

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	104.1875	104.060	3.558	1.87	
ZF	108.5938	108.190	3.799	3.84	
ZN	111.5313	111.170	4.038	5.77	
2y	100.141	100.0450	3.546	1.78	
5y	100.100	100.0320	3.851	4.47	
10y	99.766	99.2450	4.277	8.07	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.210	4.790	33	0.090	DEC	White Pack	
EDAH08	95.700	4.300	124	0.339	MAR		
EDAM08	95.925	4.075	215	0.588	JUN		
EDAU08	96.030	3.970	306	0.838	SEP	Red Pack	
EDAZ08	96.030	3.970	397	1.087	DEC		
EDAH09	95.955	4.045	488	1.336	MAR		
EDAM09	95.830	4.170	579	1.586	JUN	Green Pack	
EDAU09	95.715	4.285	670	1.835	SEP		
EDAZ09	95.605	4.395	761	2.084	DEC		
EDAH10	95.500	4.500	852	2.334	MAR	Blue Pack	
EDAM10	95.395	4.605	943	2.583	JUN		
EDAU10	95.320	4.680	1034	2.832	SEP		
EDAZ10	95.215	4.785	1125	3.082	DEC	Gold Pack	
EDAH11	95.155	4.845	1216	3.331	MAR		
EDAM11	95.075	4.925	1307	3.580	JUN		
EDAU11	95.010	4.990	1405	3.849	SEP		
EDAZ11	94.935	5.065	1496	4.098	DEC		
EDAH12	94.880	5.120	1587	4.347	MAR		
EDAM12	94.840	5.160	1678	4.597	JUN		
EDAU12	94.790	5.210	1769	4.846	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	4.391	-0.750	9571.625	Pack Prices
Q.ED.Red	4.218	-0.875	9588.250	
Q.ED.Green	4.661	-0.375	9545.500	
Q.ED.Blue		0.000	9511.500	
Q.ED.Gold		0.000	9484.875	

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

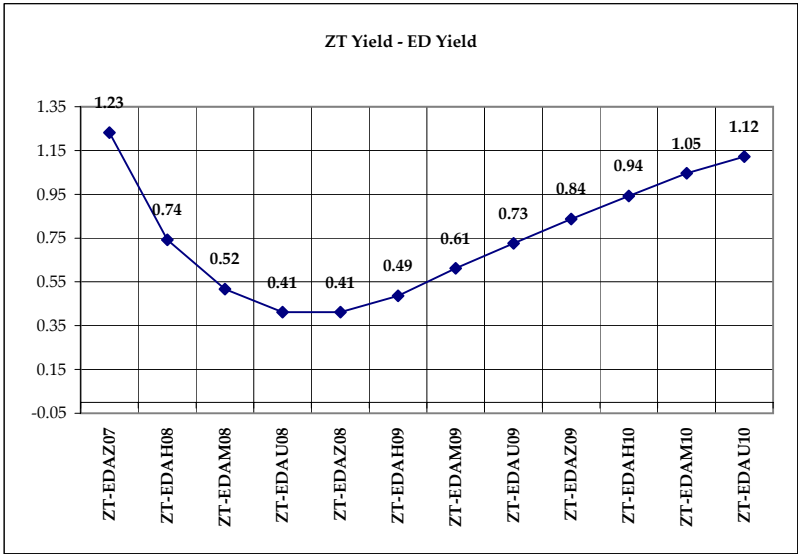
Eurodollar Color Codes for Individual Year Strips:

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

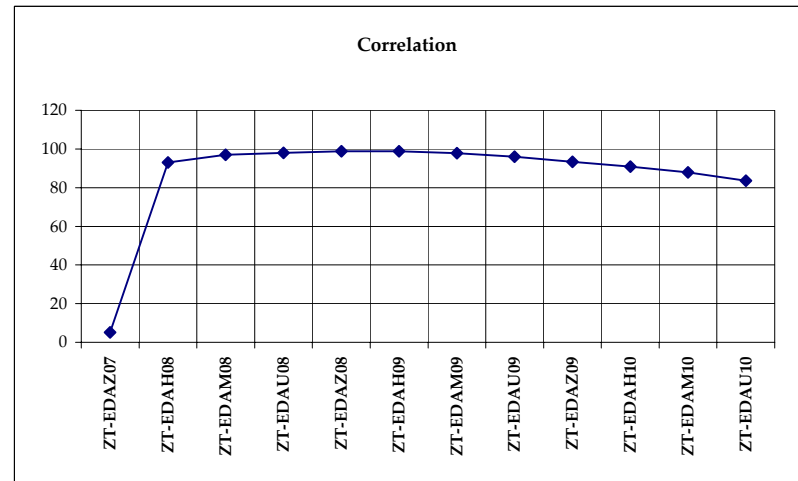
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.977	1.23	ZT-EDAZ07	5.066
EDAH08	8.488	0.74	ZT-EDAH08	93.081
EDAM08	8.263	0.52	ZT-EDAM08	97.037
EDAU08	8.158	0.41	ZT-EDAU08	97.943
EDAZ08	8.158	0.41	ZT-EDAZ08	98.796
EDAH09	8.233	0.49	ZT-EDAH09	98.758
EDAM09	8.358	0.61	ZT-EDAM09	97.802
EDAU09	8.473	0.73	ZT-EDAU09	95.938
EDAZ09	8.583	0.84	ZT-EDAZ09	93.273
EDAH10	8.688	0.94	ZT-EDAH10	90.847
EDAM10	8.793	1.05	ZT-EDAM10	87.896
EDAU10	8.867	1.12	ZT-EDAU10	83.627

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	0.090	1.87	1.78	ZT-EDAZ07
EDAH08	0.339	1.87	1.53	ZT-EDAH08
EDAM08	0.588	1.87	1.28	ZT-EDAM08
EDAU08	0.838	1.87	1.04	ZT-EDAU08
EDAZ08	1.087	1.87	0.79	ZT-EDAZ08
EDAH09	1.336	1.87	0.54	ZT-EDAH09
EDAM09	1.586	1.87	0.29	ZT-EDAM09
EDAU09	1.835	1.87	0.04	ZT-EDAU09
EDAZ09	2.084	1.87	(0.21)	ZT-EDAZ09
EDAH10	2.334	1.87	(0.46)	ZT-EDAH10
EDAM10	2.583	1.87	(0.71)	ZT-EDAM10
EDAU10	2.832	1.87	(0.96)	ZT-EDAU10

