

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.

Jim Goulding, jgoulding@ghco.com

Quotes

F.I. Futures and Cash					
	Last Decimal	Last 32	Last Yield*	MDuration	
ZT	101.8656	101.277	4.869	1.86	
ZF	104.0313	104.010	4.935	3.95	
ZN	105.4688	105.150	4.971	5.77	
2y	100.006	100.0020	4.869	2.00	
5y	99.147	99.0470	4.946	4.26	
10y	95.609	95.1950	5.068	7.80	

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.685	5.315	83	0.227	SEP	White Pack
EDAZ07	94.740	5.260	174	0.476	DEC	
EDAH08	94.810	5.190	265	0.725	MAR	
EDAM08	94.840	5.160	356	0.975	JUN	Red Pack
EDAU08	94.825	5.175	447	1.224	SEP	
EDAZ08	94.785	5.215	538	1.473	DEC	
EDAH09	94.740	5.260	629	1.723	MAR	
EDAM09	94.690	5.310	720	1.972	JUN	Green Pack
EDAU09	94.635	5.365	811	2.221	SEP	
EDAZ09	94.585	5.415	902	2.471	DEC	
EDAH10	94.550	5.450	993	2.720	MAR	
EDAM10	94.505	5.495	1084	2.969	JUN	
EDAU10	94.470	5.530	1175	3.218	SEP	
EDAZ10	94.405	5.595	1266	3.468	DEC	
EDAH11	94.395	5.605	1357	3.717	MAR	
EDAM11	94.355	5.645	1448	3.966	JUN	
EDAU11	94.325	5.675	1546	4.235	SEP	
EDAZ11	#VALUE!	#VALUE!	1637	4.484	DEC	
EDAH12	#VALUE!	#VALUE!	1728	4.734	MAR	
EDAM12	94.240	5.760	1819	4.983	JUN	

	Last Yield	Net Yield	Last Price	
Q.ED.White	5.374	0.625	9476.875	Pack Prices
Q.ED.Red	5.383	0.750	9476.000	
Q.ED.Green	5.582	0.000	9456.875	
Q.ED.Blue	-0.375		9440.750	
Q.ED.Gold		0.000	9428.250	
Q.ED.Purple		0.000	9428.250	

Notes
 Futures use CTD for Last Yield
 Mduration = Modified Macaulay Duration

Overview of Hedging

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Page A

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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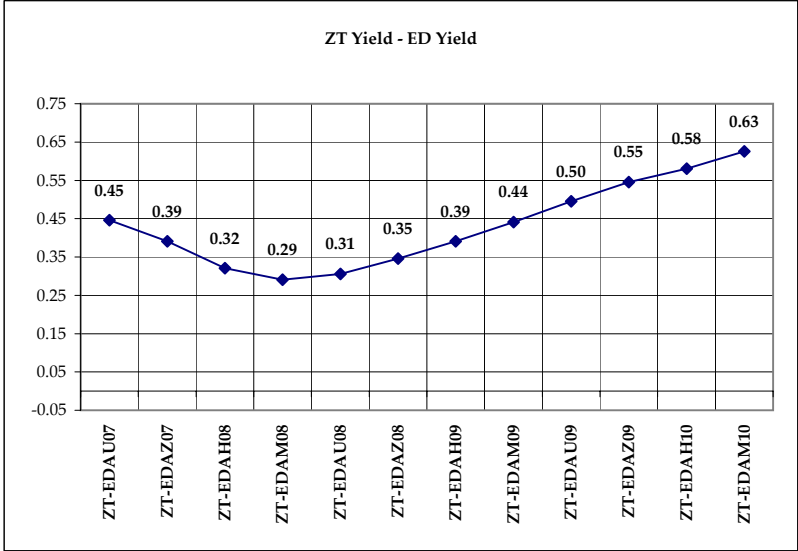
Eurodollar Color Codes for Individual Year Strips:

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

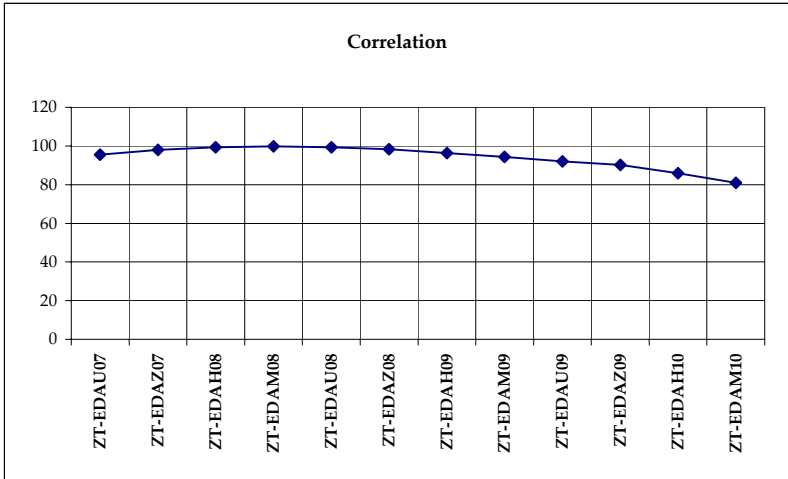
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.181	0.45	ZT-EDAU07	95.480
EDAZ07	7.126	0.39	ZT-EDAZ07	98.033
EDAH08	7.056	0.32	ZT-EDAH08	99.363
EDAM08	7.026	0.29	ZT-EDAM08	99.752
EDAU08	7.041	0.31	ZT-EDAU08	99.255
EDAZ08	7.081	0.35	ZT-EDAZ08	98.248
EDAH09	7.126	0.39	ZT-EDAH09	96.306
EDAM09	7.176	0.44	ZT-EDAM09	94.424
EDAU09	7.231	0.50	ZT-EDAU09	92.005
EDAZ09	7.281	0.55	ZT-EDAZ09	90.251
EDAH10	7.316	0.58	ZT-EDAH10	85.888
EDAM10	7.361	0.63	ZT-EDAM10	80.870

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	0.227	1.86	1.64	ZT-EDAU07
EDAZ07	0.476	1.86	1.39	ZT-EDAZ07
EDAH08	0.725	1.86	1.14	ZT-EDAH08
EDAM08	0.975	1.86	0.89	ZT-EDAM08
EDAU08	1.224	1.86	0.64	ZT-EDAU08
EDAZ08	1.473	1.86	0.39	ZT-EDAZ08
EDAH09	1.723	1.86	0.14	ZT-EDAH09
EDAM09	1.972	1.86	(0.11)	ZT-EDAM09
EDAU09	2.221	1.86	(0.36)	ZT-EDAU09
EDAZ09	2.471	1.86	(0.61)	ZT-EDAZ09
EDAH10	2.720	1.86	(0.86)	ZT-EDAH10
EDAM10	2.969	1.86	(1.11)	ZT-EDAM10

