

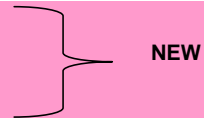
The Morning Email: TERM TEDS & Dirty TEDS

Table of Contents

- Pg1 Overview and hedges
- Pg2 Dirty TED: ZT vs Eurodollar Contracts
- Pg3 Dirty TED: ZF vs Eurodollar Contracts
- Pg4 Dirty TED: ZN vs Eurodollar Contracts
- Pg5 TERM TED: 2y vs Eurodollar Contracts
- Pg6 TERM TED: 5y vs Eurodollar Contracts
- Pg7 TERM TED: 10y vs Eurodollar Contracts

Pg8 Dirty TED Curve

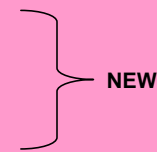
Pg9 TED Curve



Pg10 2y Basis TED Curve

Pg11 5y Basis TED Curve

Pg12 10y Basis TED Curve



Also new, correlation matrixes for all contracts.

5/9/2007
OLD TEN YR is USED.
BLOOMBERG HASN'T PUBLISHED CF YET.

		F.I. Futures and Cash			
		Last Decimal	Last 32	Last Yield*	**MDuration
Blank	ZT	102.2344	102.075	4.687	1.78
	ZF	105.6719	105.215	4.537	3.83
	ZN	108.2500	108.080	4.571	5.79
	2y	99.678	99.2170	4.668	1.86
	5y	99.819	99.2620	4.539	4.41
	10y	98.984	98.3150	4.626	7.71

*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	94.665	5.335	40	0.109	JUN	} White Pack
	EDAU07	94.755	5.245	131	0.358	SEP	
	EDAZ07	94.915	5.085	222	0.608	DEC	
	EDAH08	95.090	4.910	313	0.857	MAR	} Red Pack
	EDAM08	95.215	4.785	404	1.106	JUN	
	EDAU08	95.275	4.725	495	1.356	SEP	
	EDAZ08	95.295	4.705	586	1.605	DEC	
	EDAH09	95.290	4.710	677	1.854	MAR	} Green Pack
	EDAM09	95.260	4.740	768	2.103	JUN	
	EDAU09	95.220	4.780	859	2.353	SEP	
	EDAZ09	95.175	4.825	950	2.602	DEC	
	EDAH10	95.140	4.860	1041	2.851	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

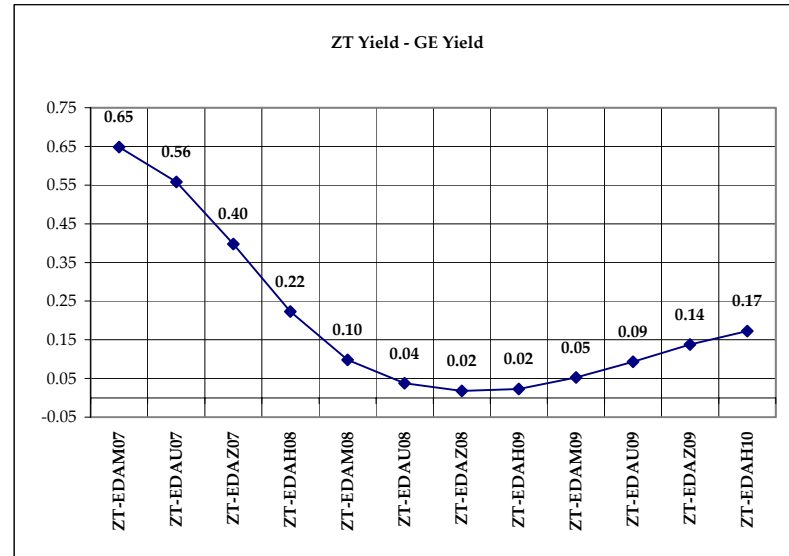
Eurodollar Color Codes for Individual Year Strips:

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	7.569	0.65	ZT-EDAM07	78.226
EDAU07	7.479	0.56	ZT-EDAU07	97.440
EDAZ07	7.319	0.40	ZT-EDAZ07	97.427
EDAH08	7.144	0.22	ZT-EDAH08	97.342
EDAM08	7.019	0.10	ZT-EDAM08	97.191
EDAU08	6.959	0.04	ZT-EDAU08	98.462
EDAZ08	6.939	0.02	ZT-EDAZ08	78.226
EDAH09	6.944	0.02	ZT-EDAH09	78.226
EDAM09	6.974	0.05	ZT-EDAM09	78.226
EDAU09	7.014	0.09	ZT-EDAU09	78.226
EDAZ09	7.059	0.14	ZT-EDAZ09	78.226
EDAH10	7.094	0.17	ZT-EDAH10	40.453

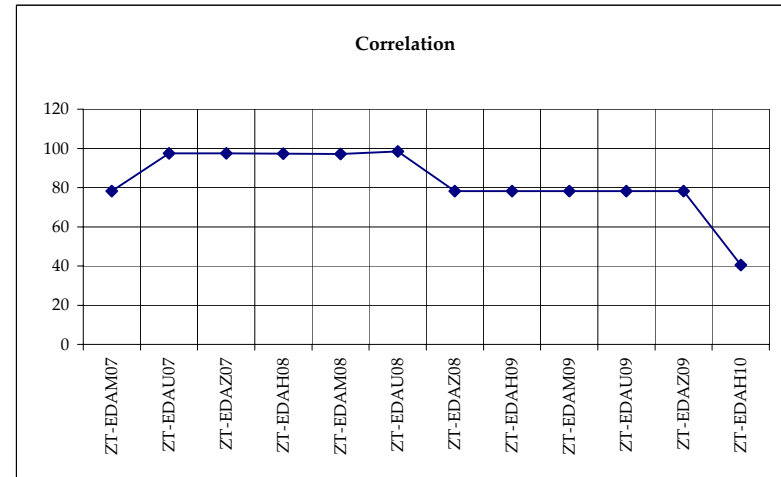
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as

