

The Morning Email: TERM TEDS & Dirty TEDS

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Also new, correlation matrixes for all contracts.

Please note that correlations on CASH treasuries are based on YIELD to PRICE. This means that correlations should be negative.

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.

Jim Goulding, jgoulding@ghco.com

F.I. Futures and Cash				
	Last Decimal	Last 32	Last Yield*	**MDuration
ZT	101.7188	101.230	4.998	1.88
ZF	103.9688	103.310	4.956	4.00
ZN	105.7031	105.225	4.967	5.82
Blank				
2y	99.781	99.2500	4.993	2.05
5y	99.084	99.0270	4.959	4.32
10y	96.234	96.0750	4.981	7.86

*Futures use CTD for Last Yield

**Mduration = Modified Macaulay Duration

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAM07	94.640	5.360	12	0.032	JUN	} White Pack
EDAU07	94.650	5.350	103	0.282	SEP	
EDAZ07	94.655	5.345	194	0.531	DEC	
EDAH08	94.690	5.310	285	0.780	MAR	} Red Pack
EDAM08	94.725	5.275	376	1.029	JUN	
EDAU08	94.740	5.260	467	1.279	SEP	
EDAZ08	94.735	5.265	558	1.528	DEC	} Green Pack
EDAH09	94.735	5.265	649	1.777	MAR	
EDAM09	94.715	5.285	740	2.027	JUN	
EDAU09	94.695	5.305	831	2.276	SEP	
EDAZ09	94.670	5.330	922	2.525	DEC	
EDAH10	94.655	5.345	1013	2.775	MAR	

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

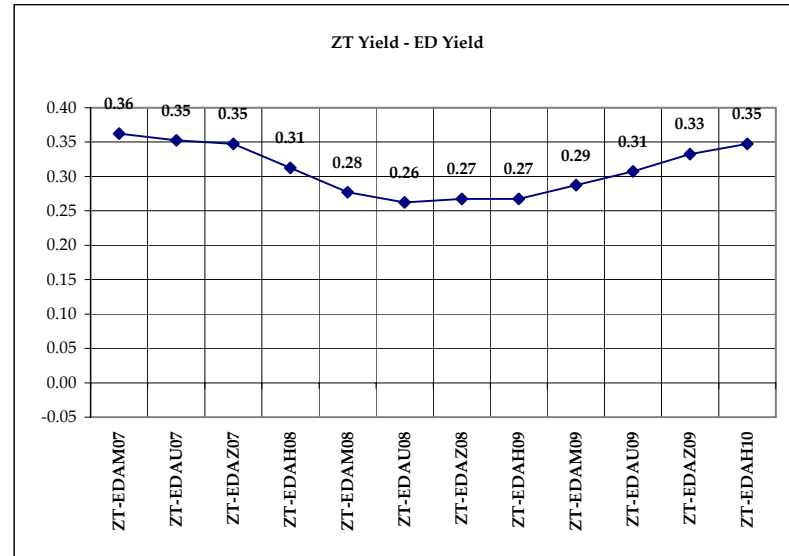
Eurodollar Color Codes for Individual Year Strips:

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)
EDAM07	7.079	0.36	ZT-EDAM07	86.447
EDAU07	7.069	0.35	ZT-EDAU07	97.809
EDAZ07	7.064	0.35	ZT-EDAZ07	99.198
EDAH08	7.029	0.31	ZT-EDAH08	99.647
EDAM08	6.994	0.28	ZT-EDAM08	99.885
EDAU08	6.979	0.26	ZT-EDAU08	99.854
EDAZ08	6.984	0.27	ZT-EDAZ08	86.447
EDAH09	6.984	0.27	ZT-EDAH09	86.447
EDAM09	7.004	0.29	ZT-EDAM09	86.447
EDAU09	7.024	0.31	ZT-EDAU09	86.447
EDAZ09	7.049	0.33	ZT-EDAZ09	86.447
EDAH10	7.064	0.35	ZT-EDAH10	99.761

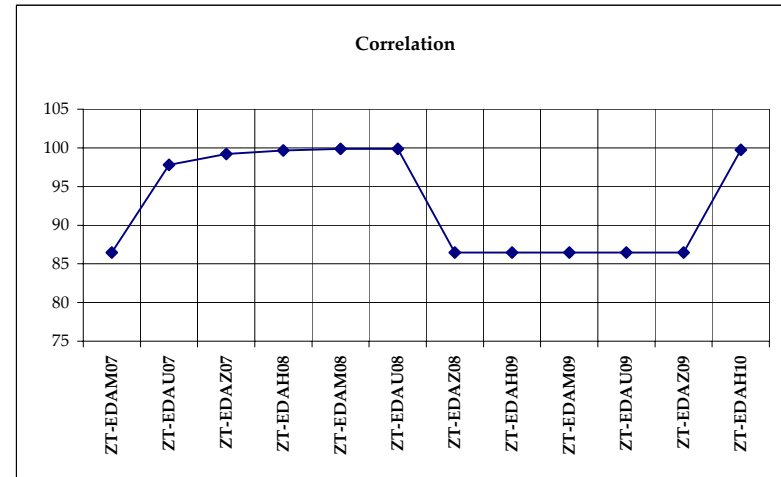
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as