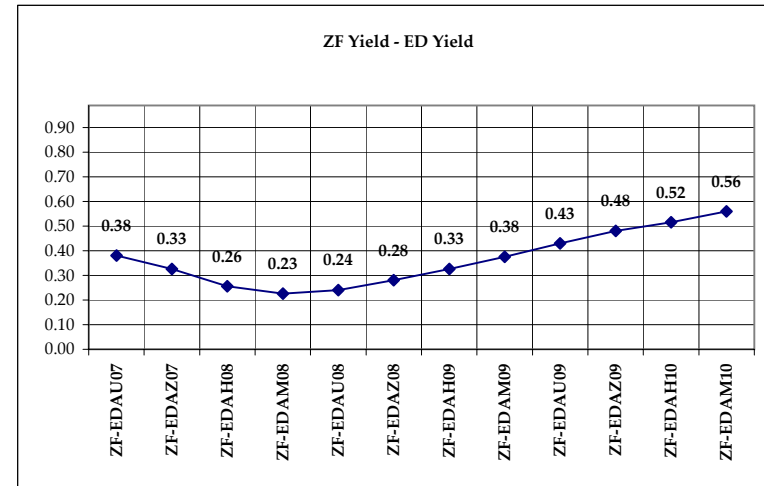
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.35	0.38	ZF-EDAU07	91.358
EDAZ07	9.29	0.33	ZF-EDAZ07	94.936
EDAH08	9.22	0.26	ZF-EDAH08	97.781
EDAM08	9.19	0.23	ZF-EDAM08	99.133
EDAU08	9.21	0.24	ZF-EDAU08	99.736
EDAZ08	9.25	0.28	ZF-EDAZ08	99.412
EDAH09	9.29	0.33	ZF-EDAH09	98.455
EDAM09	9.34	0.38	ZF-EDAM09	97.375
EDAU09	9.40	0.43	ZF-EDAU09	95.897
EDAZ09	9.45	0.48	ZF-EDAZ09	94.800
EDAH10	9.48	0.52	ZF-EDAH10	91.646
EDAM10	9.53	0.56	ZF-EDAM10	87.502

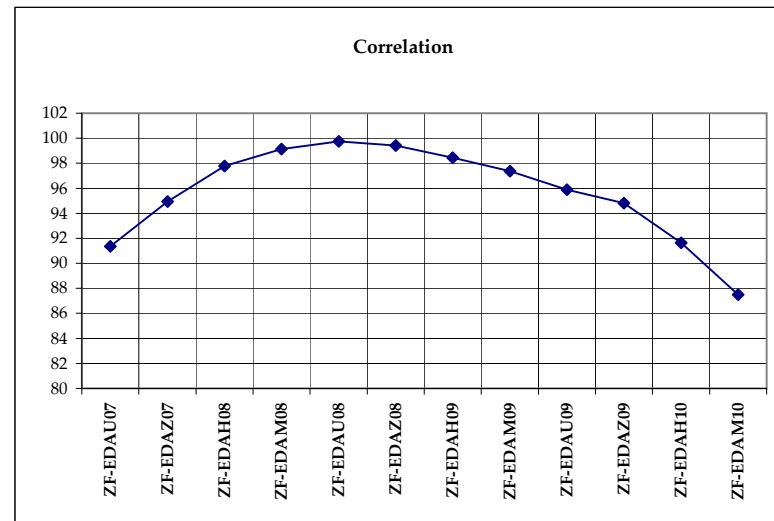
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.227	3.95	ZF-EDAU07
EDAZ07	0.476	3.95	ZF-EDAZ07
EDAH08	0.725	3.95	ZF-EDAH08
EDAM08	0.975	3.95	ZF-EDAM08
EDAU08	1.224	3.95	ZF-EDAU08
EDAZ08	1.473	3.95	ZF-EDAZ08
EDAH09	1.723	3.95	ZF-EDAH09
EDAM09	1.972	3.95	ZF-EDAM09
EDAU09	2.221	3.95	ZF-EDAU09
EDAZ09	2.471	3.95	ZF-EDAZ09
EDAH10	2.720	3.95	ZF-EDAH10
EDAM10	2.969	3.95	ZF-EDAM10

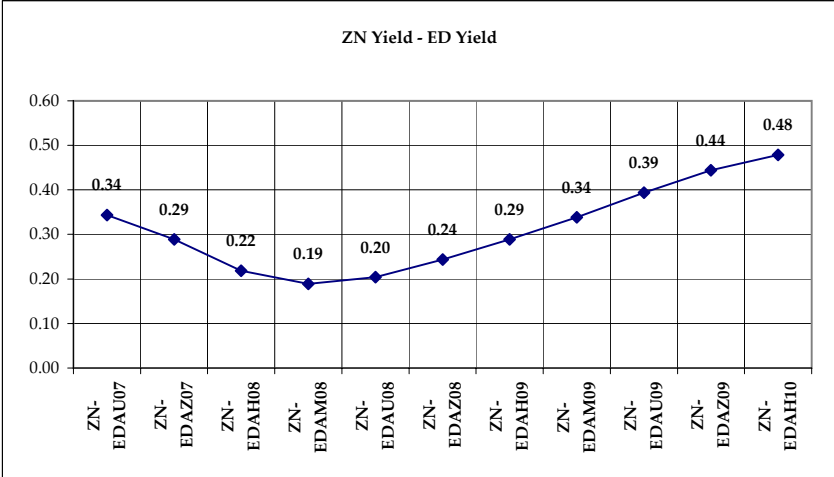
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

