

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.

F.I. Futures and Cash					
	Last Decimal	Last 32	Last Yield*	**MDuration	
ZT	101.6250	101.200	5.045	1.86	
ZF	103.3438	103.110	5.106	3.98	
ZN	104.5156	104.165	5.162	5.79	
Blank					
2y	99.719	99.2300	5.027	2.04	
5y	98.428	98.1370	5.110	4.30	
10y	94.656	94.2100	5.194	7.82	

*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	6	0.016	JUN	} White Pack
EDAU07	94.635	5.365	97	0.265	SEP	
EDAZ07	94.620	5.380	188	0.514	DEC	
EDAH08	94.645	5.355	279	0.764	MAR	} Red Pack
EDAM08	94.660	5.340	370	1.013	JUN	
EDAU08	94.645	5.355	461	1.262	SEP	
EDAZ08	94.615	5.385	552	1.512	DEC	} Green Pack
EDAH09	94.575	5.425	643	1.761	MAR	
EDAM09	94.520	5.480	734	2.010	JUN	
EDAU09	94.480	5.520	825	2.260	SEP	
EDAZ09	94.435	5.565	916	2.509	DEC	
EDAH10	94.425	5.575	1007	2.758	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.

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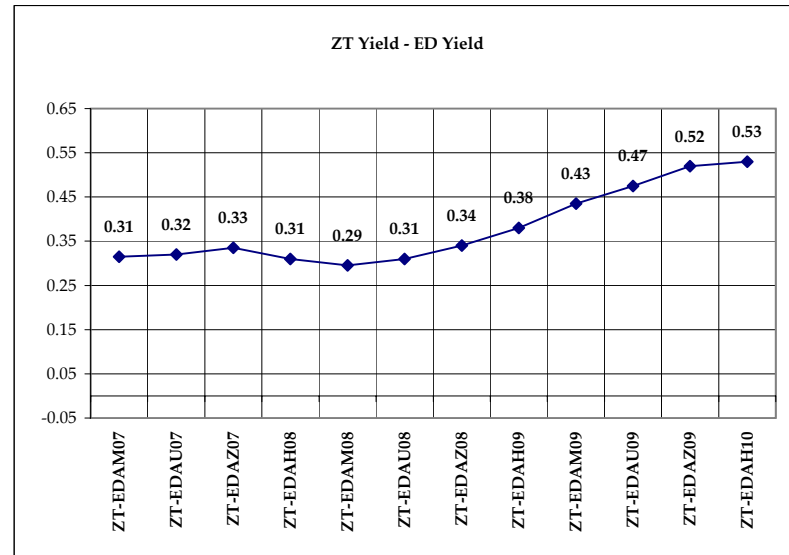
Eurodollar Color Codes for Individual Year Strips:

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

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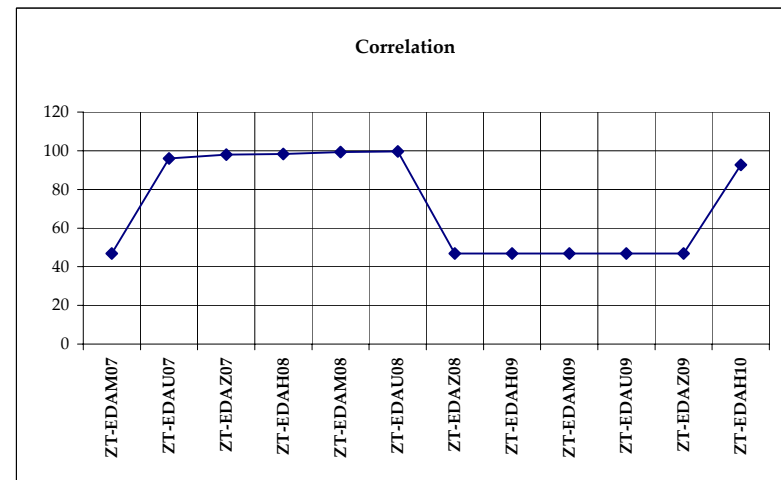
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	6.985	0.31	ZT-EDAM07	46.886
EDAU07	6.990	0.32	ZT-EDAU07	95.934
EDAZ07	7.005	0.33	ZT-EDAZ07	97.947
EDAH08	6.980	0.31	ZT-EDAH08	98.381
EDAM08	6.965	0.29	ZT-EDAM08	99.378
EDAU08	6.980	0.31	ZT-EDAU08	99.620
EDAZ08	7.010	0.34	ZT-EDAZ08	46.886
EDAH09	7.050	0.38	ZT-EDAH09	46.886
EDAM09	7.105	0.43	ZT-EDAM09	46.886
EDAU09	7.145	0.47	ZT-EDAU09	46.886
EDAZ09	7.190	0.52	ZT-EDAZ09	46.886
EDAH10	7.200	0.53	ZT-EDAH10	92.673

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	0.016	1.86	1.85	ZT-EDAM07
EDAU07	0.265	1.86	1.60	ZT-EDAU07
EDAZ07	0.514	1.86	1.35	ZT-EDAZ07
EDAH08	0.764	1.86	1.10	ZT-EDAH08
EDAM08	1.013	1.86	0.85	ZT-EDAM08
EDAU08	1.262	1.86	0.60	ZT-EDAU08
EDAZ08	1.512	1.86	0.35	ZT-EDAZ08
EDAH09	1.761	1.86	0.10	ZT-EDAH09
EDAM09	2.010	1.86	(0.15)	ZT-EDAM09
EDAU09	2.260	1.86	(0.40)	ZT-EDAU09
EDAZ09	2.509	1.86	(0.65)	ZT-EDAZ09
EDAH10	2.758	1.86	(0.90)	ZT-EDAH10

