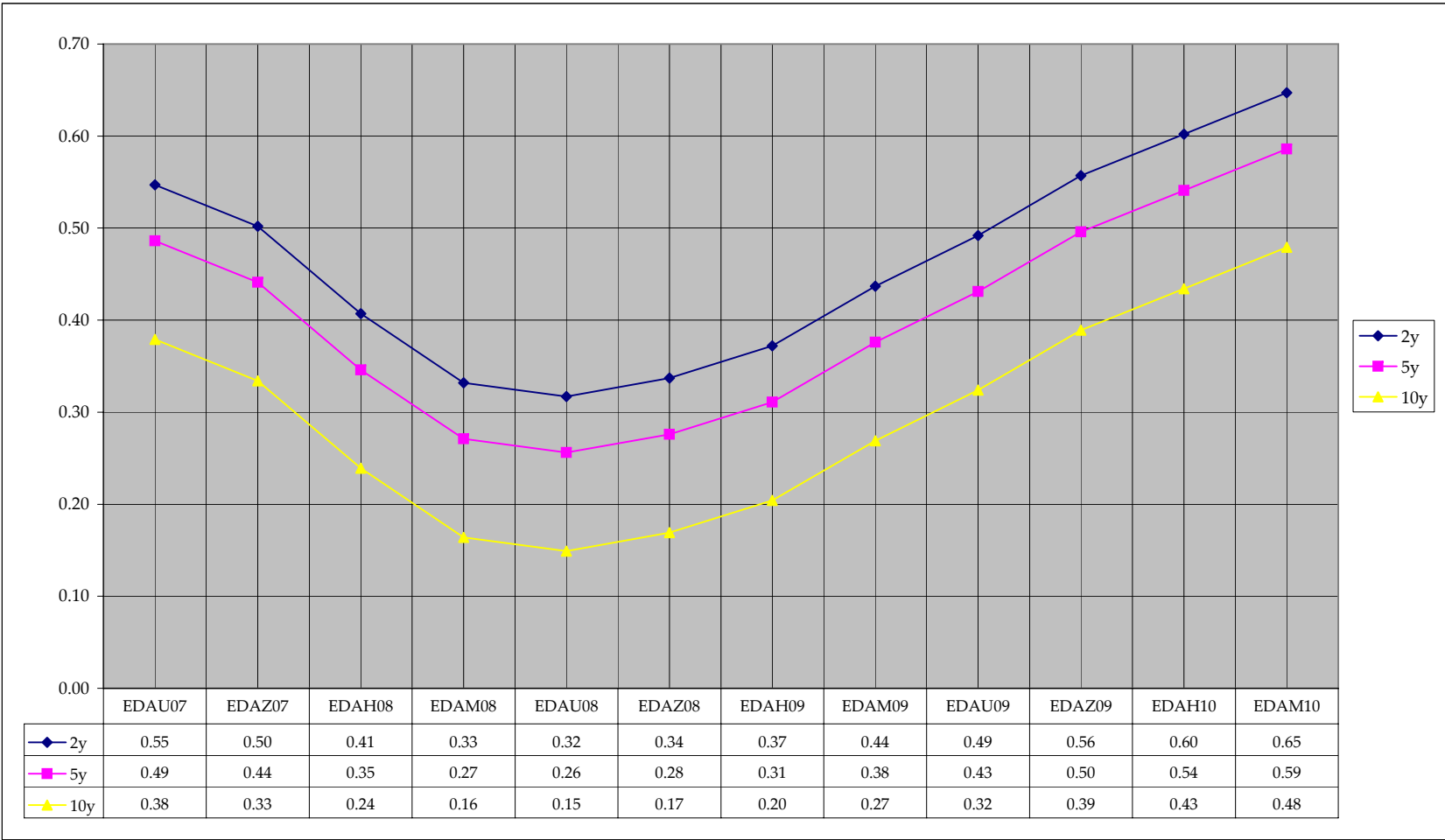
Dirty TED Curve

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.