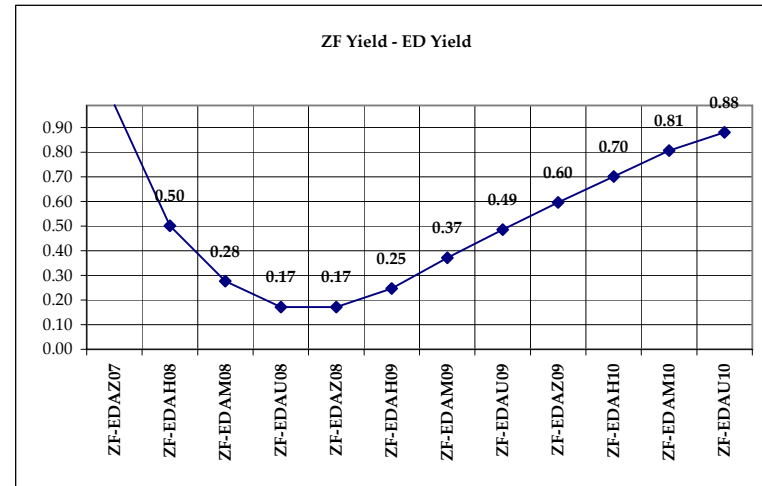
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	13.38	0.99	ZF-EDAZ07	6.876
EDAH08	12.89	0.50	ZF-EDAH08	94.992
EDAM08	12.67	0.28	ZF-EDAM08	97.925
EDAU08	12.56	0.17	ZF-EDAU08	98.583
EDAZ08	12.56	0.17	ZF-EDAZ08	99.126
EDAH09	12.64	0.25	ZF-EDAH09	99.225
EDAM09	12.76	0.37	ZF-EDAM09	98.937
EDAU09	12.88	0.49	ZF-EDAU09	97.803
EDAZ09	12.99	0.60	ZF-EDAZ09	95.944
EDAH10	13.09	0.70	ZF-EDAH10	94.238
EDAM10	13.20	0.81	ZF-EDAM10	92.086
EDAU10	13.27	0.88	ZF-EDAU10	88.598

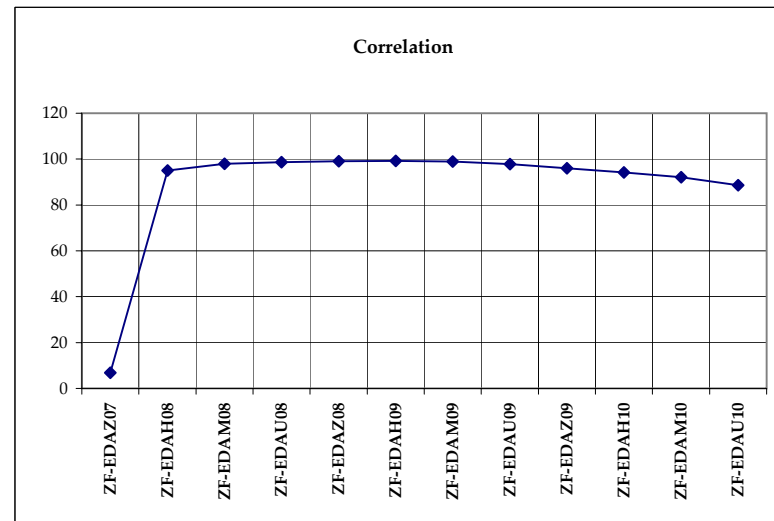
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAZ07	0.090	3.84	ZF-EDAZ07
EDAH08	0.339	3.84	ZF-EDAH08
EDAM08	0.588	3.84	ZF-EDAM08
EDAU08	0.838	3.84	ZF-EDAU08
EDAZ08	1.087	3.84	ZF-EDAZ08
EDAH09	1.336	3.84	ZF-EDAH09
EDAM09	1.586	3.84	ZF-EDAM09
EDAU09	1.835	3.84	ZF-EDAU09
EDAZ09	2.084	3.84	ZF-EDAZ09
EDAH10	2.334	3.84	ZF-EDAH10
EDAM10	2.583	3.84	ZF-EDAM10
EDAU10	2.832	3.84	ZF-EDAU10

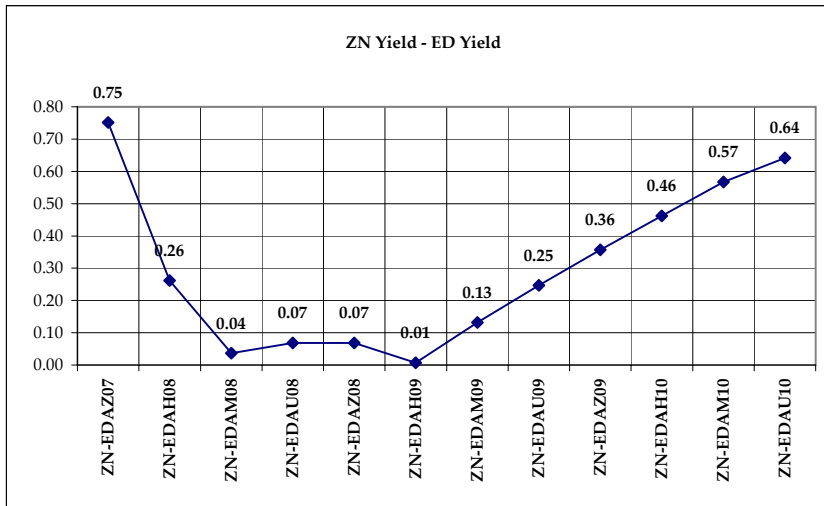
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