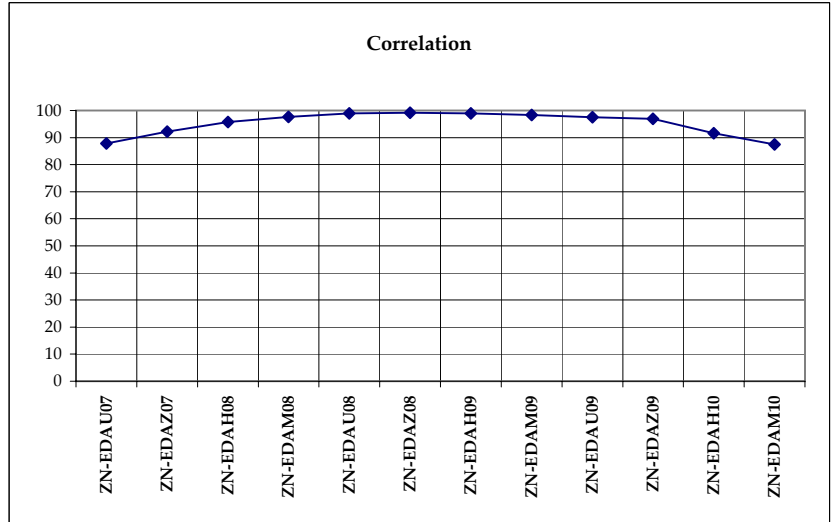
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	10.78	0.34	ZN-EDAU07	87.85
EDAZ07	10.73	0.29	ZN-EDAZ07	92.15
EDAH08	10.66	0.22	ZN-EDAH08	95.72
EDAM08	10.63	0.19	ZN-EDAM08	97.68
EDAU08	10.64	0.20	ZN-EDAU08	98.96
EDAZ08	10.68	0.24	ZN-EDAZ08	99.22
EDAH09	10.73	0.29	ZN-EDAH09	98.92
EDAM09	10.78	0.34	ZN-EDAM09	98.40
EDAU09	10.83	0.39	ZN-EDAU09	97.55
EDAZ09	10.88	0.44	ZN-EDAZ09	96.91
EDAH10	10.92	0.48	ZN-EDAH10	91.65
EDAM10	10.96	0.52	ZN-EDAM10	87.50

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	0.227	5.77	5.54	ZN-EDAU07
EDAZ07	0.476	5.77	5.29	ZN-EDAZ07
EDAH08	0.725	5.77	5.04	ZN-EDAH08
EDAM08	0.975	5.77	4.79	ZN-EDAM08
EDAU08	1.224	5.77	4.54	ZN-EDAU08
EDAZ08	1.473	5.77	4.30	ZN-EDAZ08
EDAH09	1.723	5.77	4.05	ZN-EDAH09
EDAM09	1.972	5.77	3.80	ZN-EDAM09
EDAU09	2.221	5.77	3.55	ZN-EDAU09
EDAZ09	2.471	5.77	3.30	ZN-EDAZ09
EDAH10	2.720	5.77	3.05	ZN-EDAH10
EDAM10	2.969	5.77	2.80	ZN-EDAM10

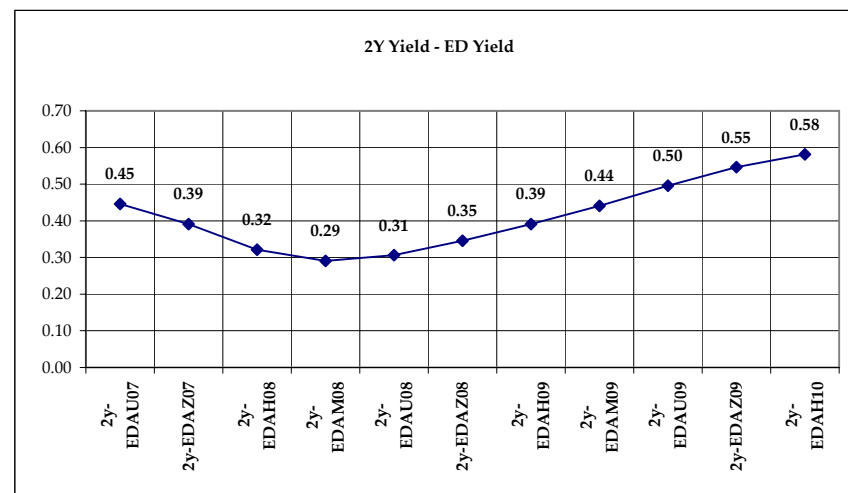
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.32	0.45	2y-EDAU07	-94.642
EDAZ07	5.27	0.39	2y-EDAZ07	-97.691
EDAH08	5.20	0.32	2y-EDAH08	-98.266
EDAM08	5.17	0.29	2y-EDAM08	-98.810
EDAU08	5.18	0.31	2y-EDAU08	-98.525
EDAZ08	5.22	0.35	2y-EDAZ08	-98.810
EDAH09	5.27	0.39	2y-EDAH09	-96.464
EDAM09	5.32	0.44	2y-EDAM09	-94.663
EDAU09	5.37	0.50	2y-EDAU09	-91.969
EDAZ09	5.42	0.55	2y-EDAZ09	-89.885
EDAH10	5.46	0.58	2y-EDAH10	-85.431
EDAM10	5.50	0.63	2y-EDAM10	-80.512

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.

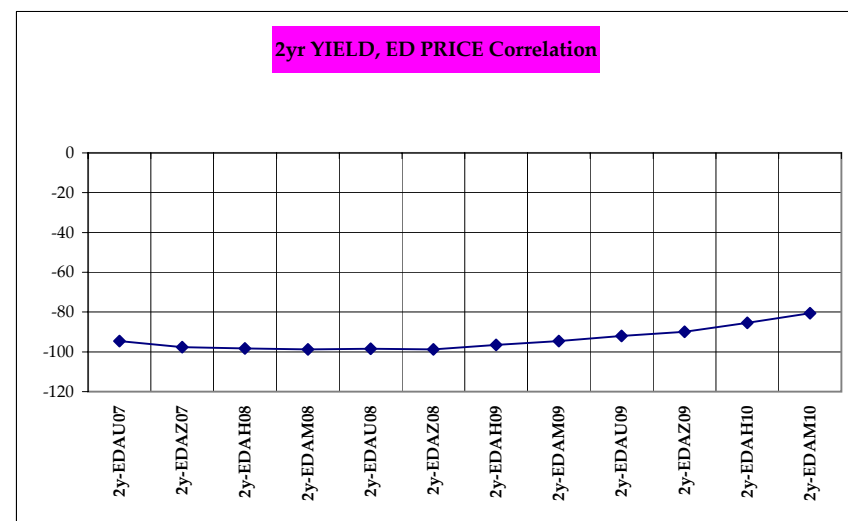


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.227	1.77	2y-EDAU07
EDAZ07	0.476	1.52	2y-EDAZ07
EDAH08	0.725	1.28	2y-EDAH08
EDAM08	0.975	1.03	2y-EDAM08
EDAU08	1.224	0.78	2y-EDAU08
EDAZ08	1.473	0.53	2y-EDAZ08
EDAH09	1.723	0.28	2y-EDAH09
EDAM09	1.972	0.03	2y-EDAM09
EDAU09	2.221	(0.22)	2y-EDAU09
EDAZ09	2.471	(0.47)	2y-EDAZ09
EDAH10	2.720	(0.72)	2y-EDAH10
EDAM10	2.969	(0.97)	2y-EDAM10

