

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	101.6719	101.215	5.001	1.88
ZF	103.5781	103.185	5.039	3.96
ZN	104.8438	104.270	5.086	5.78
2y	99.772	99.2470	4.994	2.02
5y	98.678	98.2170	5.053	4.28
10y	95.094	95.0300	5.136	7.81

*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	-1	-0.003	JUN	} White Pack
EDAU07	94.645	5.355	90	0.246	SEP	
EDAZ07	94.645	5.355	181	0.495	DEC	
EDAH08	94.675	5.325	272	0.745	MAR	} Red Pack
EDAM08	94.700	5.300	363	0.994	JUN	
EDAU08	94.690	5.310	454	1.243	SEP	
EDAZ08	94.665	5.335	545	1.493	DEC	} Green Pack
EDAH09	94.635	5.365	636	1.742	MAR	
EDAM09	94.600	5.400	727	1.991	JUN	
EDAU09	94.565	5.435	818	2.240	SEP	
EDAZ09	94.525	5.475	909	2.490	DEC	
EDAH10	94.500	5.500	1000	2.739	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

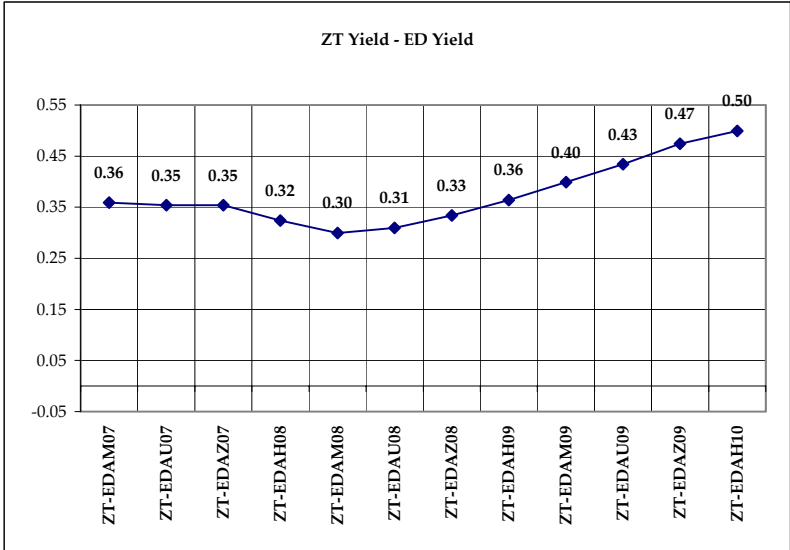
Eurodollar Color Codes for Individual Year Strips:

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

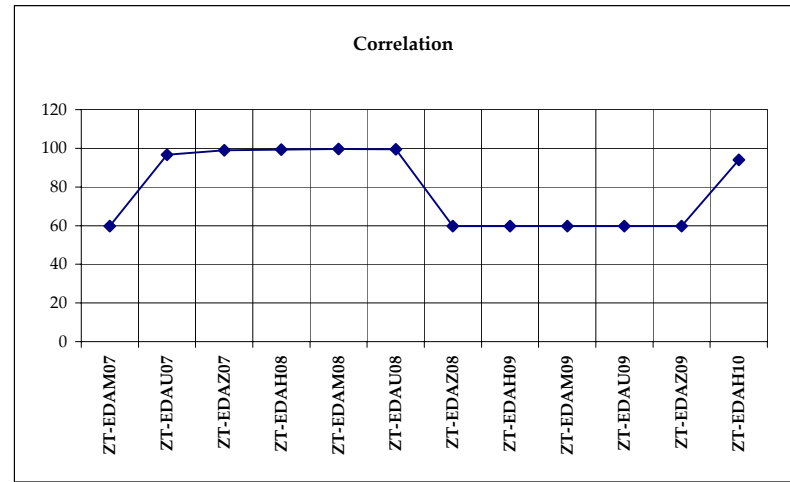
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	7.032	0.36	ZT-EDAM07	59.742
EDAU07	7.027	0.35	ZT-EDAU07	96.595
EDAZ07	7.027	0.35	ZT-EDAZ07	98.956
EDAH08	6.997	0.32	ZT-EDAH08	99.368
EDAM08	6.972	0.30	ZT-EDAM08	99.625
EDAU08	6.982	0.31	ZT-EDAU08	99.476
EDAZ08	7.007	0.33	ZT-EDAZ08	59.742
EDAH09	7.037	0.36	ZT-EDAH09	59.742
EDAM09	7.072	0.40	ZT-EDAM09	59.742
EDAU09	7.107	0.43	ZT-EDAU09	59.742
EDAZ09	7.147	0.47	ZT-EDAZ09	59.742
EDAH10	7.172	0.50	ZT-EDAH10	93.944

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				
	Fraction of year	ZT Duration	Spread Duration	
EDAM07	-0.003	1.88	1.88	ZT-EDAM07
EDAU07	0.246	1.88	1.63	ZT-EDAU07
EDAZ07	0.495	1.88	1.39	ZT-EDAZ07
EDAH08	0.745	1.88	1.14	ZT-EDAH08
EDAM08	0.994	1.88	0.89	ZT-EDAM08
EDAU08	1.243	1.88	0.64	ZT-EDAU08
EDAZ08	1.493	1.88	0.39	ZT-EDAZ08
EDAH09	1.742	1.88	0.14	ZT-EDAH09
EDAM09	1.991	1.88	(0.11)	ZT-EDAM09
EDAU09	2.240	1.88	(0.36)	ZT-EDAU09
EDAZ09	2.490	1.88	(0.61)	ZT-EDAZ09
EDAH10	2.739	1.88	(0.86)	ZT-EDAH10