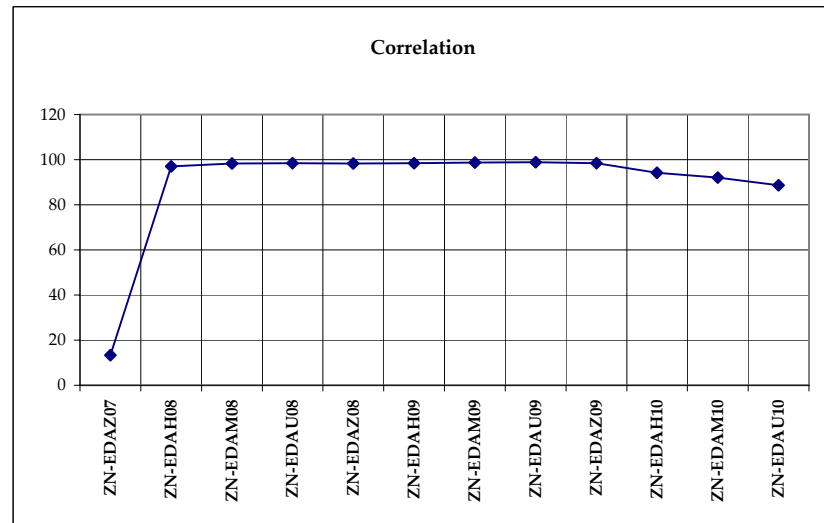
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	16.32	0.75	ZN-EDAZ07	13.35
EDAH08	15.83	0.26	ZN-EDAH08	96.98
EDAM08	15.61	0.04	ZN-EDAM08	98.26
EDAU08	15.50	0.07	ZN-EDAU08	98.40
EDAZ08	15.50	0.07	ZN-EDAZ08	98.24
EDAH09	15.58	0.01	ZN-EDAH09	98.39
EDAM09	15.70	0.13	ZN-EDAM09	98.74
EDAU09	15.82	0.25	ZN-EDAU09	98.82
EDAZ09	15.93	0.36	ZN-EDAZ09	98.37
EDAH10	16.03	0.46	ZN-EDAH10	94.24
EDAM10	16.14	0.57	ZN-EDAM10	92.09
EDAU10	16.21	0.64	ZN-EDAU10	88.60

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	0.090	5.77	5.68	ZN-EDAZ07
EDAH08	0.339	5.77	5.43	ZN-EDAH08
EDAM08	0.588	5.77	5.18	ZN-EDAM08
EDAU08	0.838	5.77	4.93	ZN-EDAU08
EDAZ08	1.087	5.77	4.68	ZN-EDAZ08
EDAH09	1.336	5.77	4.43	ZN-EDAH09
EDAM09	1.586	5.77	4.18	ZN-EDAM09
EDAU09	1.835	5.77	3.93	ZN-EDAU09
EDAZ09	2.084	5.77	3.68	ZN-EDAZ09
EDAH10	2.334	5.77	3.43	ZN-EDAH10
EDAM10	2.583	5.77	3.19	ZN-EDAM10
EDAU10	2.832	5.77	2.94	ZN-EDAU10

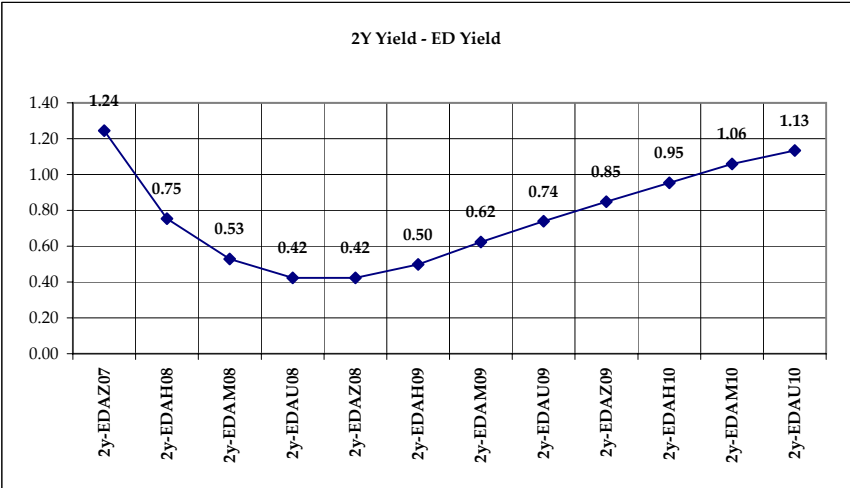
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.93	1.24	2y-EDAZ07	-11.165
EDAH08	4.44	0.75	2y-EDAH08	-90.636
EDAM08	4.22	0.53	2y-EDAM08	-94.501
EDAU08	4.11	0.42	2y-EDAU08	-95.225
EDAZ08	4.11	0.42	2y-EDAZ08	-94.501
EDAH09	4.19	0.50	2y-EDAH09	-95.295
EDAM09	4.31	0.62	2y-EDAM09	-93.748
EDAU09	4.43	0.74	2y-EDAU09	-91.588
EDAZ09	4.54	0.85	2y-EDAZ09	-89.057
EDAH10	4.64	0.95	2y-EDAH10	-86.561
EDAM10	4.75	1.06	2y-EDAM10	-83.826
EDAU10	4.82	1.13	2y-EDAU10	-79.732

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.