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

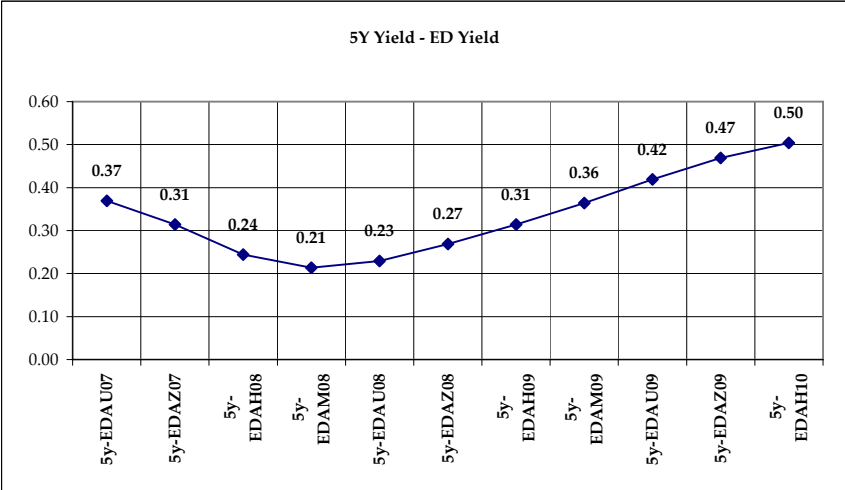
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.46	0.37	5y-EDAU07	-89.624
EDAZ07	4.41	0.31	5y-EDAZ07	-93.779
EDAH08	4.34	0.24	5y-EDAH08	-96.687
EDAM08	4.31	0.21	5y-EDAM08	-98.365
EDAU08	4.32	0.23	5y-EDAU08	-99.065
EDAZ08	4.36	0.27	5y-EDAZ08	-98.365
EDAH09	4.41	0.31	5y-EDAH09	-98.285
EDAM09	4.46	0.36	5y-EDAM09	-97.473
EDAU09	4.51	0.42	5y-EDAU09	-96.240
EDAZ09	4.56	0.47	5y-EDAZ09	-95.154
EDAH10	4.60	0.50	5y-EDAH10	-92.328
EDAM10	4.64	0.55	5y-EDAM10	-88.385

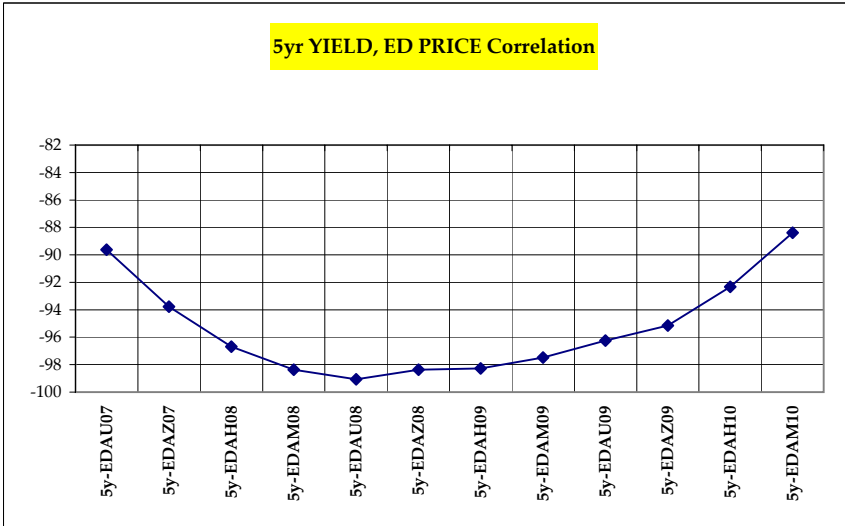
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.



GE Duration as Fraction of year				
	5Y Duration	Spread Duration		
EDAU07	0.227	4.26	4.04	5y-EDAU07
EDAZ07	0.476	4.26	3.79	5y-EDAZ07
EDAH08	0.725	4.26	3.54	5y-EDAH08
EDAM08	0.975	4.26	3.29	5y-EDAM08
EDAU08	1.224	4.26	3.04	5y-EDAU08
EDAZ08	1.473	4.26	2.79	5y-EDAZ08
EDAH09	1.723	4.26	2.54	5y-EDAH09
EDAM09	1.972	4.26	2.29	5y-EDAM09
EDAU09	2.221	4.26	2.04	5y-EDAU09
EDAZ09	2.471	4.26	1.79	5y-EDAZ09
EDAH10	2.720	4.26	1.54	5y-EDAH10
EDAM10	2.969	4.26	1.29	5y-EDAM10

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

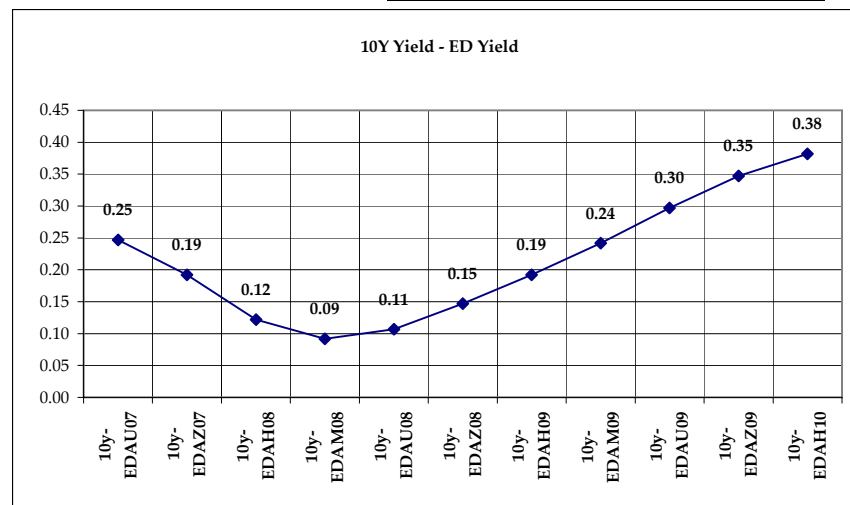
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.46	0.25	10y-EDAU07	-78.222
EDAZ07	4.41	0.19	10y-EDAZ07	-84.099
EDAH08	4.34	0.12	10y-EDAH08	-89.134
EDAM08	4.31	0.09	10y-EDAM08	-92.308
EDAU08	4.32	0.11	10y-EDAU08	-94.427
EDAZ08	4.36	0.15	10y-EDAZ08	-92.308
EDAH09	4.41	0.19	10y-EDAH09	-96.106
EDAM09	4.46	0.24	10y-EDAM09	-96.678
EDAU09	4.51	0.30	10y-EDAU09	-97.307
EDAZ09	4.56	0.35	10y-EDAZ09	-97.423
EDAH10	4.60	0.38	10y-EDAH10	-96.824
EDAM10	4.64	0.43	10y-EDAM10	-94.620

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.