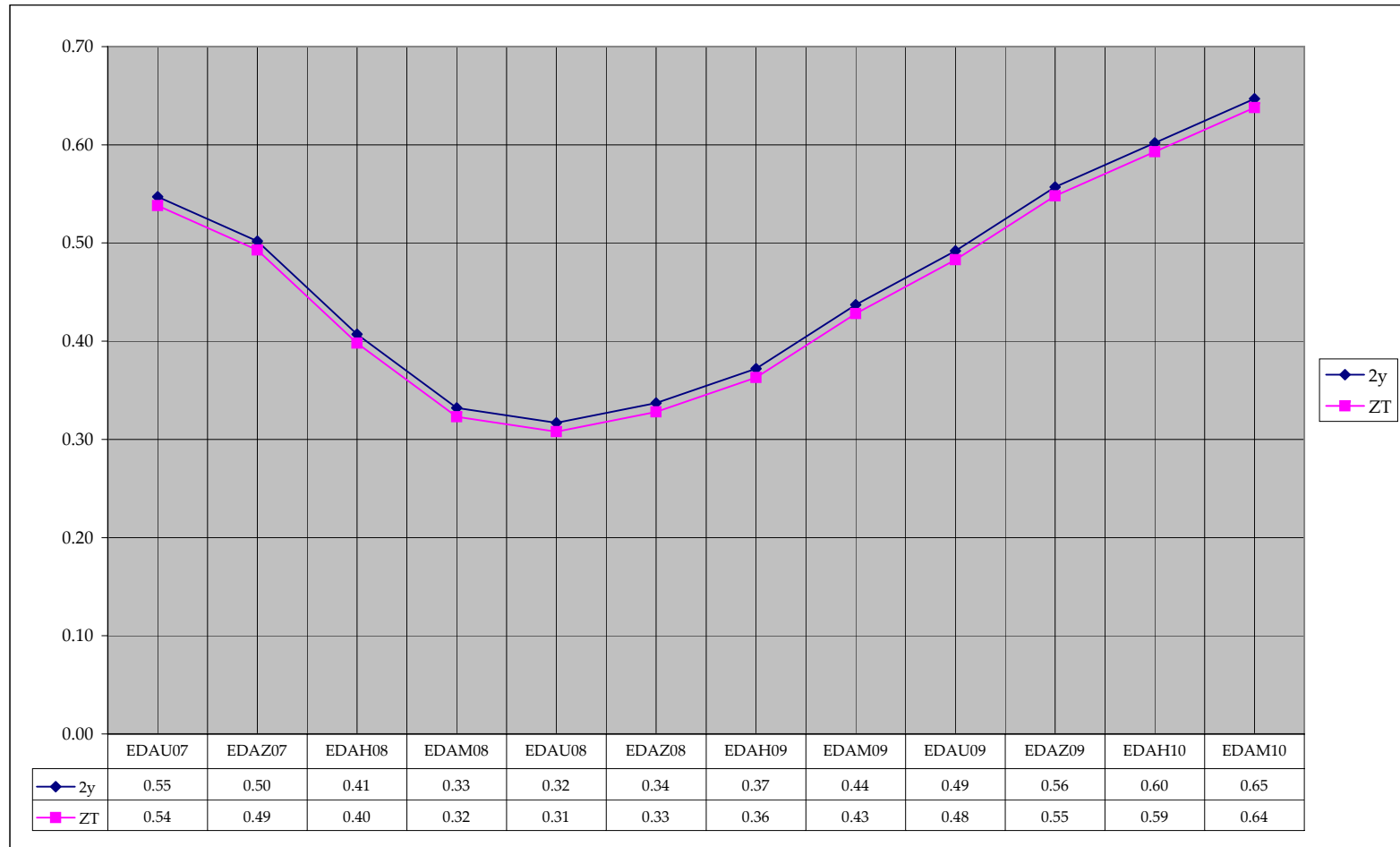


TED Curve

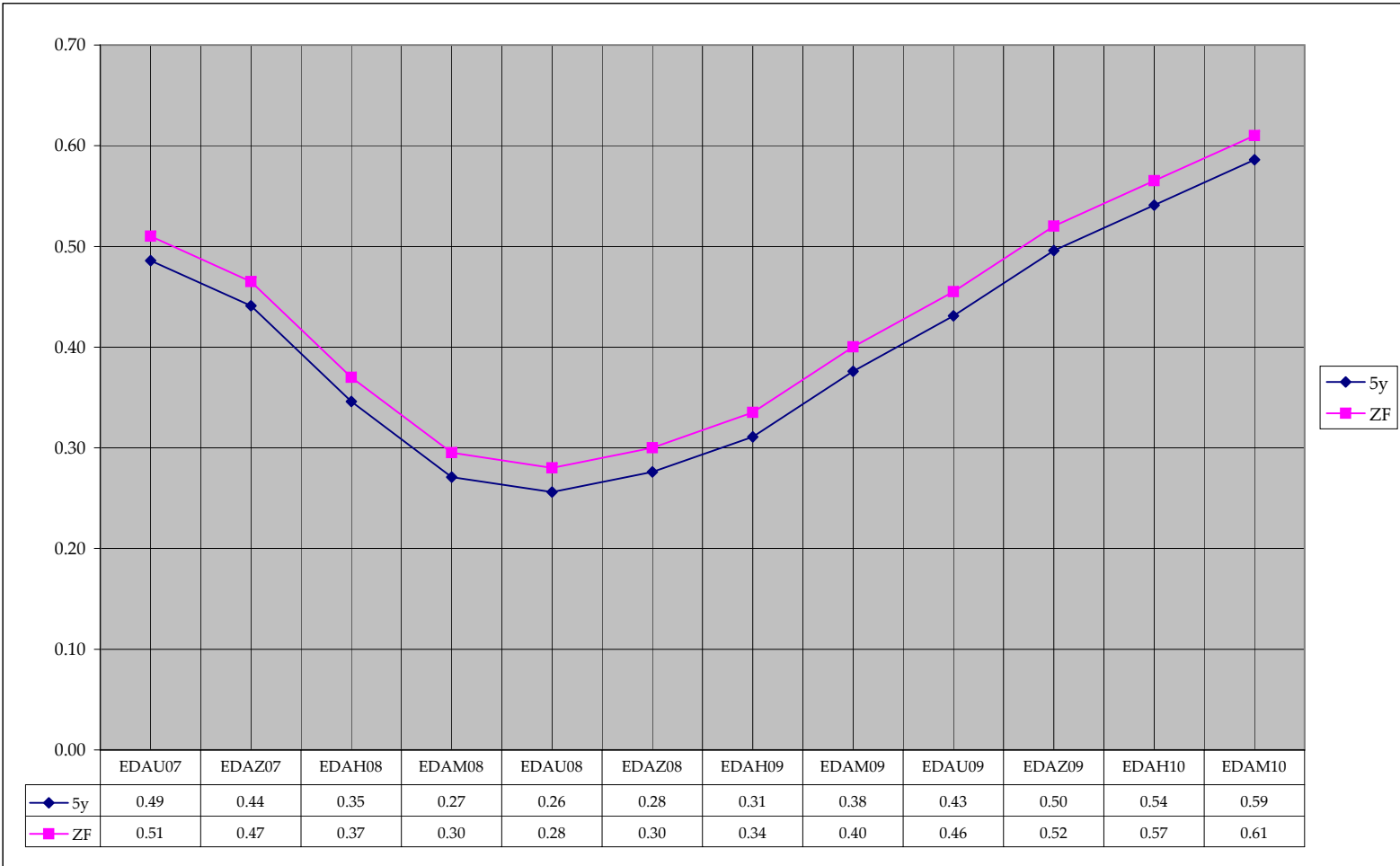
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



