

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.

Quotes

F.I. Futures and Cash					
	Last Decimal	Last 32	Last Yield*	MDuration	
ZT	104.0625	104.020	3.636	1.89	
ZF	108.3594	108.115	3.859	3.86	
ZN	111.1094	111.035	4.102	5.78	
2y	99.984	99.3150	3.630	1.80	
5y	99.741	99.2370	3.931	4.48	
10y	103.359	103.1150	4.324	7.72	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.160	4.840	40	0.109	DEC	White Pack	
EDAH08	95.610	4.390	131	0.358	MAR		
EDAM08	95.825	4.175	222	0.608	JUN		
EDAU08	95.930	4.070	313	0.857	SEP	Red Pack	
EDAZ08	95.950	4.050	404	1.106	DEC		
EDAH09	95.890	4.110	495	1.356	MAR		
EDAM09	95.780	4.220	586	1.605	JUN	Green Pack	
EDAU09	95.655	4.345	677	1.854	SEP		
EDAZ09	95.540	4.460	768	2.103	DEC		
EDAH10	95.440	4.560	859	2.353	MAR	Blue Pack	
EDAM10	95.355	4.645	950	2.602	JUN		
EDAU10	95.275	4.725	1041	2.851	SEP		
EDAZ10	95.185	4.815	1132	3.101	DEC	Gold Pack	
EDAH11	95.120	4.880	1223	3.350	MAR		
EDAM11	95.050	4.950	1314	3.599	JUN		
EDAU11	94.995	5.005	1412	3.868	SEP		
EDAZ11	94.875	5.125	1503	4.117	DEC		
EDAH12	94.840	5.160	1594	4.366	MAR		
EDAM12	94.750	5.250	1685	4.616	JUN		
EDAU12	94.715	5.285	1776	4.865	SEP		

Notes

Futures use CTD for Last Yield

Mduration = Modified Macaulay Duration

#VALUE! = no quote being provided by exchange.

	Last Yield	Net Yield	Last Price	
Q.ED.White	4.479	3.750	9563.125	Pack Prices
Q.ED.Red	4.284	5.375	9581.875	
Q.ED.Green	4.716	5.375	9540.250	
Q.ED.Blue	5.043	5.250	9508.750	
Q.ED.Gold		0.000	9479.250	

Red pack is a 2yr proxy
 Gold pack is a 10yr proxy
 Red /Gold is a 2/10 proxy
 Blue pack is a 5yr proxy
 Blue/Gold is a 5/10 proxy

Overview of Hedging

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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

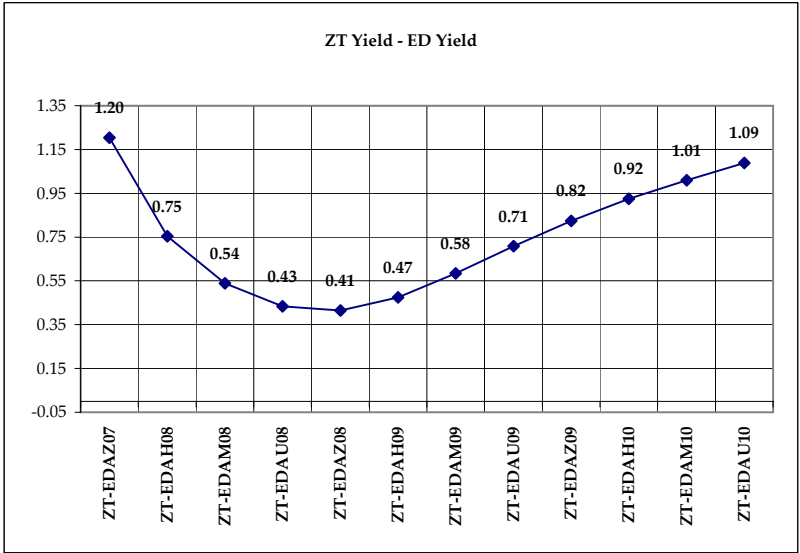
Eurodollar Color Codes for Individual Year Strips:

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

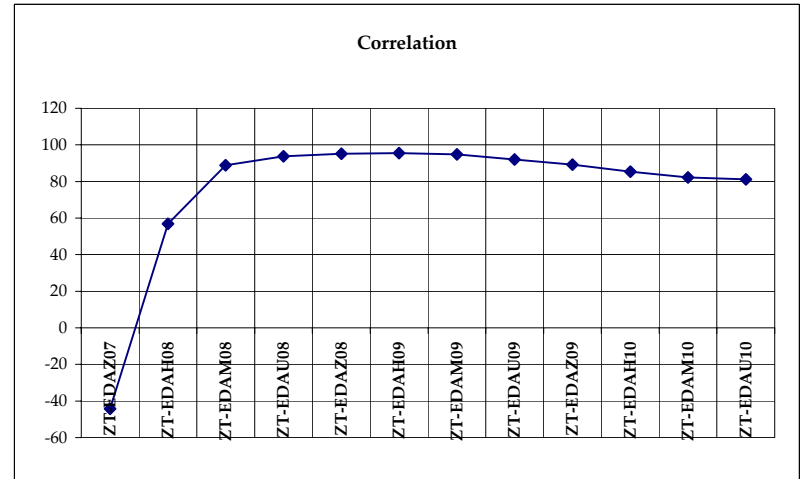
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.902	1.20	ZT-EDAZ07	-44.230
EDAH08	8.452	0.75	ZT-EDAH08	56.918
EDAM08	8.237	0.54	ZT-EDAM08	88.839
EDAU08	8.132	0.43	ZT-EDAU08	93.685
EDAZ08	8.112	0.41	ZT-EDAZ08	95.154
EDAH09	8.172	0.47	ZT-EDAH09	95.585
EDAM09	8.282	0.58	ZT-EDAM09	94.744
EDAU09	8.407	0.71	ZT-EDAU09	91.981
EDAZ09	8.522	0.82	ZT-EDAZ09	89.175
EDAH10	8.622	0.92	ZT-EDAH10	85.361
EDAM10	8.707	1.01	ZT-EDAM10	82.146
EDAU10	8.787	1.09	ZT-EDAU10	81.188