	Fraction of year	ZT Duration	Spread Duration	
EDAM07	0.109	1.78	1.67	ZT-EDAM07
EDAU07	0.358	1.78	1.43	ZT-EDAU07
EDAZ07	0.608	1.78	1.18	ZT-EDAZ07
EDAH08	0.857	1.78	0.93	ZT-EDAH08
EDAM08	1.106	1.78	0.68	ZT-EDAM08
EDAU08	1.356	1.78	0.43	ZT-EDAU08
EDAZ08	1.605	1.78	0.18	ZT-EDAZ08
EDAH09	1.854	1.78	(0.07)	ZT-EDAH09
EDAM09	2.103	1.78	(0.32)	ZT-EDAM09
EDAU09	2.353	1.78	(0.57)	ZT-EDAU09
EDAZ09	2.602	1.78	(0.82)	ZT-EDAZ09
EDAH10	2.851	1.78	(1.07)	ZT-EDAH10

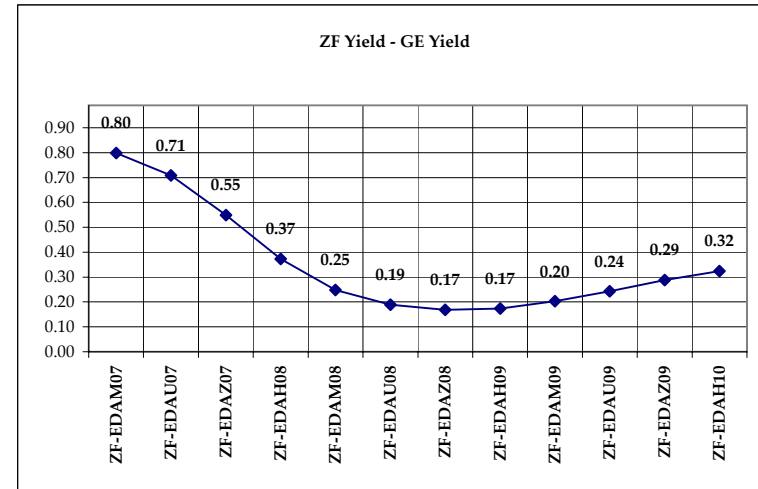
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

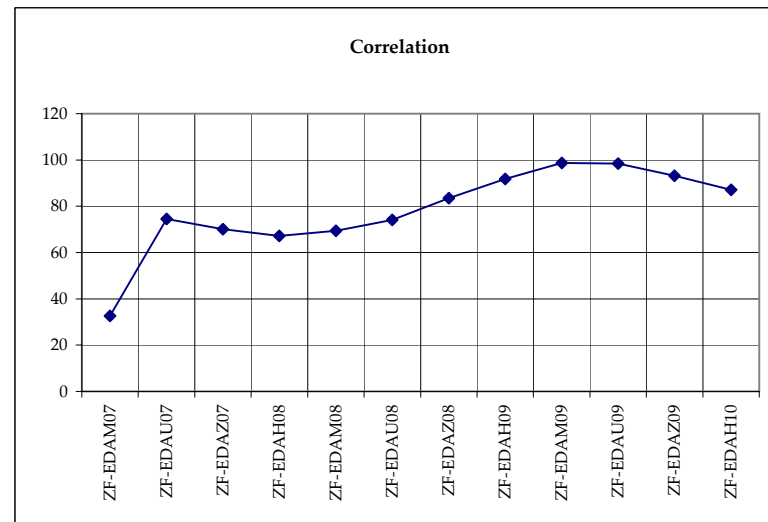
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	11.01	0.80	ZF-EDAM07	32.626
EDAU07	10.92	0.71	ZF-EDAU07	74.527
EDAZ07	10.76	0.55	ZF-EDAZ07	70.139
EDAH08	10.58	0.37	ZF-EDAH08	67.204
EDAM08	10.46	0.25	ZF-EDAM08	69.455
EDAU08	10.40	0.19	ZF-EDAU08	74.067
EDAZ08	10.38	0.17	ZF-EDAZ08	83.463
EDAH09	10.38	0.17	ZF-EDAH09	91.816
EDAM09	10.41	0.20	ZF-EDAM09	98.745
EDAU09	10.45	0.24	ZF-EDAU09	98.379
EDAZ09	10.50	0.29	ZF-EDAZ09	93.128
EDAH10	10.53	0.32	ZF-EDAH10	87.055

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	0.109	3.83	3.73	ZF-EDAM07
EDAU07	0.358	3.83	3.48	ZF-EDAU07
EDAZ07	0.608	3.83	3.23	ZF-EDAZ07
EDAH08	0.857	3.83	2.98	ZF-EDAH08
EDAM08	1.106	3.83	2.73	ZF-EDAM08
EDAU08	1.356	3.83	2.48	ZF-EDAU08
EDAZ08	1.605	3.83	2.23	ZF-EDAZ08
EDAH09	1.854	3.83	1.98	ZF-EDAH09
EDAM09	2.103	3.83	1.73	ZF-EDAM09
EDAU09	2.353	3.83	1.48	ZF-EDAU09
EDAZ09	2.602	3.83	1.23	ZF-EDAZ09
EDAH10	2.851	3.83	0.98	ZF-EDAH10