	Fraction of year	ZT Duration	Spread Duration	
EDAM07	0.032	1.88	1.85	ZT-EDAM07
EDAU07	0.282	1.88	1.60	ZT-EDAU07
EDAZ07	0.531	1.88	1.35	ZT-EDAZ07
EDAH08	0.780	1.88	1.10	ZT-EDAH08
EDAM08	1.029	1.88	0.85	ZT-EDAM08
EDAU08	1.279	1.88	0.60	ZT-EDAU08
EDAZ08	1.528	1.88	0.35	ZT-EDAZ08
EDAH09	1.777	1.88	0.10	ZT-EDAH09
EDAM09	2.027	1.88	(0.15)	ZT-EDAM09
EDAU09	2.276	1.88	(0.40)	ZT-EDAU09
EDAZ09	2.525	1.88	(0.65)	ZT-EDAZ09
EDAH10	2.775	1.88	(0.90)	ZT-EDAH10

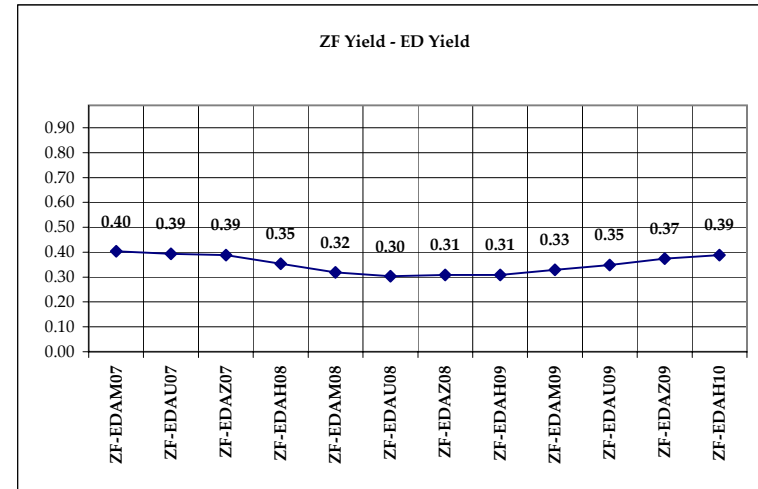
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

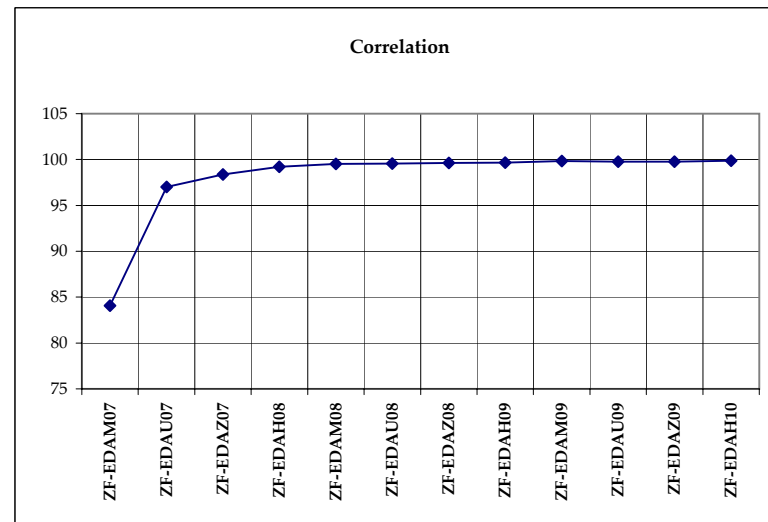
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	9.33	0.40	ZF-EDAM07	84.062
EDAU07	9.32	0.39	ZF-EDAU07	97.017
EDAZ07	9.31	0.39	ZF-EDAZ07	98.371
EDAH08	9.28	0.35	ZF-EDAH08	99.208
EDAM08	9.24	0.32	ZF-EDAM08	99.534
EDAU08	9.23	0.30	ZF-EDAU08	99.541
EDAZ08	9.23	0.31	ZF-EDAZ08	99.632
EDAH09	9.23	0.31	ZF-EDAH09	99.678
EDAM09	9.25	0.33	ZF-EDAM09	99.834
EDAU09	9.27	0.35	ZF-EDAU09	99.782
EDAZ09	9.30	0.37	ZF-EDAZ09	99.778
EDAH10	9.31	0.39	ZF-EDAH10	99.867

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	
EDAM07	0.032	4.00	3.97	ZF-EDAM07
EDAU07	0.282	4.00	3.72	ZF-EDAU07
EDAZ07	0.531	4.00	3.47	ZF-EDAZ07
EDAH08	0.780	4.00	3.22	ZF-EDAH08
EDAM08	1.029	4.00	2.97	ZF-EDAM08
EDAU08	1.279	4.00	2.72	ZF-EDAU08
EDAZ08	1.528	4.00	2.47	ZF-EDAZ08
EDAH09	1.777	4.00	2.22	ZF-EDAH09
EDAM09	2.027	4.00	1.97	ZF-EDAM09
EDAU09	2.276	4.00	1.73	ZF-EDAU09
EDAZ09	2.525	4.00	1.48	ZF-EDAZ09
EDAH10	2.775	4.00	1.23	ZF-EDAH10