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		
EDAZ07	0.109	1.78	1.89	ZT-EDAZ07
EDAH08	0.358	1.53	1.89	ZT-EDAH08
EDAM08	0.608	1.28	1.89	ZT-EDAM08
EDAU08	0.857	1.03	1.89	ZT-EDAU08
EDAZ08	1.106	0.78	1.89	ZT-EDAZ08
EDAH09	1.356	0.54	1.89	ZT-EDAH09
EDAM09	1.605	0.29	1.89	ZT-EDAM09
EDAU09	1.854	0.04	1.89	ZT-EDAU09
EDAZ09	2.103	(0.21)	1.89	ZT-EDAZ09
EDAH10	2.353	(0.46)	1.89	ZT-EDAH10
EDAM10	2.602	(0.71)	1.89	ZT-EDAM10
EDAU10	2.851	(0.96)	1.89	ZT-EDAU10

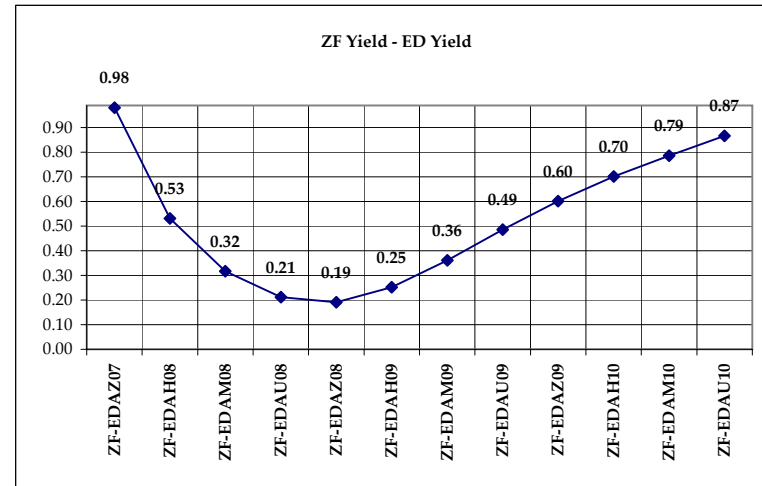
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	13.20	0.98	ZF-EDAZ07	-49.560
EDAH08	12.75	0.53	ZF-EDAH08	51.104
EDAM08	12.53	0.32	ZF-EDAM08	85.473
EDAU08	12.43	0.21	ZF-EDAU08	90.793
EDAZ08	12.41	0.19	ZF-EDAZ08	91.899
EDAH09	12.47	0.25	ZF-EDAH09	92.695
EDAM09	12.58	0.36	ZF-EDAM09	92.360
EDAU09	12.70	0.49	ZF-EDAU09	90.242
EDAZ09	12.82	0.60	ZF-EDAZ09	88.131
EDAH10	12.92	0.70	ZF-EDAH10	84.810
EDAM10	13.00	0.79	ZF-EDAM10	81.841
EDAU10	13.08	0.87	ZF-EDAU10	81.710

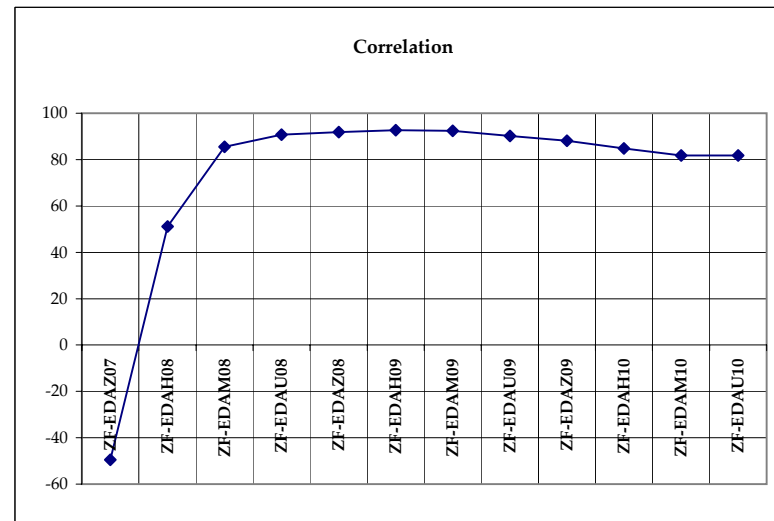
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAZ07	0.109	3.86	ZF-EDAZ07
EDAH08	0.358	3.86	ZF-EDAH08
EDAM08	0.608	3.86	ZF-EDAM08
EDAU08	0.857	3.86	ZF-EDAU08
EDAZ08	1.106	3.86	ZF-EDAZ08
EDAH09	1.356	3.86	ZF-EDAH09
EDAM09	1.605	3.86	ZF-EDAM09
EDAU09	1.854	3.86	ZF-EDAU09
EDAZ09	2.103	3.86	ZF-EDAZ09
EDAH10	2.353	3.86	ZF-EDAH10
EDAM10	2.602	3.86	ZF-EDAM10
EDAU10	2.851	3.86	ZF-EDAU10

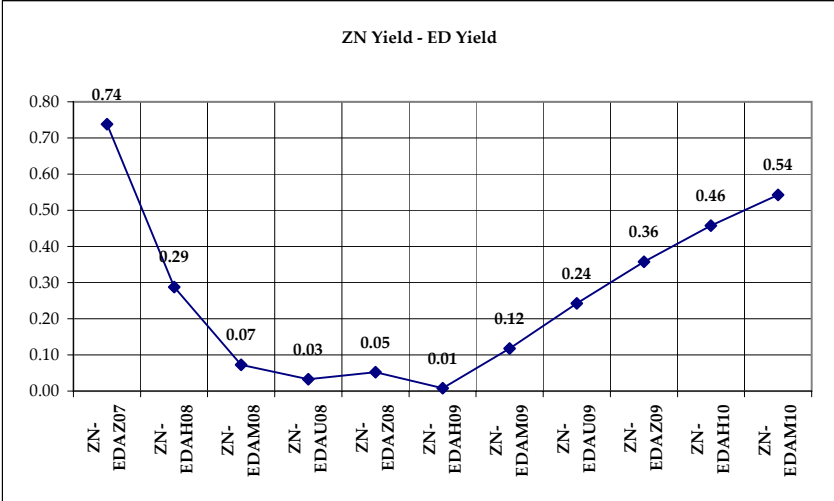
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

