

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	105.0313	105.010	3.048	1.92
ZF	110.0469	110.015	3.412	4.04
ZN	113.2500	113.080	3.742	5.98
2y	100.131	100.0420	3.056	1.92
5y	99.766	99.2450	3.418	4.56
10y	102.516	102.1650	3.938	8.07

**We are trading
MARCH 2008 FOR THE ECBOT
FUTURES.**

Eurodollars (ED)					
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month
EDAZ07	95.133	4.867	17	0.046	DEC
EDAH08	95.790	4.210	108	0.295	MAR
EDAM08	96.245	3.755	199	0.545	JUN
EDAU08	96.480	3.520	290	0.794	SEP
EDAZ08	96.550	3.450	381	1.043	DEC
EDAH09	96.525	3.475	472	1.292	MAR
EDAM09	96.415	3.585	563	1.542	JUN
EDAU09	96.275	3.725	654	1.791	SEP
EDAZ09	96.130	3.870	745	2.040	DEC
EDAH10	96.010	3.990	836	2.290	MAR
EDAM10	95.885	4.115	927	2.539	JUN
EDAU10	95.785	4.215	1018	2.788	SEP
EDAZ10	95.725	4.275	1109	3.038	DEC
EDAH11	95.590	4.410	1200	3.287	MAR
EDAM11	95.510	4.490	1291	3.536	JUN
EDAU11	95.425	4.575	1389	3.805	SEP
EDAZ11	95.370	4.630	1480	4.054	DEC
EDAH12	95.300	4.700	1571	4.303	MAR
EDAM12	95.250	4.750	1662	4.553	JUN
EDAU12	95.180	4.820	1753	4.802	SEP

White Pack
Red Pack
Green Pack
Blue Pack
Gold Pack

	Last Yield	Net Yield	Last Price
Q.ED.White	4.188	-1.188	9591.188
Q.ED.Red	3.641	0.750	9644.125
Q.ED.Green	4.146	1.000	9595.250
Q.ED.Blue		1.500	9555.750
Q.ED.Gold		0.000	9525.250

Pack Prices

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

Notes

Futures use CTD for Last Yield

Mduration = Modified Macaulay Duration

#VALUE! = no quote being provided by exchange.

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

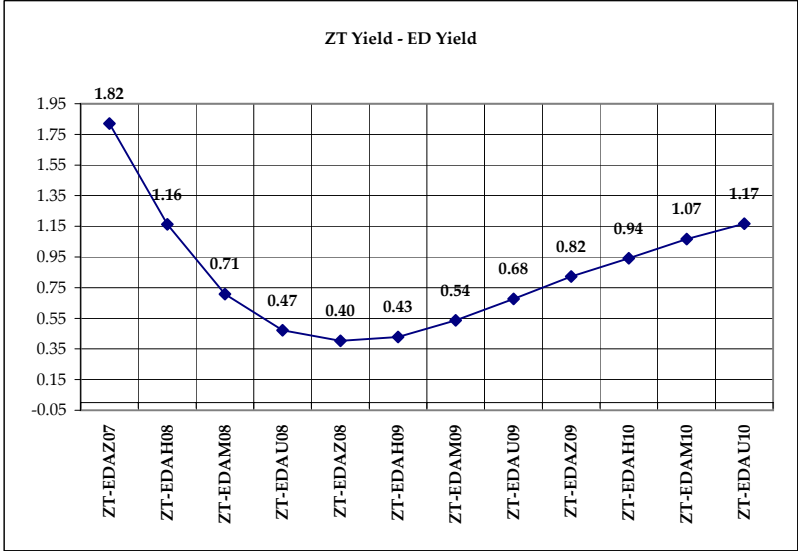
Eurodollar Color Codes for Individual Year Strips:

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

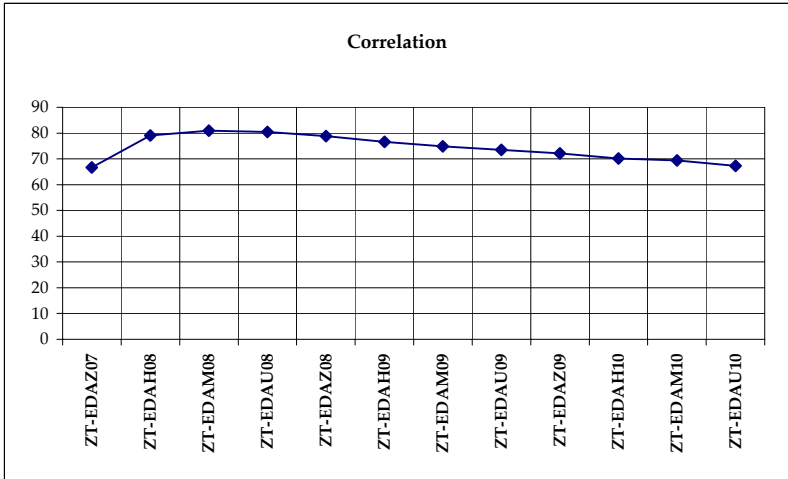
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	9.899	1.82	ZT-EDAZ07	66.695
EDAH08	9.241	1.16	ZT-EDAH08	79.064
EDAM08	8.786	0.71	ZT-EDAM08	80.976
EDAU08	8.551	0.47	ZT-EDAU08	80.487
EDAZ08	8.481	0.40	ZT-EDAZ08	78.829
EDAH09	8.506	0.43	ZT-EDAH09	76.635
EDAM09	8.616	0.54	ZT-EDAM09	74.826
EDAU09	8.756	0.68	ZT-EDAU09	73.524
EDAZ09	8.901	0.82	ZT-EDAZ09	72.099
EDAH10	9.021	0.94	ZT-EDAH10	70.079
EDAM10	9.146	1.07	ZT-EDAM10	69.359
EDAU10	9.246	1.17	ZT-EDAU10	67.293

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	0.046	1.92	1.87	ZT-EDAZ07
EDAH08	0.295	1.92	1.62	ZT-EDAH08
EDAM08	0.545	1.92	1.37	ZT-EDAM08
EDAU08	0.794	1.92	1.13	ZT-EDAU08
EDAZ08	1.043	1.92	0.88	ZT-EDAZ08
EDAH09	1.292	1.92	0.63	ZT-EDAH09
EDAM09	1.542	1.92	0.38	ZT-EDAM09
EDAU09	1.791	1.92	0.13	ZT-EDAU09
EDAZ09	2.040	1.92	(0.12)	ZT-EDAZ09
EDAH10	2.290	1.92	(0.37)	ZT-EDAH10
EDAM10	2.539	1.92	(0.62)	ZT-EDAM10
EDAU10	2.788	1.92	(0.87)	ZT-EDAU10

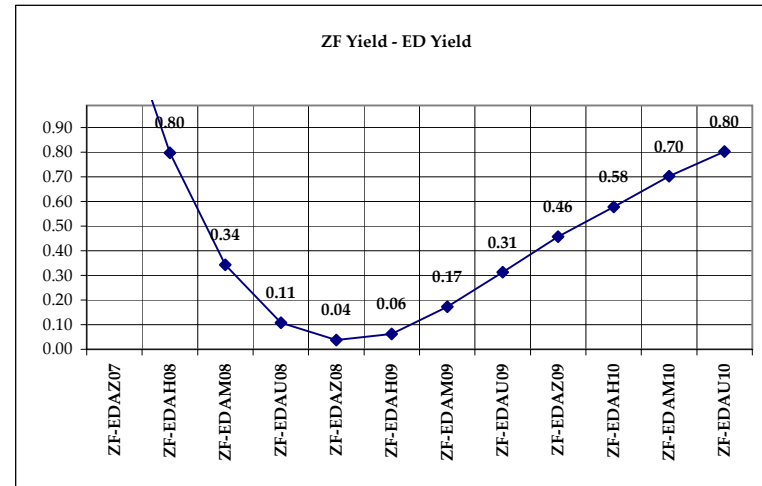
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

