

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	104.4219	104.135	3.414	1.88	
ZF	109.0156	109.005	3.697	3.85	
ZN	111.8906	111.285	3.983	5.78	
2y	100.391	100.1250	3.410	1.79	
5y	100.516	100.1650	3.760	4.48	
10y	100.063	100.0200	4.240	7.92	

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAZ07	95.285	4.715	38	0.103	DEC	White Pack
EDAH08	95.760	4.240	129	0.353	MAR	
EDAM08	96.005	3.995	220	0.602	JUN	
EDAU08	96.125	3.875	311	0.851	SEP	Red Pack
EDAZ08	96.130	3.870	402	1.101	DEC	
EDAH09	96.050	3.950	493	1.350	MAR	
EDAM09	95.920	4.080	584	1.599	JUN	Green Pack
EDAU09	95.790	4.210	675	1.849	SEP	
EDAZ09	95.660	4.340	766	2.098	DEC	
EDAH10	95.550	4.450	857	2.347	MAR	Blue Pack
EDAM10	95.445	4.555	948	2.597	JUN	
EDAU10	95.330	4.670	1039	2.846	SEP	
EDAZ10	95.200	4.800	1130	3.095	DEC	Gold Pack
EDAH11	95.105	4.895	1221	3.345	MAR	
EDAM11	95.050	4.950	1312	3.594	JUN	
EDAU11	94.945	5.055	1410	3.862	SEP	
EDAZ11	94.895	5.105	1501	4.112	DEC	
EDAH12	94.840	5.160	1592	4.361	MAR	
EDAM12	94.780	5.220	1683	4.610	JUN	
EDAU12	94.725	5.275	1774	4.860	SEP	

	Last Yield	Net Yield	Last Price	
Q.ED.White	4.309	4.250	9579.500	Pack Prices
Q.ED.Red	4.124	5.375	9597.375	
Q.ED.Green	4.618	4.375	9549.625	
Q.ED.Blue	-0.125	-0.125	9508.625	
Q.ED.Gold	0.000	0.000	9480.875	

Notes

Futures use CTD for Last Yield

Mduration = Modified Macaulay Duration

#VALUE! = no quote being provided by exchange.

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

11/9/2007 5:40

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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.

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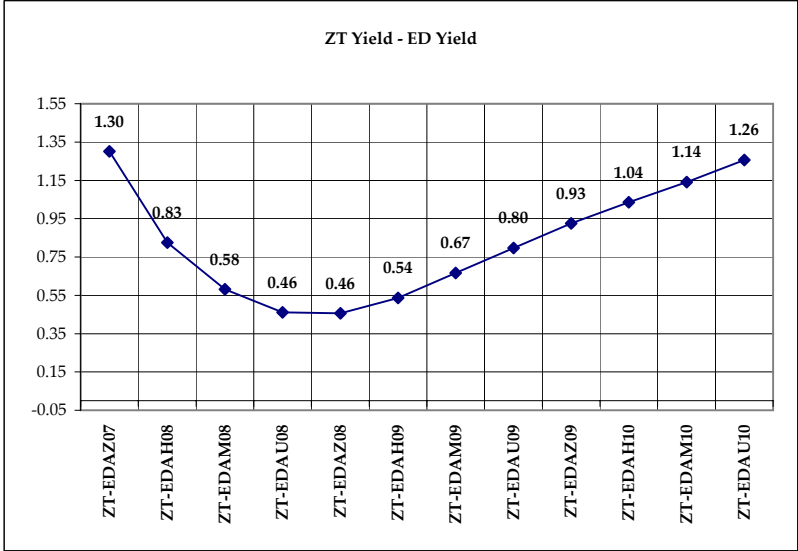
Eurodollar Color Codes for Individual Year Strips:

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

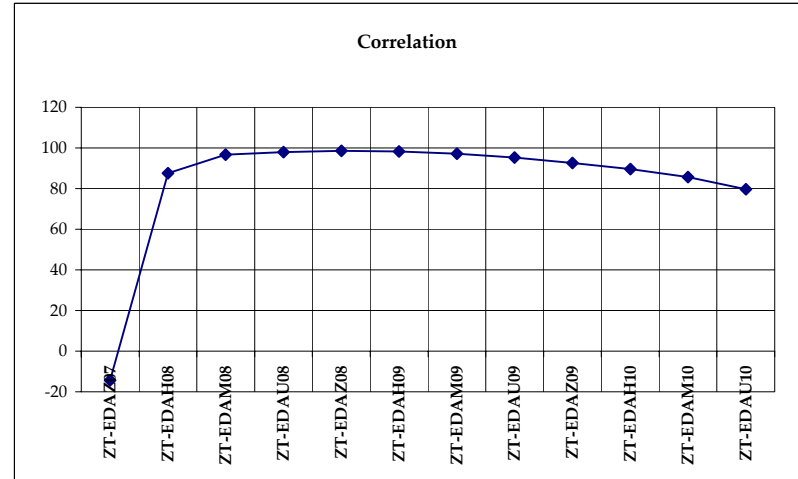
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	9.137	1.30	ZT-EDAZ07	-14.293
EDAH08	8.662	0.83	ZT-EDAH08	87.485
EDAM08	8.417	0.58	ZT-EDAM08	96.632
EDAU08	8.297	0.46	ZT-EDAU08	97.895
EDAZ08	8.292	0.46	ZT-EDAZ08	98.601
EDAH09	8.372	0.54	ZT-EDAH09	98.321
EDAM09	8.502	0.67	ZT-EDAM09	97.199
EDAU09	8.632	0.80	ZT-EDAU09	95.338
EDAZ09	8.762	0.93	ZT-EDAZ09	92.655
EDAH10	8.872	1.04	ZT-EDAH10	89.622
EDAM10	8.977	1.14	ZT-EDAM10	85.661
EDAU10	9.092	1.26	ZT-EDAU10	79.658