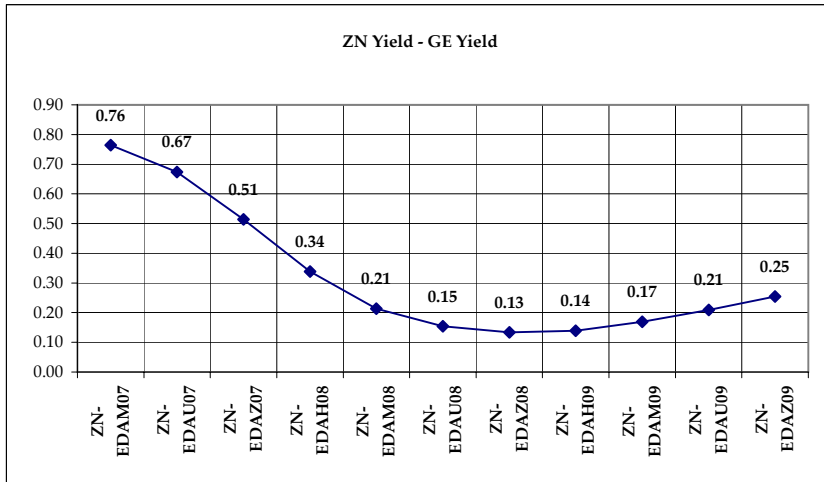
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Dirty TED: ZN vs Eurodollar Contracts

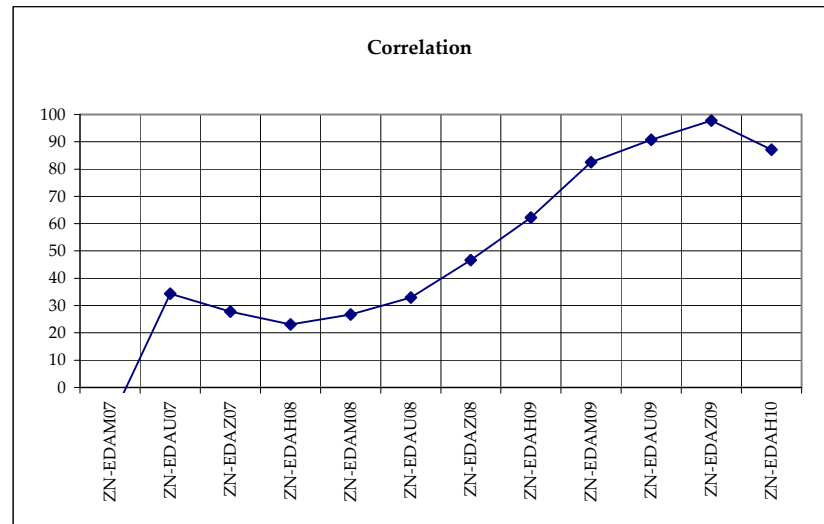
	ZN			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	13.59	0.76	ZN-EDAM07	-12.55
EDAU07	13.50	0.67	ZN-EDAU07	34.31
EDAZ07	13.34	0.51	ZN-EDAZ07	27.82
EDAH08	13.16	0.34	ZN-EDAH08	23.09
EDAM08	13.04	0.21	ZN-EDAM08	26.75
EDAU08	12.98	0.15	ZN-EDAU08	32.93
EDAZ08	12.96	0.13	ZN-EDAZ08	46.69
EDAH09	12.96	0.14	ZN-EDAH09	62.27
EDAM09	12.99	0.17	ZN-EDAM09	82.53
EDAU09	13.03	0.21	ZN-EDAU09	90.78
EDAZ09	13.08	0.25	ZN-EDAZ09	97.74
EDAH10	13.11	0.29	ZN-EDAH10	87.05

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	0.109	5.79	5.68	ZN-EDAM07
EDAU07	0.358	5.79	5.43	ZN-EDAU07
EDAZ07	0.608	5.79	5.18	ZN-EDAZ07
EDAH08	0.857	5.79	4.94	ZN-EDAH08
EDAM08	1.106	5.79	4.69	ZN-EDAM08
EDAU08	1.356	5.79	4.44	ZN-EDAU08
EDAZ08	1.605	5.79	4.19	ZN-EDAZ08
EDAH09	1.854	5.79	3.94	ZN-EDAH09
EDAM09	2.103	5.79	3.69	ZN-EDAM09
EDAU09	2.353	5.79	3.44	ZN-EDAU09
EDAZ09	2.602	5.79	3.19	ZN-EDAZ09
EDAH10	2.851	5.79	2.94	ZN-EDAH10

