

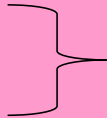
The Morning Email: TERM TEDS & Dirty TEDS

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



NEW

Pg10 2y Basis TED Curve

Pg11 5y Basis TED Curve

Pg12 10y Basis TED Curve



NEW

Also new, correlation matrixes for all contracts.

		F.I. Futures and Cash			
		Last Decimal	Last 32	Last Yield*	**MDuration
Blank	ZT	102.1313	102.042	4.751	1.78
	ZF	105.4688	105.150	4.595	3.83
	ZN	107.9531	107.305	4.610	5.79
	2y	99.584	99.1870	4.723	1.86
	5y	99.609	99.1950	4.589	4.40
	10y	98.672	98.2150	4.668	7.79

*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	94.655	5.345	39	0.106	JUN	} White Pack
	EDAU07	94.730	5.270	130	0.355	SEP	
	EDAZ07	94.870	5.130	221	0.605	DEC	
	EDAH08	95.020	4.980	312	0.854	MAR	} Red Pack
	EDAM08	95.145	4.855	403	1.103	JUN	
	EDAU08	95.215	4.785	494	1.353	SEP	
	EDAZ08	95.245	4.755	585	1.602	DEC	} Green Pack
	EDAH09	95.245	4.755	676	1.851	MAR	
	EDAM09	95.220	4.780	767	2.101	JUN	
	EDAU09	95.180	4.820	858	2.350	SEP	
	EDAZ09	95.135	4.865	949	2.599	DEC	
	EDAH10	95.105	4.895	1040	2.849	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

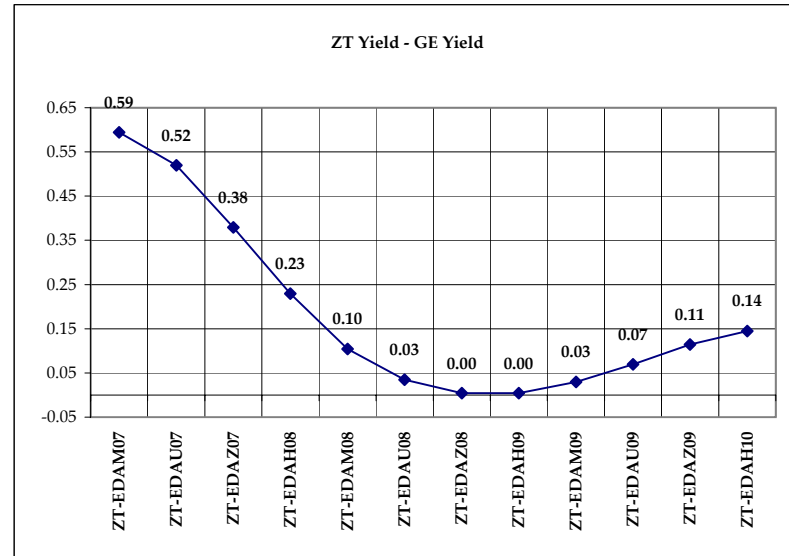
Eurodollar Color Codes for Individual Year Strips:

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	7.476	0.59	ZT-EDAM07	90.520
EDAU07	7.401	0.52	ZT-EDAU07	98.068
EDAZ07	7.261	0.38	ZT-EDAZ07	98.782
EDAH08	7.111	0.23	ZT-EDAH08	99.108
EDAM08	6.986	0.10	ZT-EDAM08	98.892
EDAU08	6.916	0.03	ZT-EDAU08	99.331
EDAZ08	6.886	0.00	ZT-EDAZ08	90.520
EDAH09	6.886	0.00	ZT-EDAH09	90.520
EDAM09	6.911	0.03	ZT-EDAM09	90.520
EDAU09	6.951	0.07	ZT-EDAU09	90.520
EDAZ09	6.996	0.11	ZT-EDAZ09	90.520
EDAH10	7.026	0.14	ZT-EDAH10	59.079

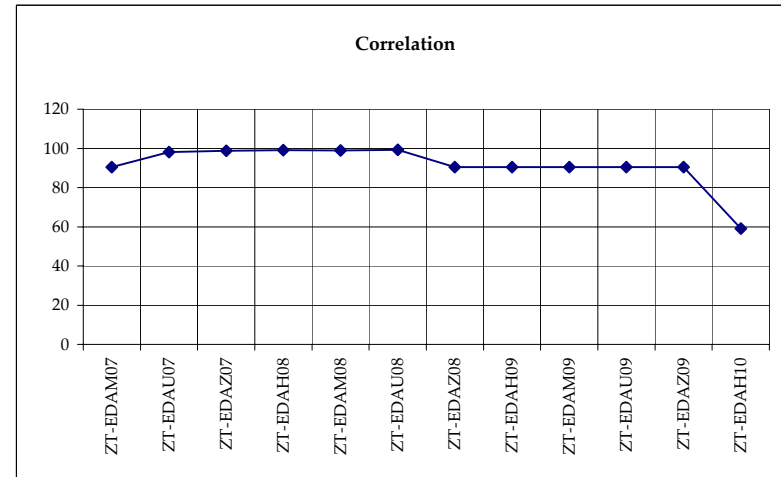
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as