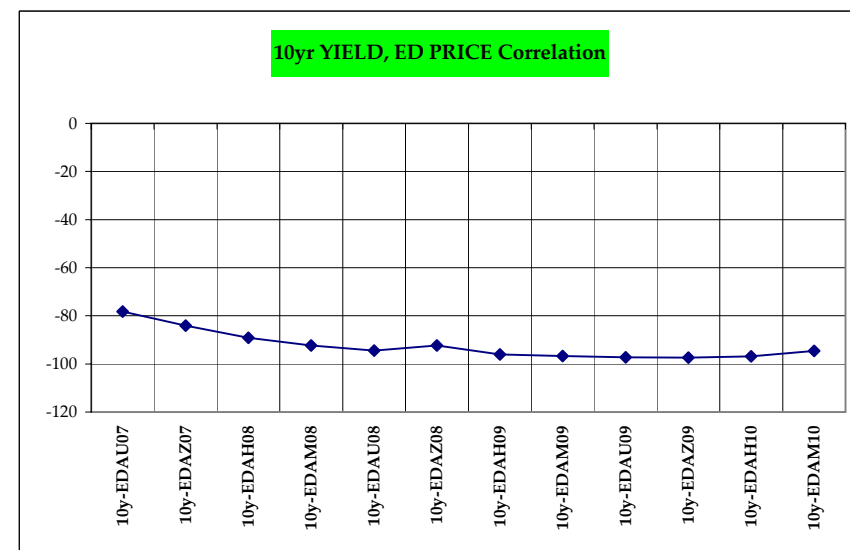


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.227	7.80	7.57	10y-EDAU07
EDAZ07	0.476	7.80	7.32	10y-EDAZ07
EDAH08	0.725	7.80	7.07	10y-EDAH08
EDAM08	0.975	7.80	6.82	10y-EDAM08
EDAU08	1.224	7.80	6.57	10y-EDAU08
EDAZ08	1.473	7.80	6.32	10y-EDAZ08
EDAH09	1.723	7.80	6.07	10y-EDAH09
EDAM09	1.972	7.80	5.82	10y-EDAM09
EDAU09	2.221	7.80	5.58	10y-EDAU09
EDAZ09	2.471	7.80	5.33	10y-EDAZ09
EDAH10	2.720	7.80	5.08	10y-EDAH10
EDAM10	2.969	7.80	4.83	10y-EDAM10

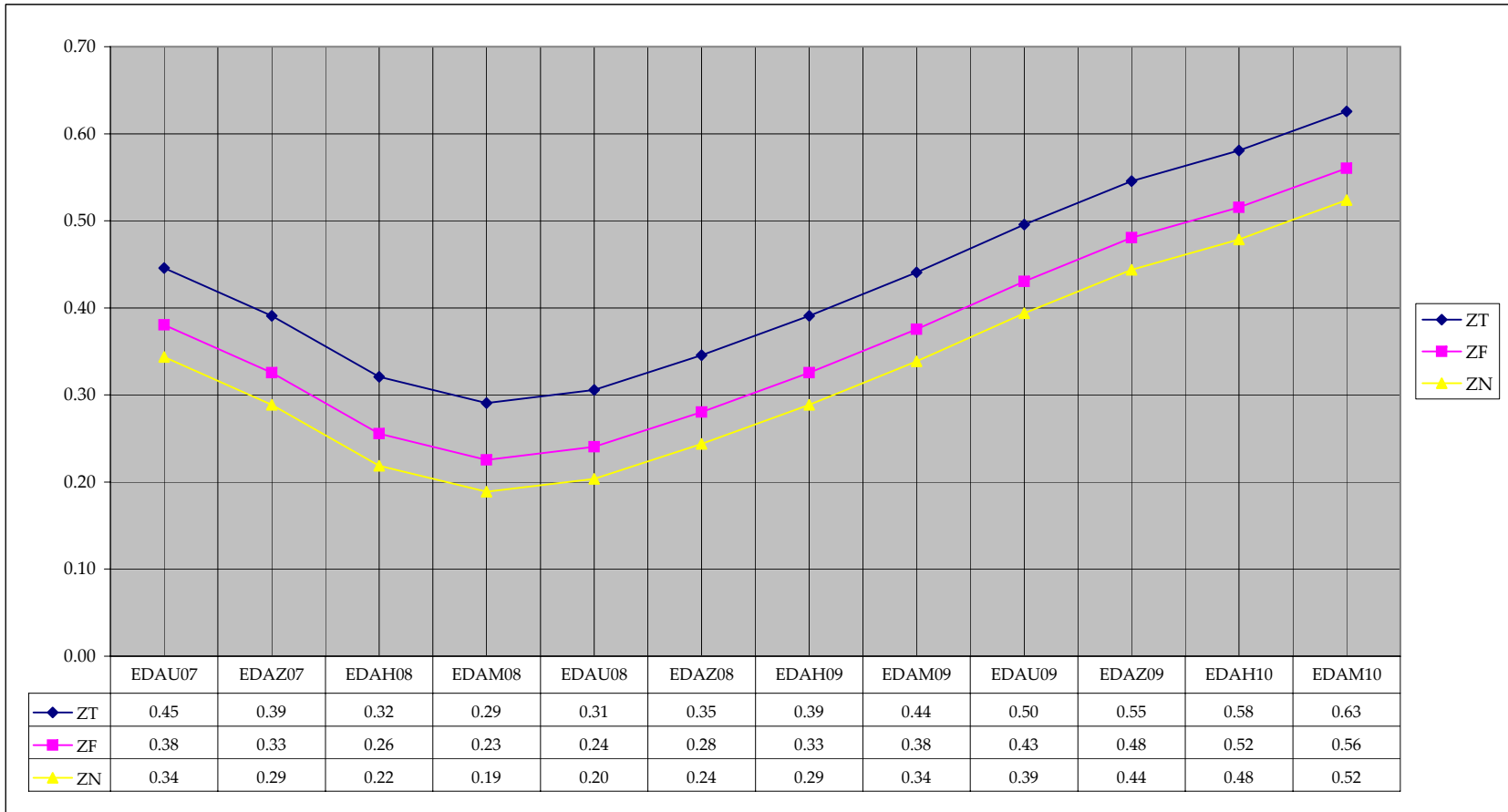
The farther away from 0 the spread duration is the riskier the trade.