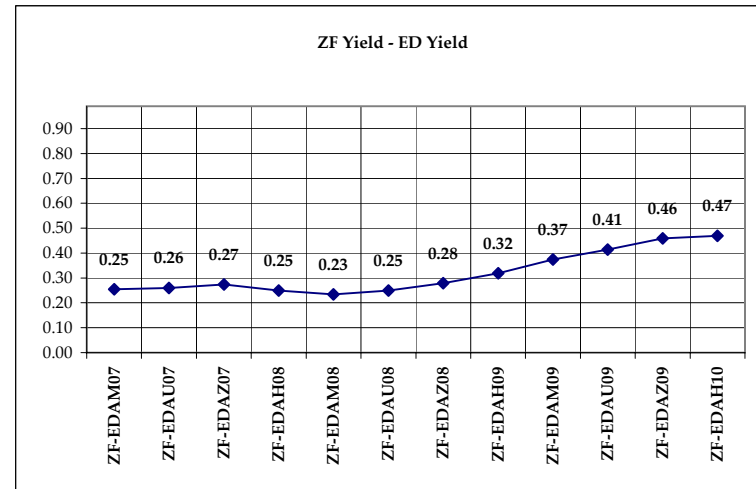
The farther away from 0 the spread duration is the riskier the trade.



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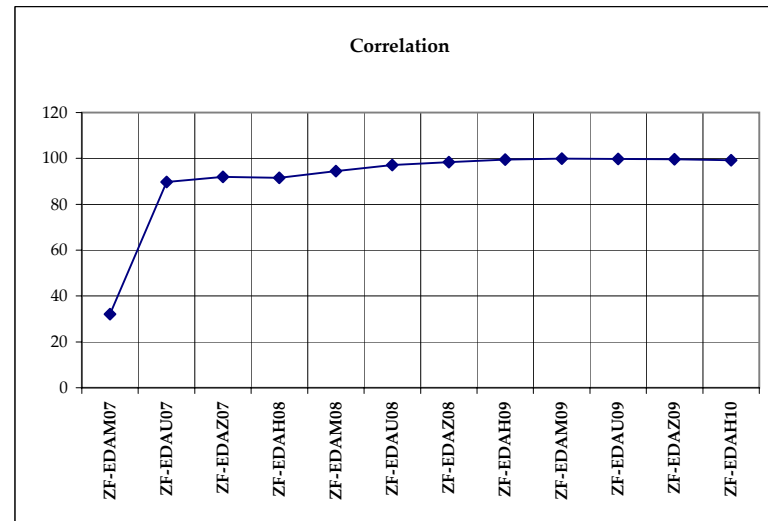
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	8.70	0.25	ZF-EDAM07	32.139
EDAU07	8.71	0.26	ZF-EDAU07	89.688
EDAZ07	8.72	0.27	ZF-EDAZ07	91.894
EDAH08	8.70	0.25	ZF-EDAH08	91.588
EDAM08	8.68	0.23	ZF-EDAM08	94.463
EDAU08	8.70	0.25	ZF-EDAU08	97.172
EDAZ08	8.73	0.28	ZF-EDAZ08	98.392
EDAH09	8.77	0.32	ZF-EDAH09	99.544
EDAM09	8.82	0.37	ZF-EDAM09	99.878
EDAU09	8.86	0.41	ZF-EDAU09	99.739
EDAZ09	8.91	0.46	ZF-EDAZ09	99.595
EDAH10	8.92	0.47	ZF-EDAH10	99.208

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	0.016	3.98	3.97	ZF-EDAM07
EDAU07	0.265	3.98	3.72	ZF-EDAU07
EDAZ07	0.514	3.98	3.47	ZF-EDAZ07
EDAH08	0.764	3.98	3.22	ZF-EDAH08
EDAM08	1.013	3.98	2.97	ZF-EDAM08
EDAU08	1.262	3.98	2.72	ZF-EDAU08
EDAZ08	1.512	3.98	2.47	ZF-EDAZ08
EDAH09	1.761	3.98	2.22	ZF-EDAH09
EDAM09	2.010	3.98	1.97	ZF-EDAM09
EDAU09	2.260	3.98	1.72	ZF-EDAU09
EDAZ09	2.509	3.98	1.47	ZF-EDAZ09
EDAH10	2.758	3.98	1.22	ZF-EDAH10