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	0.103	1.88	1.78	ZT-EDAZ07
EDAH08	0.353	1.88	1.53	ZT-EDAH08
EDAM08	0.602	1.88	1.28	ZT-EDAM08
EDAU08	0.851	1.88	1.03	ZT-EDAU08
EDAZ08	1.101	1.88	0.78	ZT-EDAZ08
EDAH09	1.350	1.88	0.53	ZT-EDAH09
EDAM09	1.599	1.88	0.28	ZT-EDAM09
EDAU09	1.849	1.88	0.03	ZT-EDAU09
EDAZ09	2.098	1.88	(0.22)	ZT-EDAZ09
EDAH10	2.347	1.88	(0.47)	ZT-EDAH10
EDAM10	2.597	1.88	(0.71)	ZT-EDAM10
EDAU10	2.846	1.88	(0.96)	ZT-EDAU10

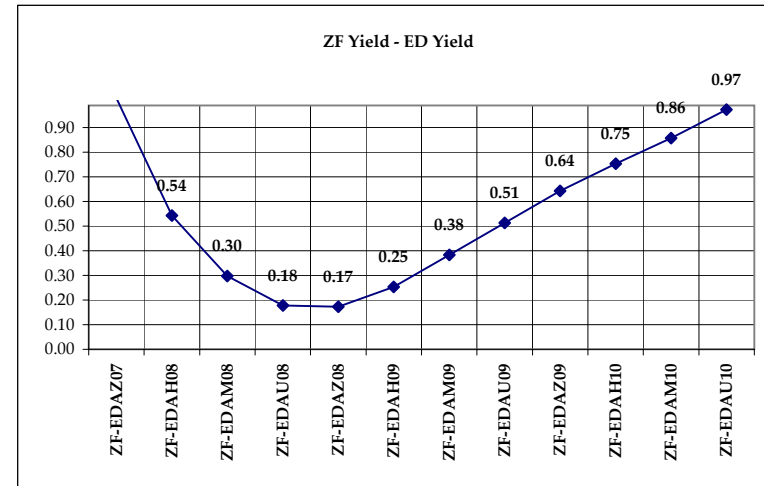
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	13.73	1.02	ZF-EDAZ07	-15.595
EDAH08	13.26	0.54	ZF-EDAH08	88.027
EDAM08	13.01	0.30	ZF-EDAM08	96.847
EDAU08	12.89	0.18	ZF-EDAU08	98.079
EDAZ08	12.89	0.17	ZF-EDAZ08	98.698
EDAH09	12.97	0.25	ZF-EDAH09	98.644
EDAM09	13.10	0.38	ZF-EDAM09	98.171
EDAU09	13.23	0.51	ZF-EDAU09	96.956
EDAZ09	13.36	0.64	ZF-EDAZ09	94.939
EDAH10	13.47	0.75	ZF-EDAH10	92.527
EDAM10	13.57	0.86	ZF-EDAM10	89.190
EDAU10	13.69	0.97	ZF-EDAU10	84.271

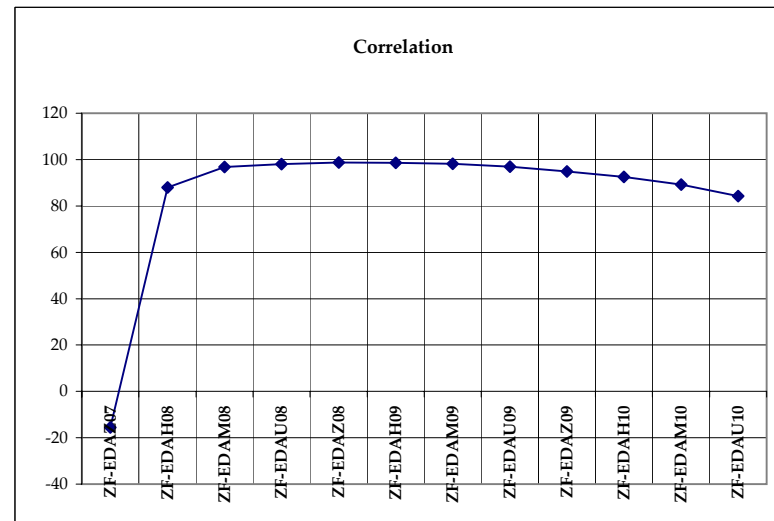
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAZ07	0.103	3.85	ZF-EDAZ07
EDAH08	0.353	3.85	ZF-EDAH08
EDAM08	0.602	3.85	ZF-EDAM08
EDAU08	0.851	3.85	ZF-EDAU08
EDAZ08	1.101	3.85	ZF-EDAZ08
EDAH09	1.350	3.85	ZF-EDAH09
EDAM09	1.599	3.85	ZF-EDAM09
EDAU09	1.849	3.85	ZF-EDAU09
EDAZ09	2.098	3.85	ZF-EDAZ09
EDAH10	2.347	3.85	ZF-EDAH10
EDAM10	2.597	3.85	ZF-EDAM10
EDAU10	2.846	3.85	ZF-EDAU10

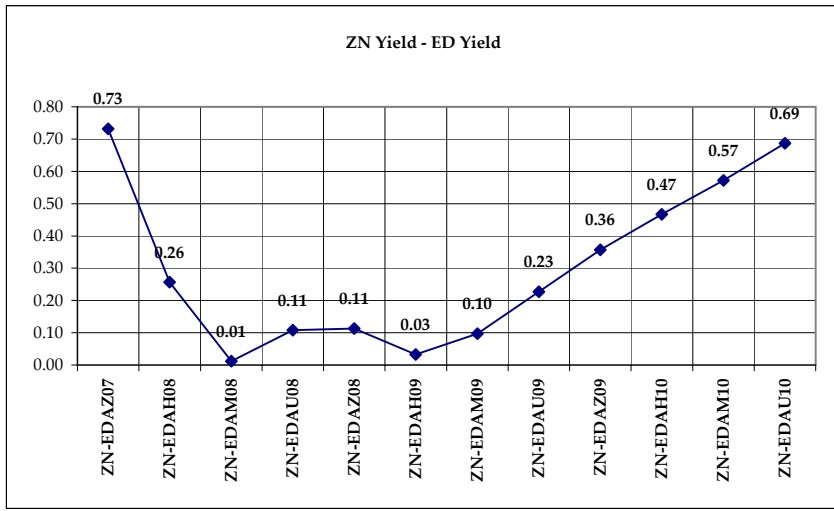
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