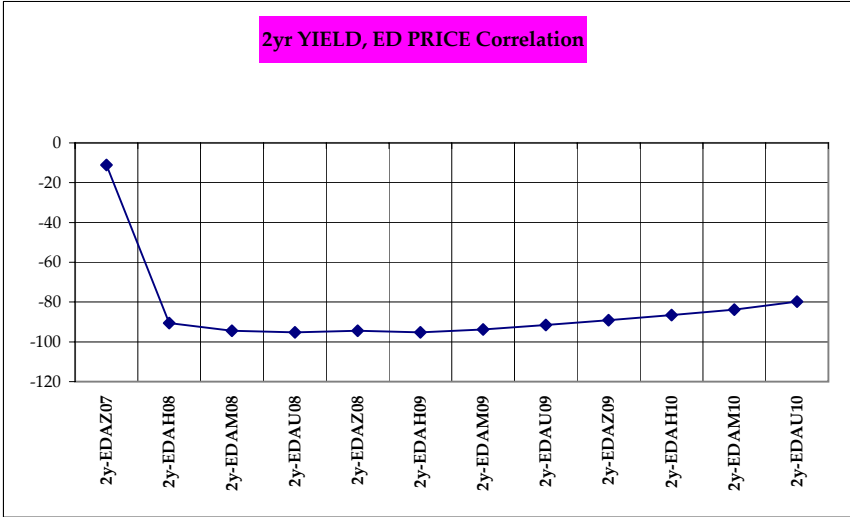


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.090	1.78	2y-EDAZ07
EDAH08	0.339	1.78	2y-EDAH08
EDAM08	0.588	1.78	2y-EDAM08
EDAU08	0.838	1.78	2y-EDAU08
EDAZ08	1.087	1.78	2y-EDAZ08
EDAH09	1.336	1.78	2y-EDAH09
EDAM09	1.586	1.78	2y-EDAM09
EDAU09	1.835	1.78	2y-EDAU09
EDAZ09	2.084	1.78	2y-EDAZ09
EDAH10	2.334	1.78	2y-EDAH10
EDAM10	2.583	1.78	2y-EDAM10
EDAU10	2.832	1.78	2y-EDAU10

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

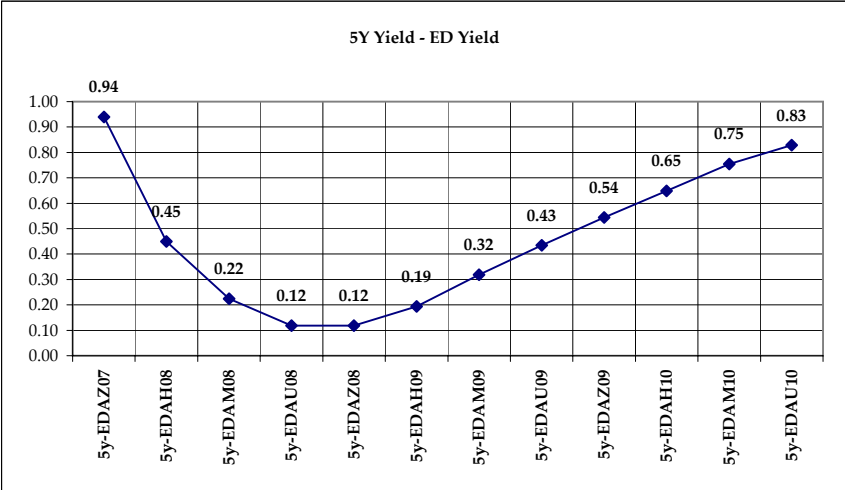
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.89	0.94	5y-EDAZ07	-13.721
EDAH08	4.40	0.45	5y-EDAH08	-92.601
EDAM08	4.18	0.22	5y-EDAM08	-95.863
EDAU08	4.07	0.12	5y-EDAU08	-96.405
EDAZ08	4.07	0.12	5y-EDAZ08	-95.863
EDAH09	4.15	0.19	5y-EDAH09	-96.323
EDAM09	4.27	0.32	5y-EDAM09	-95.173
EDAU09	4.38	0.43	5y-EDAU09	-93.598
EDAZ09	4.49	0.54	5y-EDAZ09	-91.650
EDAH10	4.60	0.65	5y-EDAH10	-89.649
EDAM10	4.71	0.75	5y-EDAM10	-87.323
EDAU10	4.78	0.83	5y-EDAU10	-83.727

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.

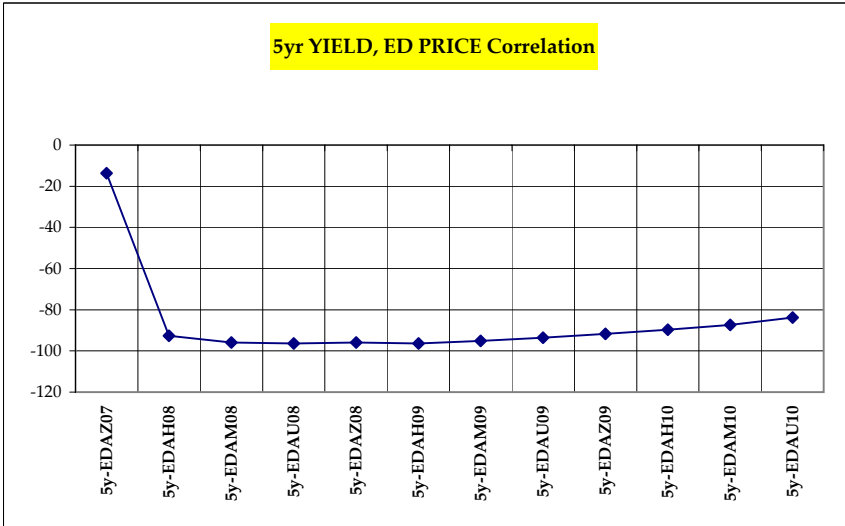


GE Duration as Fraction of year

	GE Duration as Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.090	4.47	4.38	5y-EDAZ07
EDAH08	0.339	4.47	4.13	5y-EDAH08
EDAM08	0.588	4.47	3.88	5y-EDAM08
EDAU08	0.838	4.47	3.63	5y-EDAU08
EDAZ08	1.087	4.47	3.38	5y-EDAZ08
EDAH09	1.336	4.47	3.13	5y-EDAH09
EDAM09	1.586	4.47	2.88	5y-EDAM09
EDAU09	1.835	4.47	2.63	5y-EDAU09
EDAZ09	2.084	4.47	2.38	5y-EDAZ09
EDAH10	2.334	4.47	2.13	5y-EDAH10
EDAM10	2.583	4.47	1.88	5y-EDAM10
EDAU10	2.832	4.47	1.63	5y-EDAU10