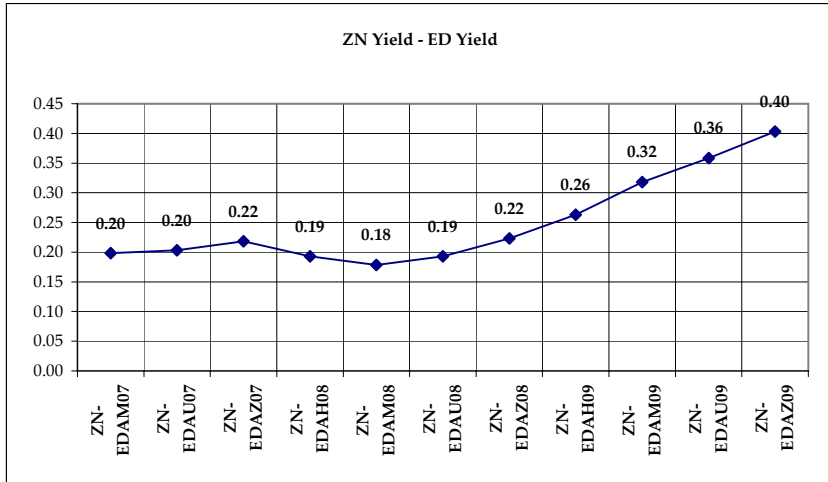
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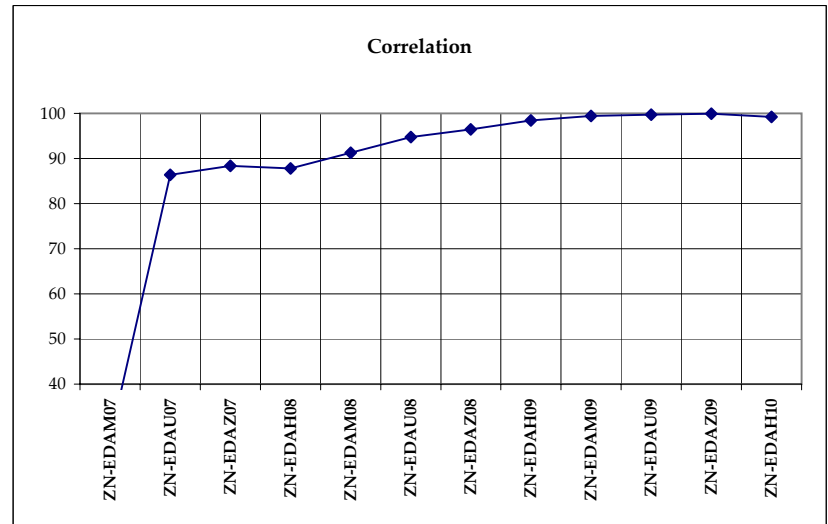
ZN				Correlation*
	Spread Price	Spread Yield	Spread Name	(percent)
EDAM07	9.88	0.20	ZN-EDAM07	27.78
EDAU07	9.88	0.20	ZN-EDAU07	86.39
EDAZ07	9.90	0.22	ZN-EDAZ07	88.34
EDAH08	9.87	0.19	ZN-EDAH08	87.79
EDAM08	9.86	0.18	ZN-EDAM08	91.26
EDAU08	9.87	0.19	ZN-EDAU08	94.77
EDAZ08	9.90	0.22	ZN-EDAZ08	96.47
EDAH09	9.94	0.26	ZN-EDAH09	98.42
EDAM09	10.00	0.32	ZN-EDAM09	99.44
EDAU09	10.04	0.36	ZN-EDAU09	99.73
EDAZ09	10.08	0.40	ZN-EDAZ09	99.91
EDAH10	10.09	0.41	ZN-EDAH10	99.21

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	0.016	5.79	5.78	ZN-EDAM07
EDAU07	0.265	5.79	5.53	ZN-EDAU07
EDAZ07	0.514	5.79	5.28	ZN-EDAZ07
EDAH08	0.764	5.79	5.03	ZN-EDAH08
EDAM08	1.013	5.79	4.78	ZN-EDAM08
EDAU08	1.262	5.79	4.53	ZN-EDAU08
EDAZ08	1.512	5.79	4.28	ZN-EDAZ08
EDAH09	1.761	5.79	4.03	ZN-EDAH09
EDAM09	2.010	5.79	3.78	ZN-EDAM09
EDAU09	2.260	5.79	3.53	ZN-EDAU09
EDAZ09	2.509	5.79	3.28	ZN-EDAZ09
EDAH10	2.758	5.79	3.04	ZN-EDAH10

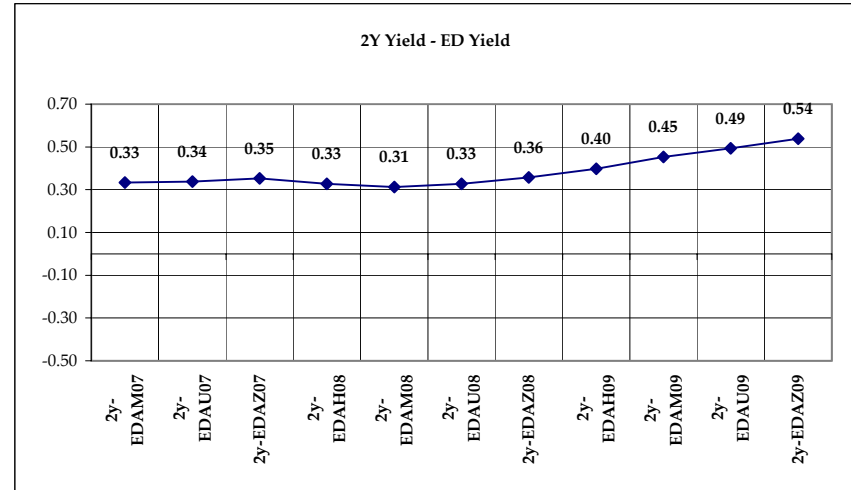
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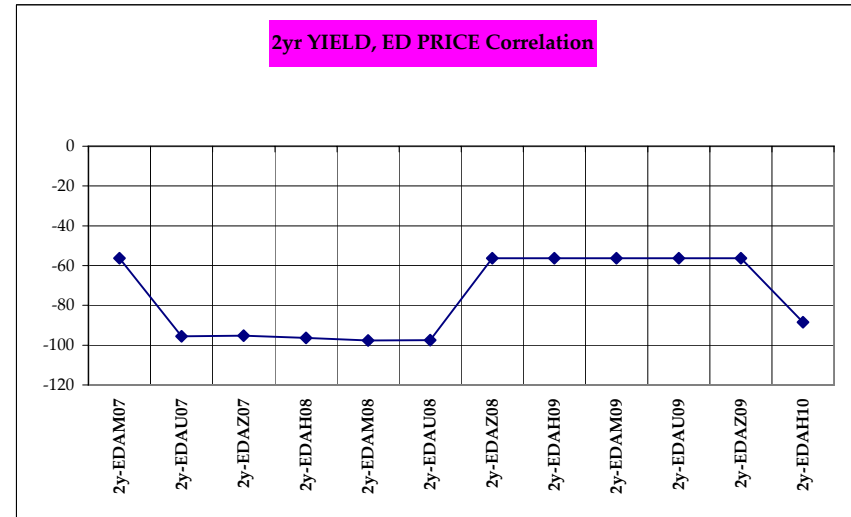
2y				Correlation*
Spread Price	Spread Yield	Spread Name		(percent)
EDAM07	5.08	0.33	2y-EDAM07	-56.280
EDAU07	5.08	0.34	2y-EDAU07	-95.601
EDAZ07	5.10	0.35	2y-EDAZ07	-95.164
EDAH08	5.07	0.33	2y-EDAH08	-96.382
EDAM08	5.06	0.31	2y-EDAM08	-97.616
EDAU08	5.07	0.33	2y-EDAU08	-97.408
EDAZ08	5.10	0.36	2y-EDAZ08	-56.280
EDAH09	5.14	0.40	2y-EDAH09	-56.280
EDAM09	5.20	0.45	2y-EDAM09	-56.280
EDAU09	5.24	0.49	2y-EDAU09	-56.280
EDAZ09	5.28	0.54	2y-EDAZ09	-56.280
EDAH10	5.29	0.55	2y-EDAH10	-88.466