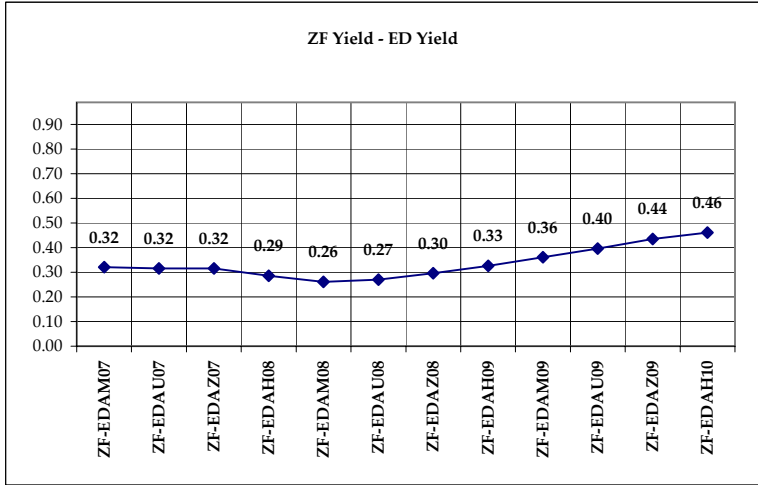
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

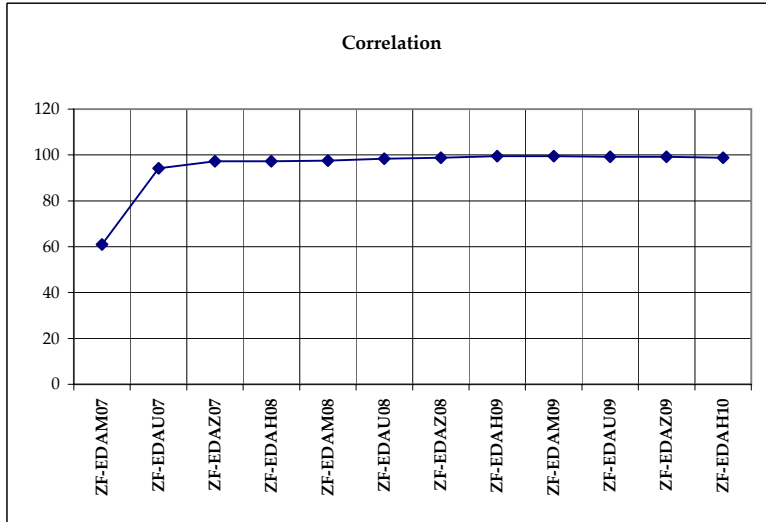
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	8.94	0.32	ZF-EDAM07	61.009
EDAU07	8.93	0.32	ZF-EDAU07	94.126
EDAZ07	8.93	0.32	ZF-EDAZ07	97.234
EDAH08	8.90	0.29	ZF-EDAH08	97.278
EDAM08	8.88	0.26	ZF-EDAM08	97.478
EDAU08	8.89	0.27	ZF-EDAU08	98.395
EDAZ08	8.91	0.30	ZF-EDAZ08	98.826
EDAH09	8.94	0.33	ZF-EDAH09	99.491
EDAM09	8.98	0.36	ZF-EDAM09	99.481
EDAU09	9.01	0.40	ZF-EDAU09	99.253
EDAZ09	9.05	0.44	ZF-EDAZ09	99.175
EDAH10	9.08	0.46	ZF-EDAH10	98.736

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	-0.003	3.96	3.97	ZF-EDAM07
EDAU07	0.246	3.96	3.72	ZF-EDAU07
EDAZ07	0.495	3.96	3.47	ZF-EDAZ07
EDAH08	0.745	3.96	3.22	ZF-EDAH08
EDAM08	0.994	3.96	2.97	ZF-EDAM08
EDAU08	1.243	3.96	2.72	ZF-EDAU08
EDAZ08	1.493	3.96	2.47	ZF-EDAZ08
EDAH09	1.742	3.96	2.22	ZF-EDAH09
EDAM09	1.991	3.96	1.97	ZF-EDAM09
EDAU09	2.240	3.96	1.72	ZF-EDAU09
EDAZ09	2.490	3.96	1.47	ZF-EDAZ09
EDAH10	2.739	3.96	1.22	ZF-EDAH10

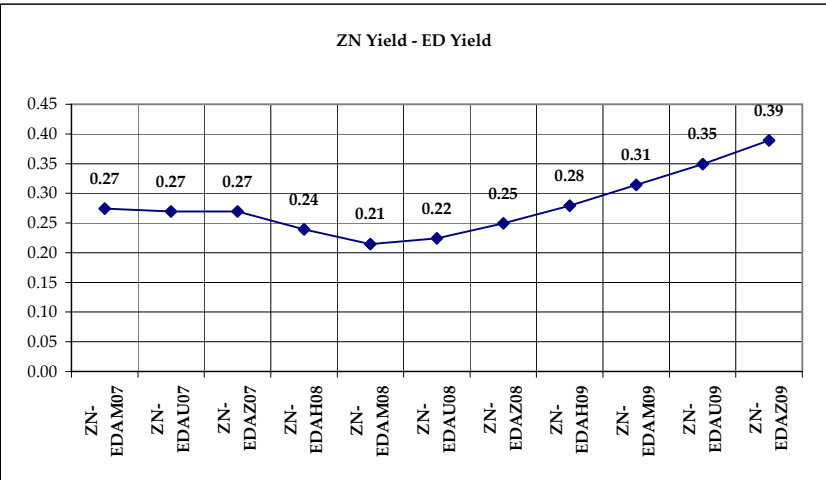
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