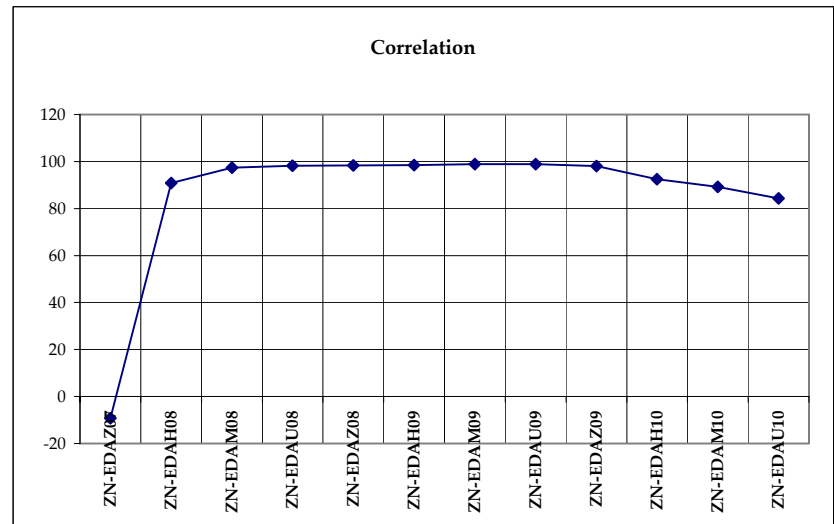
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	16.61	0.73	ZN-EDAZ07	-9.30
EDAH08	16.13	0.26	ZN-EDAH08	90.84
EDAM08	15.89	0.01	ZN-EDAM08	97.44
EDAU08	15.77	0.11	ZN-EDAU08	98.16
EDAZ08	15.76	0.11	ZN-EDAZ08	98.29
EDAH09	15.84	0.03	ZN-EDAH09	98.52
EDAM09	15.97	0.10	ZN-EDAM09	98.91
EDAU09	16.10	0.23	ZN-EDAU09	98.84
EDAZ09	16.23	0.36	ZN-EDAZ09	98.08
EDAH10	16.34	0.47	ZN-EDAH10	92.53
EDAM10	16.45	0.57	ZN-EDAM10	89.19
EDAU10	16.56	0.69	ZN-EDAU10	84.27

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	0.103	5.78	5.68	ZN-EDAZ07
EDAH08	0.353	5.78	5.43	ZN-EDAH08
EDAM08	0.602	5.78	5.18	ZN-EDAM08
EDAU08	0.851	5.78	4.93	ZN-EDAU08
EDAZ08	1.101	5.78	4.68	ZN-EDAZ08
EDAH09	1.350	5.78	4.43	ZN-EDAH09
EDAM09	1.599	5.78	4.18	ZN-EDAM09
EDAU09	1.849	5.78	3.93	ZN-EDAU09
EDAZ09	2.098	5.78	3.68	ZN-EDAZ09
EDAH10	2.347	5.78	3.43	ZN-EDAH10
EDAM10	2.597	5.78	3.18	ZN-EDAM10
EDAU10	2.846	5.78	2.93	ZN-EDAU10

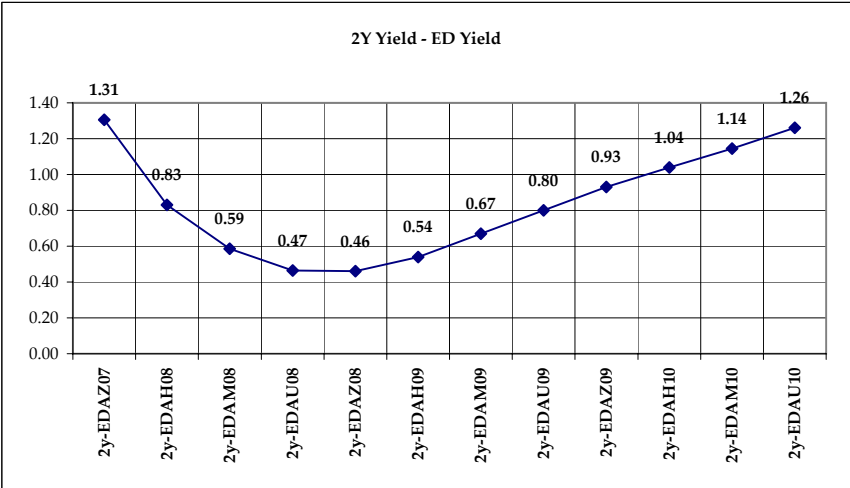
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.11	1.31	2y-EDAZ07	14.122
EDAH08	4.63	0.83	2y-EDAH08	-82.814
EDAM08	4.39	0.59	2y-EDAM08	-93.290
EDAU08	4.27	0.47	2y-EDAU08	-94.896
EDAZ08	4.26	0.46	2y-EDAZ08	-93.290
EDAH09	4.34	0.54	2y-EDAH09	-95.303
EDAM09	4.47	0.67	2y-EDAM09	-93.604
EDAU09	4.60	0.80	2y-EDAU09	-91.304
EDAZ09	4.73	0.93	2y-EDAZ09	-88.260
EDAH10	4.84	1.04	2y-EDAH10	-84.884
EDAM10	4.95	1.14	2y-EDAM10	-80.699
EDAU10	5.06	1.26	2y-EDAU10	-74.147

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.