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	
EDAM07	0.016	2.04	2y-EDAM07
EDAU07	0.265	2.04	2y-EDAU07
EDAZ07	0.514	2.04	2y-EDAZ07
EDAH08	0.764	2.04	2y-EDAH08
EDAM08	1.013	2.04	2y-EDAM08
EDAU08	1.262	2.04	2y-EDAU08
EDAZ08	1.512	2.04	2y-EDAZ08
EDAH09	1.761	2.04	2y-EDAH09
EDAM09	2.010	2.04	2y-EDAM09
EDAU09	2.260	(0.22)	2y-EDAU09
EDAZ09	2.509	(0.47)	2y-EDAZ09
EDAH10	2.758	(0.72)	2y-EDAH10

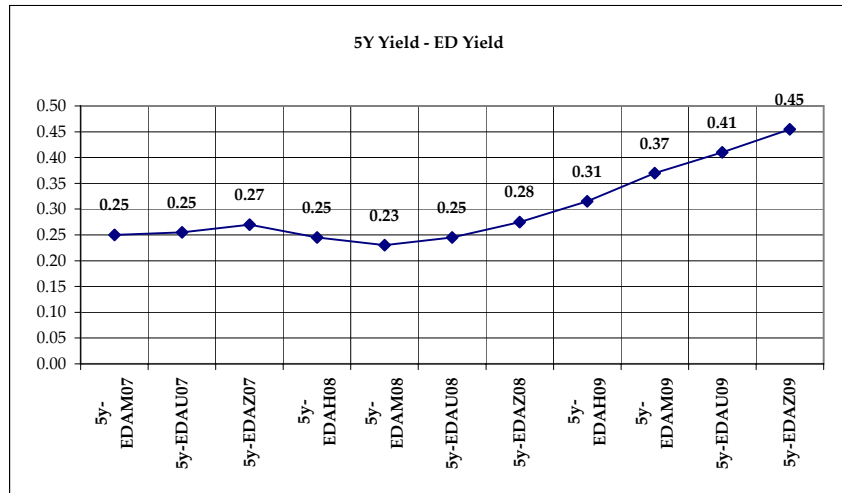
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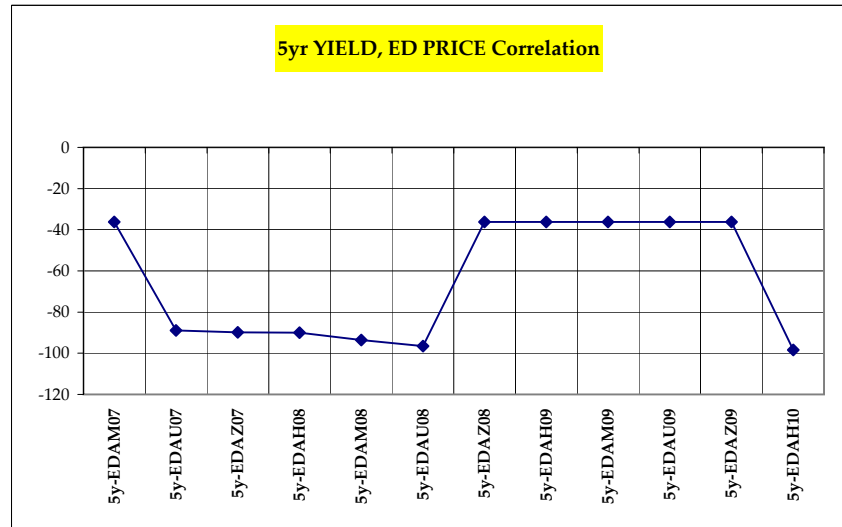
5y				Correlation*
	Spread Price	Spread Yield	Spread Name	(percent)
EDAM07	3.79	0.25	5y-EDAM07	-36.237
EDAU07	3.79	0.25	5y-EDAU07	-88.946
EDAZ07	3.81	0.27	5y-EDAZ07	-89.882
EDAH08	3.78	0.25	5y-EDAH08	-90.028
EDAM08	3.77	0.23	5y-EDAM08	-93.522
EDAU08	3.78	0.25	5y-EDAU08	-96.475
EDAZ08	3.81	0.28	5y-EDAZ08	-36.237
EDAH09	3.85	0.31	5y-EDAH09	-36.237
EDAM09	3.91	0.37	5y-EDAM09	-36.237
EDAU09	3.95	0.41	5y-EDAU09	-36.237
EDAZ09	3.99	0.45	5y-EDAZ09	-36.237
EDAH10	4.00	0.47	5y-EDAH10	-98.441