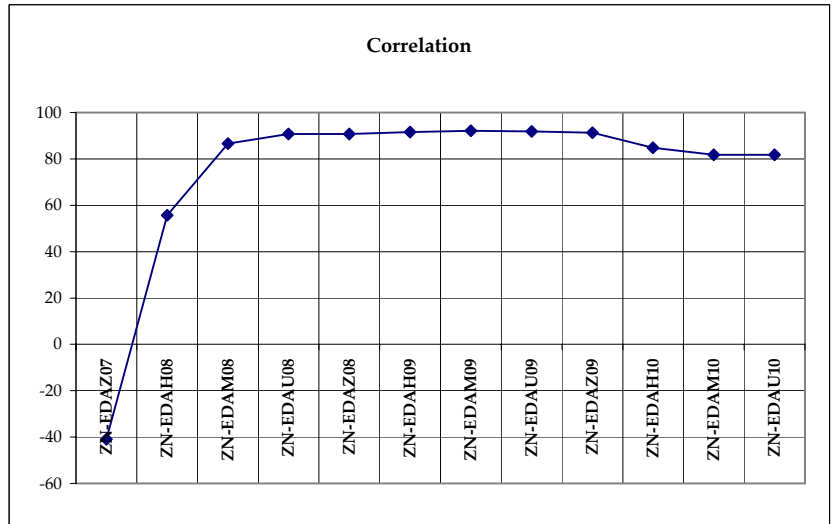
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	15.95	0.74	ZN-EDAZ07	-40.97
EDAH08	15.50	0.29	ZN-EDAH08	55.73
EDAM08	15.28	0.07	ZN-EDAM08	86.66
EDAU08	15.18	0.03	ZN-EDAU08	90.75
EDAZ08	15.16	0.05	ZN-EDAZ08	90.69
EDAH09	15.22	0.01	ZN-EDAH09	91.62
EDAM09	15.33	0.12	ZN-EDAM09	92.07
EDAU09	15.45	0.24	ZN-EDAU09	91.83
EDAZ09	15.57	0.36	ZN-EDAZ09	91.26
EDAH10	15.67	0.46	ZN-EDAH10	84.81
EDAM10	15.75	0.54	ZN-EDAM10	81.84
EDAU10	15.83	0.62	ZN-EDAU10	81.71

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	
EDAZ07	0.109	5.78	5.67	ZN-EDAZ07
EDAH08	0.358	5.78	5.42	ZN-EDAH08
EDAM08	0.608	5.78	5.18	ZN-EDAM08
EDAU08	0.857	5.78	4.93	ZN-EDAU08
EDAZ08	1.106	5.78	4.68	ZN-EDAZ08
EDAH09	1.356	5.78	4.43	ZN-EDAH09
EDAM09	1.605	5.78	4.18	ZN-EDAM09
EDAU09	1.854	5.78	3.93	ZN-EDAU09
EDAZ09	2.103	5.78	3.68	ZN-EDAZ09
EDAH10	2.353	5.78	3.43	ZN-EDAH10
EDAM10	2.602	5.78	3.18	ZN-EDAM10
EDAU10	2.851	5.78	2.93	ZN-EDAU10

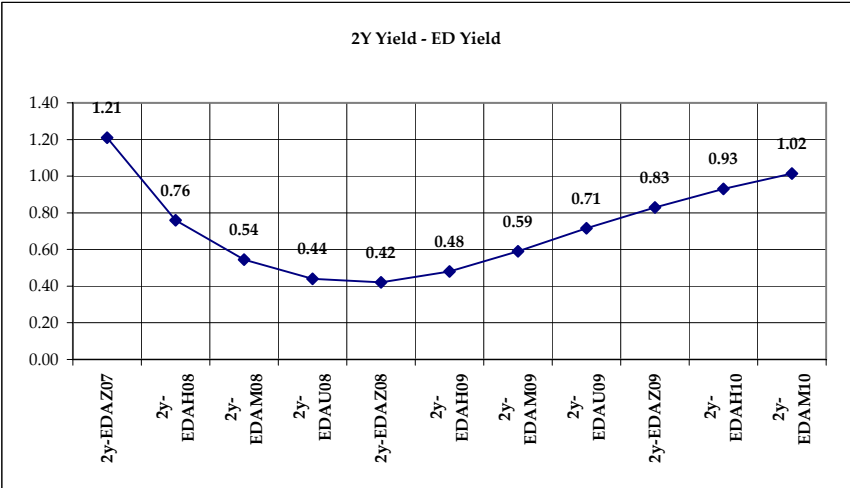
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.82	1.21	2y-EDAZ07	54.776
EDAH08	4.37	0.76	2y-EDAH08	-40.375
EDAM08	4.16	0.54	2y-EDAM08	-77.858
EDAU08	4.05	0.44	2y-EDAU08	-84.261
EDAZ08	4.03	0.42	2y-EDAZ08	-77.858
EDAH09	4.09	0.48	2y-EDAH09	-86.665
EDAM09	4.20	0.59	2y-EDAM09	-85.496
EDAU09	4.33	0.71	2y-EDAU09	-81.968
EDAZ09	4.44	0.83	2y-EDAZ09	-79.091
EDAH10	4.54	0.93	2y-EDAH10	-74.909
EDAM10	4.63	1.02	2y-EDAM10	-72.017
EDAU10	4.71	1.09	2y-EDAU10	-71.940

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.