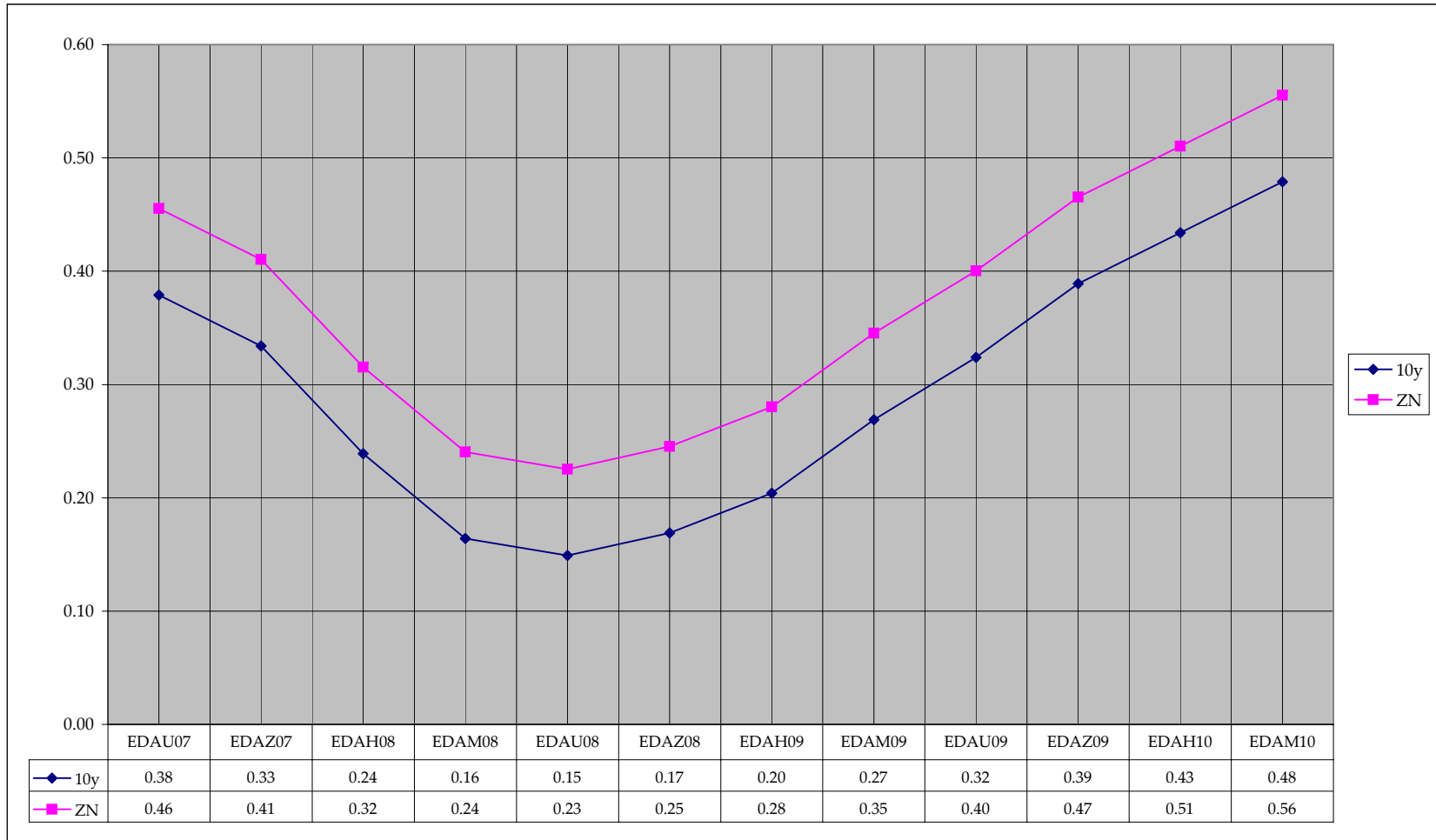
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	5.378	0.375	9476.500
Q.ED.Red	5.294	0.625	9484.625
Q.ED.Green	5.511	1.000	9463.750
Q.ED.Blue		1.500	9447.625
Q.ED.Gold		0.250	9434.125
Q.ED.Purple		0.250	9434.125