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	
EDAM07	0.016	4.30	4.28	5y-EDAM07
EDAU07	0.265	4.30	4.03	5y-EDAU07
EDAZ07	0.514	4.30	3.78	5y-EDAZ07
EDAH08	0.764	4.30	3.53	5y-EDAH08
EDAM08	1.013	4.30	3.28	5y-EDAM08
EDAU08	1.262	4.30	3.03	5y-EDAU08
EDAZ08	1.512	4.30	2.78	5y-EDAZ08
EDAH09	1.761	4.30	2.53	5y-EDAH09
EDAM09	2.010	4.30	2.29	5y-EDAM09
EDAU09	2.260	4.30	2.04	5y-EDAU09
EDAZ09	2.509	4.30	1.79	5y-EDAZ09
EDAH10	2.758	4.30	1.54	5y-EDAH10

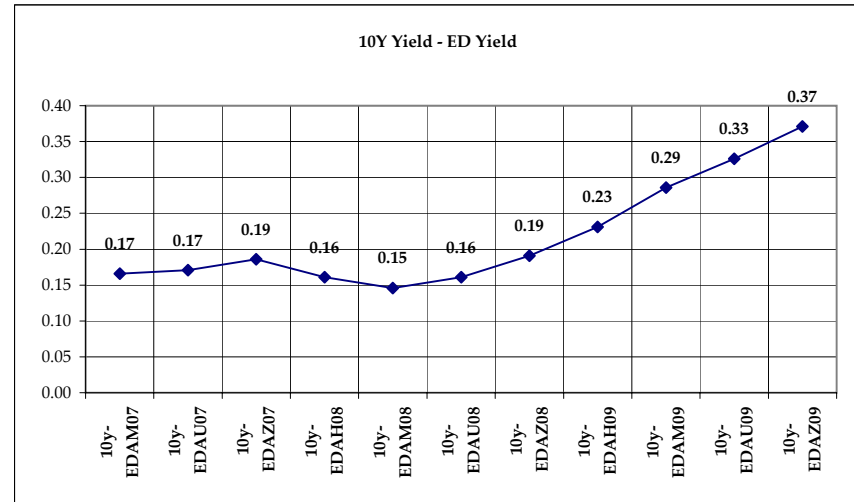
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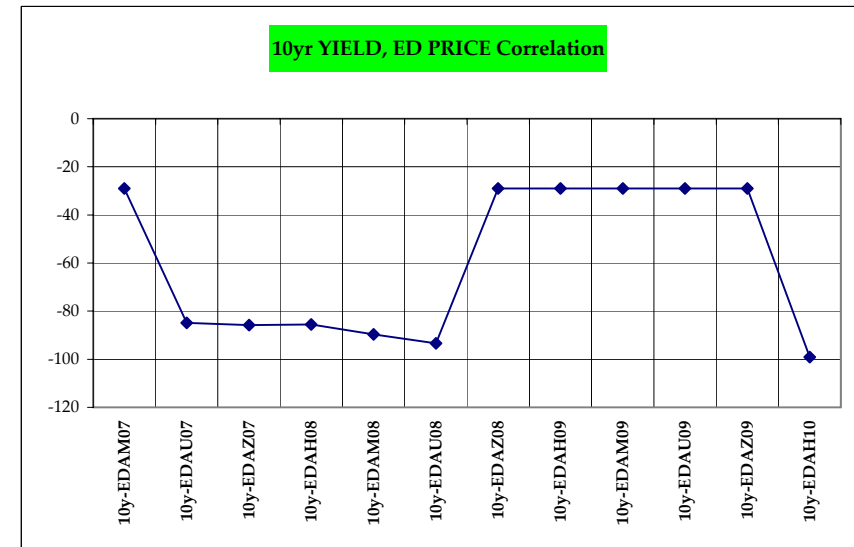
10y				Correlation*
	Spread Price	Spread Yield	Spread Name	(percent)
EDAM07	3.79	0.17	10y-EDAM07	-29.018
EDAU07	3.79	0.17	10y-EDAU07	-84.878
EDAZ07	3.81	0.19	10y-EDAZ07	-85.761
EDAH08	3.78	0.16	10y-EDAH08	-85.561
EDAM08	3.77	0.15	10y-EDAM08	-89.624
EDAU08	3.78	0.16	10y-EDAU08	-93.455
EDAZ08	3.81	0.19	10y-EDAZ08	-29.018
EDAH09	3.85	0.23	10y-EDAH09	-29.018
EDAM09	3.91	0.29	10y-EDAM09	-29.018
EDAU09	3.95	0.33	10y-EDAU09	-29.018
EDAZ09	3.99	0.37	10y-EDAZ09	-29.018
EDAH10	4.00	0.38	10y-EDAH10	-99.162