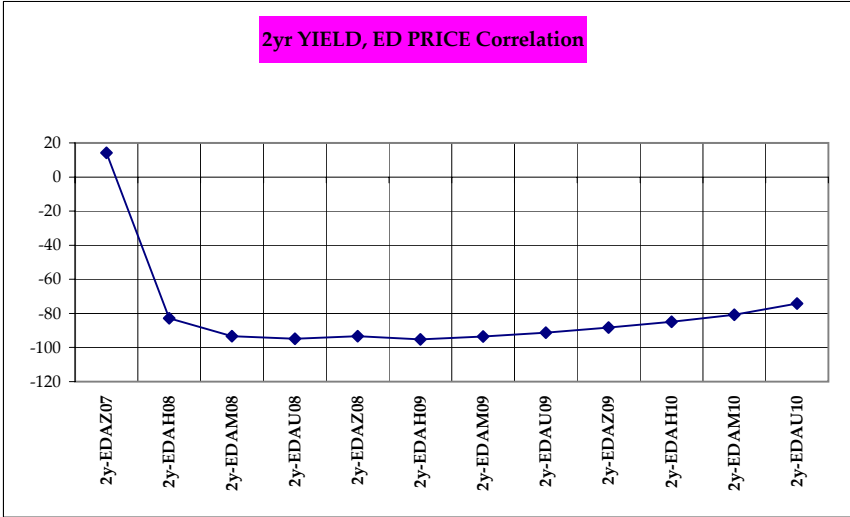


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.103	1.79	2y-EDAZ07
EDAH08	0.353	1.79	2y-EDAH08
EDAM08	0.602	1.79	2y-EDAM08
EDAU08	0.851	1.79	2y-EDAU08
EDAZ08	1.101	1.79	2y-EDAZ08
EDAH09	1.350	1.79	2y-EDAH09
EDAM09	1.599	1.79	2y-EDAM09
EDAU09	1.849	1.79	2y-EDAU09
EDAZ09	2.098	1.79	2y-EDAZ09
EDAH10	2.347	1.79	2y-EDAH10
EDAM10	2.597	1.79	2y-EDAM10
EDAU10	2.846	1.79	2y-EDAU10

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

2yr YIELD, ED PRICE Correlation



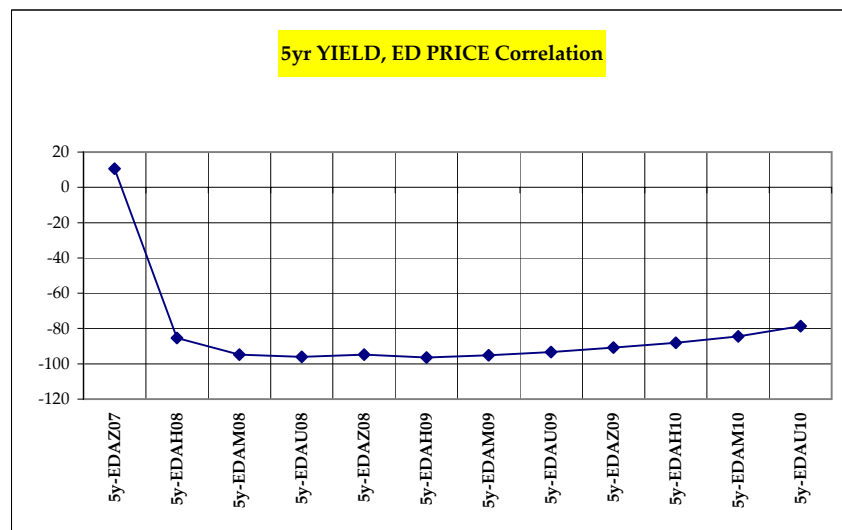
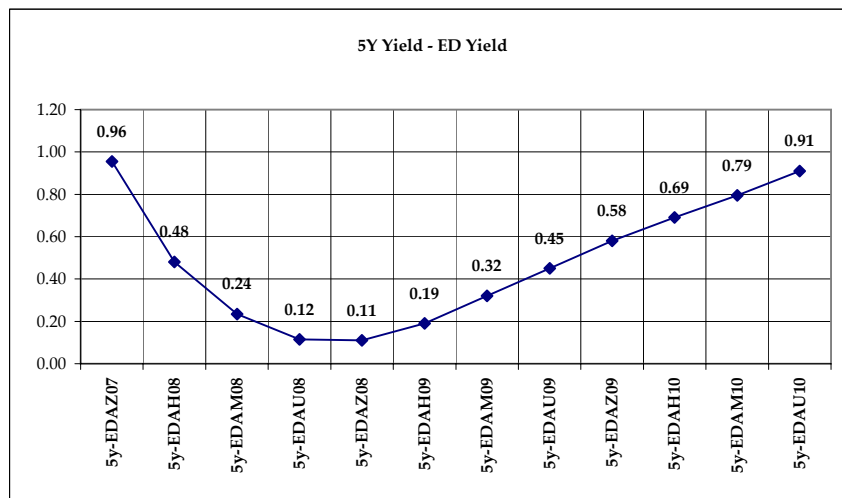
TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.23	0.96	5y-EDAZ07	10.632
EDAH08	4.76	0.48	5y-EDAH08	-85.362
EDAM08	4.51	0.24	5y-EDAM08	-94.702
EDAU08	4.39	0.12	5y-EDAU08	-96.002
EDAZ08	4.39	0.11	5y-EDAZ08	-94.702
EDAH09	4.47	0.19	5y-EDAH09	-96.335
EDAM09	4.60	0.32	5y-EDAM09	-95.111
EDAU09	4.73	0.45	5y-EDAU09	-93.347
EDAZ09	4.86	0.58	5y-EDAZ09	-90.868
EDAH10	4.97	0.69	5y-EDAH10	-88.040
EDAM10	5.07	0.79	5y-EDAM10	-84.432
EDAU10	5.19	0.91	5y-EDAU10	-78.604

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	0.103	4.48	4.37	5y-EDAZ07
EDAH08	0.353	4.48	4.12	5y-EDAH08
EDAM08	0.602	4.48	3.88	5y-EDAM08
EDAU08	0.851	4.48	3.63	5y-EDAU08
EDAZ08	1.101	4.48	3.38	5y-EDAZ08
EDAH09	1.350	4.48	3.13	5y-EDAH09
EDAM09	1.599	4.48	2.88	5y-EDAM09
EDAU09	1.849	4.48	2.63	5y-EDAU09
EDAZ09	2.098	4.48	2.38	5y-EDAZ09
EDAH10	2.347	4.48	2.13	5y-EDAH10
EDAM10	2.597	4.48	1.88	5y-EDAM10
EDAU10	2.846	4.48	1.63	5y-EDAU10