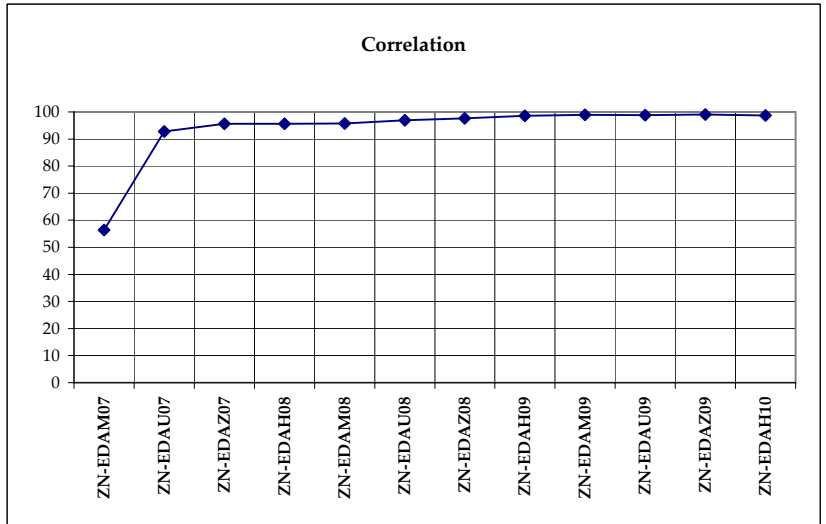
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	10.20	0.27	ZN-EDAM07	56.36
EDAU07	10.20	0.27	ZN-EDAU07	92.74
EDAZ07	10.20	0.27	ZN-EDAZ07	95.67
EDAH08	10.17	0.24	ZN-EDAH08	95.60
EDAM08	10.14	0.21	ZN-EDAM08	95.76
EDAU08	10.15	0.22	ZN-EDAU08	96.94
EDAZ08	10.18	0.25	ZN-EDAZ08	97.61
EDAH09	10.21	0.28	ZN-EDAH09	98.64
EDAM09	10.24	0.31	ZN-EDAM09	98.89
EDAU09	10.28	0.35	ZN-EDAU09	98.82
EDAZ09	10.32	0.39	ZN-EDAZ09	99.00
EDAH10	10.34	0.41	ZN-EDAH10	98.74

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				
	Fraction of year	ZN Duration	Spread Duration	
EDAM07	-0.003	5.78	5.78	ZN-EDAM07
EDAU07	0.246	5.78	5.53	ZN-EDAU07
EDAZ07	0.495	5.78	5.28	ZN-EDAZ07
EDAH08	0.745	5.78	5.04	ZN-EDAH08
EDAM08	0.994	5.78	4.79	ZN-EDAM08
EDAU08	1.243	5.78	4.54	ZN-EDAU08
EDAZ08	1.493	5.78	4.29	ZN-EDAZ08
EDAH09	1.742	5.78	4.04	ZN-EDAH09
EDAM09	1.991	5.78	3.79	ZN-EDAM09
EDAU09	2.240	5.78	3.54	ZN-EDAU09
EDAZ09	2.490	5.78	3.29	ZN-EDAZ09
EDAH10	2.739	5.78	3.04	ZN-EDAH10

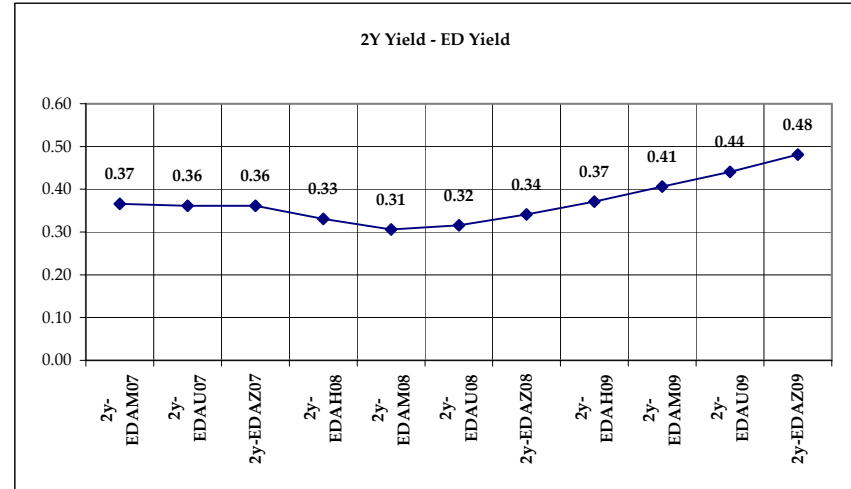
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	5.13	0.37	2y-EDAM07	-67.901
EDAU07	5.13	0.36	2y-EDAU07	-85.843
EDAZ07	5.13	0.36	2y-EDAZ07	-89.683
EDAH08	5.10	0.33	2y-EDAH08	-90.750
EDAM08	5.07	0.31	2y-EDAM08	-92.664
EDAU08	5.08	0.32	2y-EDAU08	-93.164
EDAZ08	5.11	0.34	2y-EDAZ08	-67.901
EDAH09	5.14	0.37	2y-EDAH09	-67.901
EDAM09	5.17	0.41	2y-EDAM09	-67.901
EDAU09	5.21	0.44	2y-EDAU09	-67.901
EDAZ09	5.25	0.48	2y-EDAZ09	-67.901
EDAH10	5.27	0.51	2y-EDAH10	-92.491

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.