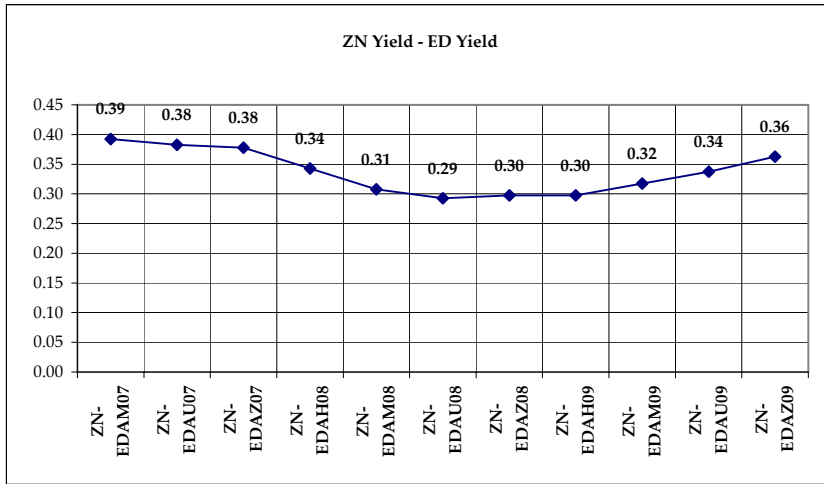
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

	ZN			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	11.06	0.39	ZN-EDAM07	80.50
EDAU07	11.05	0.38	ZN-EDAU07	96.05
EDAZ07	11.05	0.38	ZN-EDAZ07	97.38
EDAH08	11.01	0.34	ZN-EDAH08	98.43
EDAM08	10.98	0.31	ZN-EDAM08	98.59
EDAU08	10.96	0.29	ZN-EDAU08	98.58
EDAZ08	10.97	0.30	ZN-EDAZ08	98.73
EDAH09	10.97	0.30	ZN-EDAH09	98.83
EDAM09	10.99	0.32	ZN-EDAM09	99.15
EDAU09	11.01	0.34	ZN-EDAU09	99.08
EDAZ09	11.03	0.36	ZN-EDAZ09	99.06
EDAH10	11.05	0.38	ZN-EDAH10	99.87

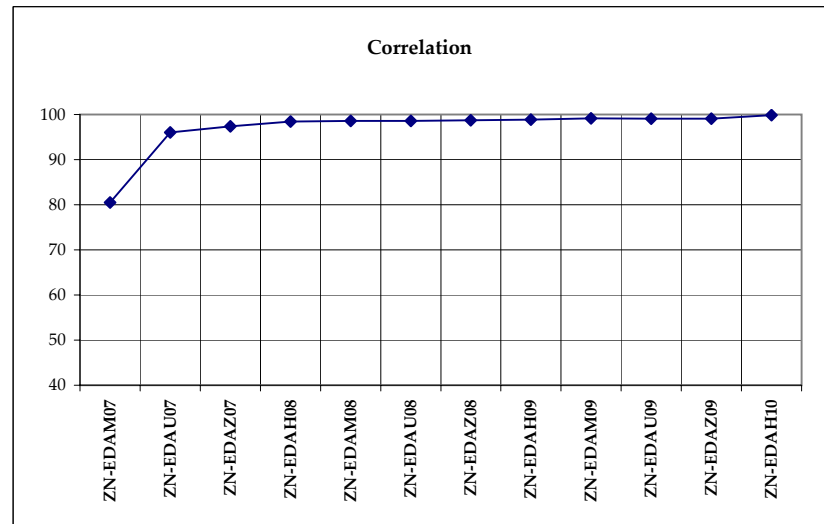
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZN Duration	Spread Duration	
EDAM07	0.032	5.82	ZN-EDAM07
EDAU07	0.282	5.82	ZN-EDAU07
EDAZ07	0.531	5.82	ZN-EDAZ07
EDAH08	0.780	5.82	ZN-EDAH08
EDAM08	1.029	5.82	ZN-EDAM08
EDAU08	1.279	5.82	ZN-EDAU08
EDAZ08	1.528	5.82	ZN-EDAZ08
EDAH09	1.777	5.82	ZN-EDAH09
EDAM09	2.027	5.82	ZN-EDAM09
EDAU09	2.276	5.82	ZN-EDAU09
EDAZ09	2.525	5.82	ZN-EDAZ09
EDAH10	2.775	5.82	ZN-EDAH10

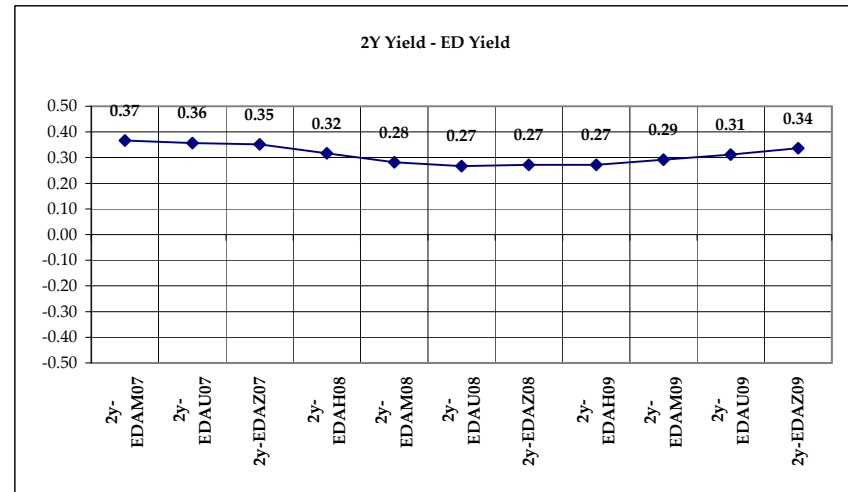
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	5.14	0.37	2y-EDAM07	-86.558
EDAU07	5.13	0.36	2y-EDAU07	-97.717
EDAZ07	5.13	0.35	2y-EDAZ07	-98.728
EDAH08	5.09	0.32	2y-EDAH08	-99.405
EDAM08	5.06	0.28	2y-EDAM08	-99.773
EDAU08	5.04	0.27	2y-EDAU08	-99.817
EDAZ08	5.05	0.27	2y-EDAZ08	-86.558
EDAH09	5.05	0.27	2y-EDAH09	-86.558
EDAM09	5.07	0.29	2y-EDAM09	-86.558
EDAU09	5.09	0.31	2y-EDAU09	-86.558
EDAZ09	5.11	0.34	2y-EDAZ09	-86.558
EDAH10	5.13	0.35	2y-EDAH10	-99.674

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 YIELD correlations.