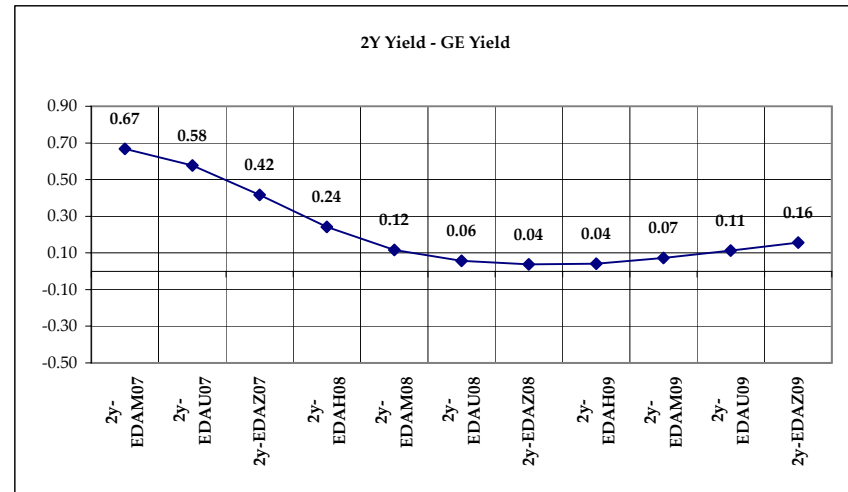
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	5.01	0.67	2y-EDAM07	75.711
EDAU07	4.92	0.58	2y-EDAU07	96.606
EDAZ07	4.76	0.42	2y-EDAZ07	94.754
EDAH08	4.59	0.24	2y-EDAH08	93.478
EDAM08	4.46	0.12	2y-EDAM08	93.581
EDAU08	4.40	0.06	2y-EDAU08	94.622
EDAZ08	4.38	0.04	2y-EDAZ08	75.711
EDAH09	4.39	0.04	2y-EDAH09	75.711
EDAM09	4.42	0.07	2y-EDAM09	75.711
EDAU09	4.46	0.11	2y-EDAU09	75.711
EDAZ09	4.50	0.16	2y-EDAZ09	75.711
EDAH10	4.54	0.19	2y-EDAH10	41.707

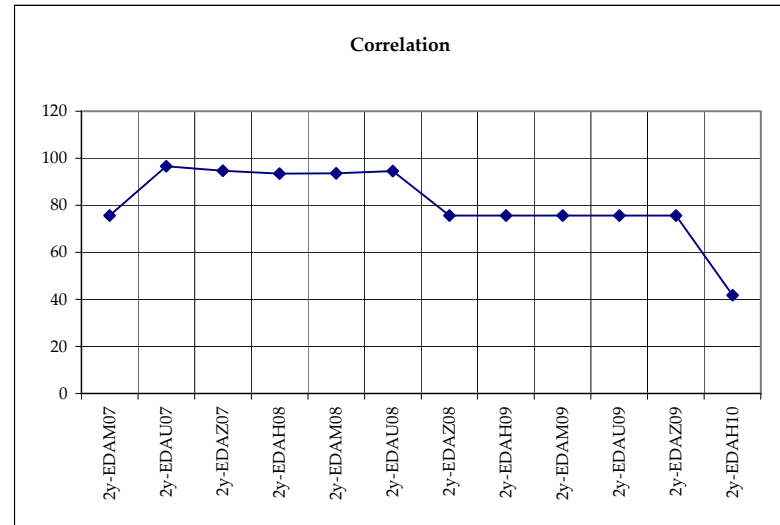
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAM07	0.109	1.76	2y-EDAM07
EDAU07	0.358	1.86	2y-EDAU07
EDAZ07	0.608	1.86	2y-EDAZ07
EDAH08	0.857	1.86	2y-EDAH08
EDAM08	1.106	1.86	2y-EDAM08
EDAU08	1.356	1.86	2y-EDAU08
EDAZ08	1.605	1.86	2y-EDAZ08
EDAH09	1.854	1.86	2y-EDAH09
EDAM09	2.103	1.86	2y-EDAM09
EDAU09	2.353	1.86	2y-EDAU09
EDAZ09	2.602	1.86	2y-EDAZ09
EDAH10	2.851	1.86	2y-EDAH10

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



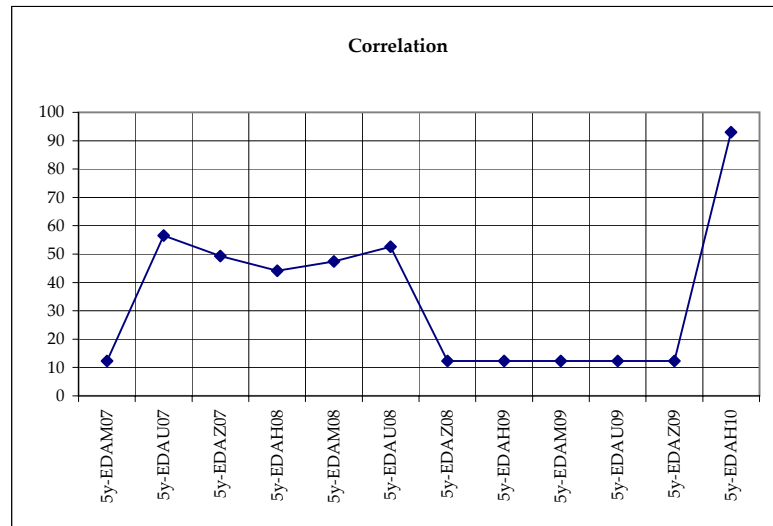
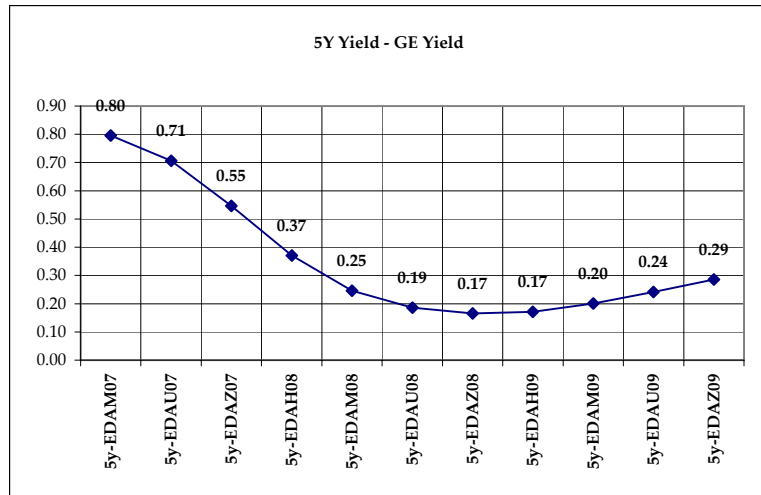
TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	5.15	0.80	5y-EDAM07	12.306
EDAU07	5.06	0.71	5y-EDAU07	56.598
EDAZ07	4.90	0.55	5y-EDAZ07	49.372
EDAH08	4.73	0.37	5y-EDAH08	44.174
EDAM08	4.60	0.25	5y-EDAM08	47.386
EDAU08	4.54	0.19	5y-EDAU08	52.580
EDAZ08	4.52	0.17	5y-EDAZ08	12.306
EDAH09	4.53	0.17	5y-EDAH09	12.306
EDAM09	4.56	0.20	5y-EDAM09	12.306
EDAU09	4.60	0.24	5y-EDAU09	12.306
EDAZ09	4.64	0.29	5y-EDAZ09	12.306
EDAH10	4.68	0.32	5y-EDAH10	92.977