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	
EDAM07	0.016	7.82	7.80	10y-EDAM07
EDAU07	0.265	7.82	7.55	10y-EDAU07
EDAZ07	0.514	7.82	7.30	10y-EDAZ07
EDAH08	0.764	7.82	7.05	10y-EDAH08
EDAM08	1.013	7.82	6.80	10y-EDAM08
EDAU08	1.262	7.82	6.56	10y-EDAU08
EDAZ08	1.512	7.82	6.31	10y-EDAZ08
EDAH09	1.761	7.82	6.06	10y-EDAH09
EDAM09	2.010	7.82	5.81	10y-EDAM09
EDAU09	2.260	7.82	5.56	10y-EDAU09
EDAZ09	2.509	7.82	5.31	10y-EDAZ09
EDAH10	2.758	7.82	5.06	10y-EDAH10

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

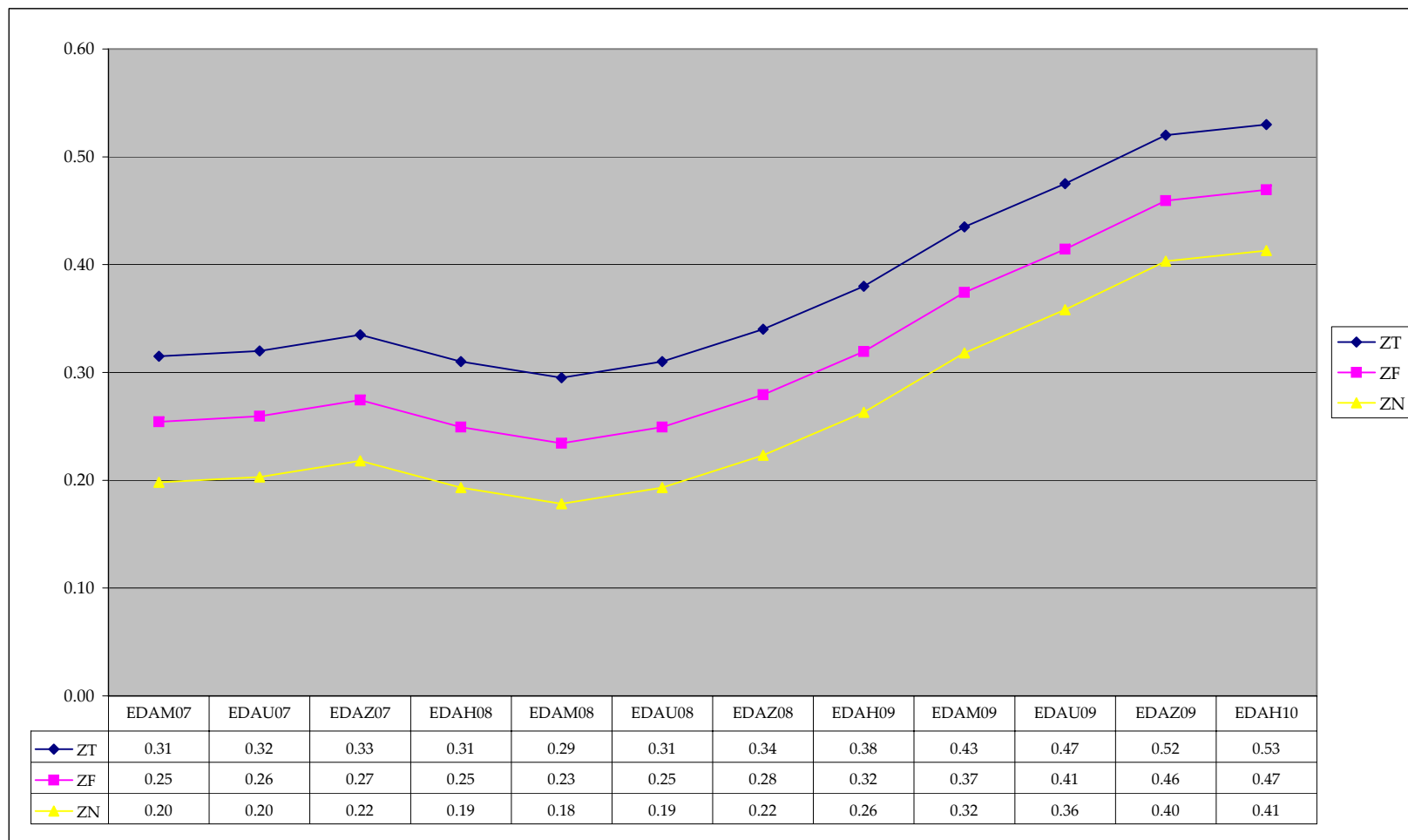


Dirty TED Curve

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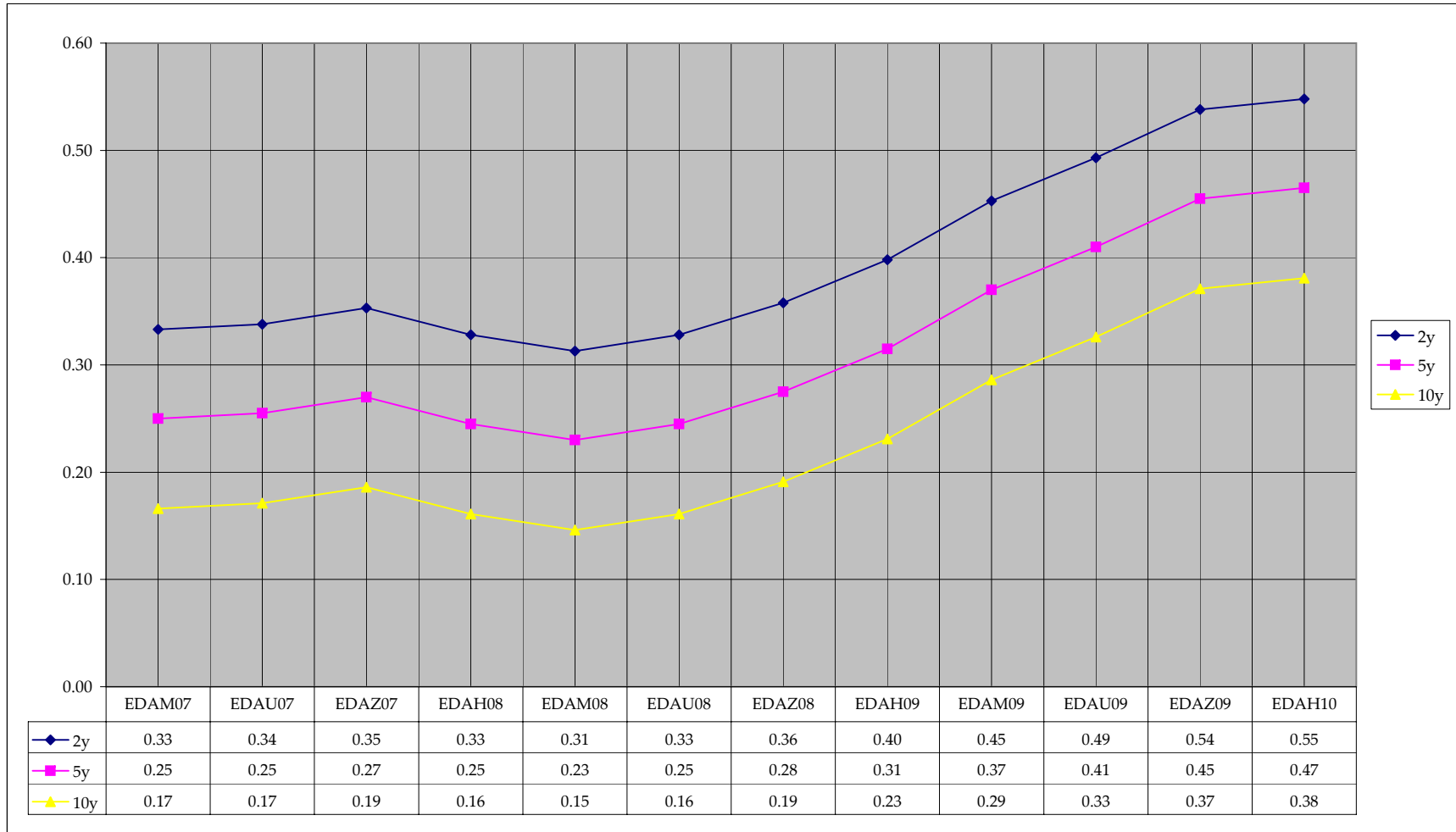
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