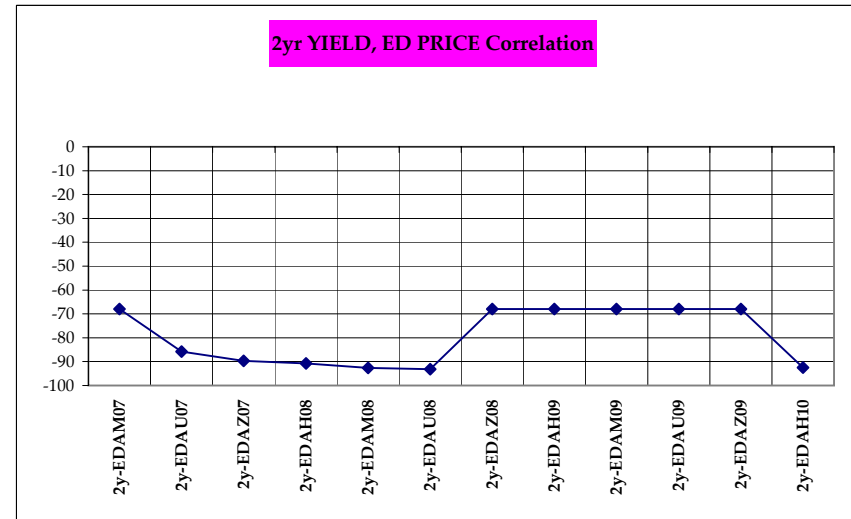


GE Duration as

	Fraction of year	2Y Duration	Spread Duration	
EDAM07	-0.003	2.02	2.02	2y-EDAM07
EDAU07	0.246	2.02	1.77	2y-EDAU07
EDAZ07	0.495	2.02	1.52	2y-EDAZ07
EDAH08	0.745	2.02	1.27	2y-EDAH08
EDAM08	0.994	2.02	1.02	2y-EDAM08
EDAU08	1.243	2.02	0.77	2y-EDAU08
EDAZ08	1.493	2.02	0.53	2y-EDAZ08
EDAH09	1.742	2.02	0.28	2y-EDAH09
EDAM09	1.991	2.02	0.03	2y-EDAM09
EDAU09	2.240	2.02	(0.22)	2y-EDAU09
EDAZ09	2.490	2.02	(0.47)	2y-EDAZ09
EDAH10	2.739	2.02	(0.72)	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

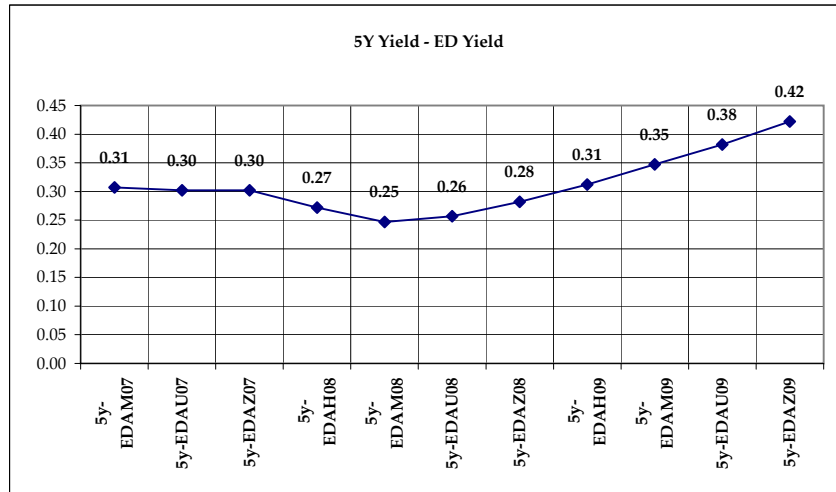
5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	4.04	0.31	5y-EDAM07	-65.347
EDAU07	4.03	0.30	5y-EDAU07	-88.075
EDAZ07	4.03	0.30	5y-EDAZ07	-90.544
EDAH08	4.00	0.27	5y-EDAH08	-91.551
EDAM08	3.98	0.25	5y-EDAM08	-93.174
EDAU08	3.99	0.26	5y-EDAU08	-94.626
EDAZ08	4.01	0.28	5y-EDAZ08	-65.347
EDAH09	4.04	0.31	5y-EDAH09	-65.347
EDAM09	4.08	0.35	5y-EDAM09	-65.347
EDAU09	4.11	0.38	5y-EDAU09	-65.347
EDAZ09	4.15	0.42	5y-EDAZ09	-65.347
EDAH10	4.18	0.45	5y-EDAH10	-97.338

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.

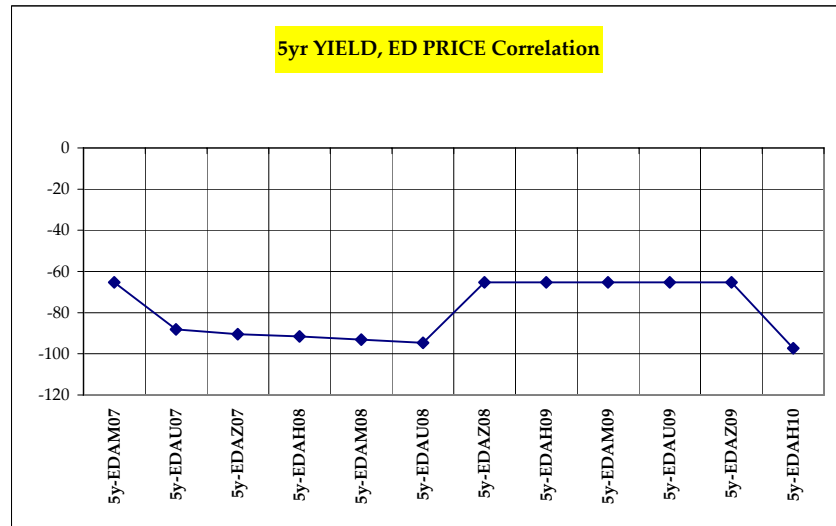
GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAM07	-0.003	4.28	4.28	5y-EDAM07
EDAU07	0.246	4.28	4.03	5y-EDAU07
EDAZ07	0.495	4.28	3.78	5y-EDAZ07
EDAH08	0.745	4.28	3.53	5y-EDAH08
EDAM08	0.994	4.28	3.29	5y-EDAM08
EDAU08	1.243	4.28	3.04	5y-EDAU08
EDAZ08	1.493	4.28	2.79	5y-EDAZ08
EDAH09	1.742	4.28	2.54	5y-EDAH09
EDAM09	1.991	4.28	2.29	5y-EDAM09
EDAU09	2.240	4.28	2.04	5y-EDAU09
EDAZ09	2.490	4.28	1.79	5y-EDAZ09
EDAH10	2.739	4.28	1.54	5y-EDAH10