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	5Y Duration	Spread Duration	
EDAM07	0.109	4.41	4.30	5y-EDAM07
EDAU07	0.358	4.41	4.05	5y-EDAU07
EDAZ07	0.608	4.41	3.80	5y-EDAZ07
EDAH08	0.857	4.41	3.55	5y-EDAH08
EDAM08	1.106	4.41	3.30	5y-EDAM08
EDAU08	1.356	4.41	3.05	5y-EDAU08
EDAZ08	1.605	4.41	2.80	5y-EDAZ08
EDAH09	1.854	4.41	2.55	5y-EDAH09
EDAM09	2.103	4.41	2.30	5y-EDAM09
EDAU09	2.353	4.41	2.05	5y-EDAU09
EDAZ09	2.602	4.41	1.80	5y-EDAZ09
EDAH10	2.851	4.41	1.55	5y-EDAH10

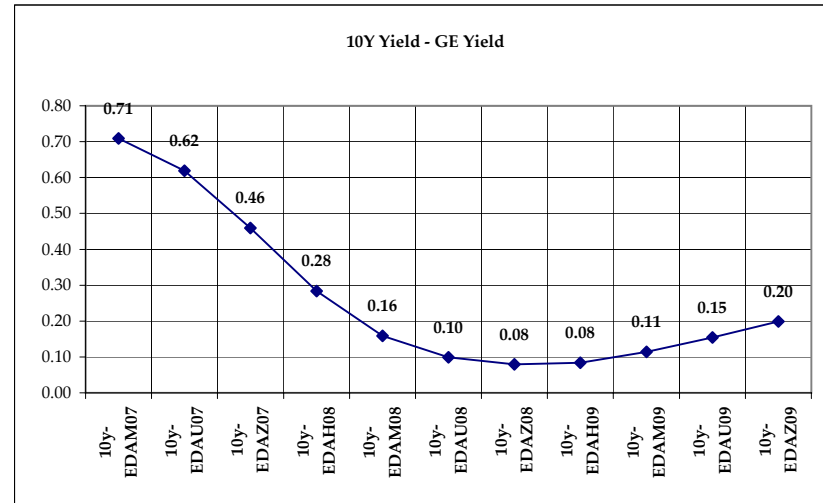
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	5.15	0.71	10y-EDAM07	9.775
EDAU07	5.06	0.62	10y-EDAU07	30.205
EDAZ07	4.90	0.46	10y-EDAZ07	31.789
EDAH08	4.73	0.28	10y-EDAH08	29.388
EDAM08	4.60	0.16	10y-EDAM08	34.084
EDAU08	4.54	0.10	10y-EDAU08	36.904
EDAZ08	4.52	0.08	10y-EDAZ08	9.775
EDAH09	4.53	0.08	10y-EDAH09	9.775
EDAM09	4.56	0.11	10y-EDAM09	9.775
EDAU09	4.60	0.15	10y-EDAU09	9.775
EDAZ09	4.64	0.20	10y-EDAZ09	9.775
EDAH10	4.68	0.23	10y-EDAH10	47.036

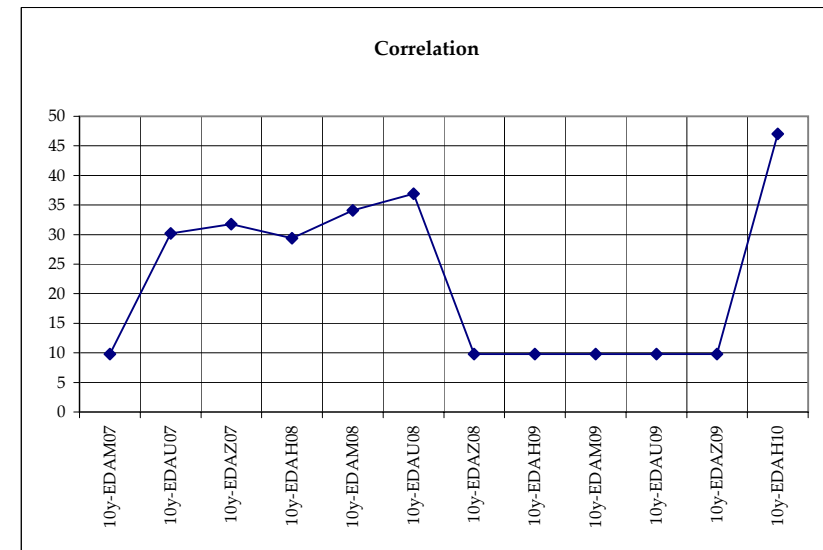
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	10Y Duration	Spread Duration	
EDAM07	0.109	7.71	10y-EDAM07
EDAU07	0.358	7.71	10y-EDAU07
EDAZ07	0.608	7.71	10y-EDAZ07
EDAH08	0.857	7.71	10y-EDAH08
EDAM08	1.106	7.71	10y-EDAM08
EDAU08	1.356	7.71	10y-EDAU08
EDAZ08	1.605	7.71	10y-EDAZ08
EDAH09	1.854	7.71	10y-EDAH09
EDAM09	2.103	7.71	10y-EDAM09
EDAU09	2.353	7.71	10y-EDAU09
EDAZ09	2.602	7.71	10y-EDAZ09
EDAH10	2.851	7.71	10y-EDAH10