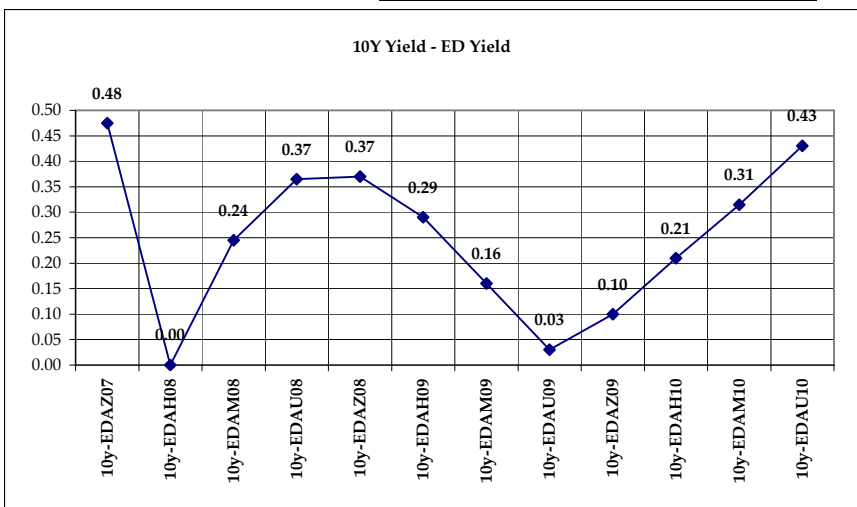
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

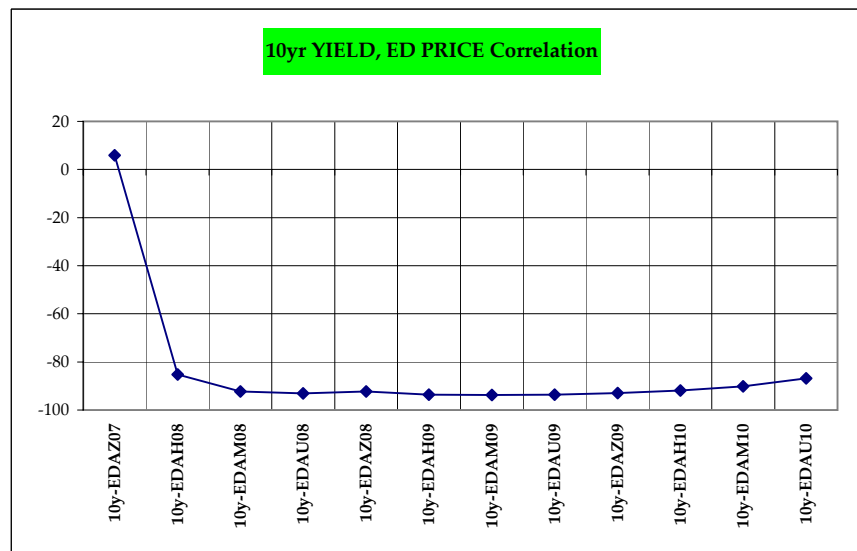
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.23	0.48	10y-EDAZ07	5.914
EDAH08	4.76	0.00	10y-EDAH08	-85.234
EDAM08	4.51	0.24	10y-EDAM08	-92.296
EDAU08	4.39	0.37	10y-EDAU08	-93.140
EDAZ08	4.39	0.37	10y-EDAZ08	-92.296
EDAH09	4.47	0.29	10y-EDAH09	-93.562
EDAM09	4.60	0.16	10y-EDAM09	-93.730
EDAU09	4.73	0.03	10y-EDAU09	-93.619
EDAZ09	4.86	0.10	10y-EDAZ09	-92.959
EDAH10	4.97	0.21	10y-EDAH10	-91.833
EDAM10	5.07	0.31	10y-EDAM10	-90.095
EDAU10	5.19	0.43	10y-EDAU10	-86.840

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	0.103	7.92	7.82	10y-EDAZ07
EDAH08	0.353	7.92	7.57	10y-EDAH08
EDAM08	0.602	7.92	7.32	10y-EDAM08
EDAU08	0.851	7.92	7.07	10y-EDAU08
EDAZ08	1.101	7.92	6.82	10y-EDAZ08
EDAH09	1.350	7.92	6.57	10y-EDAH09
EDAM09	1.599	7.92	6.32	10y-EDAM09
EDAU09	1.849	7.92	6.07	10y-EDAU09
EDAZ09	2.098	7.92	5.82	10y-EDAZ09
EDAH10	2.347	7.92	5.57	10y-EDAH10
EDAM10	2.597	7.92	5.32	10y-EDAM10
EDAU10	2.846	7.92	5.07	10y-EDAU10