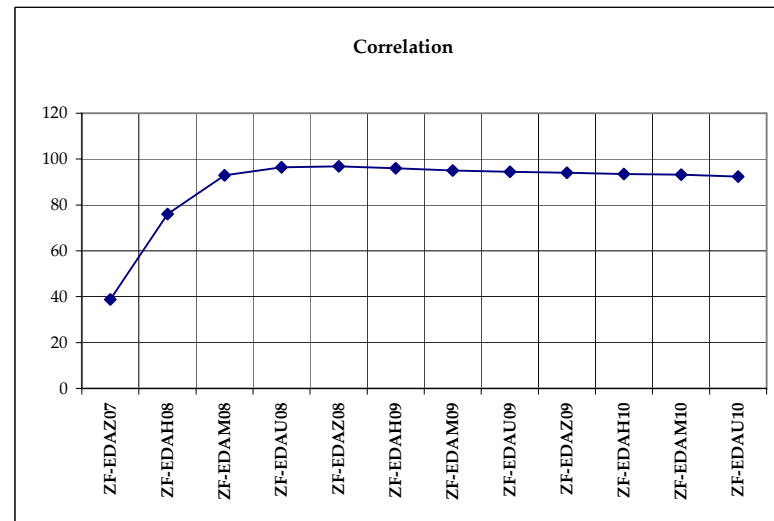
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	14.91	1.46	ZF-EDAZ07	38.798
EDAH08	14.26	0.80	ZF-EDAH08	75.988
EDAM08	13.80	0.34	ZF-EDAM08	92.974
EDAU08	13.57	0.11	ZF-EDAU08	96.462
EDAZ08	13.50	0.04	ZF-EDAZ08	96.886
EDAH09	13.52	0.06	ZF-EDAH09	95.944
EDAM09	13.63	0.17	ZF-EDAM09	95.017
EDAU09	13.77	0.31	ZF-EDAU09	94.486
EDAZ09	13.92	0.46	ZF-EDAZ09	94.079
EDAH10	14.04	0.58	ZF-EDAH10	93.424
EDAM10	14.16	0.70	ZF-EDAM10	93.231
EDAU10	14.26	0.80	ZF-EDAU10	92.359

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	0.046	4.04	3.99	ZF-EDAZ07
EDAH08	0.295	4.04	3.74	ZF-EDAH08
EDAM08	0.545	4.04	3.50	ZF-EDAM08
EDAU08	0.794	4.04	3.25	ZF-EDAU08
EDAZ08	1.043	4.04	3.00	ZF-EDAZ08
EDAH09	1.292	4.04	2.75	ZF-EDAH09
EDAM09	1.542	4.04	2.50	ZF-EDAM09
EDAU09	1.791	4.04	2.25	ZF-EDAU09
EDAZ09	2.040	4.04	2.00	ZF-EDAZ09
EDAH10	2.290	4.04	1.75	ZF-EDAH10
EDAM10	2.539	4.04	1.50	ZF-EDAM10
EDAU10	2.788	4.04	1.25	ZF-EDAU10

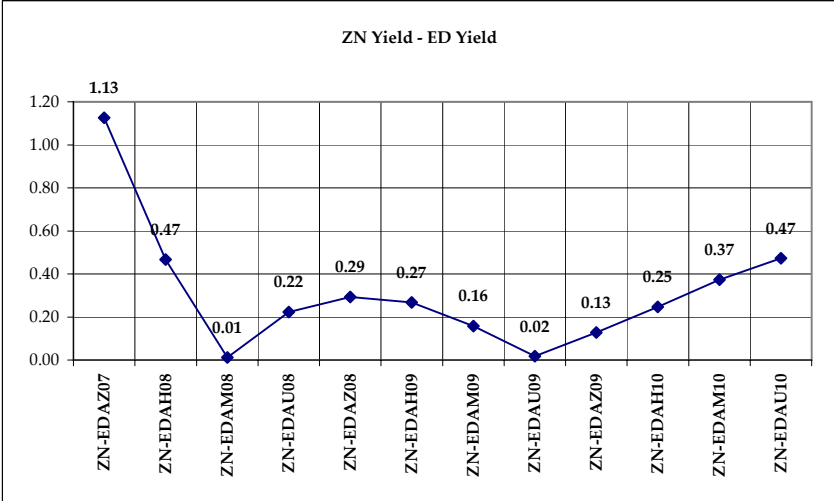
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