10yr YIELD, ED PRICE Correlation



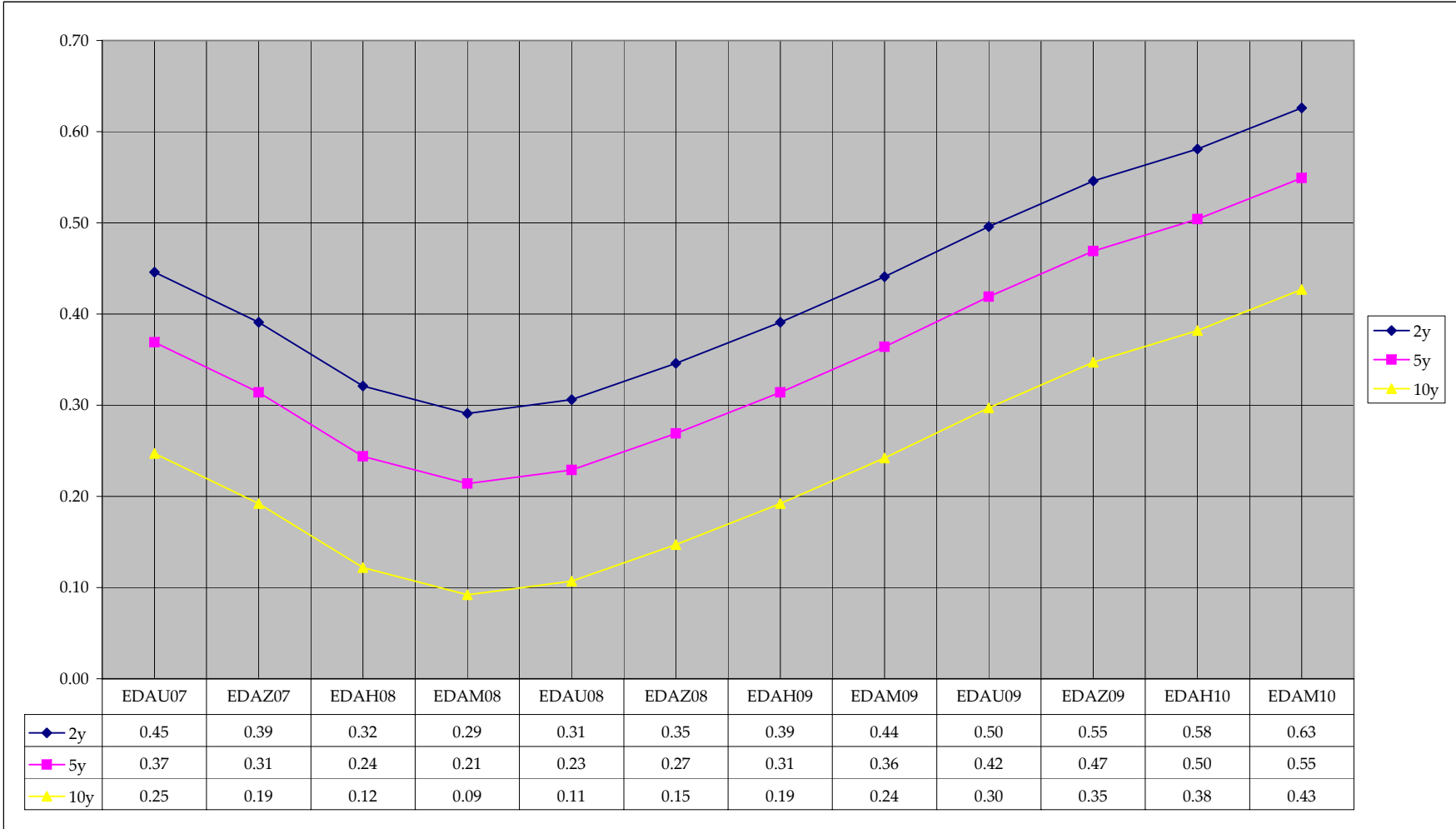
Dirty TED Curve

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.