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



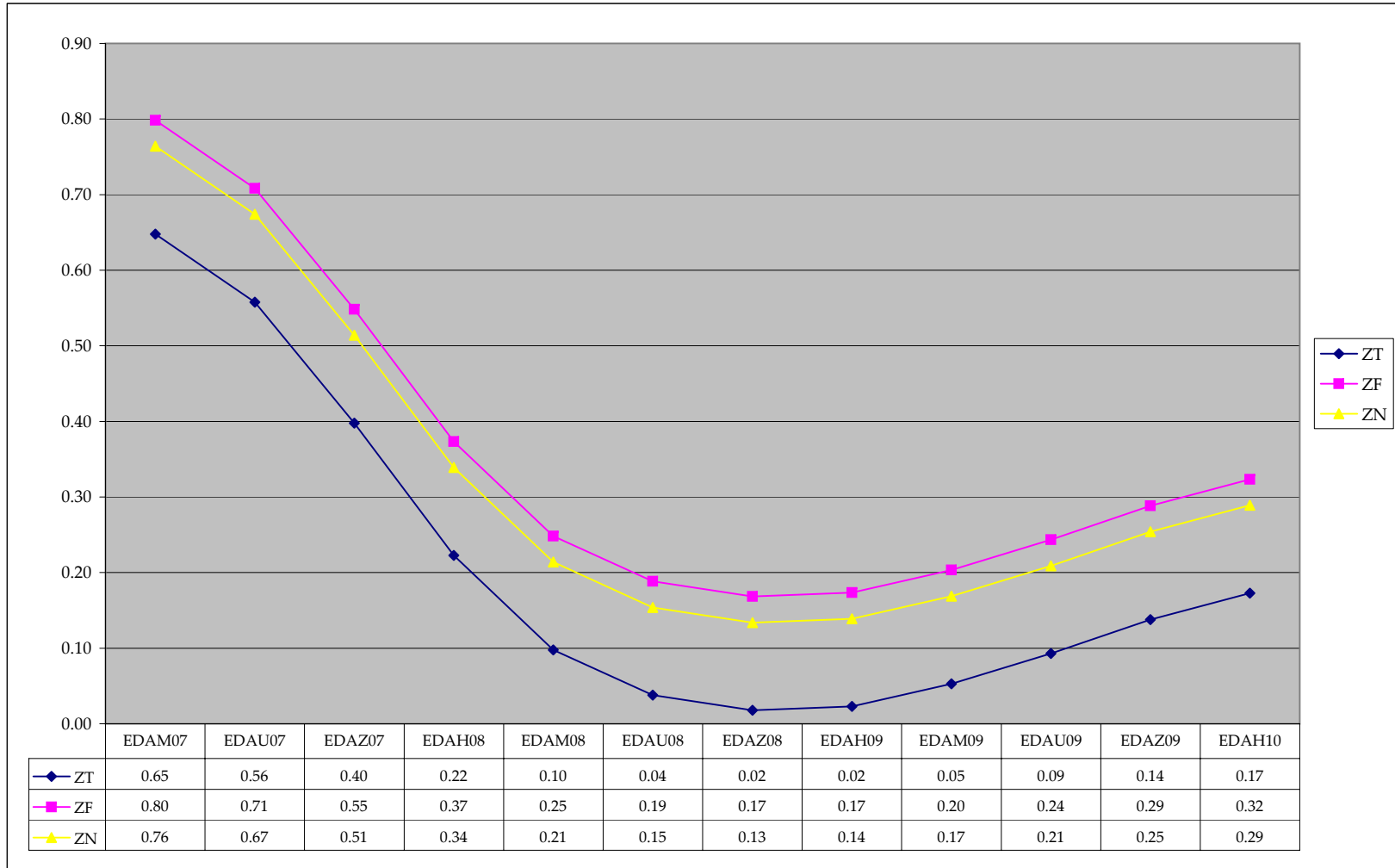
Dirty TED Curve

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Page 8