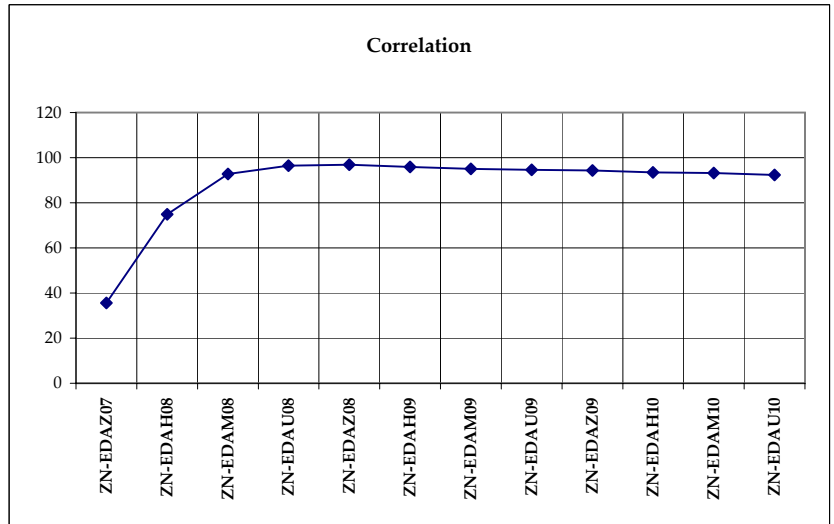
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	18.12	1.13	ZN-EDAZ07	35.58
EDAH08	17.46	0.47	ZN-EDAH08	74.85
EDAM08	17.01	0.01	ZN-EDAM08	92.76
EDAU08	16.77	0.22	ZN-EDAU08	96.39
EDAZ08	16.70	0.29	ZN-EDAZ08	96.90
EDAH09	16.73	0.27	ZN-EDAH09	95.95
EDAM09	16.84	0.16	ZN-EDAM09	95.03
EDAU09	16.98	0.02	ZN-EDAU09	94.57
EDAZ09	17.12	0.13	ZN-EDAZ09	94.32
EDAH10	17.24	0.25	ZN-EDAH10	93.42
EDAM10	17.37	0.37	ZN-EDAM10	93.23
EDAU10	17.47	0.47	ZN-EDAU10	92.36

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	0.046	5.98	5.94	ZN-EDAZ07
EDAH08	0.295	5.98	5.69	ZN-EDAH08
EDAM08	0.545	5.98	5.44	ZN-EDAM08
EDAU08	0.794	5.98	5.19	ZN-EDAU08
EDAZ08	1.043	5.98	4.94	ZN-EDAZ08
EDAH09	1.292	5.98	4.69	ZN-EDAH09
EDAM09	1.542	5.98	4.44	ZN-EDAM09
EDAU09	1.791	5.98	4.19	ZN-EDAU09
EDAZ09	2.040	5.98	3.94	ZN-EDAZ09
EDAH10	2.290	5.98	3.69	ZN-EDAH10
EDAM10	2.539	5.98	3.44	ZN-EDAM10
EDAU10	2.788	5.98	3.19	ZN-EDAU10