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

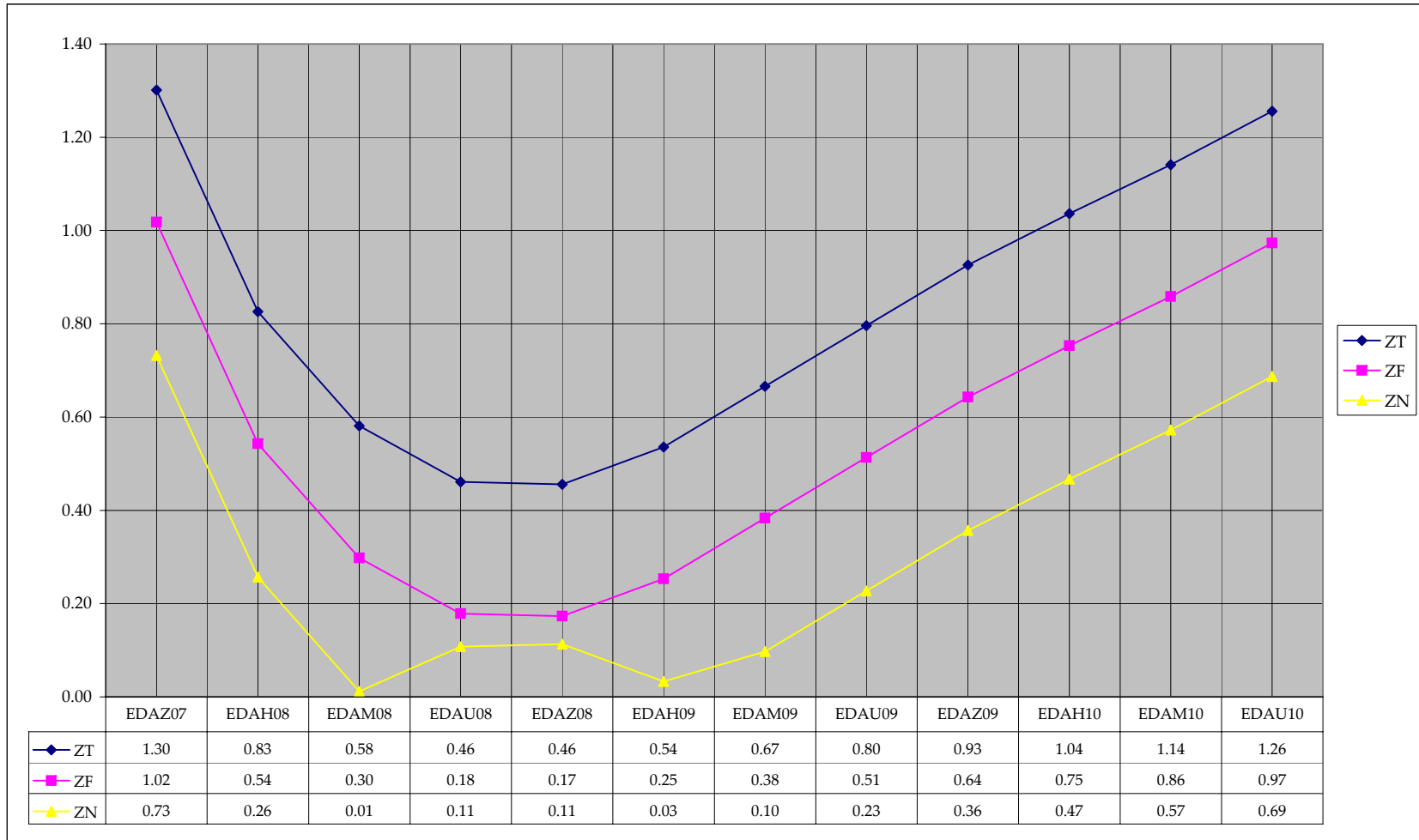


Dirty TED Curve

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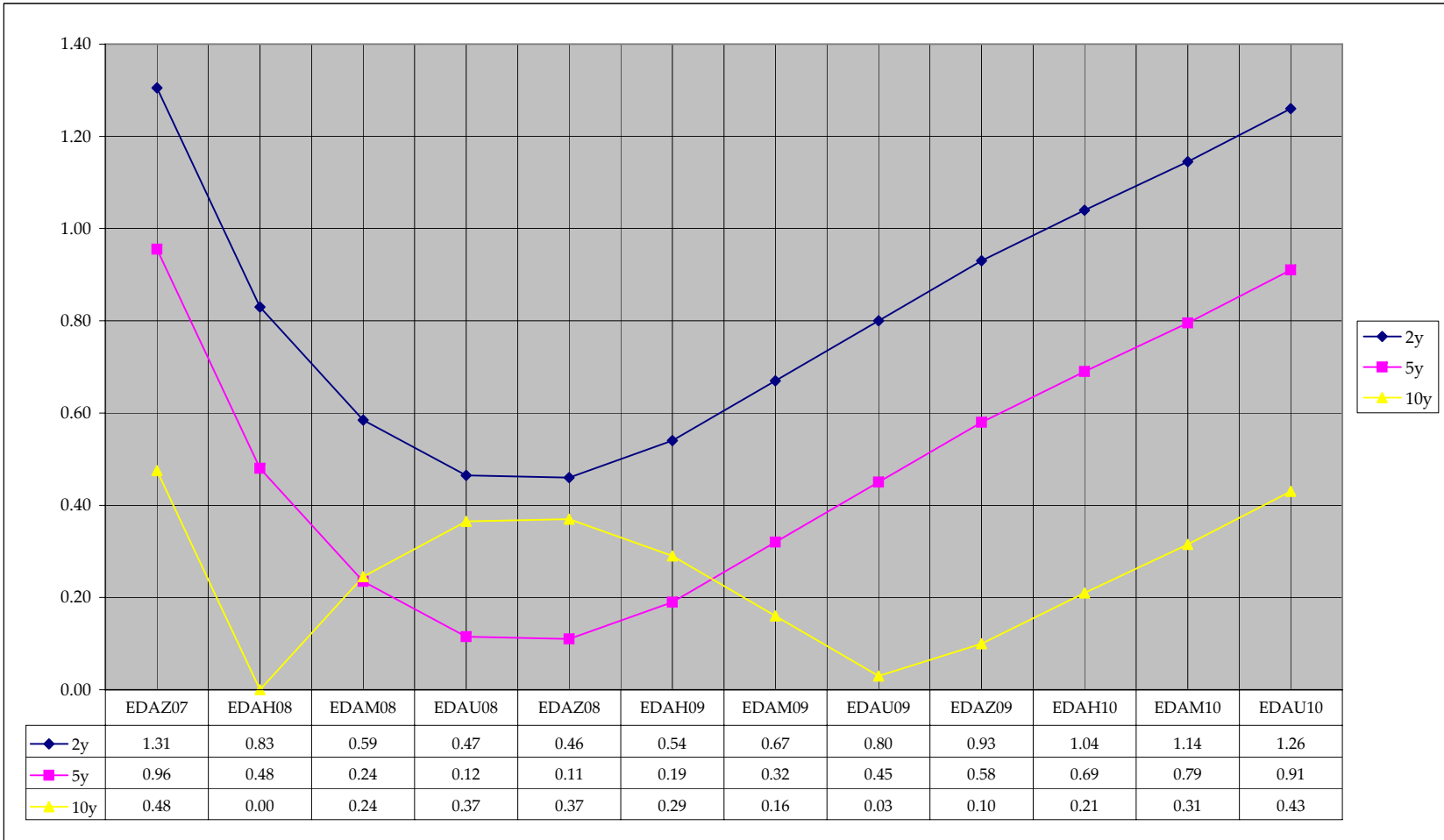
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