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

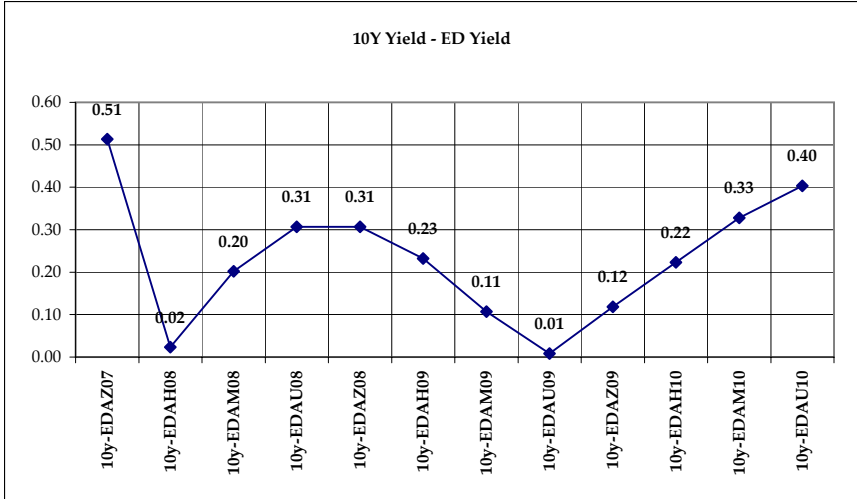
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

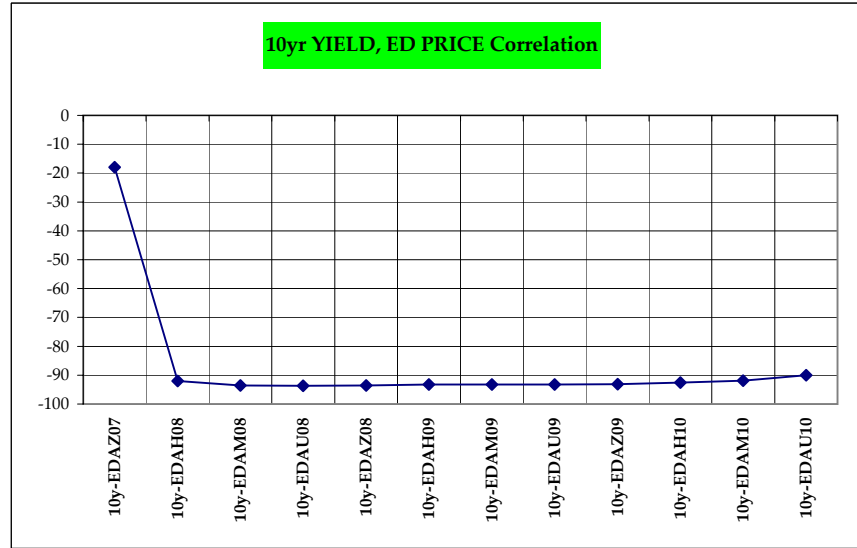
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.89	0.51	10y-EDAZ07	-17.970
EDAH08	4.40	0.02	10y-EDAH08	-92.008
EDAM08	4.18	0.20	10y-EDAM08	-93.560
EDAU08	4.07	0.31	10y-EDAU08	-93.655
EDAZ08	4.07	0.31	10y-EDAZ08	-93.560
EDAH09	4.15	0.23	10y-EDAH09	-93.238
EDAM09	4.27	0.11	10y-EDAM09	-93.272
EDAU09	4.38	0.01	10y-EDAU09	-93.287
EDAZ09	4.49	0.12	10y-EDAZ09	-93.095
EDAH10	4.60	0.22	10y-EDAH10	-92.620
EDAM10	4.71	0.33	10y-EDAM10	-91.870
EDAU10	4.78	0.40	10y-EDAU10	-90.043

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	0.090	8.07	7.98	10y-EDAZ07
EDAH08	0.339	8.07	7.74	10y-EDAH08
EDAM08	0.588	8.07	7.49	10y-EDAM08
EDAU08	0.838	8.07	7.24	10y-EDAU08
EDAZ08	1.087	8.07	6.99	10y-EDAZ08
EDAH09	1.336	8.07	6.74	10y-EDAH09
EDAM09	1.586	8.07	6.49	10y-EDAM09
EDAU09	1.835	8.07	6.24	10y-EDAU09
EDAZ09	2.084	8.07	5.99	10y-EDAZ09
EDAH10	2.334	8.07	5.74	10y-EDAH10
EDAM10	2.583	8.07	5.49	10y-EDAM10
EDAU10	2.832	8.07	5.24	10y-EDAU10