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



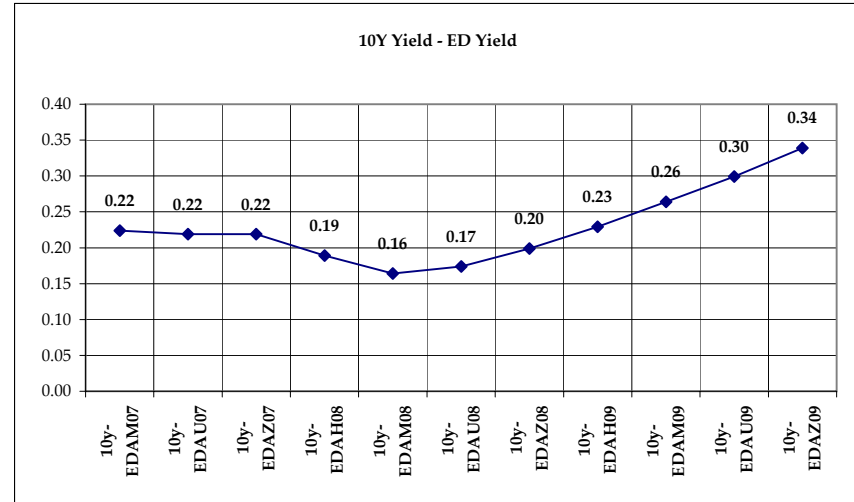
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	4.04	0.22	10y-EDAM07	-60.205
EDAU07	4.03	0.22	10y-EDAU07	-86.169
EDAZ07	4.03	0.22	10y-EDAZ07	-88.892
EDAH08	4.00	0.19	10y-EDAH08	-89.410
EDAM08	3.98	0.16	10y-EDAM08	-90.732
EDAU08	3.99	0.17	10y-EDAU08	-92.492
EDAZ08	4.01	0.20	10y-EDAZ08	-60.205
EDAH09	4.04	0.23	10y-EDAH09	-60.205
EDAM09	4.08	0.26	10y-EDAM09	-60.205
EDAU09	4.11	0.30	10y-EDAU09	-60.205
EDAZ09	4.15	0.34	10y-EDAZ09	-60.205
EDAH10	4.18	0.36	10y-EDAH10	-97.826

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.

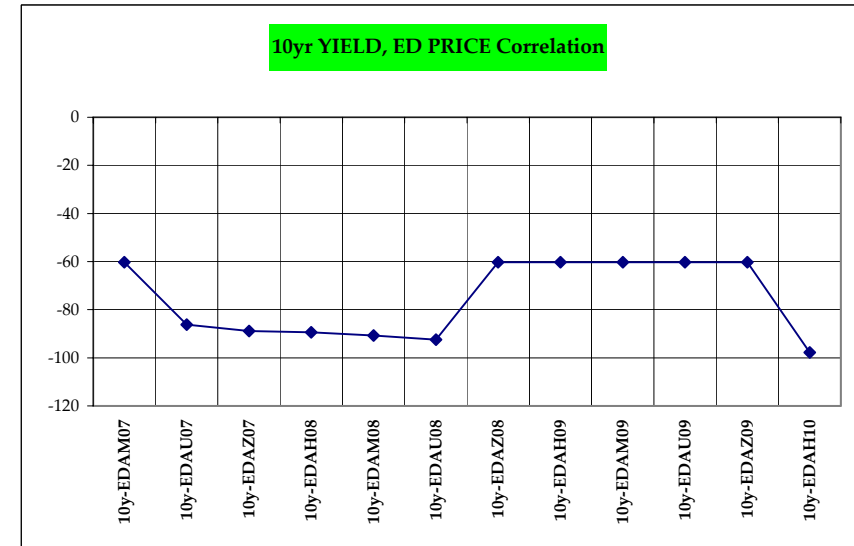


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAM07	-0.003	7.81	7.81	10y-EDAM07
EDAU07	0.246	7.81	7.56	10y-EDAU07
EDAZ07	0.495	7.81	7.31	10y-EDAZ07
EDAH08	0.745	7.81	7.06	10y-EDAH08
EDAM08	0.994	7.81	6.81	10y-EDAM08
EDAU08	1.243	7.81	6.56	10y-EDAU08
EDAZ08	1.493	7.81	6.31	10y-EDAZ08
EDAH09	1.742	7.81	6.06	10y-EDAH09
EDAM09	1.991	7.81	5.82	10y-EDAM09
EDAU09	2.240	7.81	5.57	10y-EDAU09
EDAZ09	2.490	7.81	5.32	10y-EDAZ09
EDAH10	2.739	7.81	5.07	10y-EDAH10