	Fraction of year	ZT Duration	Spread Duration	
EDAM07	0.106	1.78	1.67	ZT-EDAM07
EDAU07	0.355	1.78	1.43	ZT-EDAU07
EDAZ07	0.605	1.78	1.18	ZT-EDAZ07
EDAH08	0.854	1.78	0.93	ZT-EDAH08
EDAM08	1.103	1.78	0.68	ZT-EDAM08
EDAU08	1.353	1.78	0.43	ZT-EDAU08
EDAZ08	1.602	1.78	0.18	ZT-EDAZ08
EDAH09	1.851	1.78	(0.07)	ZT-EDAH09
EDAM09	2.101	1.78	(0.32)	ZT-EDAM09
EDAU09	2.350	1.78	(0.57)	ZT-EDAU09
EDAZ09	2.599	1.78	(0.82)	ZT-EDAZ09
EDAH10	2.849	1.78	(1.07)	ZT-EDAH10

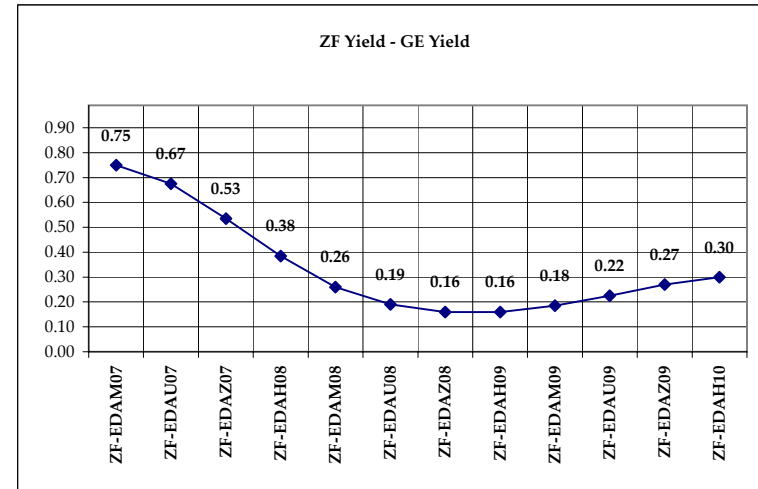
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

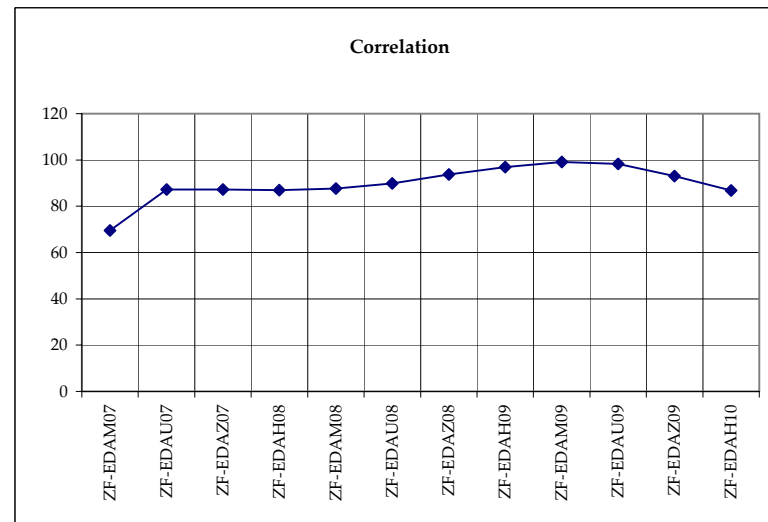
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	10.81	0.75	ZF-EDAM07	69.486
EDAU07	10.74	0.67	ZF-EDAU07	87.186
EDAZ07	10.60	0.53	ZF-EDAZ07	87.189
EDAH08	10.45	0.38	ZF-EDAH08	86.975
EDAM08	10.32	0.26	ZF-EDAM08	87.697
EDAU08	10.25	0.19	ZF-EDAU08	89.930
EDAZ08	10.22	0.16	ZF-EDAZ08	93.736
EDAH09	10.22	0.16	ZF-EDAH09	96.874
EDAM09	10.25	0.18	ZF-EDAM09	99.148
EDAU09	10.29	0.22	ZF-EDAU09	98.316
EDAZ09	10.33	0.27	ZF-EDAZ09	93.092
EDAH10	10.36	0.30	ZF-EDAH10	86.859

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	0.106	3.83	3.72	ZF-EDAM07
EDAU07	0.355	3.83	3.48	ZF-EDAU07
EDAZ07	0.605	3.83	3.23	ZF-EDAZ07
EDAH08	0.854	3.83	2.98	ZF-EDAH08
EDAM08	1.103	3.83	2.73	ZF-EDAM08
EDAU08	1.353	3.83	2.48	ZF-EDAU08
EDAZ08	1.602	3.83	2.23	ZF-EDAZ08
EDAH09	1.851	3.83	1.98	ZF-EDAH09
EDAM09	2.101	3.83	1.73	ZF-EDAM09
EDAU09	2.350	3.83	1.48	ZF-EDAU09
EDAZ09	2.599	3.83	1.23	ZF-EDAZ09
EDAH10	2.849	3.83	0.98	ZF-EDAH10