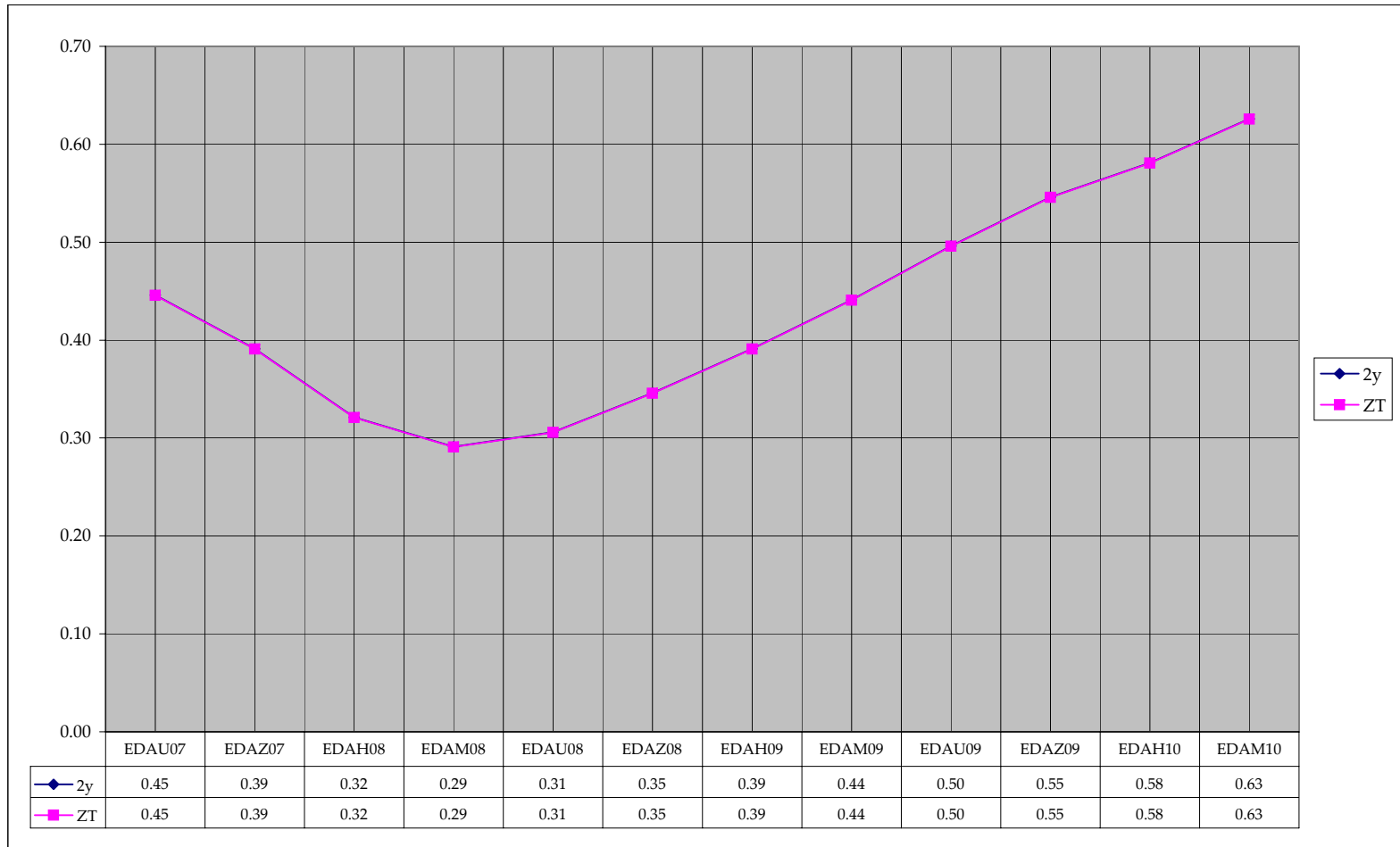


TED Curve

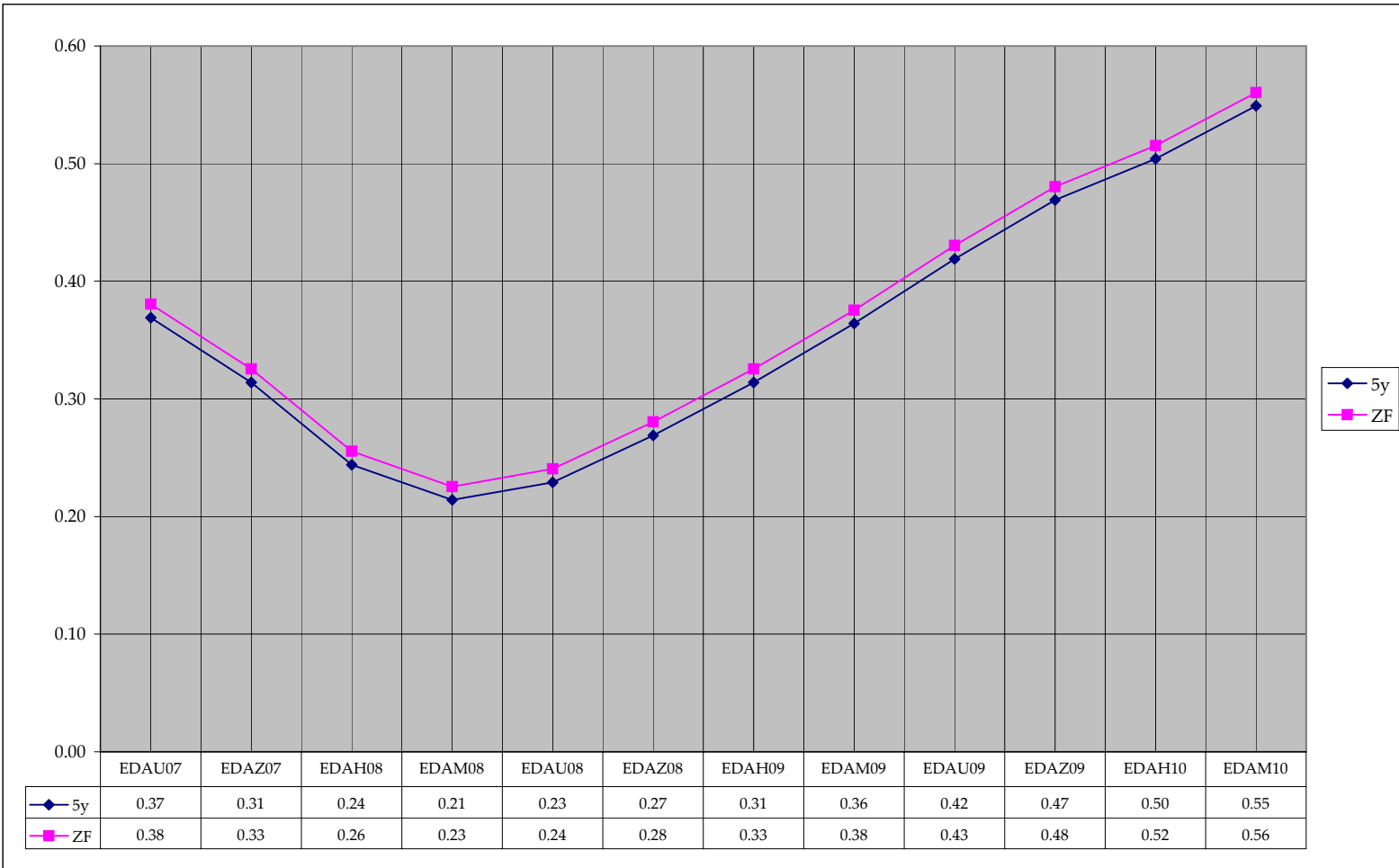
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