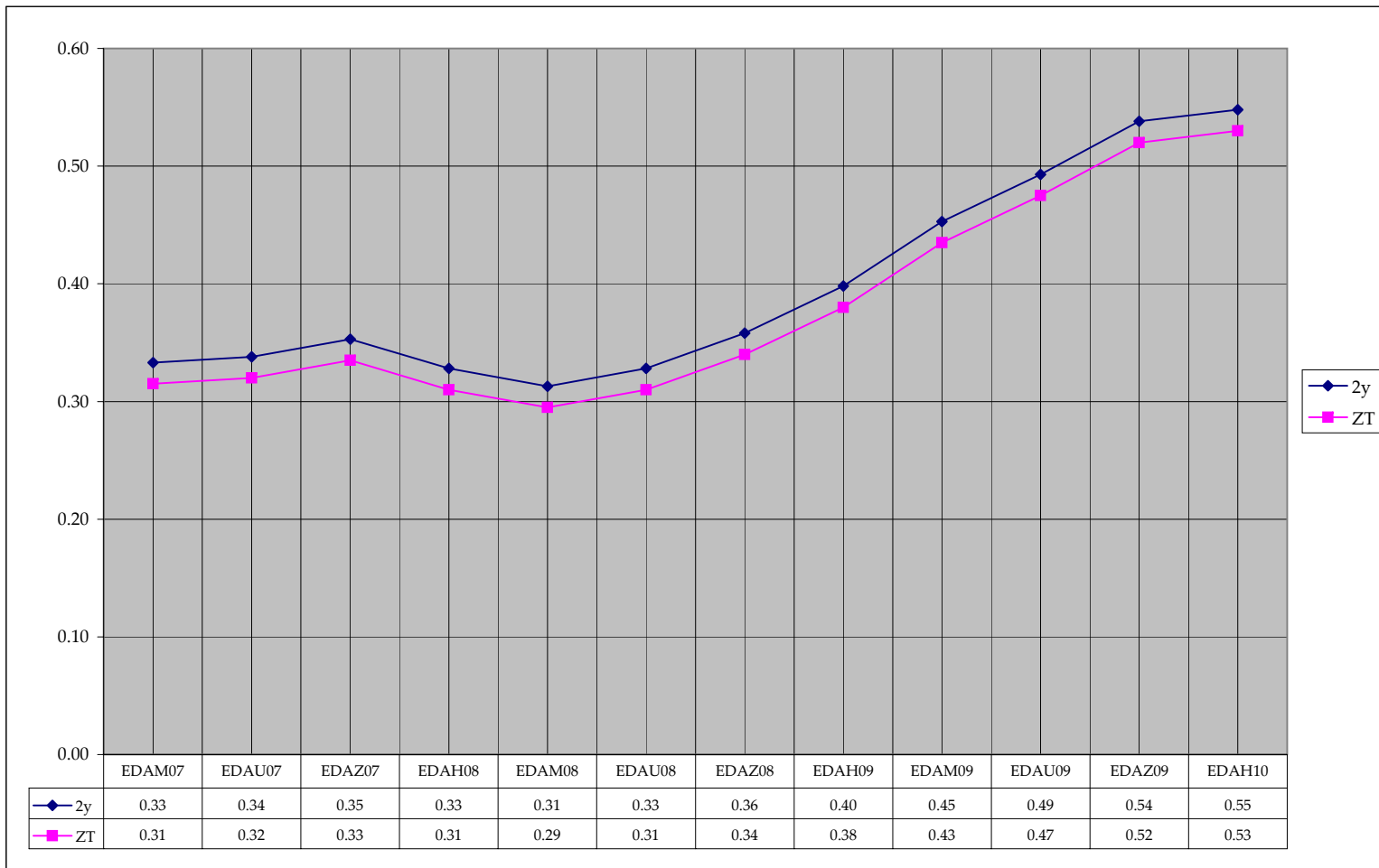


TED Curve

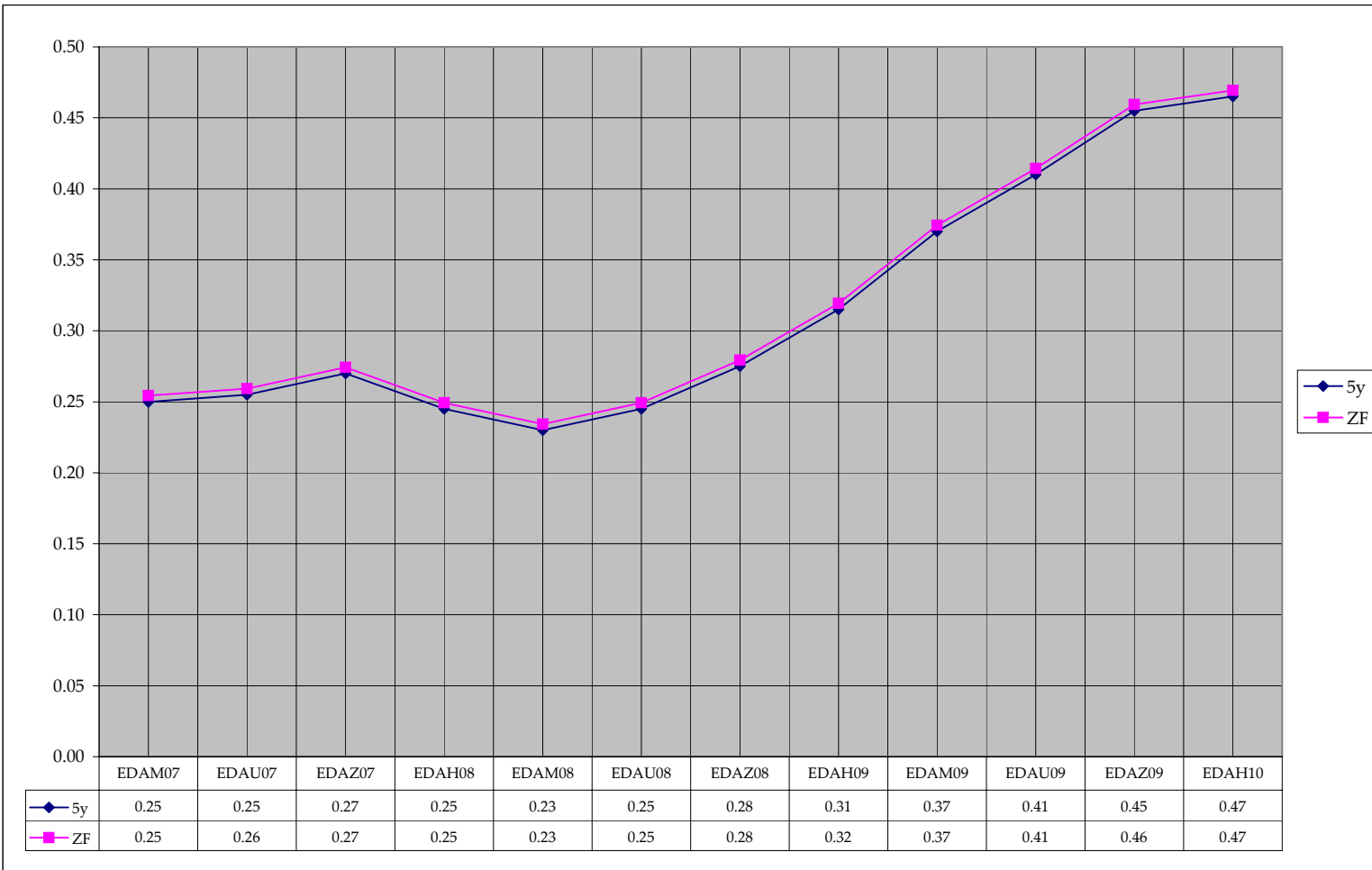
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve