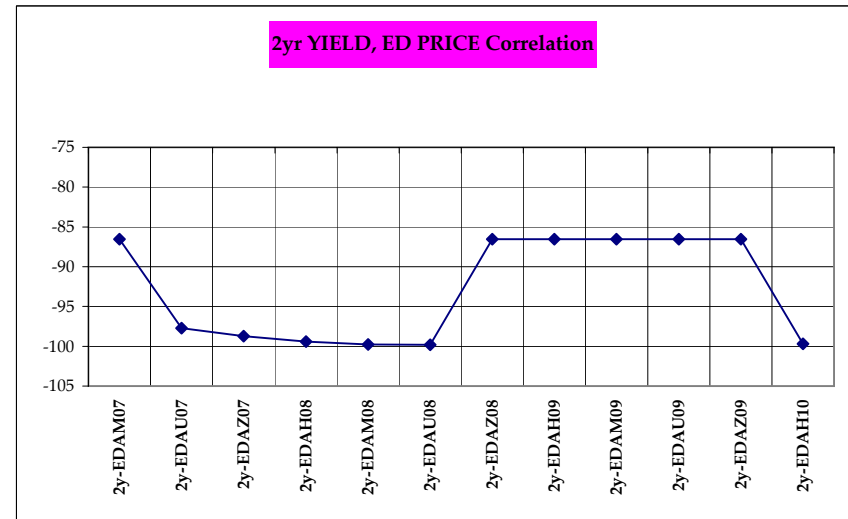


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAM07	0.032	2.05	2y-EDAM07
EDAU07	0.282	2.05	2y-EDAU07
EDAZ07	0.531	2.05	2y-EDAZ07
EDAH08	0.780	2.05	2y-EDAH08
EDAM08	1.029	2.05	2y-EDAM08
EDAU08	1.279	2.05	2y-EDAU08
EDAZ08	1.528	2.05	2y-EDAZ08
EDAH09	1.777	2.05	2y-EDAH09
EDAM09	2.027	2.05	2y-EDAM09
EDAU09	2.276	2.05	2y-EDAU09
EDAZ09	2.525	2.05	2y-EDAZ09
EDAH10	2.775	2.05	2y-EDAH10

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

2yr YIELD, ED PRICE Correlation



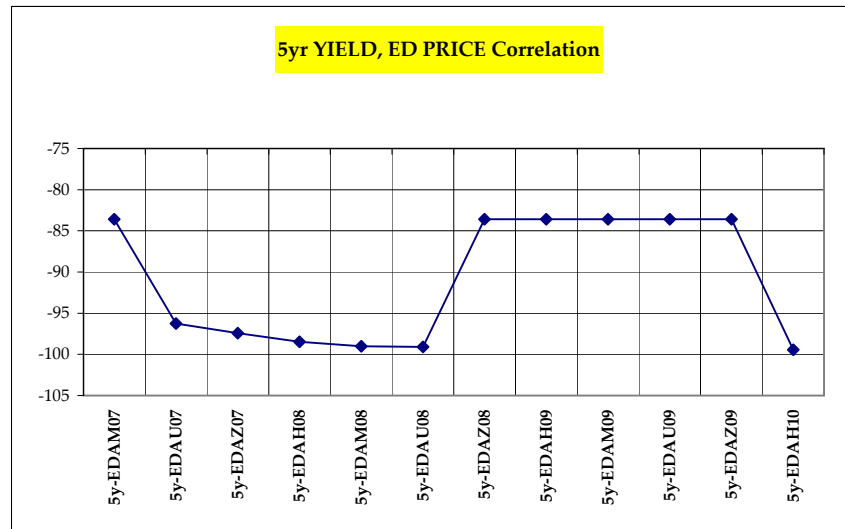
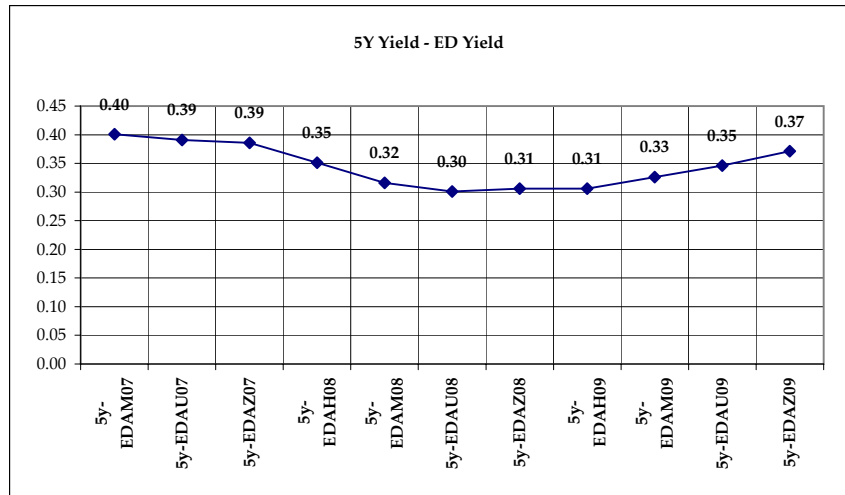
TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	4.44	0.40	5y-EDAM07	-83.571
EDAU07	4.43	0.39	5y-EDAU07	-96.254
EDAZ07	4.43	0.39	5y-EDAZ07	-97.421
EDAH08	4.39	0.35	5y-EDAH08	-98.470
EDAM08	4.36	0.32	5y-EDAM08	-99.021
EDAU08	4.34	0.30	5y-EDAU08	-99.110
EDAZ08	4.35	0.31	5y-EDAZ08	-83.571
EDAH09	4.35	0.31	5y-EDAH09	-83.571
EDAM09	4.37	0.33	5y-EDAM09	-83.571
EDAU09	4.39	0.35	5y-EDAU09	-83.571
EDAZ09	4.41	0.37	5y-EDAZ09	-83.571
EDAH10	4.43	0.39	5y-EDAH10	-99.462