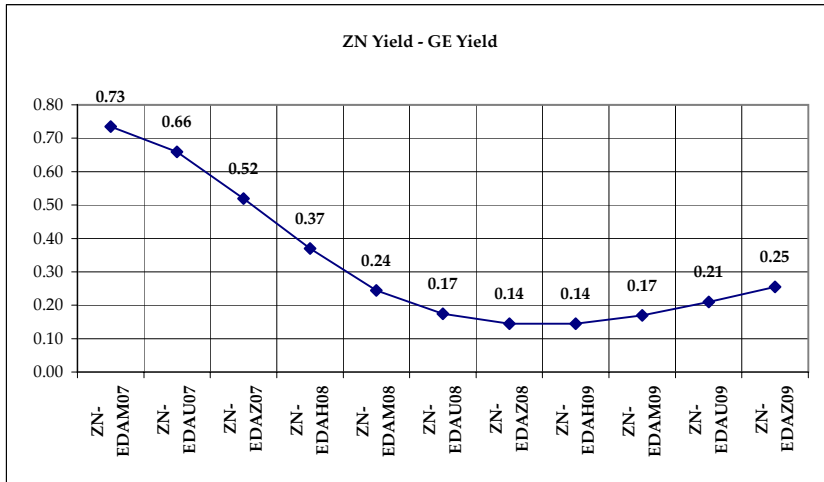
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Dirty TED: ZN vs Eurodollar Contracts

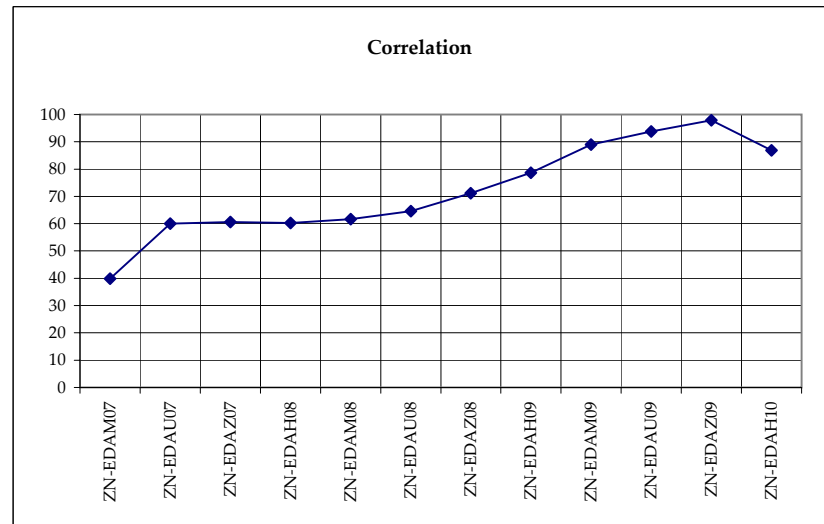
	ZN			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	13.30	0.73	ZN-EDAM07	39.89
EDAU07	13.22	0.66	ZN-EDAU07	60.04
EDAZ07	13.08	0.52	ZN-EDAZ07	60.63
EDAH08	12.93	0.37	ZN-EDAH08	60.26
EDAM08	12.81	0.24	ZN-EDAM08	61.61
EDAU08	12.74	0.17	ZN-EDAU08	64.64
EDAZ08	12.71	0.14	ZN-EDAZ08	71.16
EDAH09	12.71	0.14	ZN-EDAH09	78.66
EDAM09	12.73	0.17	ZN-EDAM09	88.96
EDAU09	12.77	0.21	ZN-EDAU09	93.74
EDAZ09	12.82	0.25	ZN-EDAZ09	97.88
EDAH10	12.85	0.28	ZN-EDAH10	86.86

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	0.106	5.79	5.68	ZN-EDAM07
EDAU07	0.355	5.79	5.43	ZN-EDAU07
EDAZ07	0.605	5.79	5.18	ZN-EDAZ07
EDAH08	0.854	5.79	4.93	ZN-EDAH08
EDAM08	1.103	5.79	4.68	ZN-EDAM08
EDAU08	1.353	5.79	4.43	ZN-EDAU08
EDAZ08	1.602	5.79	4.19	ZN-EDAZ08
EDAH09	1.851	5.79	3.94	ZN-EDAH09
EDAM09	2.101	5.79	3.69	ZN-EDAM09
EDAU09	2.350	5.79	3.44	ZN-EDAU09
EDAZ09	2.599	5.79	3.19	ZN-EDAZ09
EDAH10	2.849	5.79	2.94	ZN-EDAH10

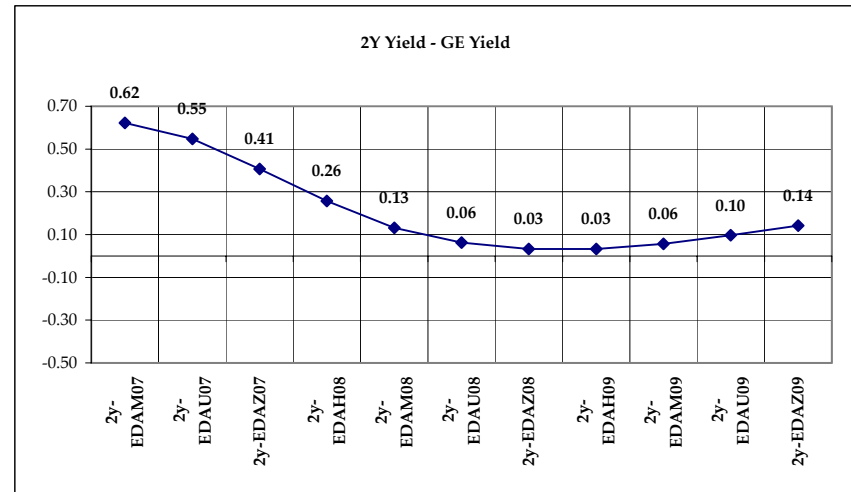
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	4.93	0.62	2y-EDAM07	89.499
EDAU07	4.85	0.55	2y-EDAU07	98.391
EDAZ07	4.71	0.41	2y-EDAZ07	98.208
EDAH08	4.56	0.26	2y-EDAH08	98.136
EDAM08	4.44	0.13	2y-EDAM08	97.685
EDAU08	4.37	0.06	2y-EDAU08	98.137
EDAZ08	4.34	0.03	2y-EDAZ08	89.499
EDAH09	4.34	0.03	2y-EDAH09	89.499
EDAM09	4.36	0.06	2y-EDAM09	89.499
EDAU09	4.40	0.10	2y-EDAU09	89.499
EDAZ09	4.45	0.14	2y-EDAZ09	89.499
EDAH10	4.48	0.17	2y-EDAH10	55.296