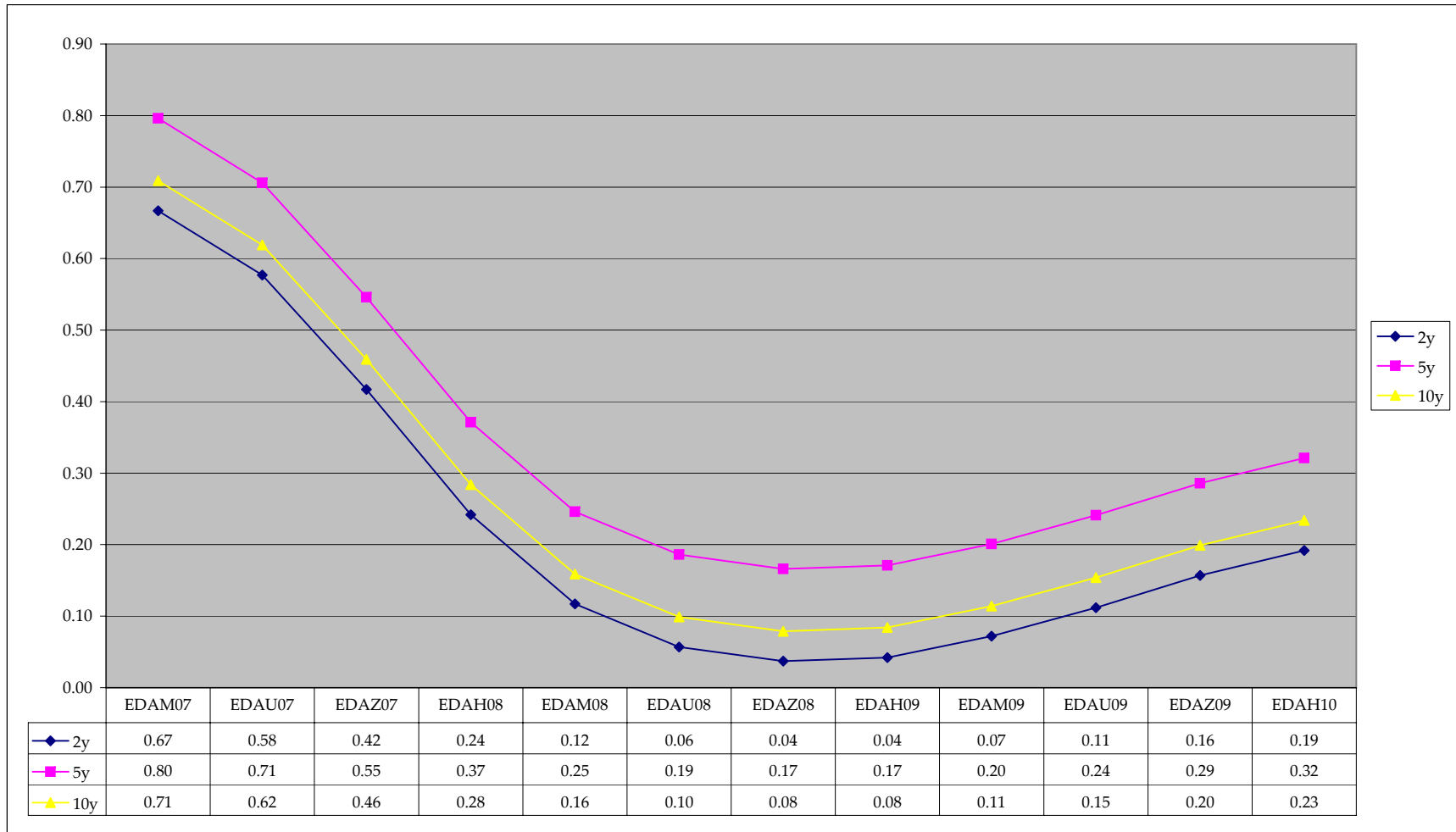
Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart.

Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.