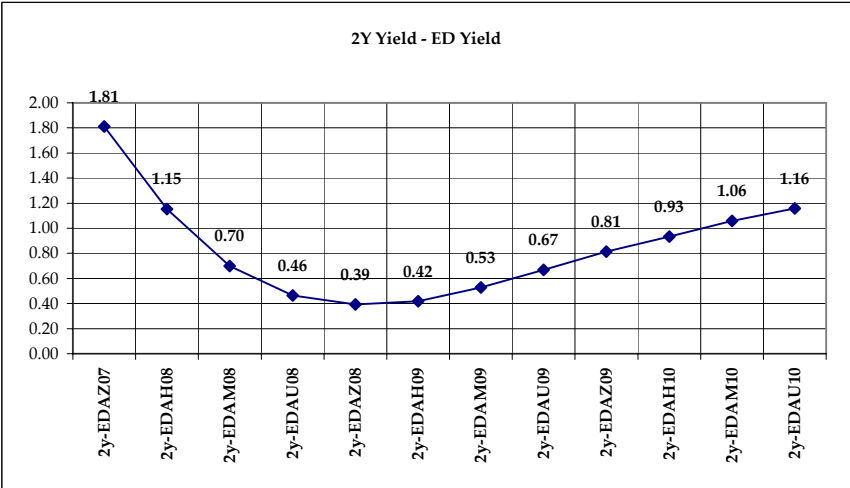
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.00	1.81	2y-EDAZ07	-67.911
EDAH08	4.34	1.15	2y-EDAH08	-82.880
EDAM08	3.89	0.70	2y-EDAM08	-85.787
EDAU08	3.65	0.46	2y-EDAU08	-85.224
EDAZ08	3.58	0.39	2y-EDAZ08	-85.787
EDAH09	3.61	0.42	2y-EDAH09	-81.271
EDAM09	3.72	0.53	2y-EDAM09	-79.599
EDAU09	3.86	0.67	2y-EDAU09	-78.054
EDAZ09	4.00	0.81	2y-EDAZ09	-76.496
EDAH10	4.12	0.93	2y-EDAH10	-74.518
EDAM10	4.25	1.06	2y-EDAM10	-73.464
EDAU10	4.35	1.16	2y-EDAU10	-71.450

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.

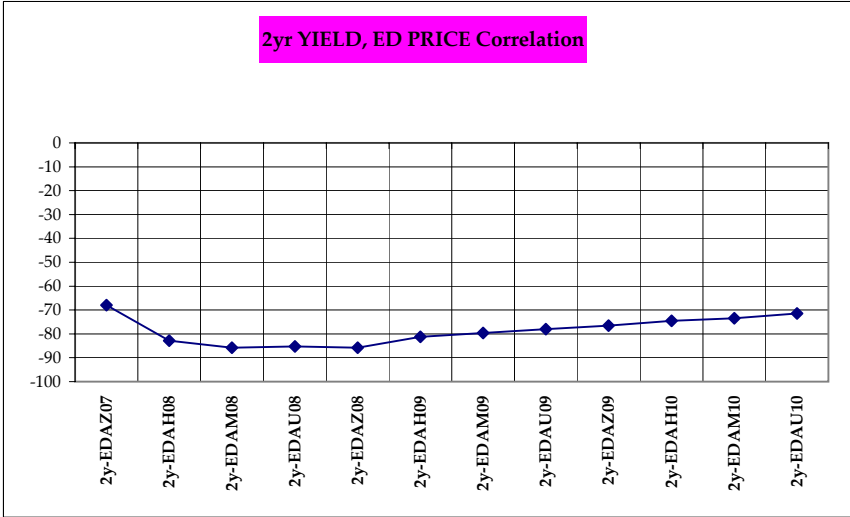


GE Duration as

	Fraction of year	2Y Duration	Spread Duration	
EDAZ07	0.046	1.92	1.87	2y-EDAZ07
EDAH08	0.295	1.92	1.62	2y-EDAH08
EDAM08	0.545	1.92	1.37	2y-EDAM08
EDAU08	0.794	1.92	1.12	2y-EDAU08
EDAZ08	1.043	1.92	0.87	2y-EDAZ08
EDAH09	1.292	1.92	0.62	2y-EDAH09
EDAM09	1.542	1.92	0.38	2y-EDAM09
EDAU09	1.791	1.92	0.13	2y-EDAU09
EDAZ09	2.040	1.92	(0.12)	2y-EDAZ09
EDAH10	2.290	1.92	(0.37)	2y-EDAH10
EDAM10	2.539	1.92	(0.62)	2y-EDAM10
EDAU10	2.788	1.92	(0.87)	2y-EDAU10