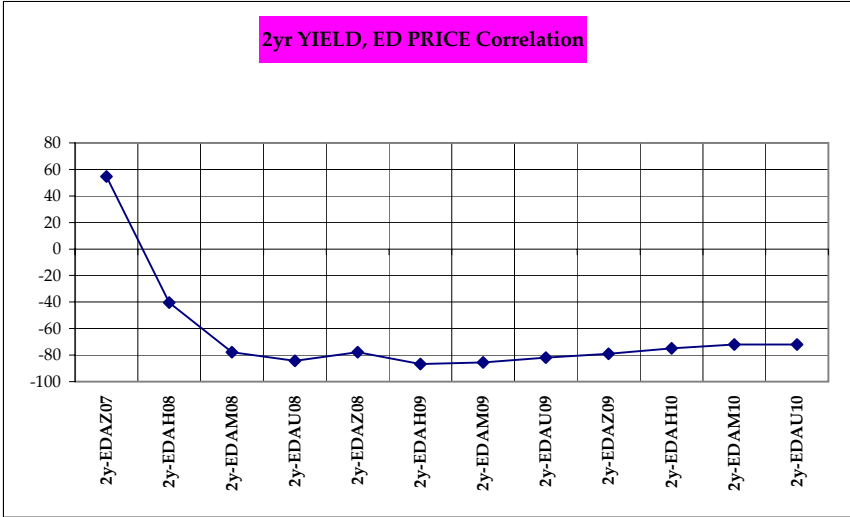


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.109	1.80	1.69
EDAH08	0.358	1.80	1.44
EDAM08	0.608	1.80	1.20
EDAU08	0.857	1.80	0.95
EDAZ08	1.106	1.80	0.70
EDAH09	1.356	1.80	0.45
EDAM09	1.605	1.80	0.20
EDAU09	1.854	1.80	(0.05)
EDAZ09	2.103	1.80	(0.30)
EDAH10	2.353	1.80	(0.55)
EDAM10	2.602	1.80	(0.80)
EDAU10	2.851	1.80	(1.05)

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

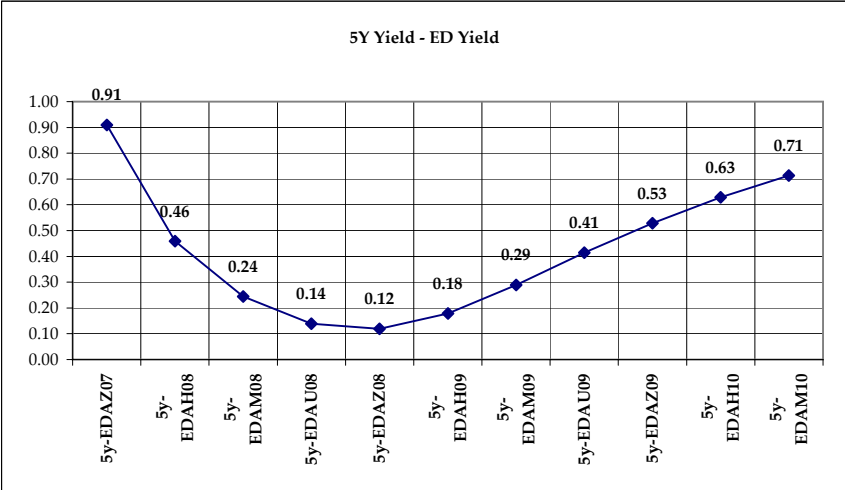
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.58	0.91	5y-EDAZ07	50.295
EDAH08	4.13	0.46	5y-EDAH08	-43.880
EDAM08	3.92	0.24	5y-EDAM08	-80.087
EDAU08	3.81	0.14	5y-EDAU08	-85.750
EDAZ08	3.79	0.12	5y-EDAZ08	-80.087
EDAH09	3.85	0.18	5y-EDAH09	-87.524
EDAM09	3.96	0.29	5y-EDAM09	-87.049
EDAU09	4.09	0.41	5y-EDAU09	-84.798
EDAZ09	4.20	0.53	5y-EDAZ09	-83.150
EDAH10	4.30	0.63	5y-EDAH10	-80.041
EDAM10	4.39	0.71	5y-EDAM10	-77.862
EDAU10	4.47	0.79	5y-EDAU10	-78.291

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.

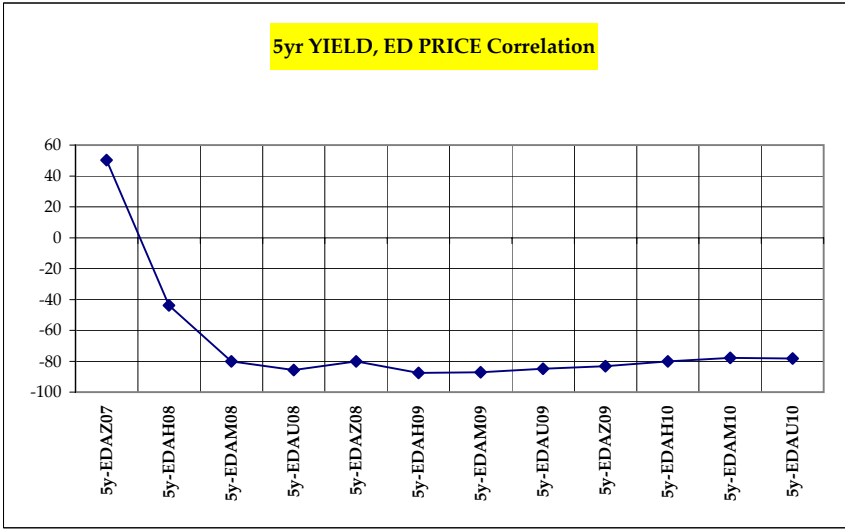


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.109	4.48	4.37	5y-EDAZ07
EDAH08	0.358	4.48	4.12	5y-EDAH08
EDAM08	0.608	4.48	3.88	5y-EDAM08
EDAU08	0.857	4.48	3.63	5y-EDAU08
EDAZ08	1.106	4.48	3.38	5y-EDAZ08
EDAH09	1.356	4.48	3.13	5y-EDAH09
EDAM09	1.605	4.48	2.88	5y-EDAM09
EDAU09	1.854	4.48	2.63	5y-EDAU09
EDAZ09	2.103	4.48	2.38	5y-EDAZ09
EDAH10	2.353	4.48	2.13	5y-EDAH10
EDAM10	2.602	4.48	1.88	5y-EDAM10
EDAU10	2.851	4.48	1.63	5y-EDAU10