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 YIELD correlations.

	GE Duration as Fraction of year	5Y Duration	Spread Duration	
EDAM07	0.032	4.32	4.28	5y-EDAM07
EDAU07	0.282	4.32	4.04	5y-EDAU07
EDAZ07	0.531	4.32	3.79	5y-EDAZ07
EDAH08	0.780	4.32	3.54	5y-EDAH08
EDAM08	1.029	4.32	3.29	5y-EDAM08
EDAU08	1.279	4.32	3.04	5y-EDAU08
EDAZ08	1.528	4.32	2.79	5y-EDAZ08
EDAH09	1.777	4.32	2.54	5y-EDAH09
EDAM09	2.027	4.32	2.29	5y-EDAM09
EDAU09	2.276	4.32	2.04	5y-EDAU09
EDAZ09	2.525	4.32	1.79	5y-EDAZ09
EDAH10	2.775	4.32	1.54	5y-EDAH10

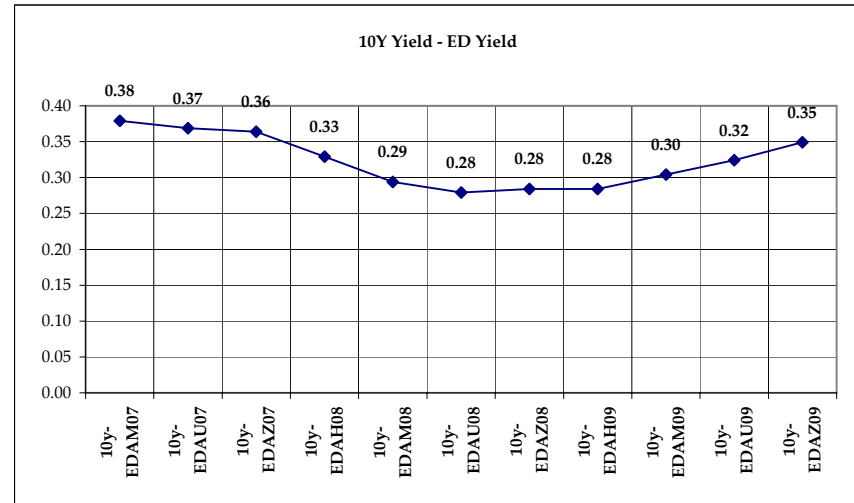
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	4.44	0.38	10y-EDAM07	-78.029
EDAU07	4.43	0.37	10y-EDAU07	-93.483
EDAZ07	4.43	0.36	10y-EDAZ07	-94.351
EDAH08	4.39	0.33	10y-EDAH08	-95.868
EDAM08	4.36	0.29	10y-EDAM08	-96.251
EDAU08	4.34	0.28	10y-EDAU08	-96.340
EDAZ08	4.35	0.28	10y-EDAZ08	-78.029
EDAH09	4.35	0.28	10y-EDAH09	-78.029
EDAM09	4.37	0.30	10y-EDAM09	-78.029
EDAU09	4.39	0.32	10y-EDAU09	-78.029
EDAZ09	4.41	0.35	10y-EDAZ09	-78.029
EDAH10	4.43	0.36	10y-EDAH10	-97.569

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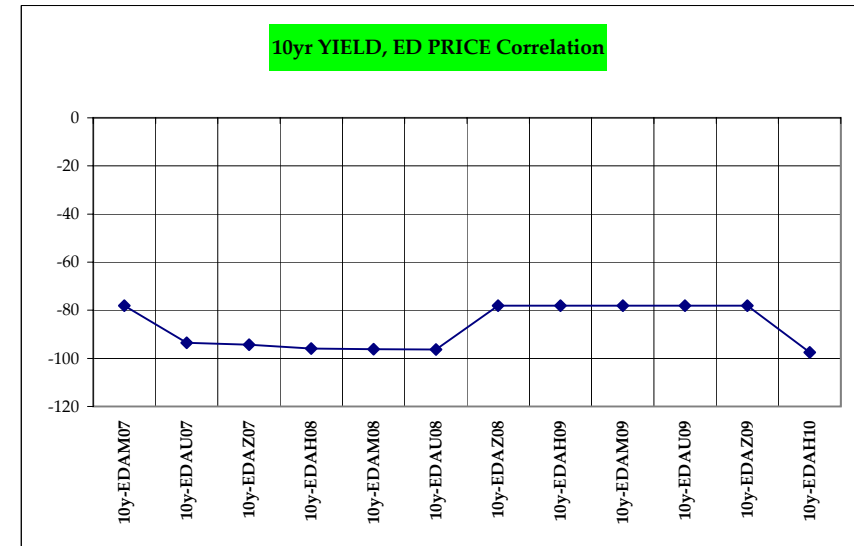