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

10yr YIELD, ED PRICE Correlation

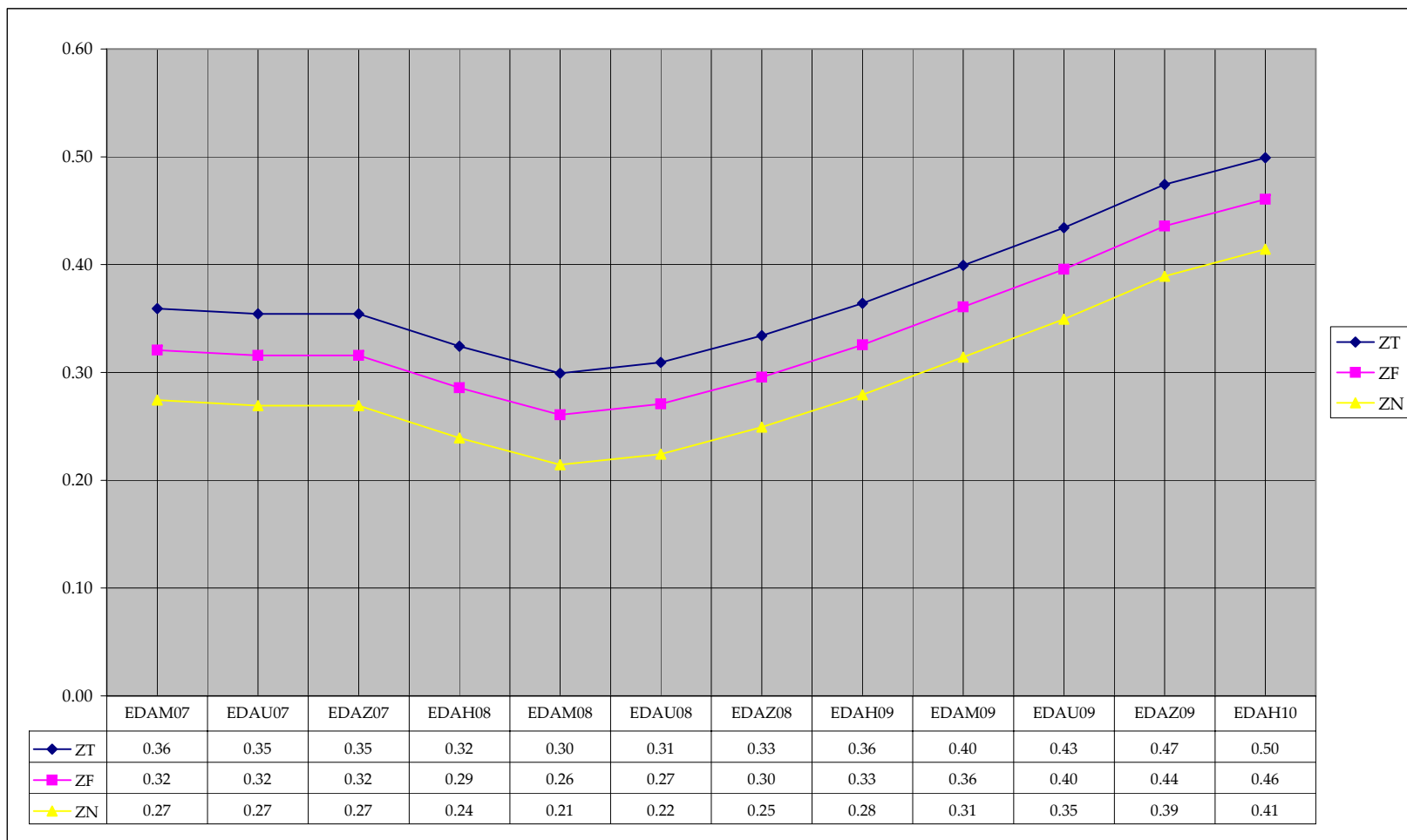


Dirty TED Curve

6/19/2007 5:30

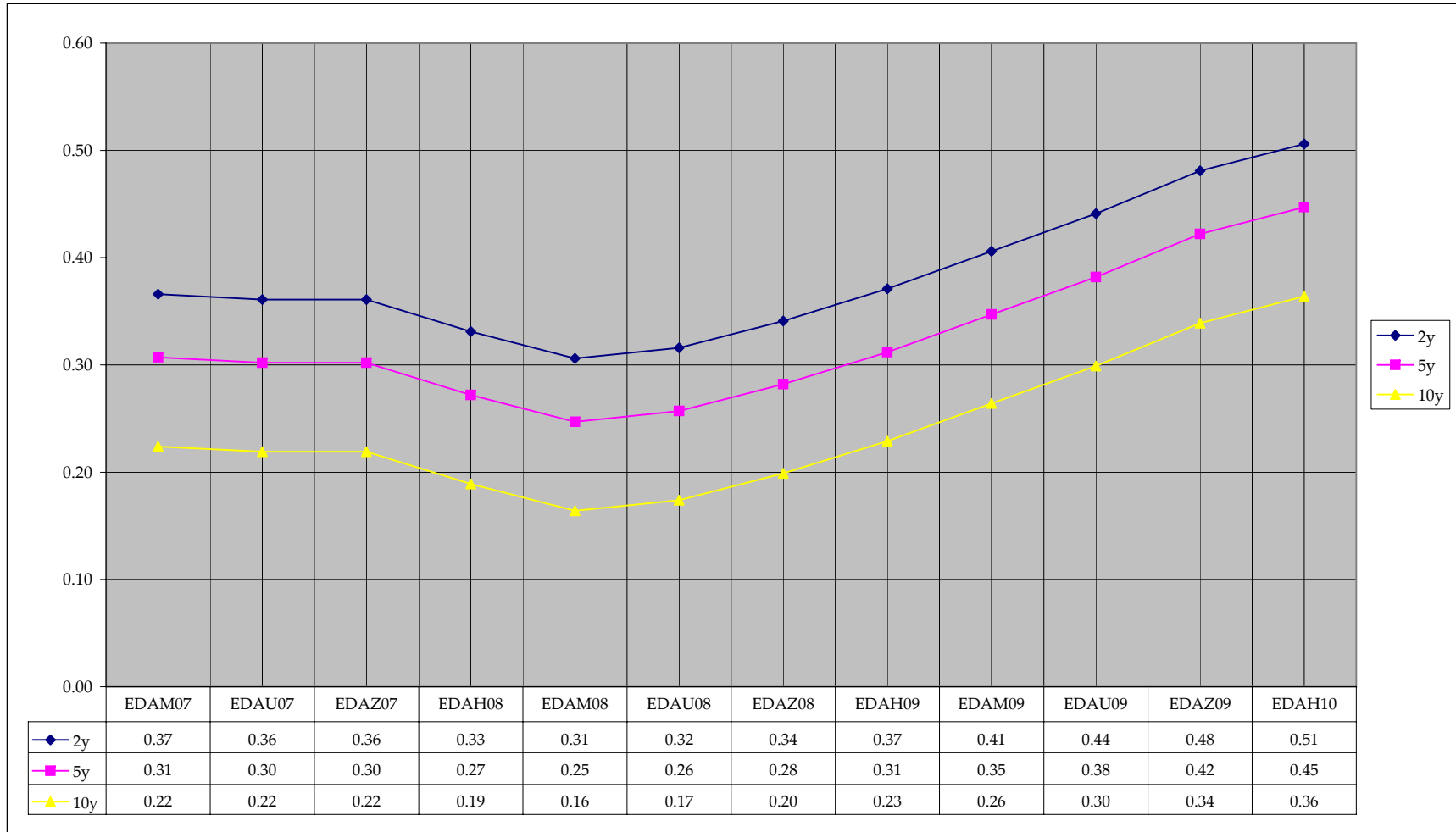
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