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

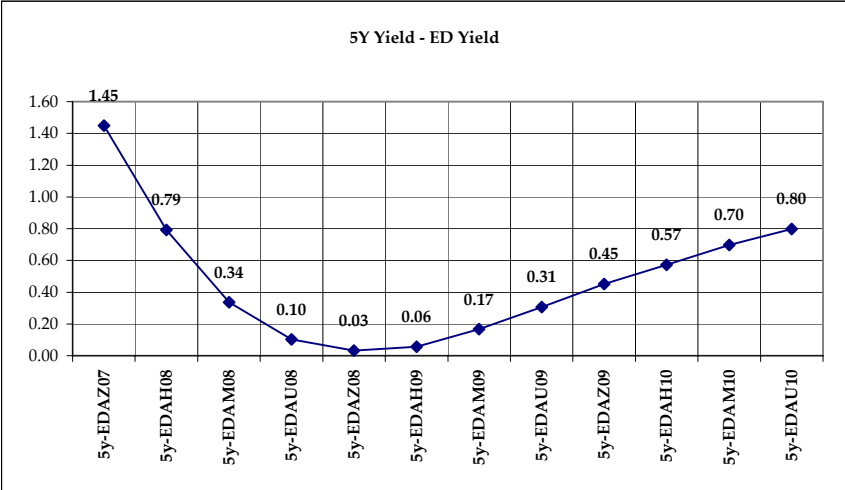
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

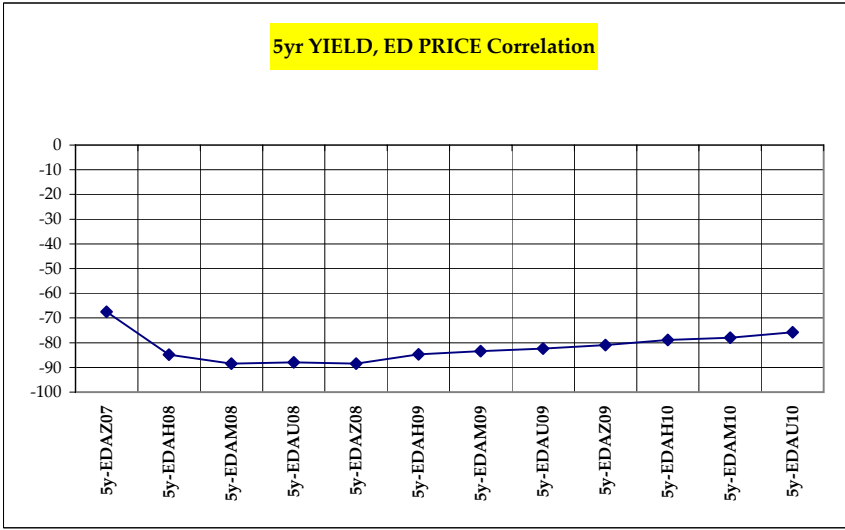
	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.63	1.45	5y-EDAZ07	-67.472
EDAH08	3.98	0.79	5y-EDAH08	-84.816
EDAM08	3.52	0.34	5y-EDAM08	-88.428
EDAU08	3.29	0.10	5y-EDAU08	-87.968
EDAZ08	3.22	0.03	5y-EDAZ08	-88.428
EDAH09	3.24	0.06	5y-EDAH09	-84.730
EDAM09	3.35	0.17	5y-EDAM09	-83.433
EDAU09	3.49	0.31	5y-EDAU09	-82.355
EDAZ09	3.64	0.45	5y-EDAZ09	-80.920
EDAH10	3.76	0.57	5y-EDAH10	-78.877
EDAM10	3.88	0.70	5y-EDAM10	-77.965
EDAU10	3.98	0.80	5y-EDAU10	-75.814

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	0.046	4.56	4.51	5y-EDAZ07
EDAH08	0.295	4.56	4.26	5y-EDAH08
EDAM08	0.545	4.56	4.01	5y-EDAM08
EDAU08	0.794	4.56	3.76	5y-EDAU08
EDAZ08	1.043	4.56	3.51	5y-EDAZ08
EDAH09	1.292	4.56	3.26	5y-EDAH09
EDAM09	1.542	4.56	3.01	5y-EDAM09
EDAU09	1.791	4.56	2.76	5y-EDAU09
EDAZ09	2.040	4.56	2.52	5y-EDAZ09
EDAH10	2.290	4.56	2.27	5y-EDAH10
EDAM10	2.539	4.56	2.02	5y-EDAM10
EDAU10	2.788	4.56	1.77	5y-EDAU10