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

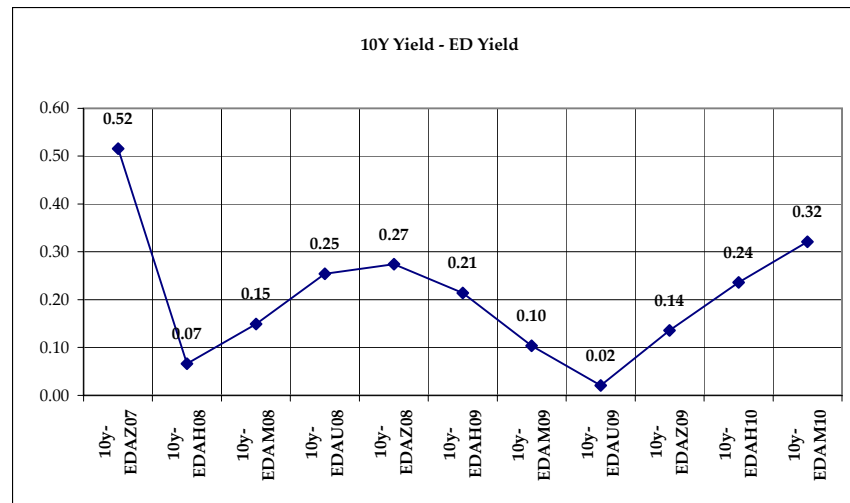
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.58	0.52	10y-EDAZ07	40.722
EDAH08	4.13	0.07	10y-EDAH08	-43.202
EDAM08	3.92	0.15	10y-EDAM08	-75.427
EDAU08	3.81	0.25	10y-EDAU08	-79.717
EDAZ08	3.79	0.27	10y-EDAZ08	-75.427
EDAH09	3.85	0.21	10y-EDAH09	-80.370
EDAM09	3.96	0.10	10y-EDAM09	-80.971
EDAU09	4.09	0.02	10y-EDAU09	-80.951
EDAZ09	4.20	0.14	10y-EDAZ09	-81.418
EDAH10	4.30	0.24	10y-EDAH10	-80.210
EDAM10	4.39	0.32	10y-EDAM10	-79.505
EDAU10	4.47	0.40	10y-EDAU10	-81.031

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.

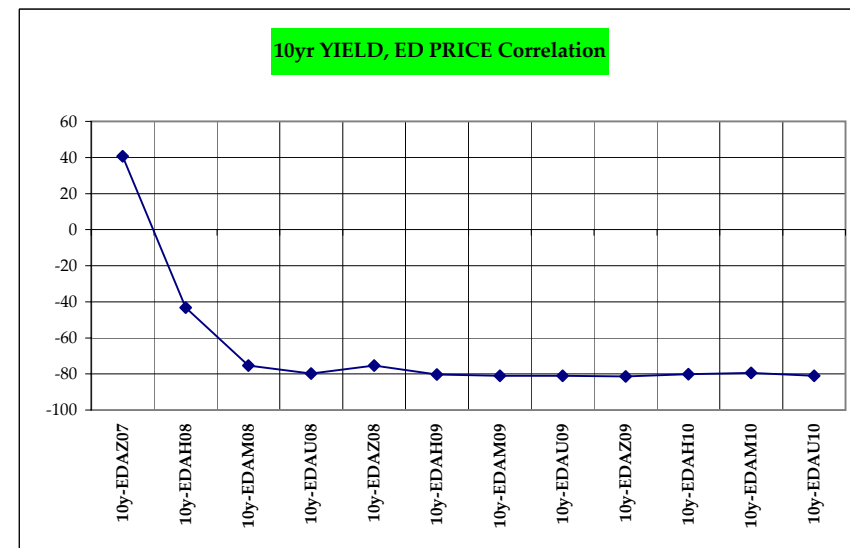


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAZ07	0.109	7.72	7.61	10y-EDAZ07
EDAH08	0.358	7.72	7.36	10y-EDAH08
EDAM08	0.608	7.72	7.11	10y-EDAM08
EDAU08	0.857	7.72	6.86	10y-EDAU08
EDAZ08	1.106	7.72	6.61	10y-EDAZ08
EDAH09	1.356	7.72	6.36	10y-EDAH09
EDAM09	1.605	7.72	6.11	10y-EDAM09
EDAU09	1.854	7.72	5.86	10y-EDAU09
EDAZ09	2.103	7.72	5.61	10y-EDAZ09
EDAH10	2.353	7.72	5.36	10y-EDAH10
EDAM10	2.602	7.72	5.11	10y-EDAM10
EDAU10	2.851	7.72	4.86	10y-EDAU10