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

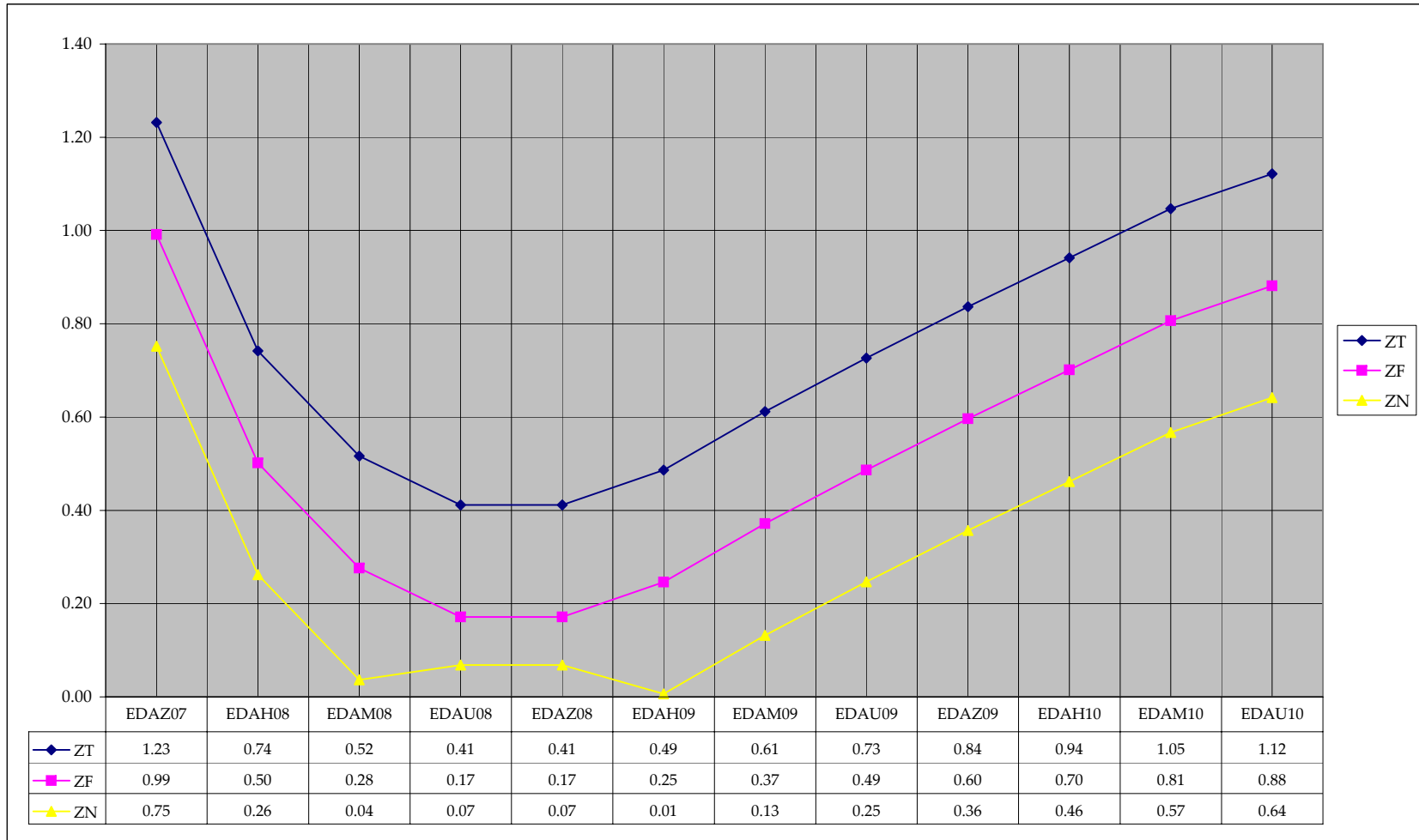


Dirty TED Curve

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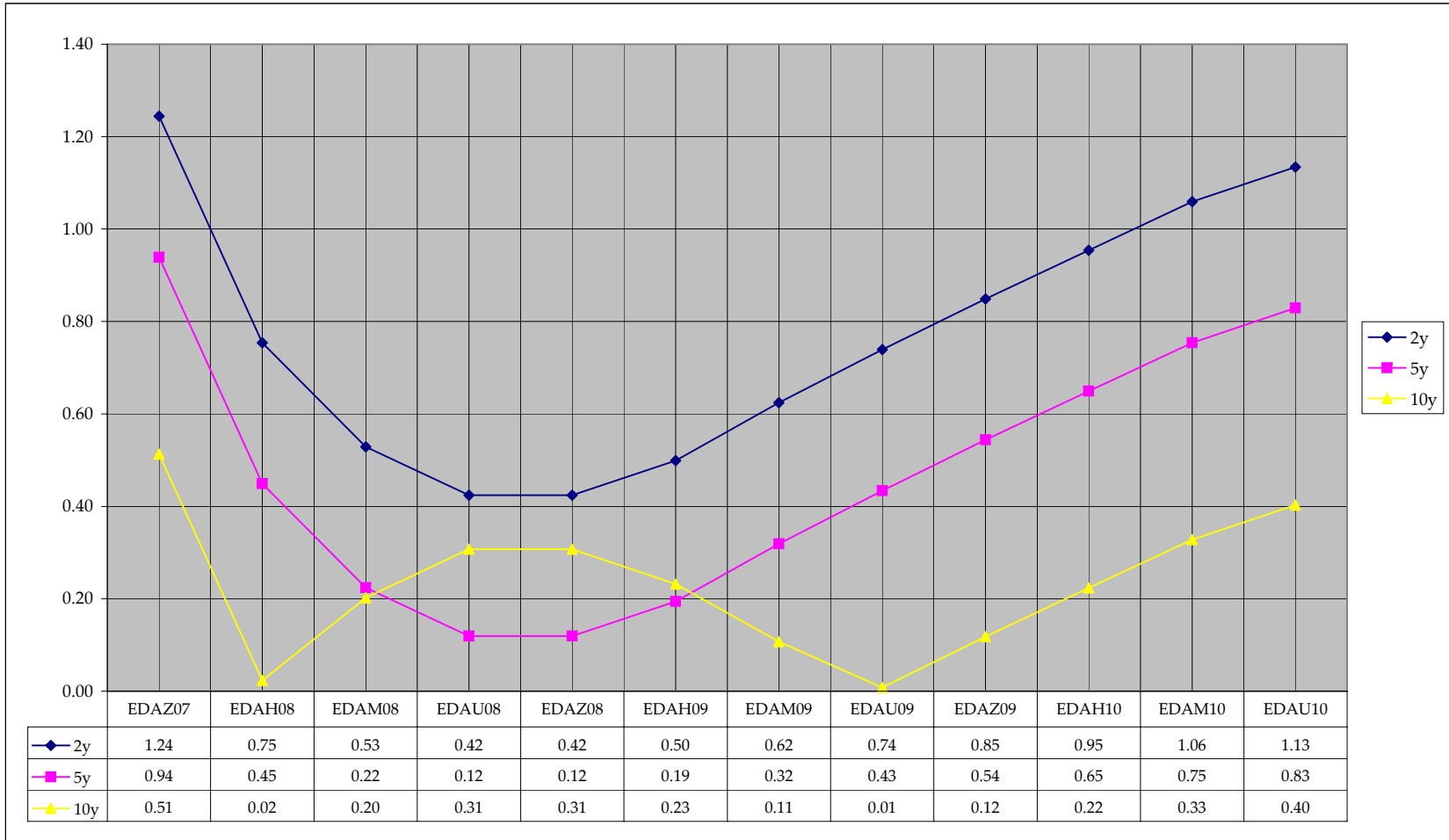
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