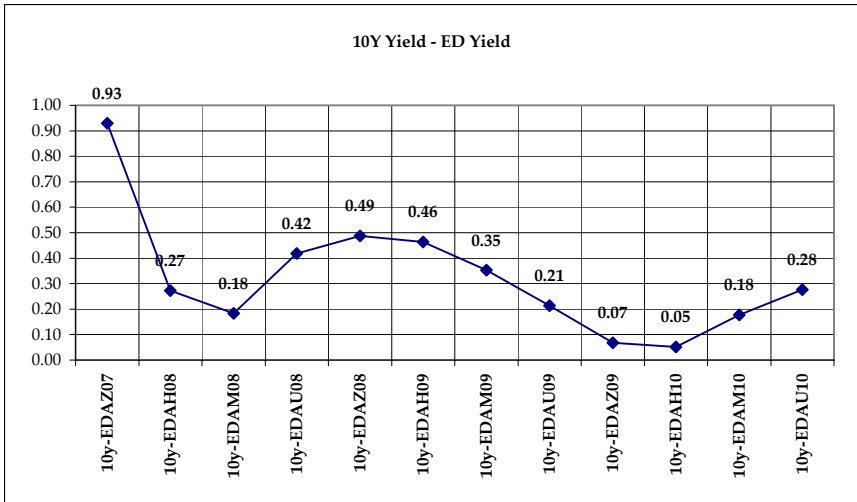
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

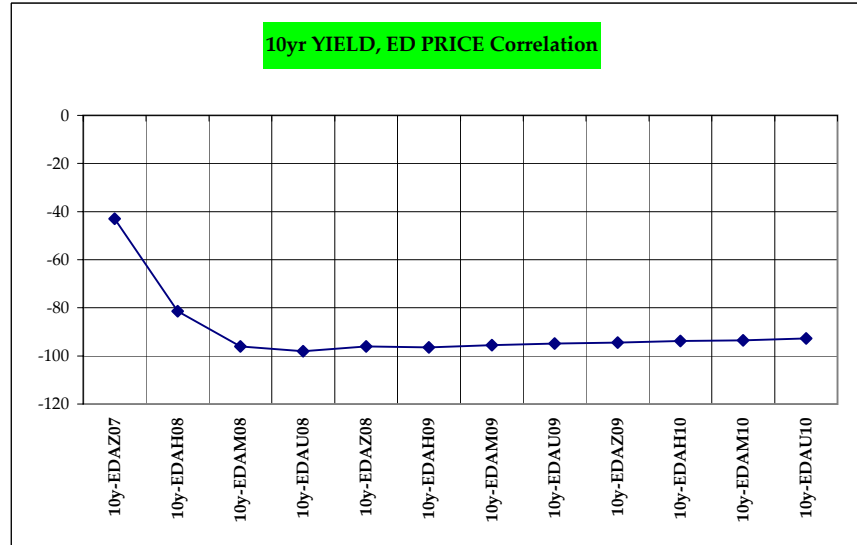
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.63	0.93	10y-EDAZ07	-42.958
EDAH08	3.98	0.27	10y-EDAH08	-81.448
EDAM08	3.52	0.18	10y-EDAM08	-95.994
EDAU08	3.29	0.42	10y-EDAU08	-98.039
EDAZ08	3.22	0.49	10y-EDAZ08	-95.994
EDAH09	3.24	0.46	10y-EDAH09	-96.405
EDAM09	3.35	0.35	10y-EDAM09	-95.470
EDAU09	3.49	0.21	10y-EDAU09	-94.859
EDAZ09	3.64	0.07	10y-EDAZ09	-94.504
EDAH10	3.76	0.05	10y-EDAH10	-93.855
EDAM10	3.88	0.18	10y-EDAM10	-93.568
EDAU10	3.98	0.28	10y-EDAU10	-92.716

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	0.046	8.07	8.02	10y-EDAZ07
EDAH08	0.295	8.07	7.77	10y-EDAH08
EDAM08	0.545	8.07	7.52	10y-EDAM08
EDAU08	0.794	8.07	7.27	10y-EDAU08
EDAZ08	1.043	8.07	7.02	10y-EDAZ08
EDAH09	1.292	8.07	6.78	10y-EDAH09
EDAM09	1.542	8.07	6.53	10y-EDAM09
EDAU09	1.791	8.07	6.28	10y-EDAU09
EDAZ09	2.040	8.07	6.03	10y-EDAZ09
EDAH10	2.290	8.07	5.78	10y-EDAH10
EDAM10	2.539	8.07	5.53	10y-EDAM10
EDAU10	2.788	8.07	5.28	10y-EDAU10