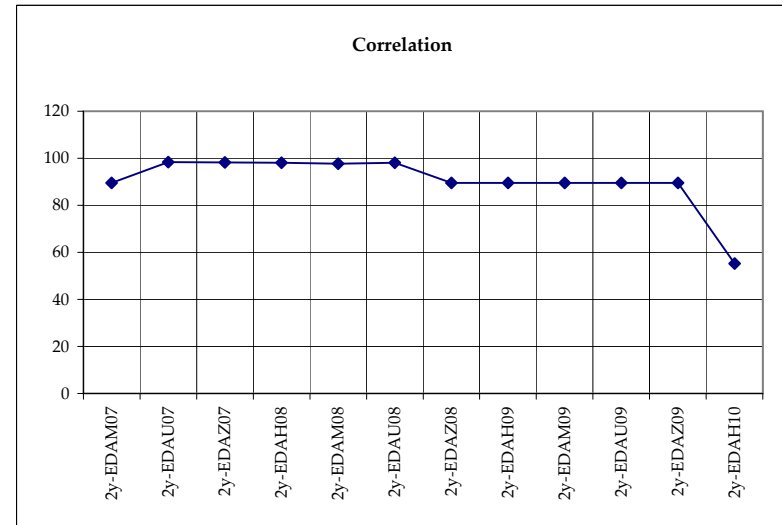
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAM07	0.106	1.75	2y-EDAM07
EDAU07	0.355	1.51	2y-EDAU07
EDAZ07	0.605	1.26	2y-EDAZ07
EDAH08	0.854	1.01	2y-EDAH08
EDAM08	1.103	0.76	2y-EDAM08
EDAU08	1.353	0.51	2y-EDAU08
EDAZ08	1.602	0.26	2y-EDAZ08
EDAH09	1.851	0.01	2y-EDAH09
EDAM09	2.101	(0.24)	2y-EDAM09
EDAU09	2.350	(0.49)	2y-EDAU09
EDAZ09	2.599	(0.74)	2y-EDAZ09
EDAH10	2.849	(0.99)	2y-EDAH10

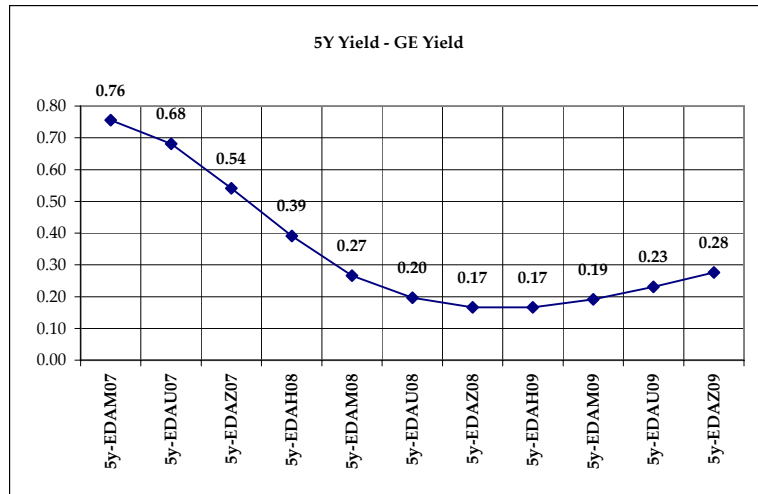
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	4.95	0.76	5y-EDAM07	61.218
EDAU07	4.88	0.68	5y-EDAU07	80.556
EDAZ07	4.74	0.54	5y-EDAZ07	80.210
EDAH08	4.59	0.39	5y-EDAH08	79.656
EDAM08	4.46	0.27	5y-EDAM08	80.341
EDAU08	4.39	0.20	5y-EDAU08	82.961
EDAZ08	4.36	0.17	5y-EDAZ08	61.218
EDAH09	4.36	0.17	5y-EDAH09	61.218
EDAM09	4.39	0.19	5y-EDAM09	61.218
EDAU09	4.43	0.23	5y-EDAU09	61.218
EDAZ09	4.47	0.28	5y-EDAZ09	61.218
EDAH10	4.50	0.31	5y-EDAH10	91.070