GE Duration as Fraction of year

	10Y Duration	Spread Duration	
EDAM07	0.032	7.86	10y-EDAM07
EDAU07	0.282	7.86	10y-EDAU07
EDAZ07	0.531	7.86	10y-EDAZ07
EDAH08	0.780	7.86	10y-EDAH08
EDAM08	1.029	7.86	10y-EDAM08
EDAU08	1.279	7.86	10y-EDAU08
EDAZ08	1.528	7.86	10y-EDAZ08
EDAH09	1.777	7.86	10y-EDAH09
EDAM09	2.027	7.86	10y-EDAM09
EDAU09	2.276	7.86	10y-EDAU09
EDAZ09	2.525	7.86	10y-EDAZ09
EDAH10	2.775	7.86	10y-EDAH10

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10yr YIELD, ED PRICE Correlation

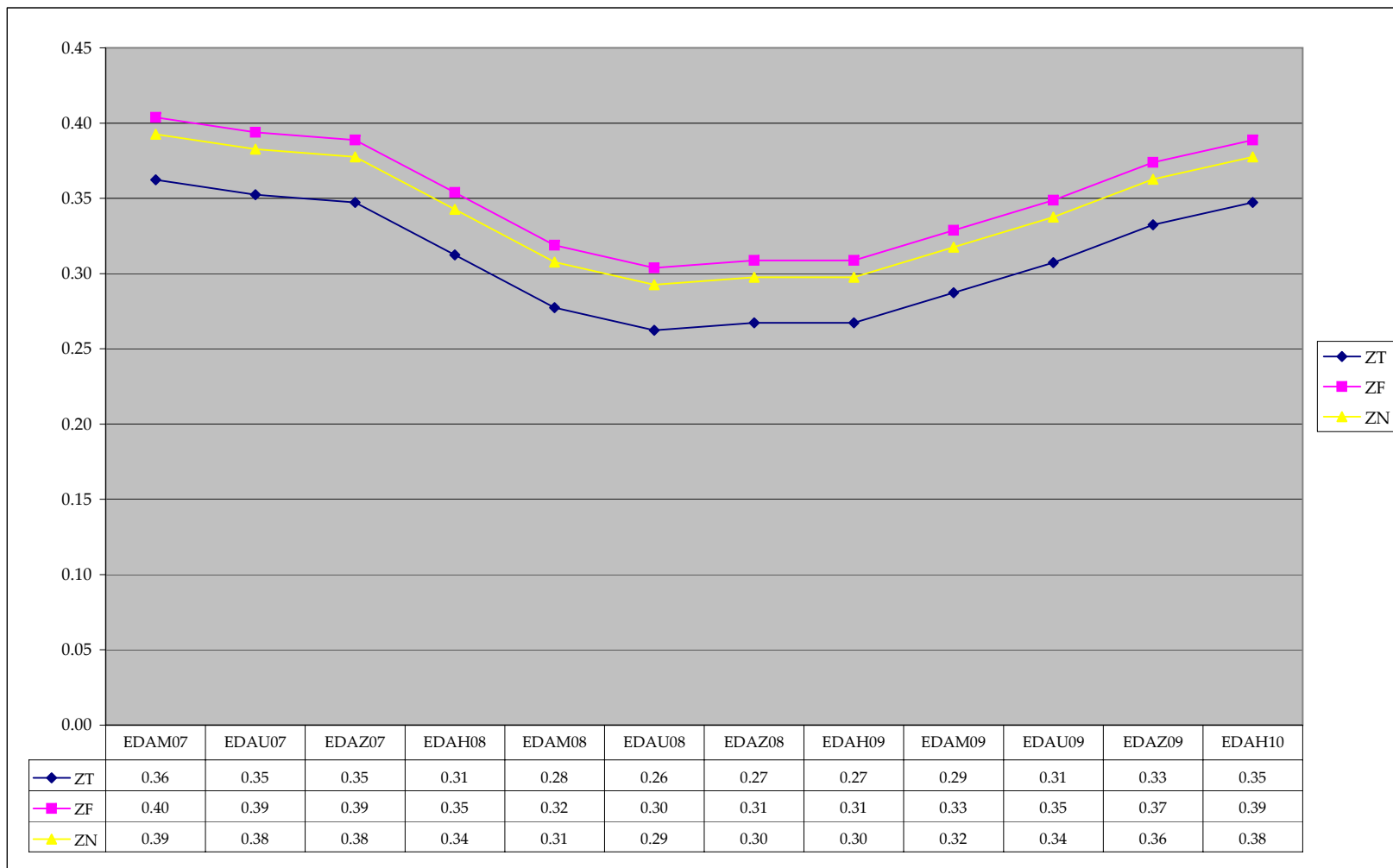


Dirty TED Curve

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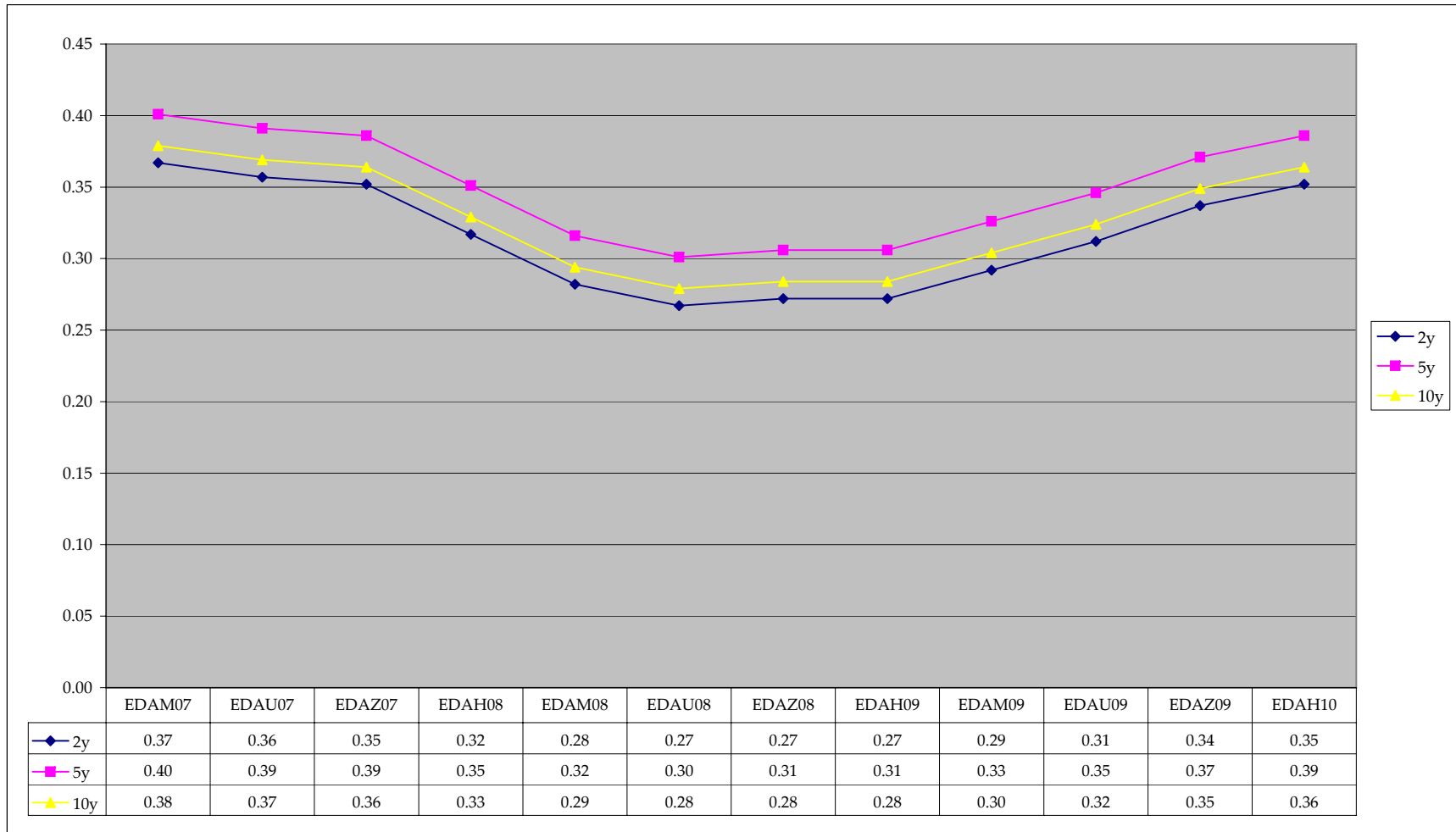
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