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

10yr YIELD, ED PRICE Correlation

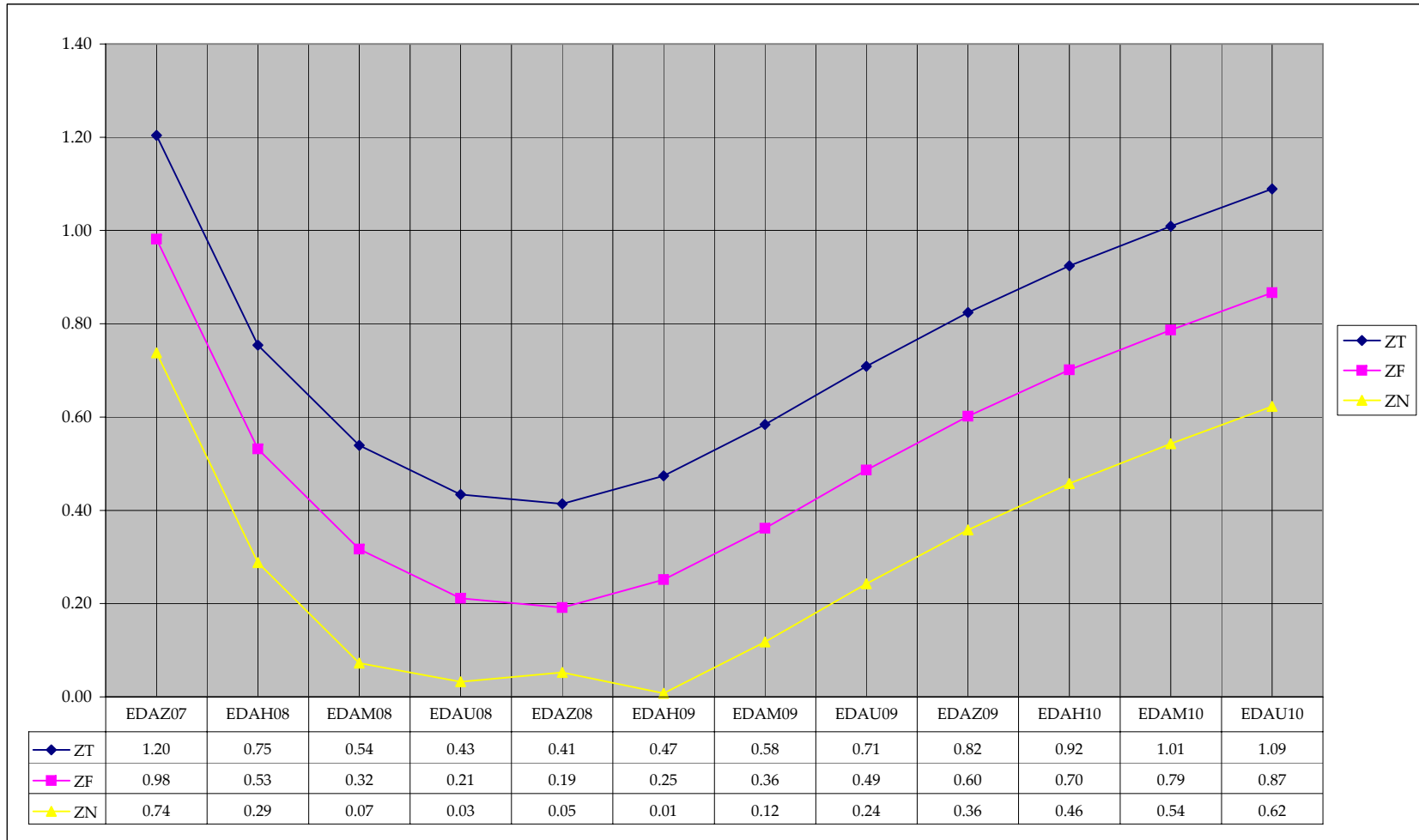


Dirty TED Curve

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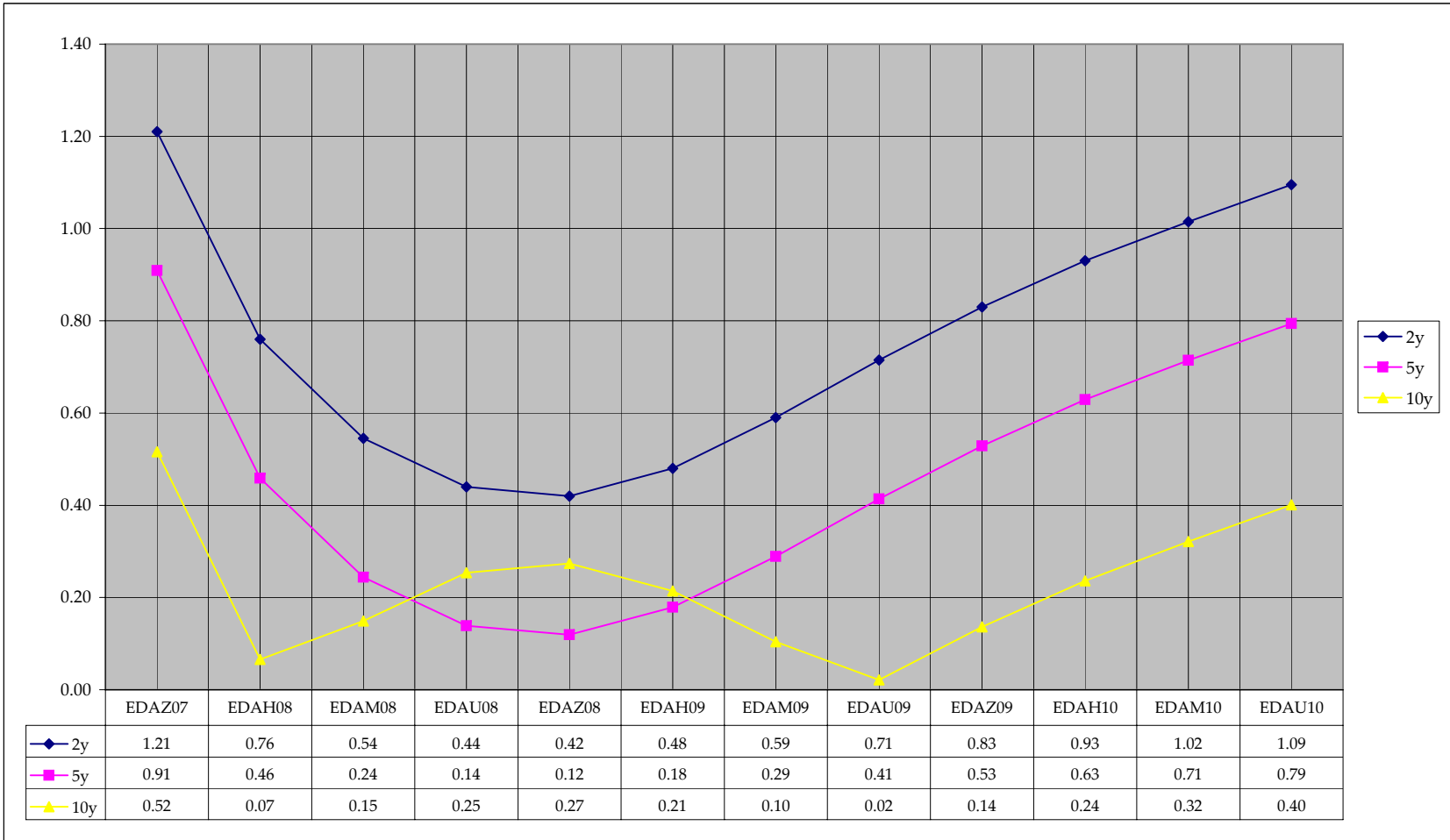
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