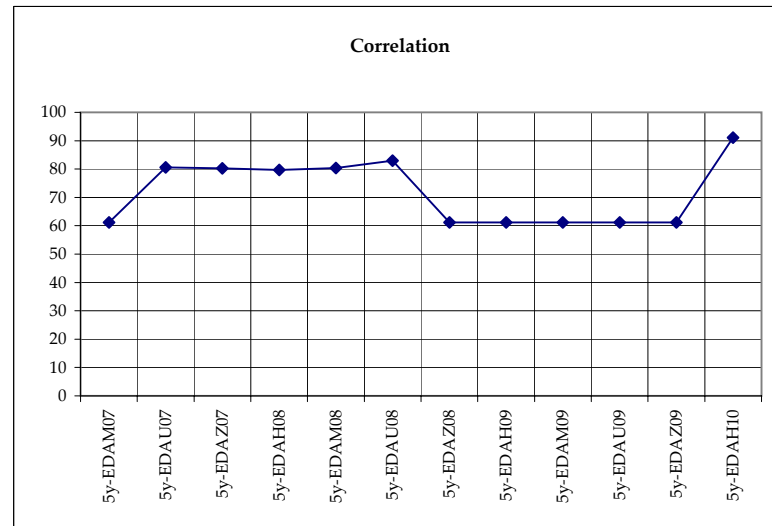
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAM07	0.106	4.40	5y-EDAM07
EDAU07	0.355	4.40	5y-EDAU07
EDAZ07	0.605	4.40	5y-EDAZ07
EDAH08	0.854	4.40	5y-EDAH08
EDAM08	1.103	4.40	5y-EDAM08
EDAU08	1.353	4.40	5y-EDAU08
EDAZ08	1.602	4.40	5y-EDAZ08
EDAH09	1.851	4.40	5y-EDAH09
EDAM09	2.101	4.40	5y-EDAM09
EDAU09	2.350	4.40	5y-EDAU09
EDAZ09	2.599	4.40	5y-EDAZ09
EDAH10	2.849	4.40	5y-EDAH10

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



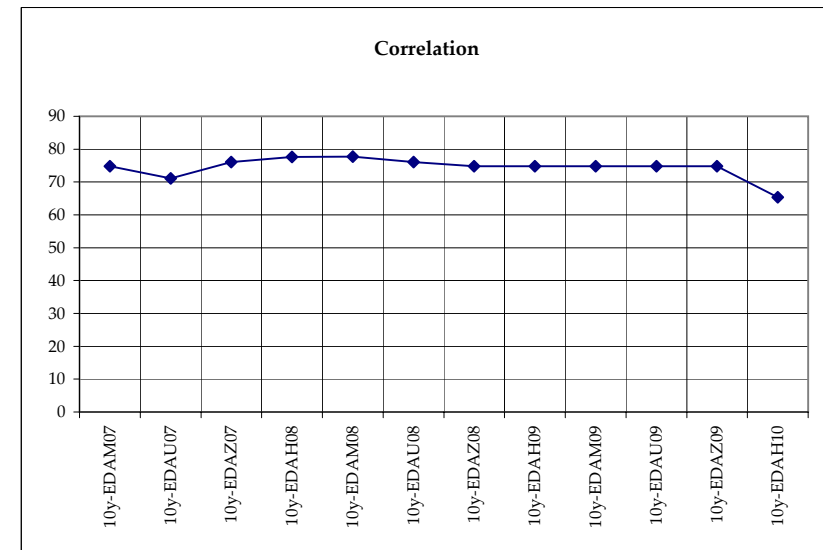
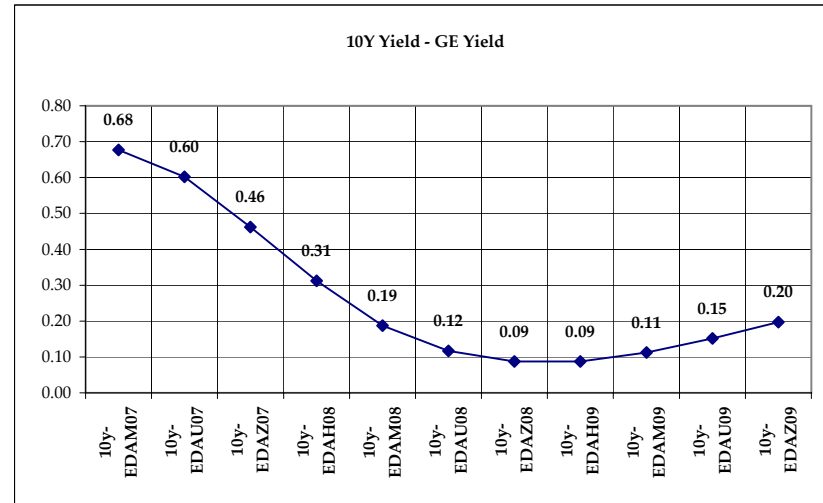
TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM07	4.95	0.68	10y-EDAM07	74.804
EDAU07	4.88	0.60	10y-EDAU07	71.144
EDAZ07	4.74	0.46	10y-EDAZ07	76.076
EDAH08	4.59	0.31	10y-EDAH08	77.589
EDAM08	4.46	0.19	10y-EDAM08	77.764
EDAU08	4.39	0.12	10y-EDAU08	76.096
EDAZ08	4.36	0.09	10y-EDAZ08	74.804
EDAH09	4.36	0.09	10y-EDAH09	74.804
EDAM09	4.39	0.11	10y-EDAM09	74.804
EDAU09	4.43	0.15	10y-EDAU09	74.804
EDAZ09	4.47	0.20	10y-EDAZ09	74.804
EDAH10	4.50	0.23	10y-EDAH10	65.327