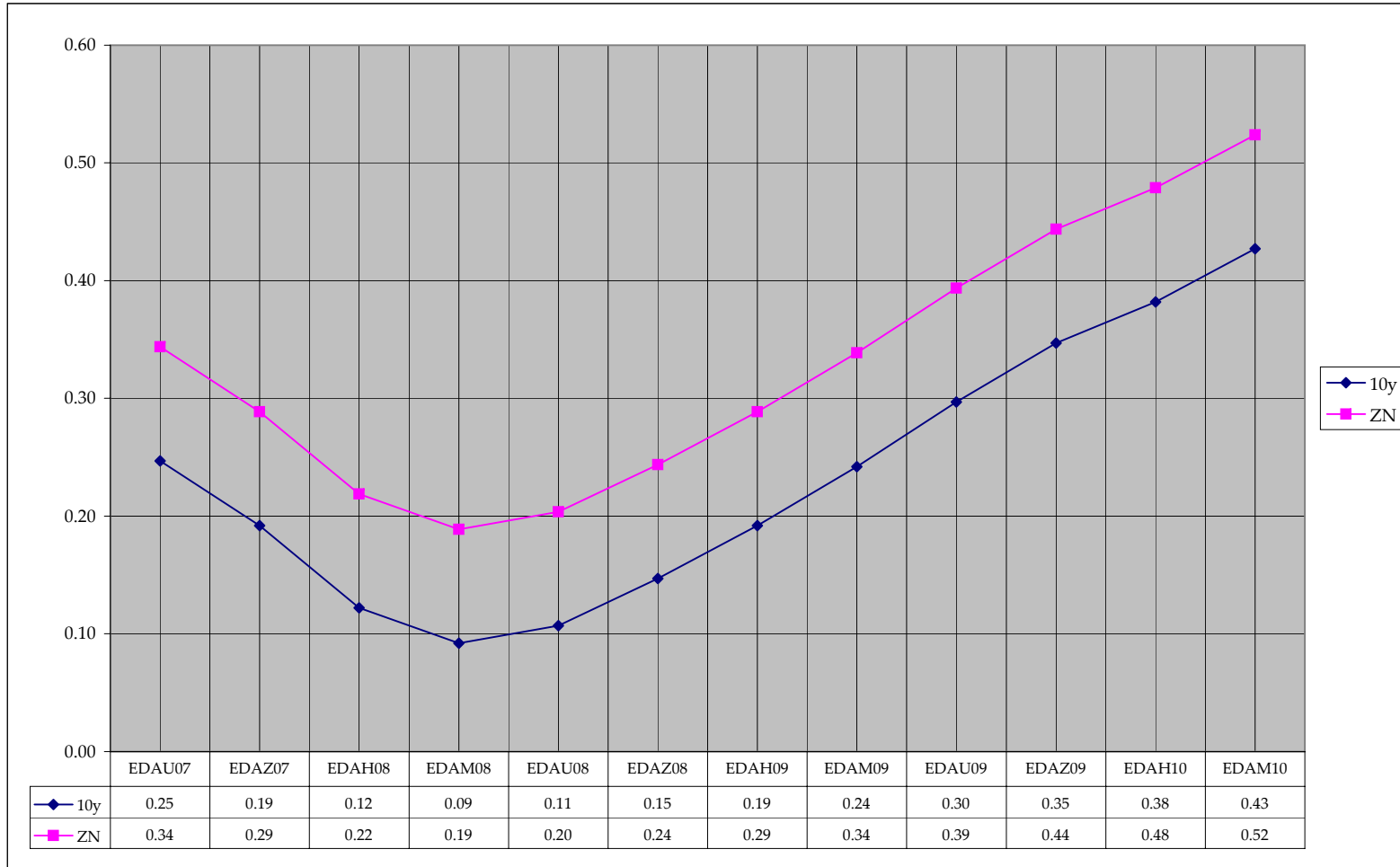
2y Basis TED Curve



5y Basis TED Curve

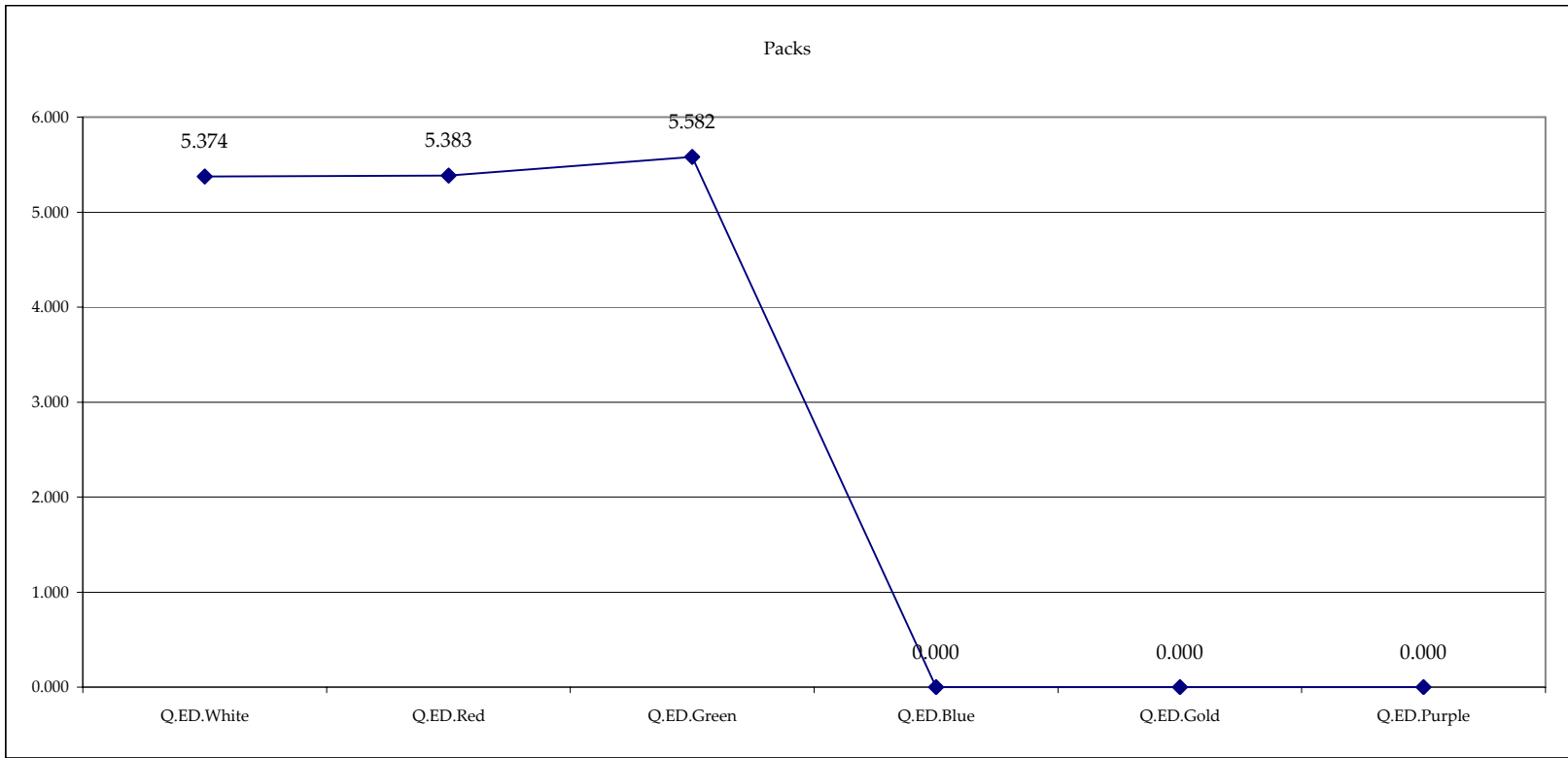


10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price	Duration				
Q.ED.White	5.374	0.625	9476.875					
Q.ED.Red	5.383	0.750	9476.000					
Q.ED.Green	5.582	0.000	9456.875					
Q.ED.Blue		-0.375	9440.750					
Q.ED.Gold		0.000	9428.250					
Q.ED.Purple		0.000	9428.250					



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