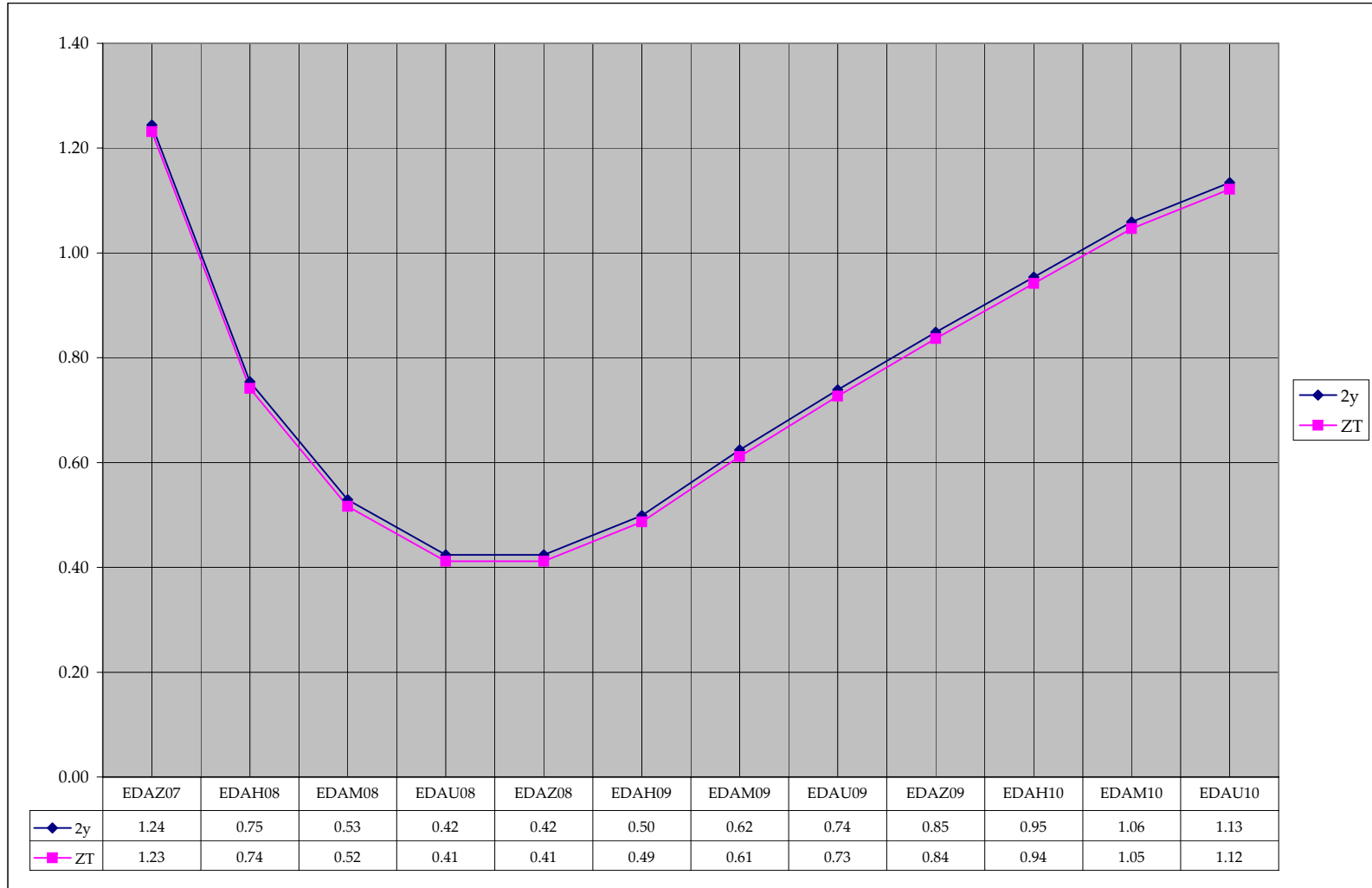


TED Curve

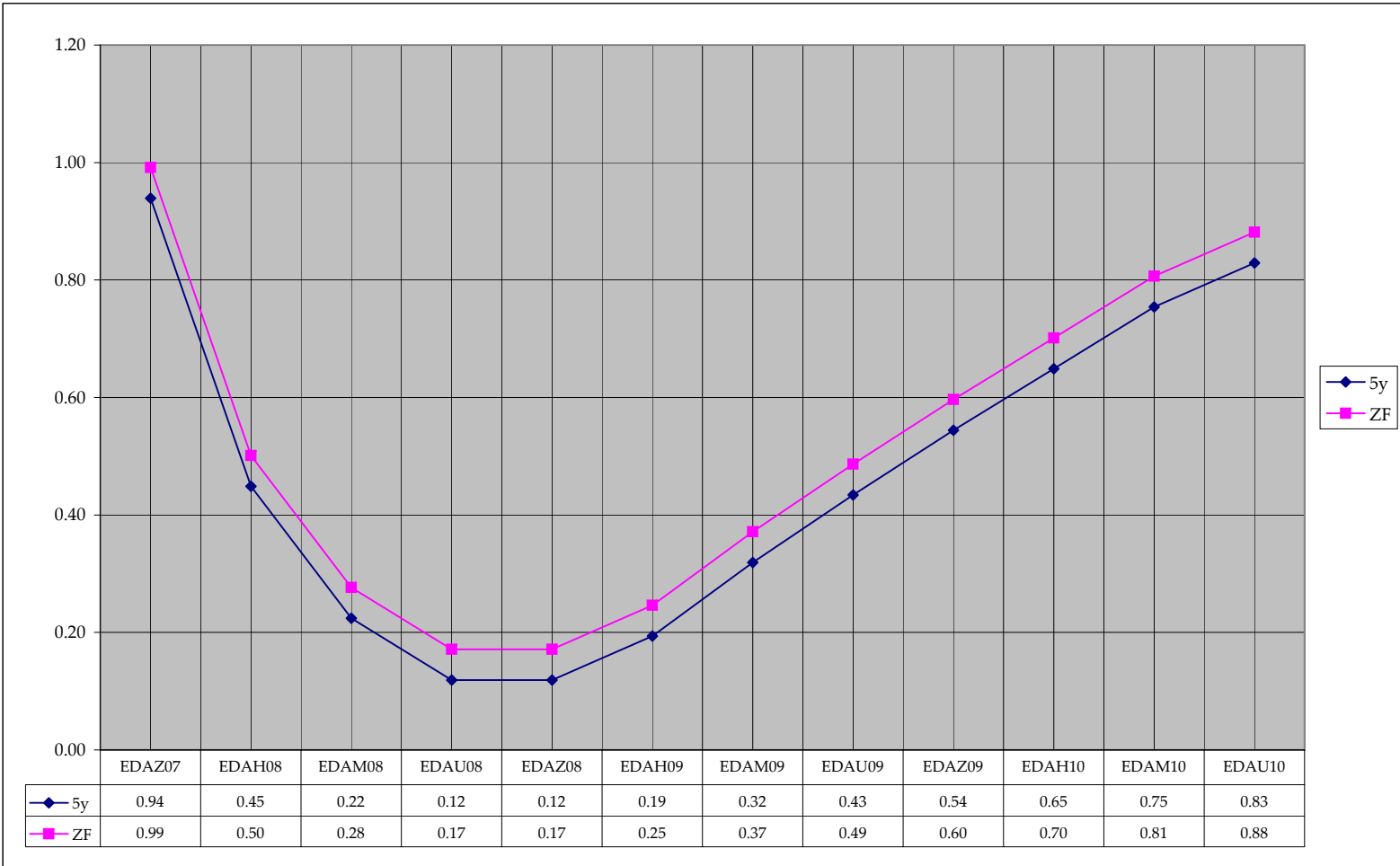
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



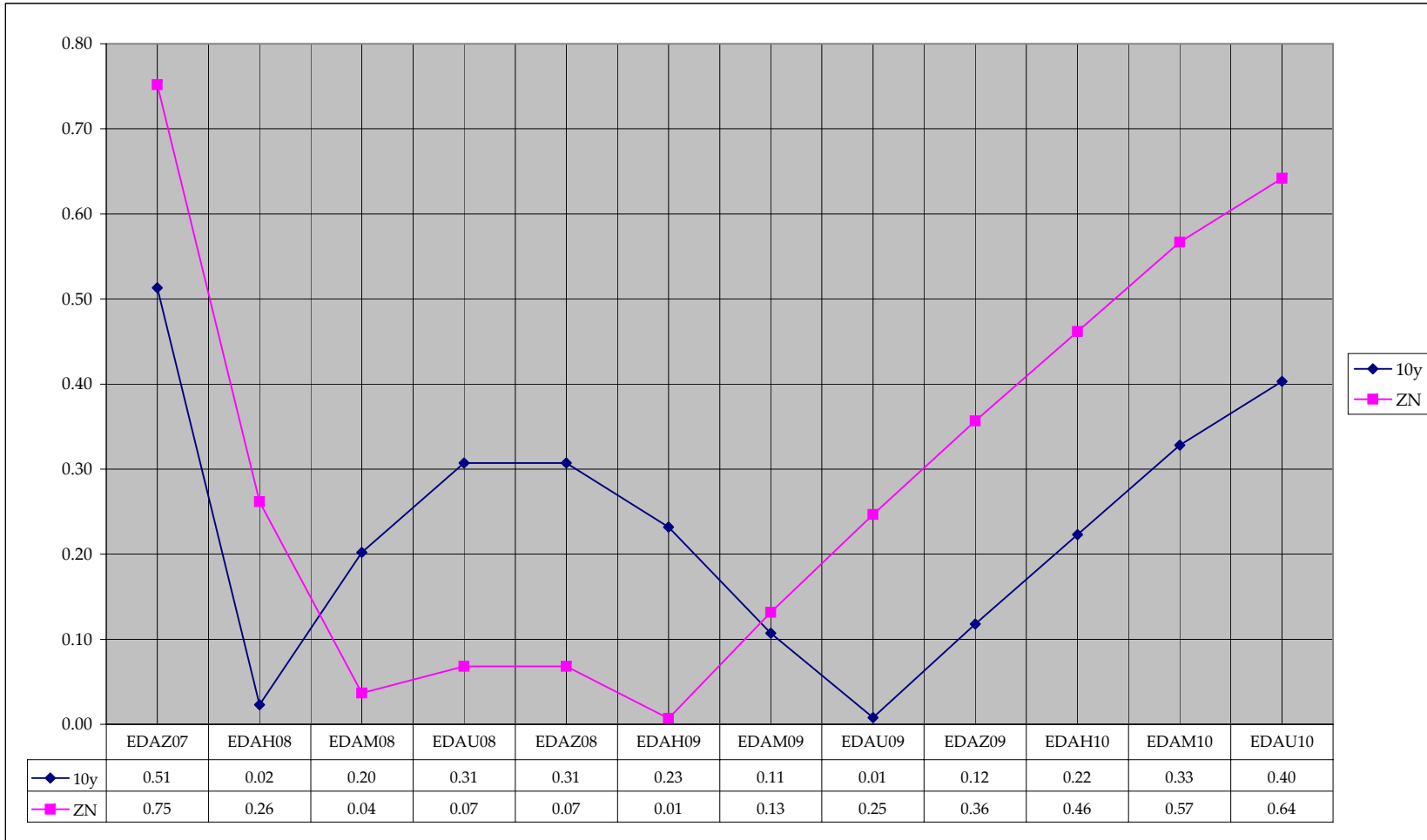
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.391	-0.750	9571.625
Q.ED.Red	4.218	-0.875	9588.250
Q.ED.Green	4.661	-0.375	9545.500
Q.ED.Blue		0.000	9511.500
Q.ED.Gold		0.000	9484.875