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	0.106	7.79	7.69	10y-EDAM07
EDAU07	0.355	7.79	7.44	10y-EDAU07
EDAZ07	0.605	7.79	7.19	10y-EDAZ07
EDAH08	0.854	7.79	6.94	10y-EDAH08
EDAM08	1.103	7.79	6.69	10y-EDAM08
EDAU08	1.353	7.79	6.44	10y-EDAU08
EDAZ08	1.602	7.79	6.19	10y-EDAZ08
EDAH09	1.851	7.79	5.94	10y-EDAH09
EDAM09	2.101	7.79	5.69	10y-EDAM09
EDAU09	2.350	7.79	5.44	10y-EDAU09
EDAZ09	2.599	7.79	5.19	10y-EDAZ09
EDAH10	2.849	7.79	4.95	10y-EDAH10

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

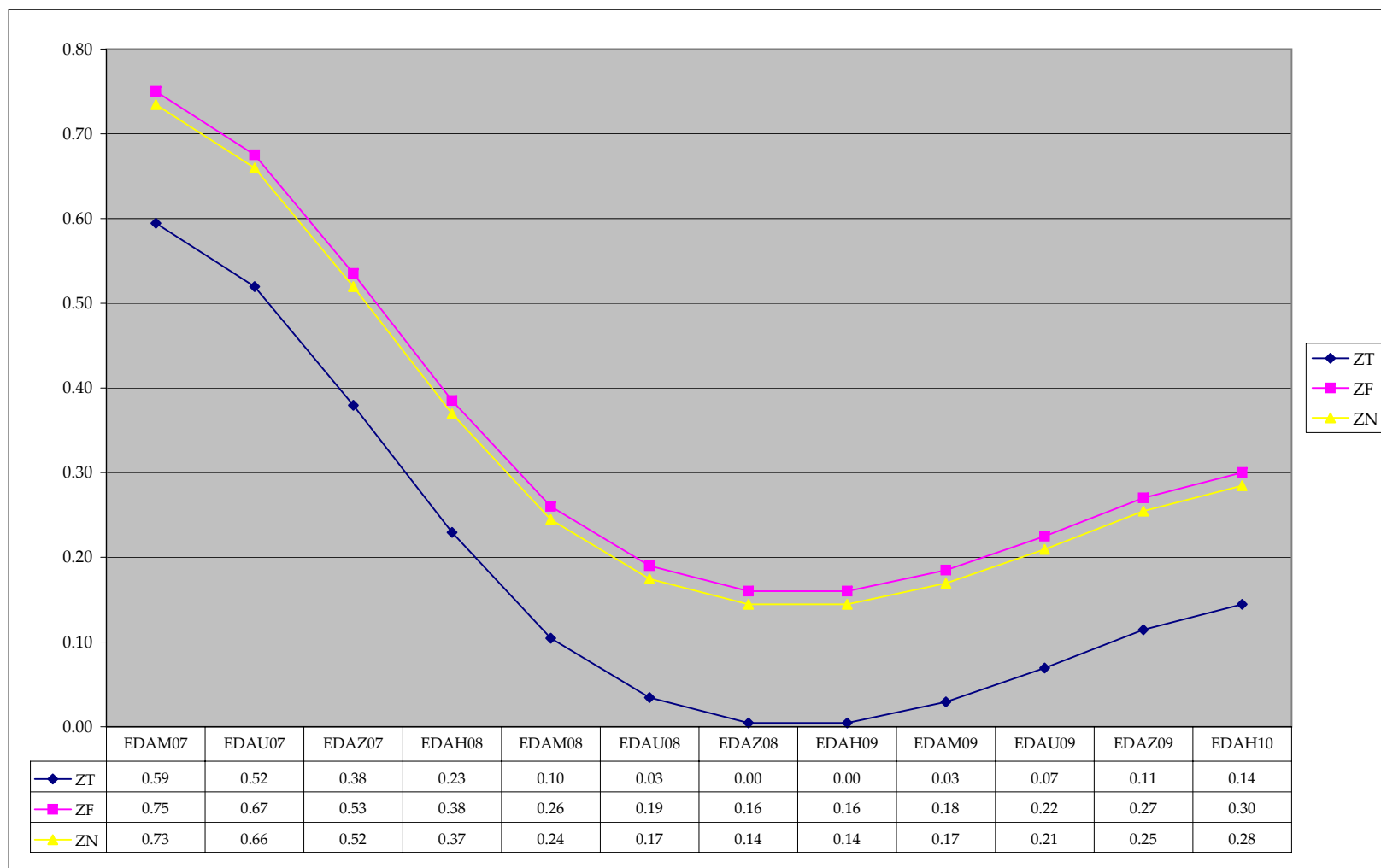


Dirty TED Curve

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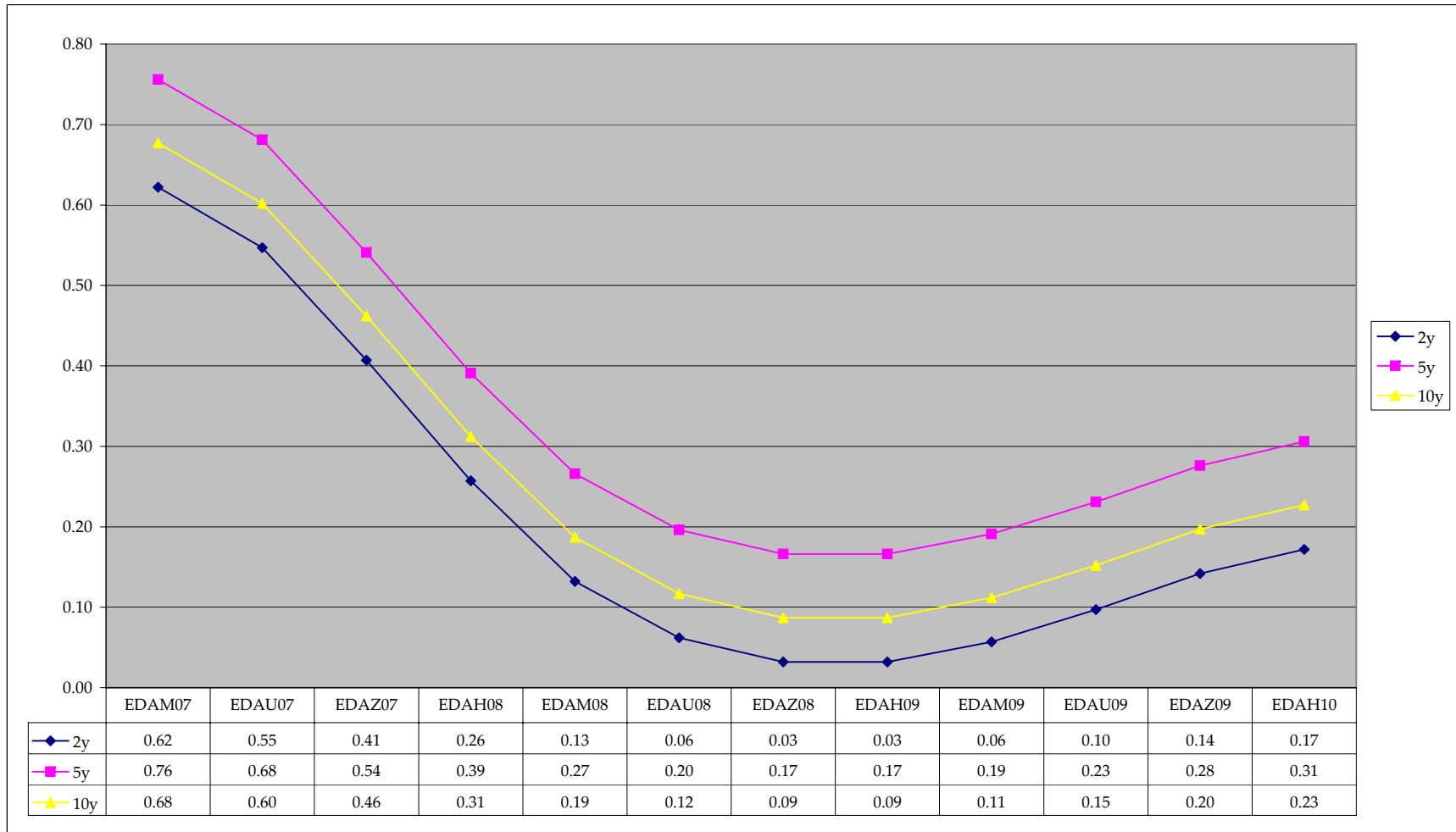
Page 8

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.