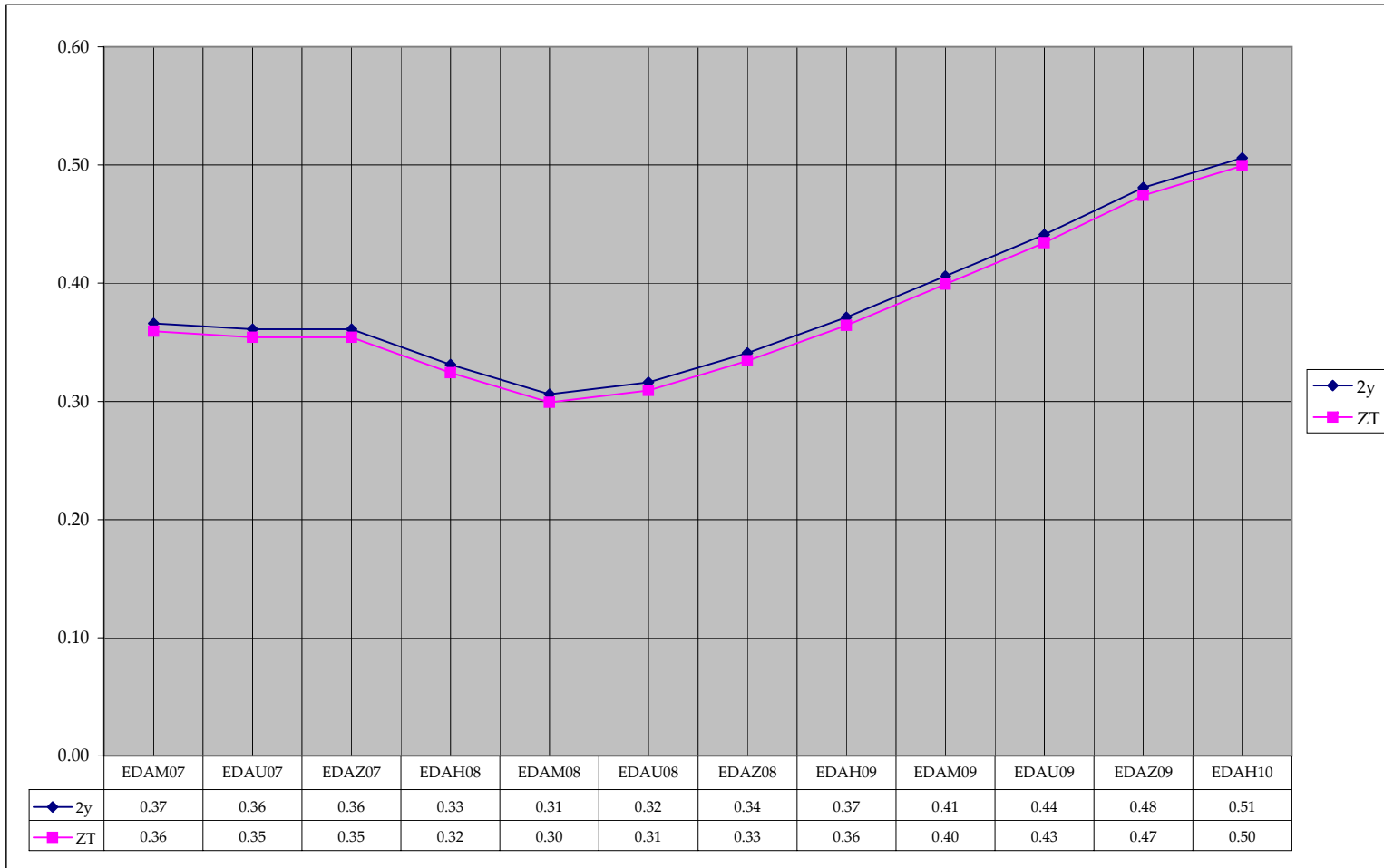


TED Curve

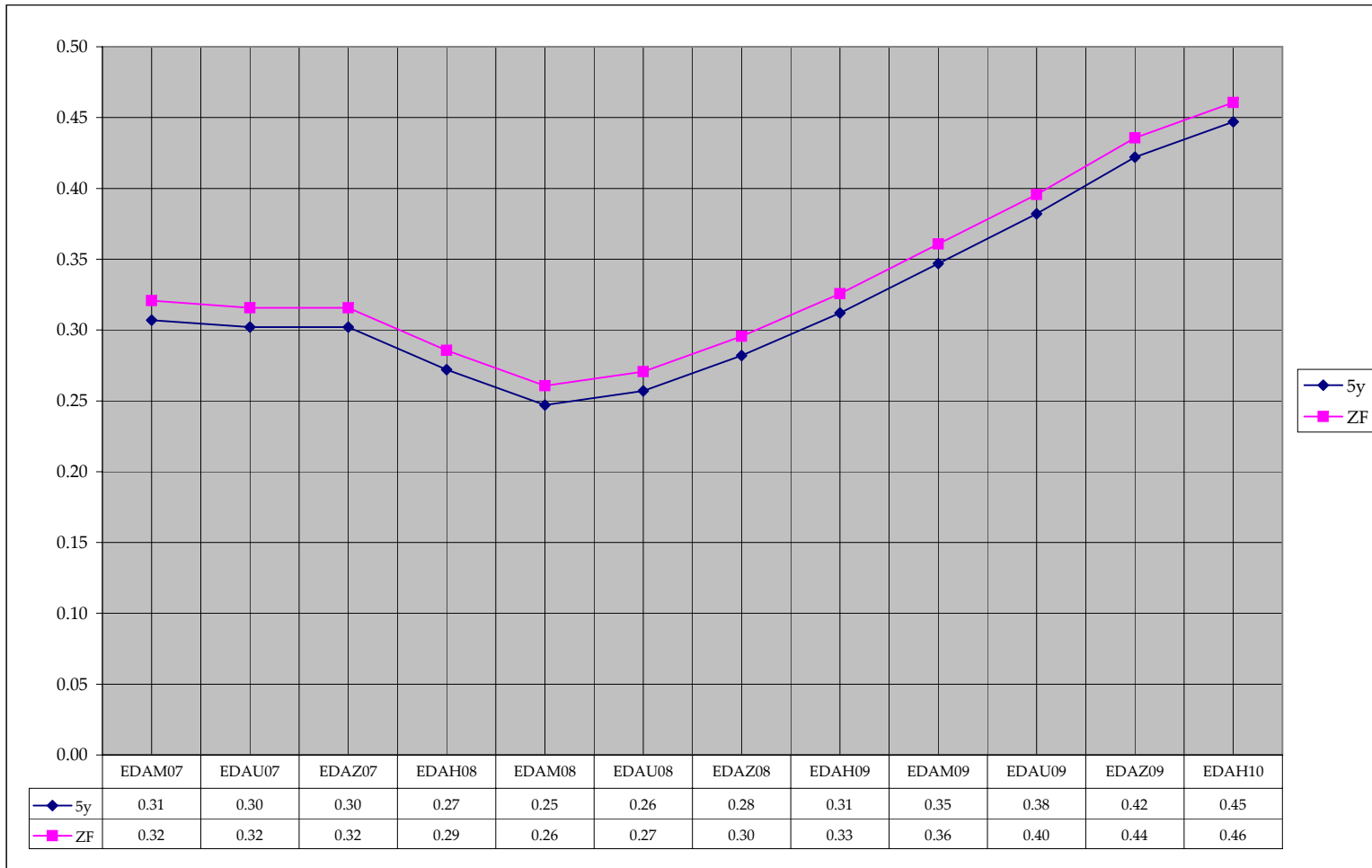
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