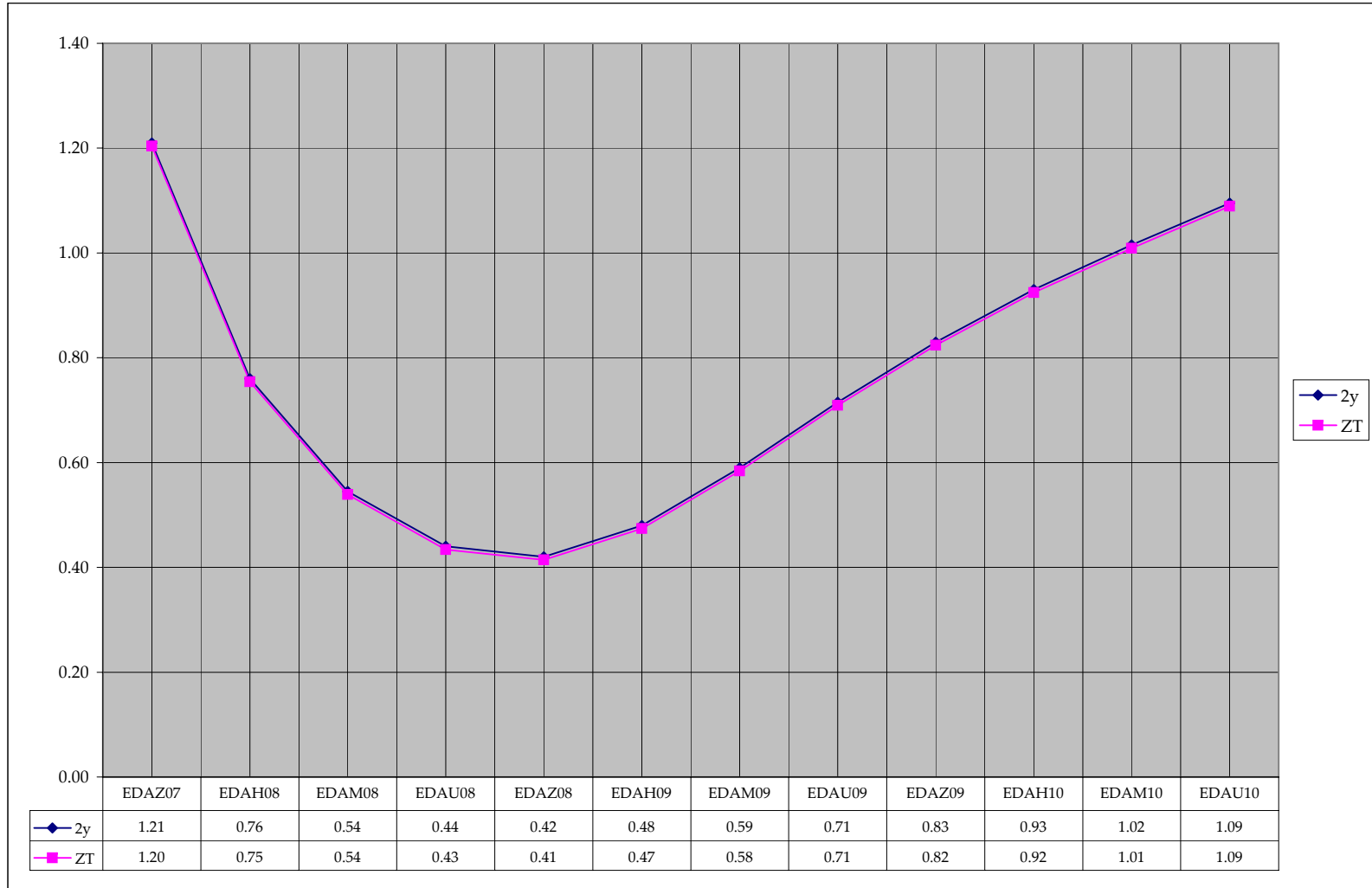


TED Curve

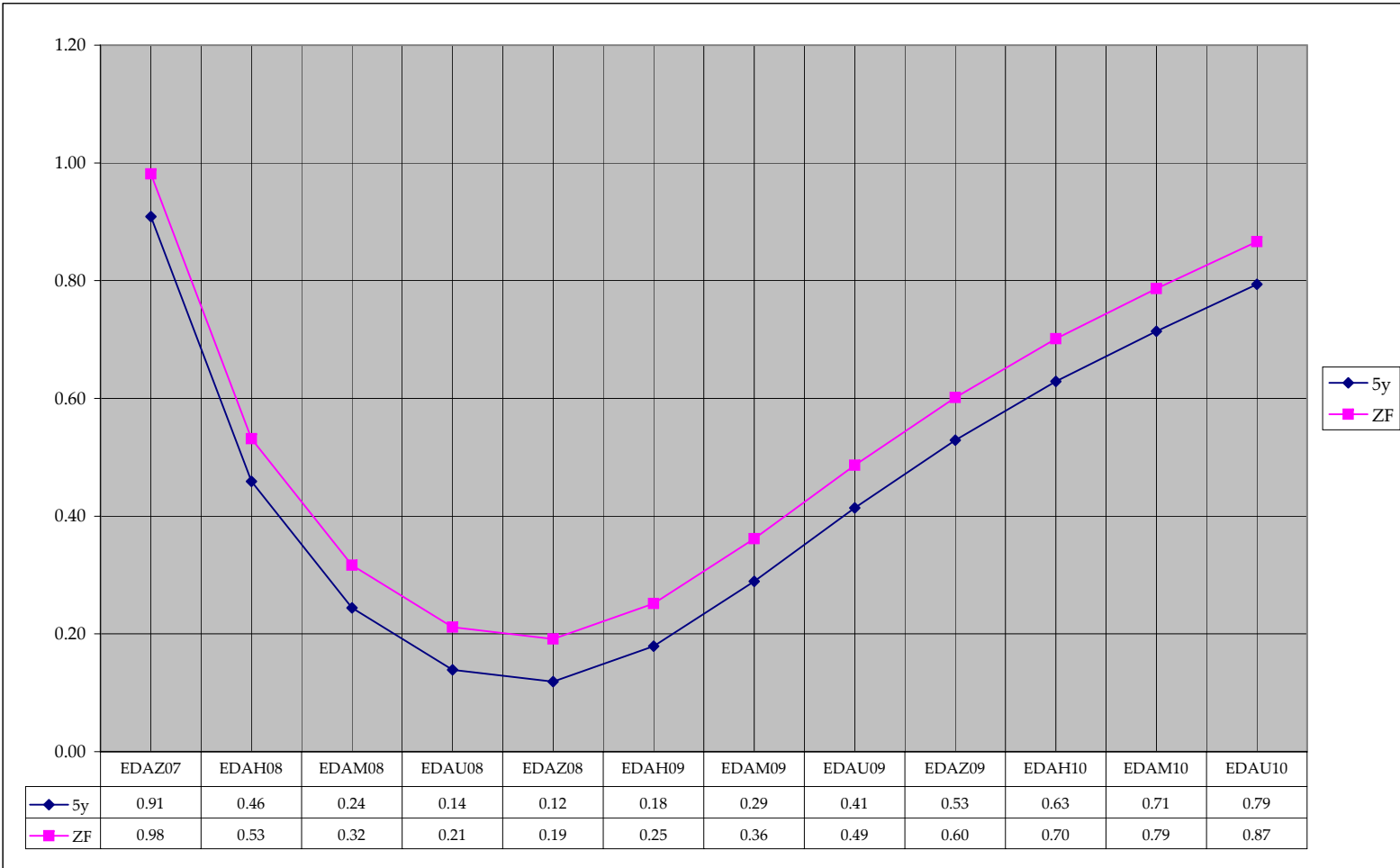
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



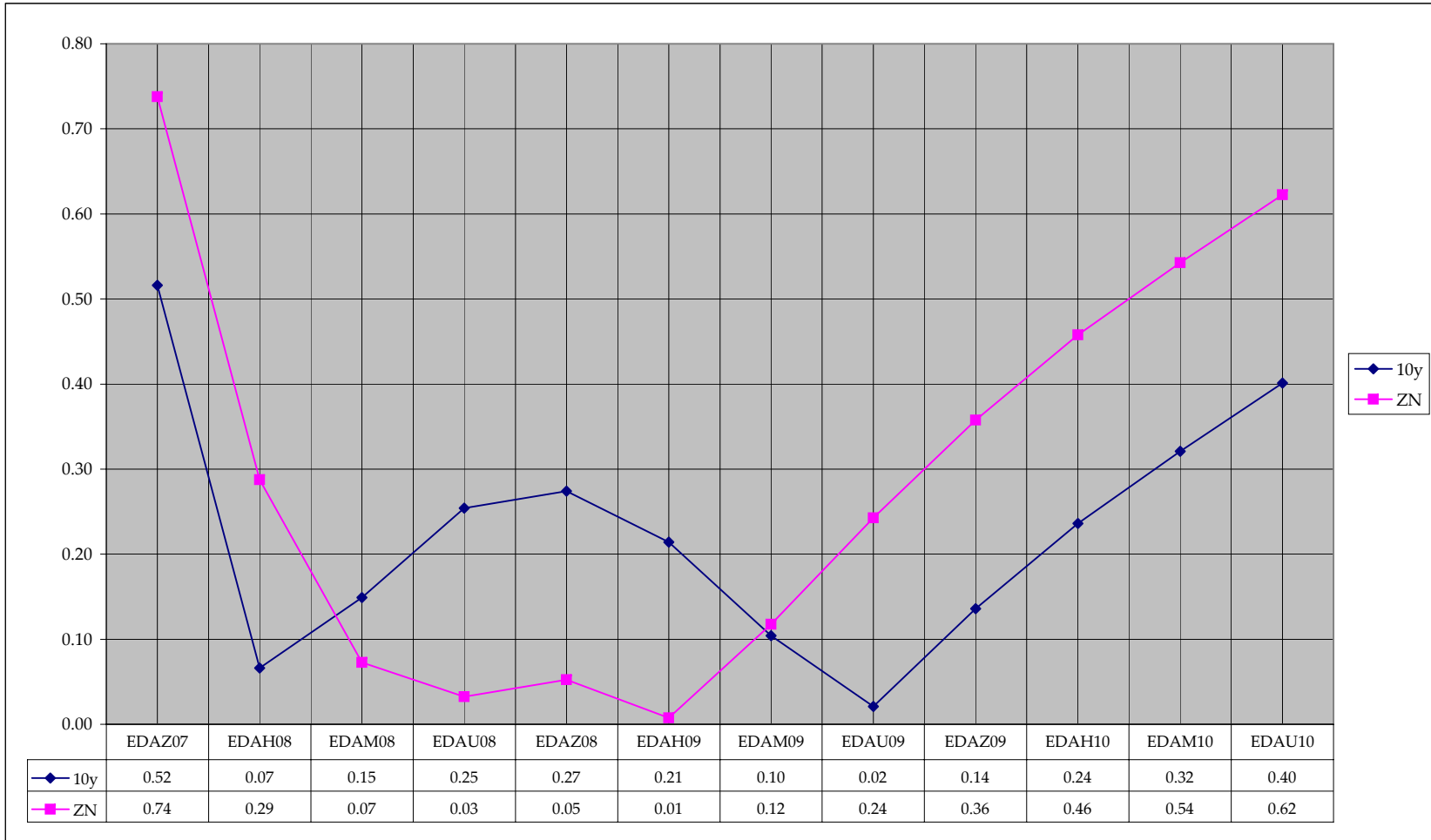
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.479	3.750	9563.125
Q.ED.Red	4.284	5.375	9581.875
Q.ED.Green	4.716	5.375	9540.250
Q.ED.Blue	5.043	5.250	9508.750
Q.ED.Gold		0.000	9479.250