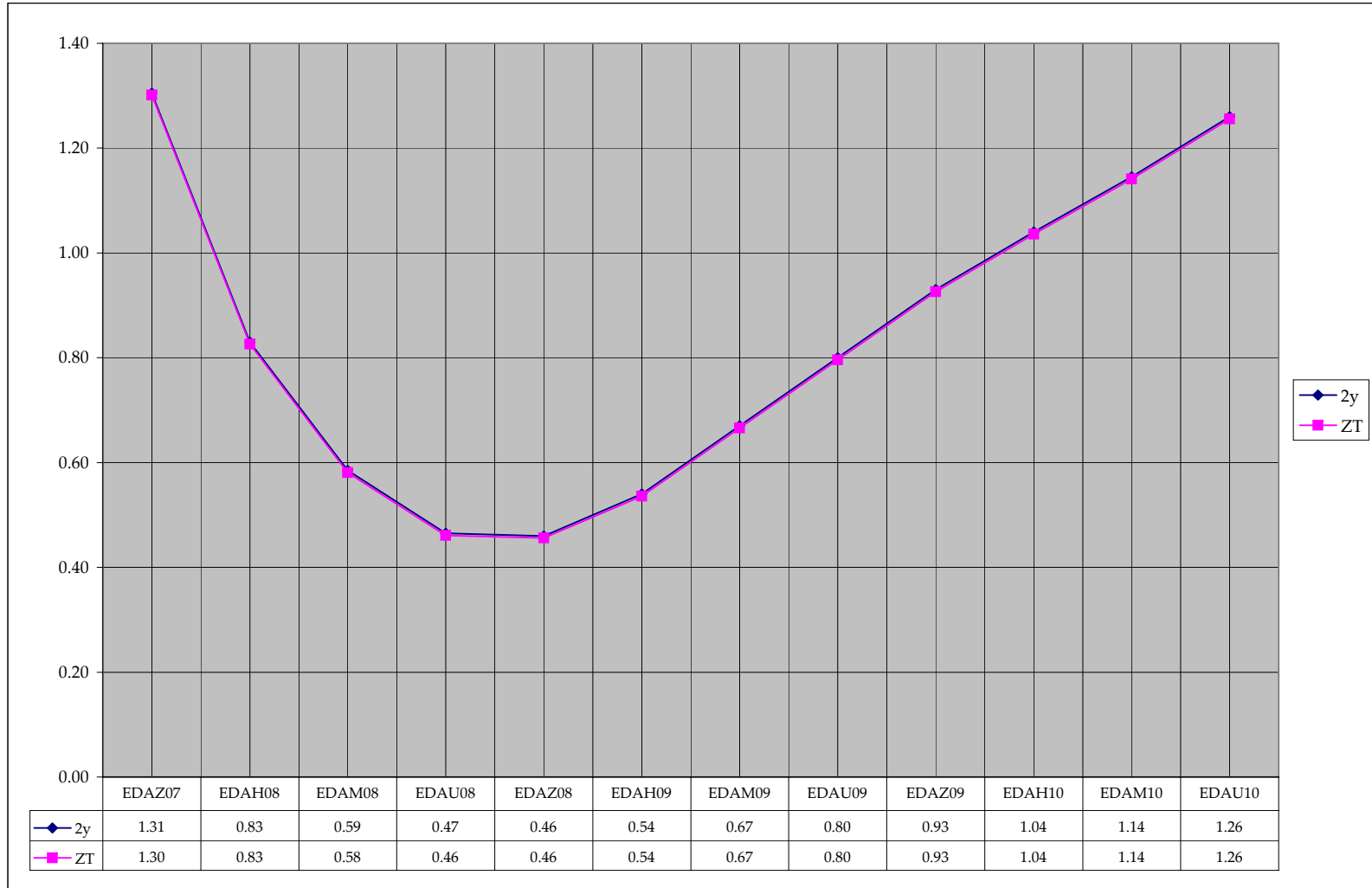


TED Curve

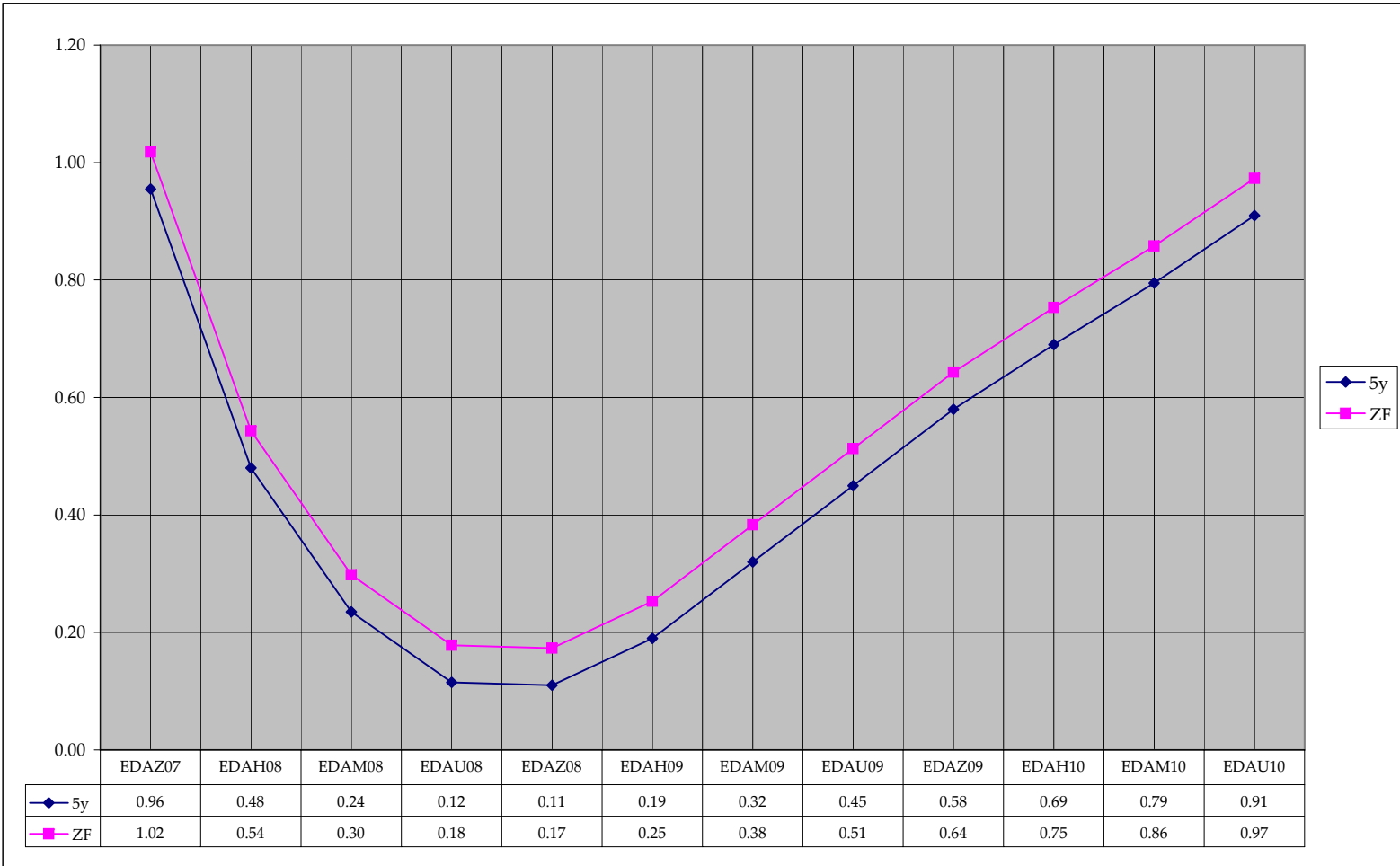
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



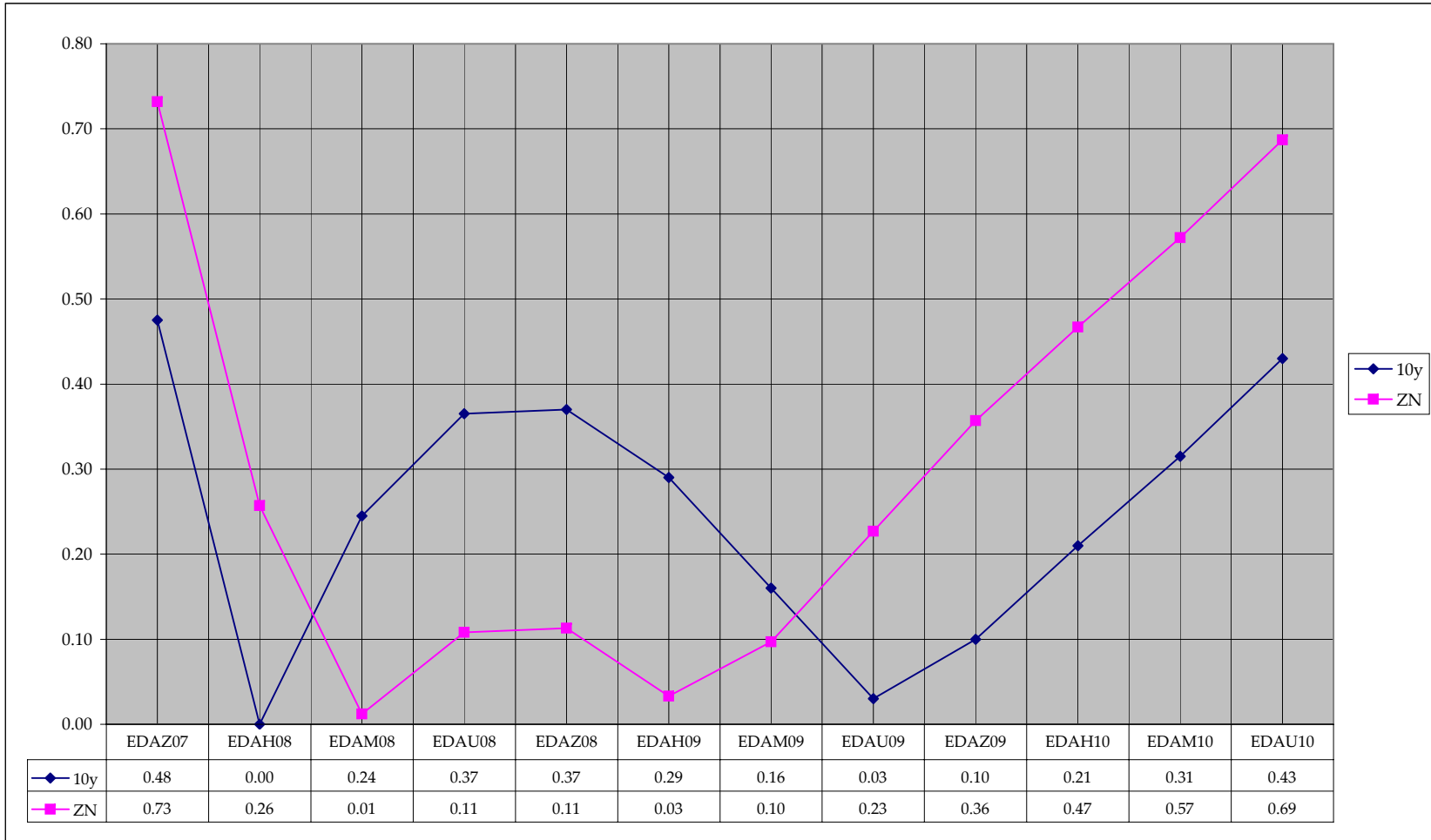
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.309	4.250	9579.500
Q.ED.Red	4.124	5.375	9597.375
Q.ED.Green	4.618	4.375	9549.625
Q.ED.Blue	-0.125		9508.625
Q.ED.Gold		0.000	9480.875