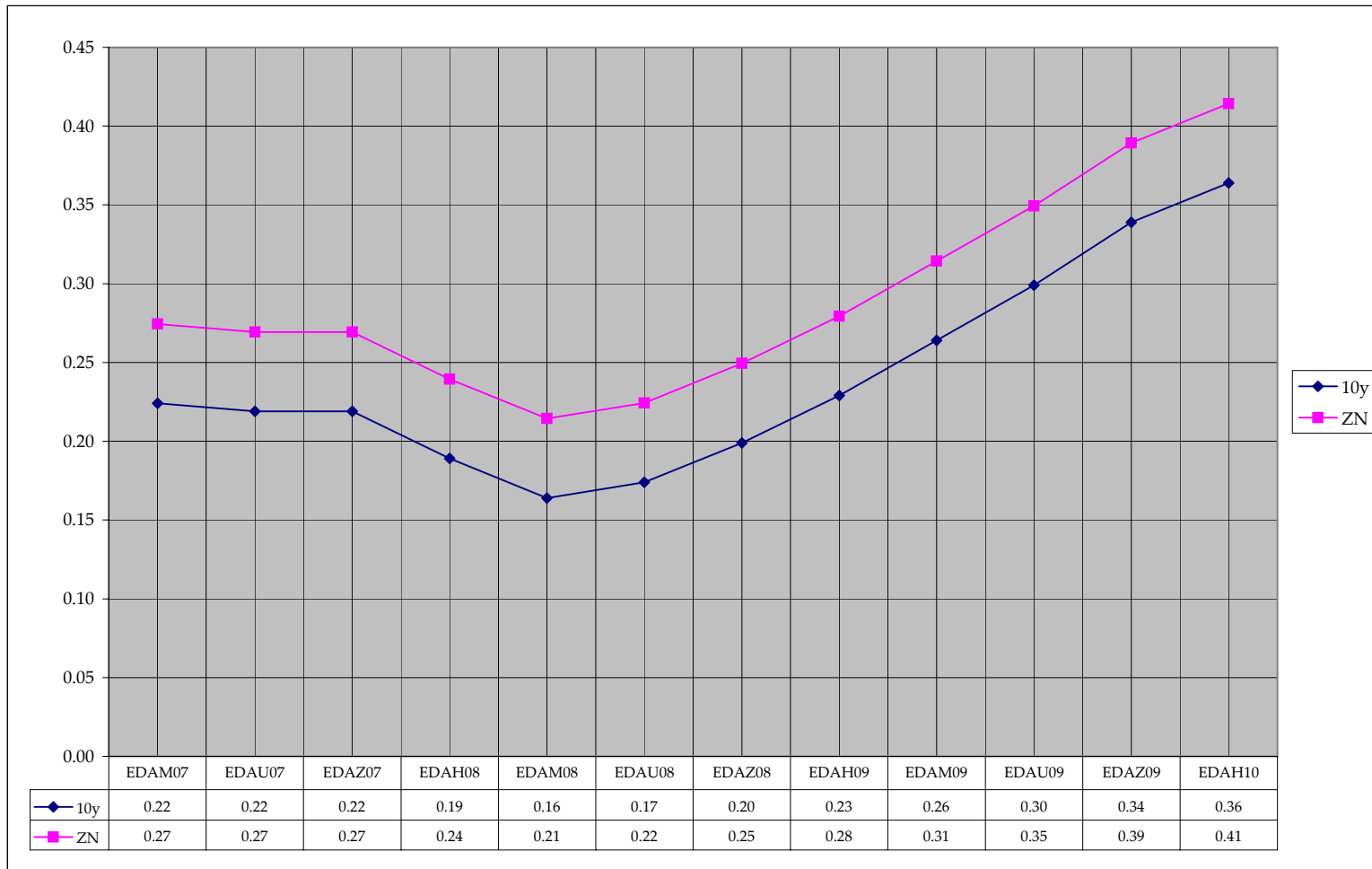
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



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