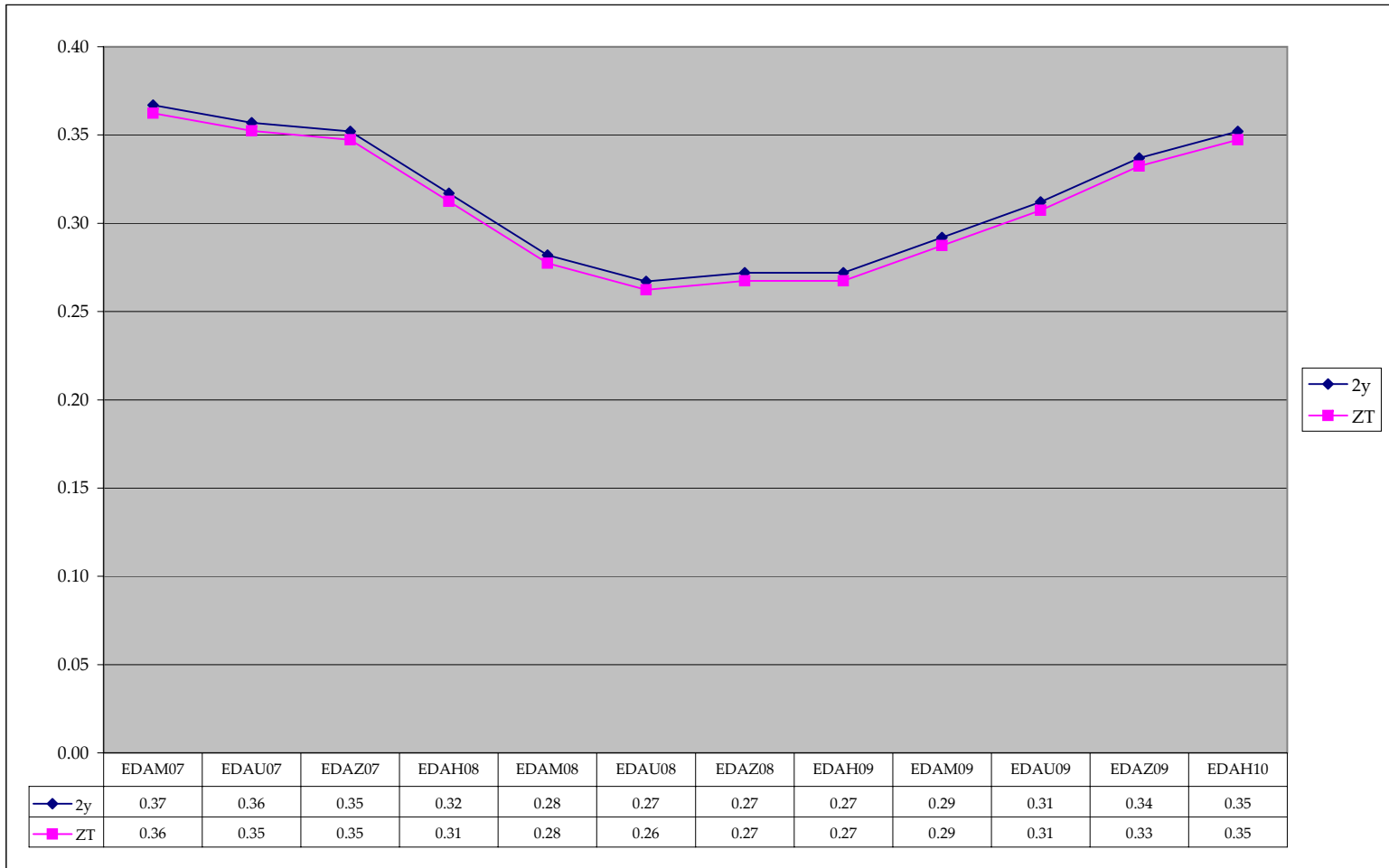


TED Curve

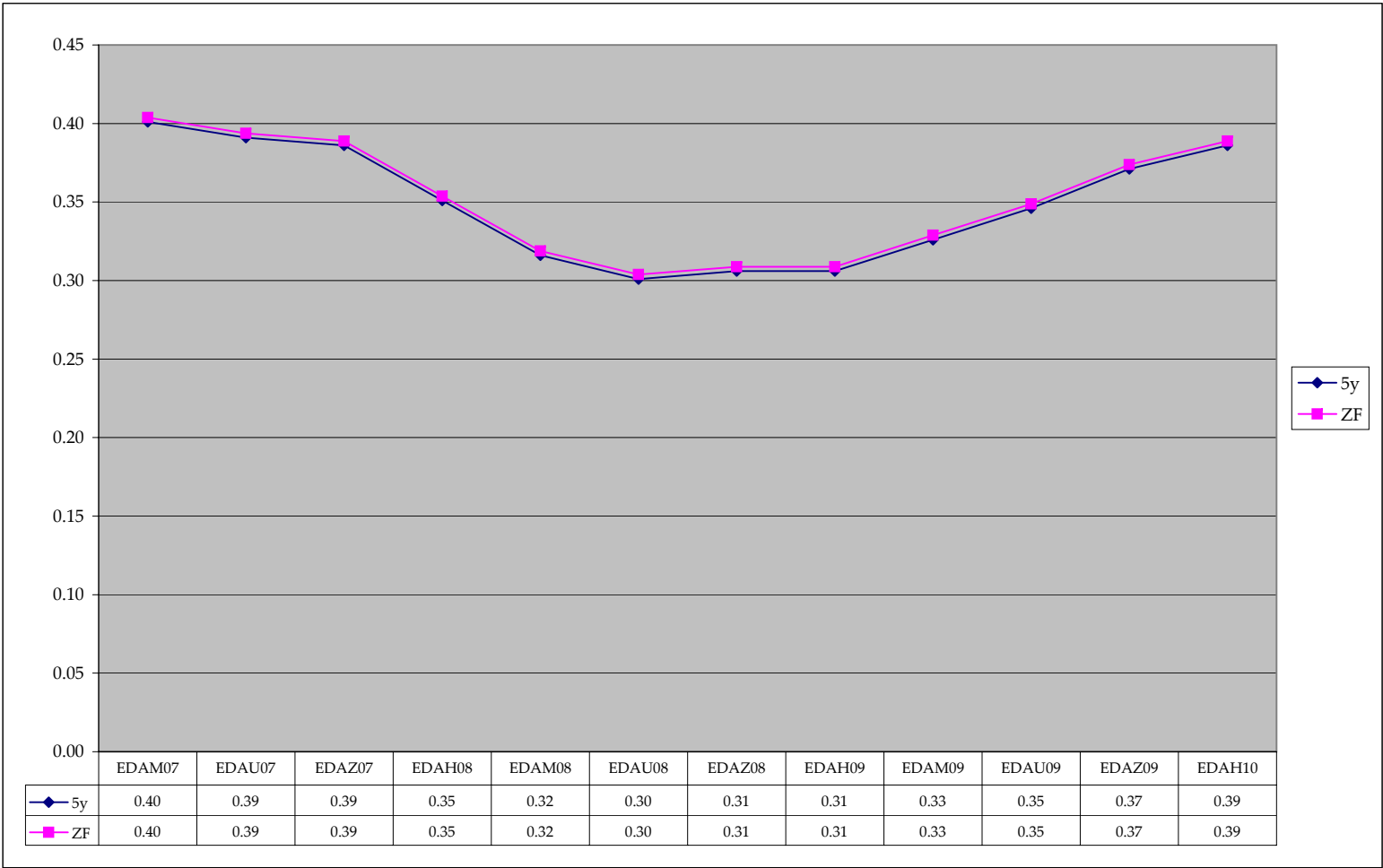
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve