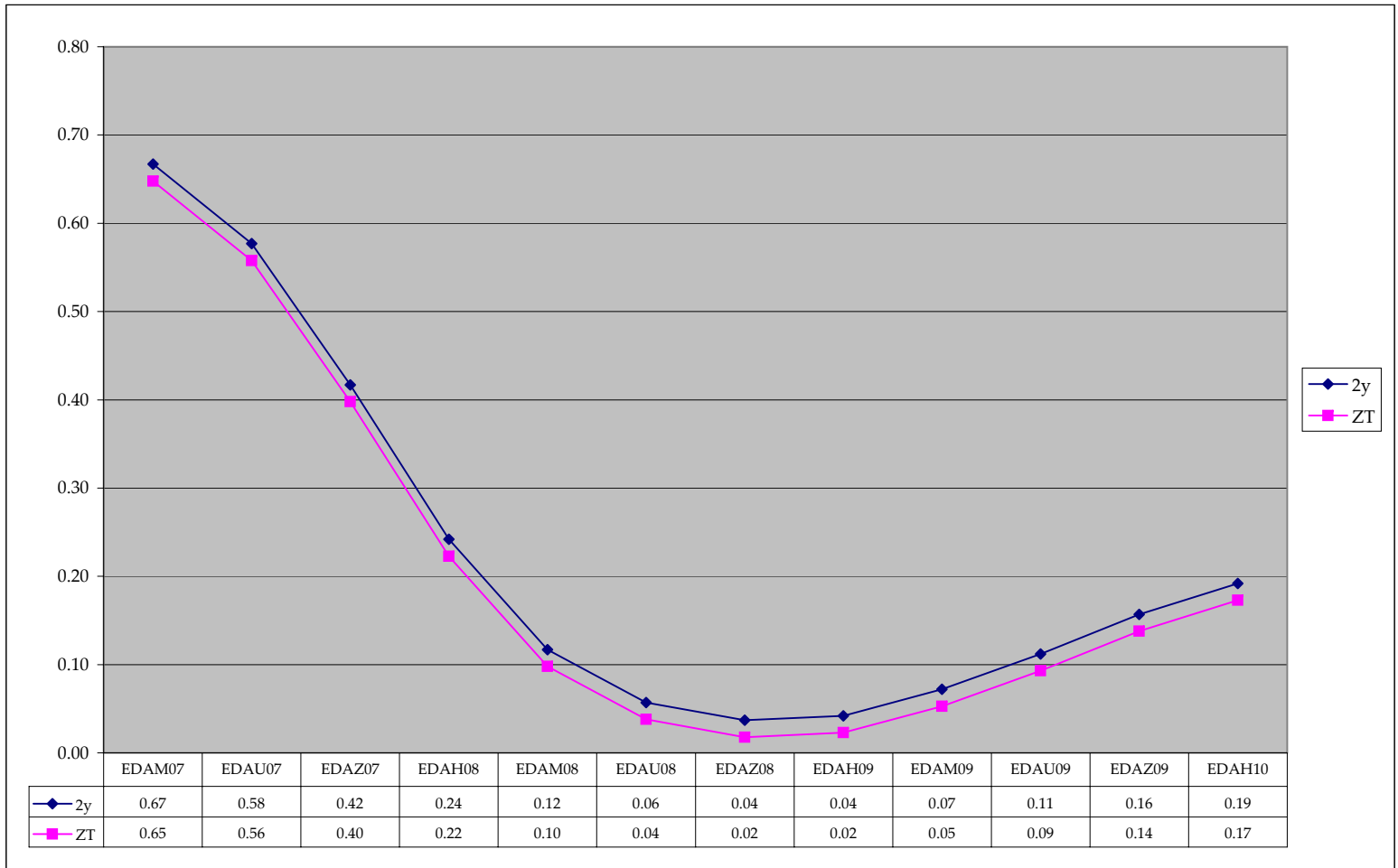


TED Curve

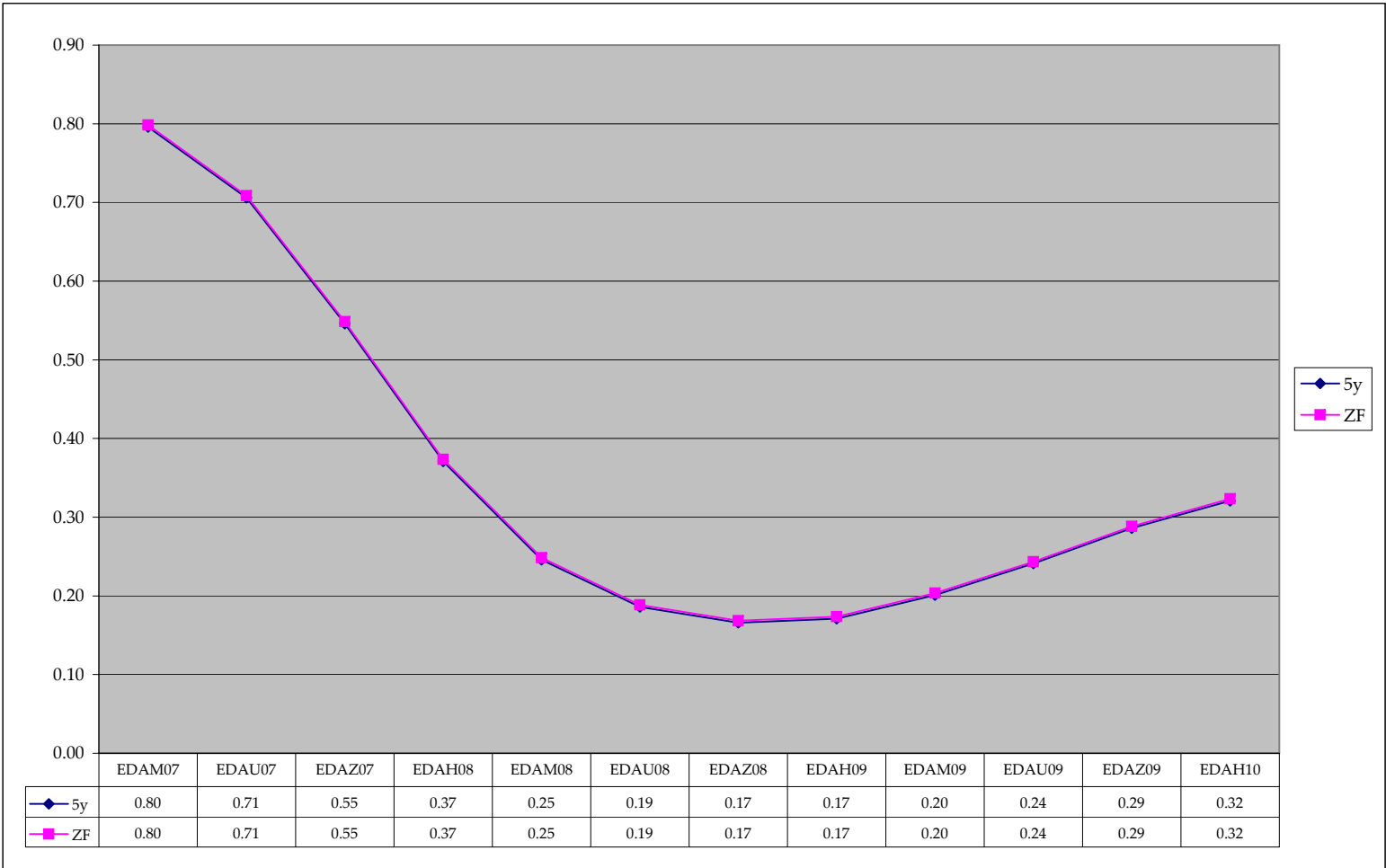
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve