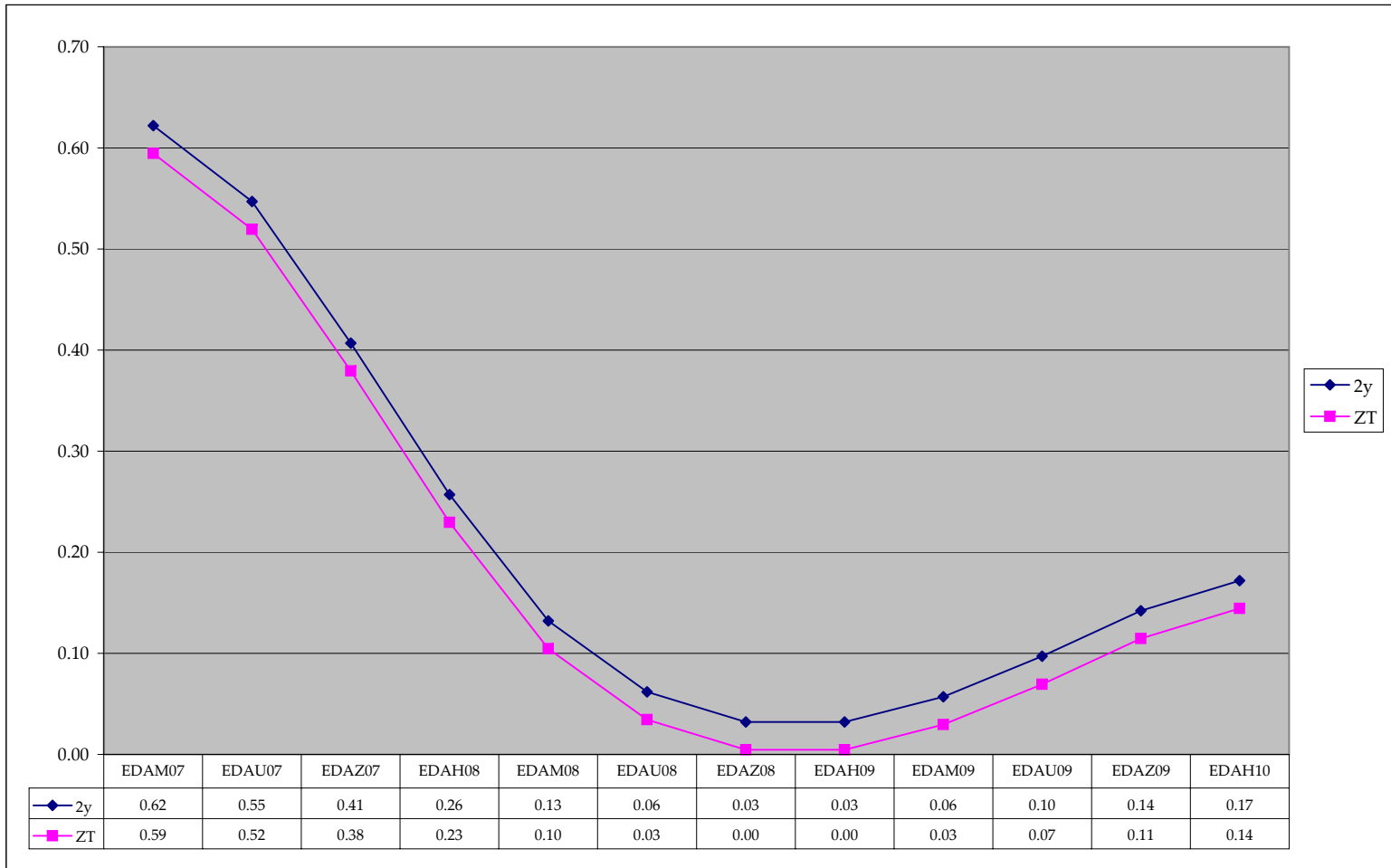


TED Curve

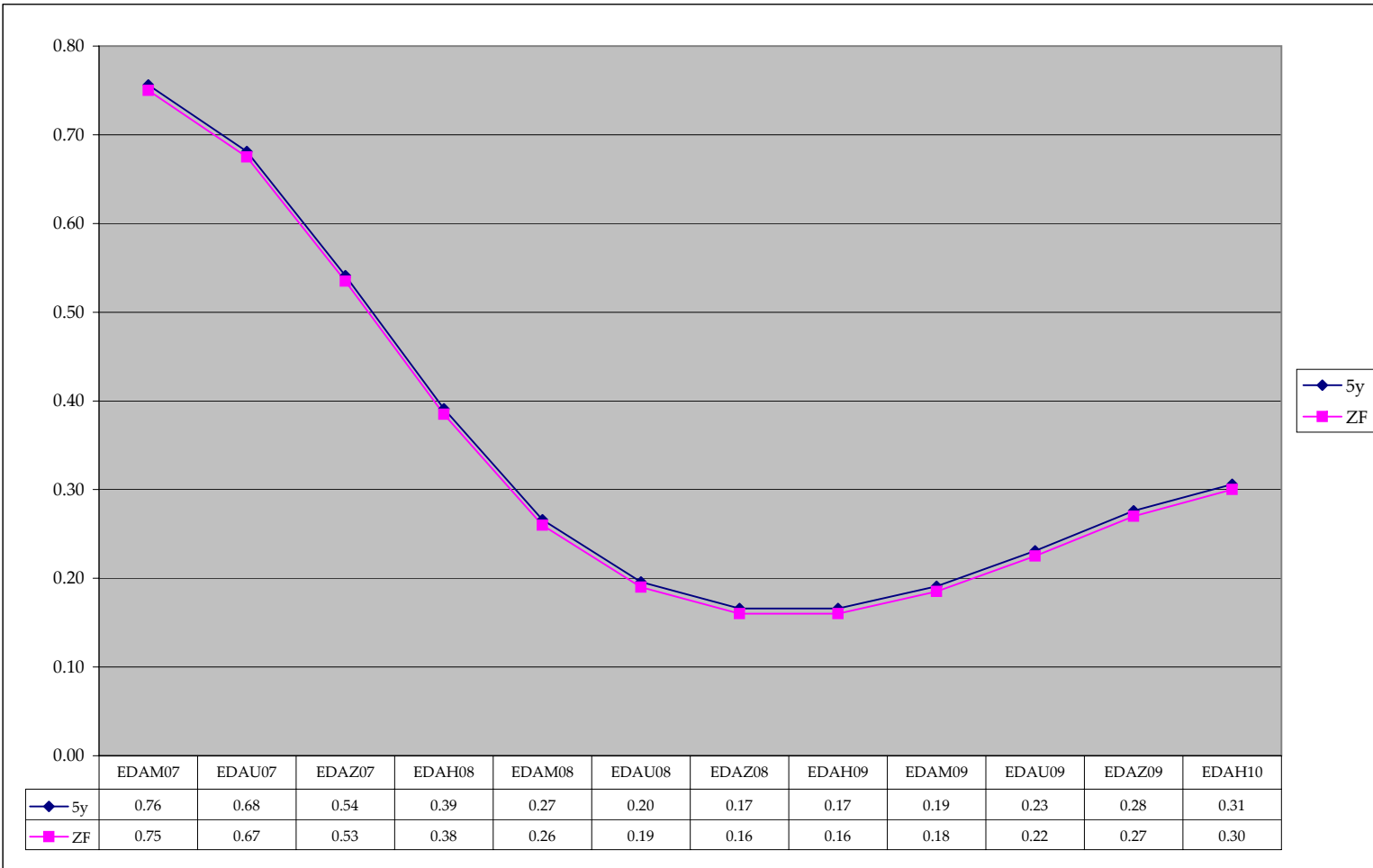
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve