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

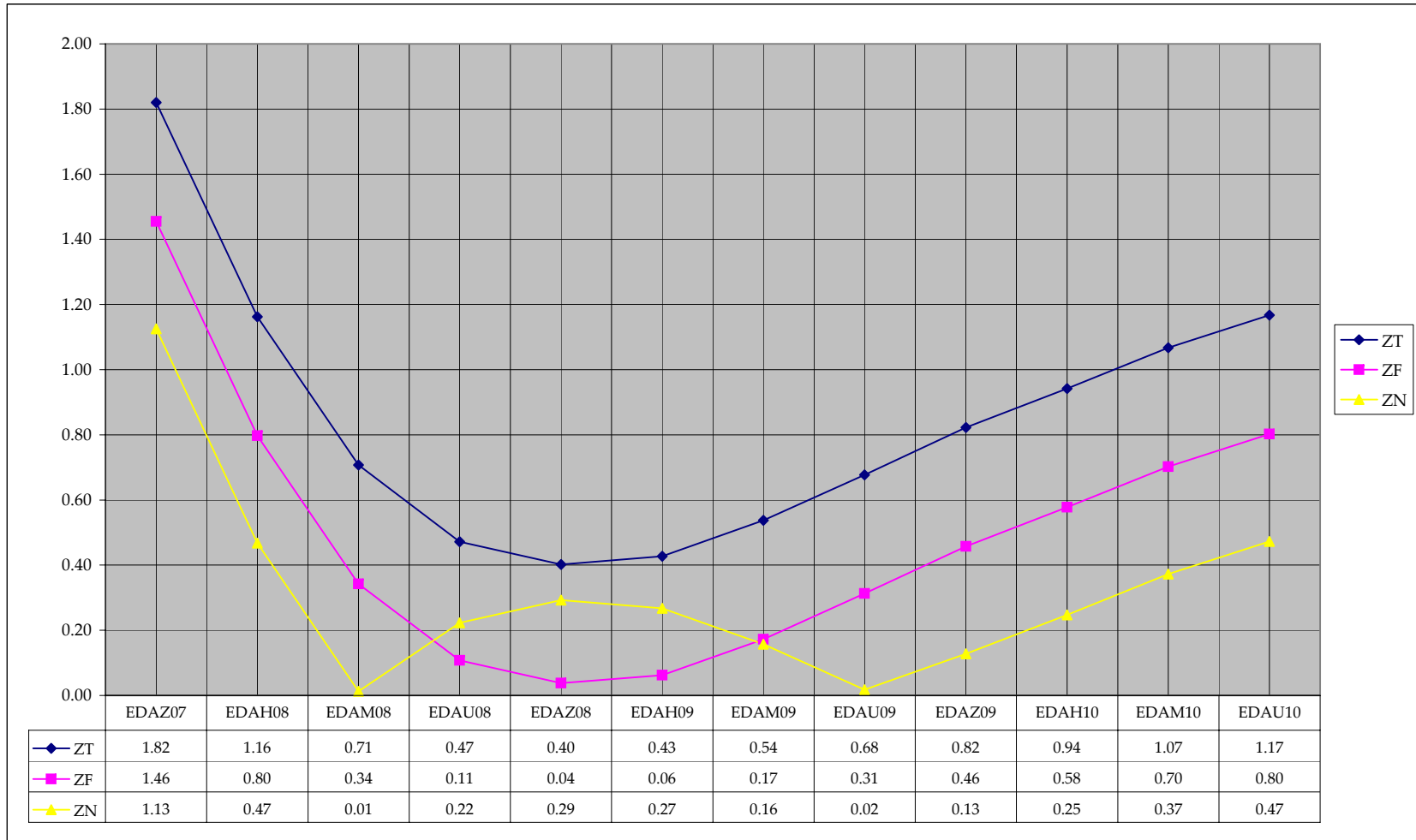


Dirty TED Curve

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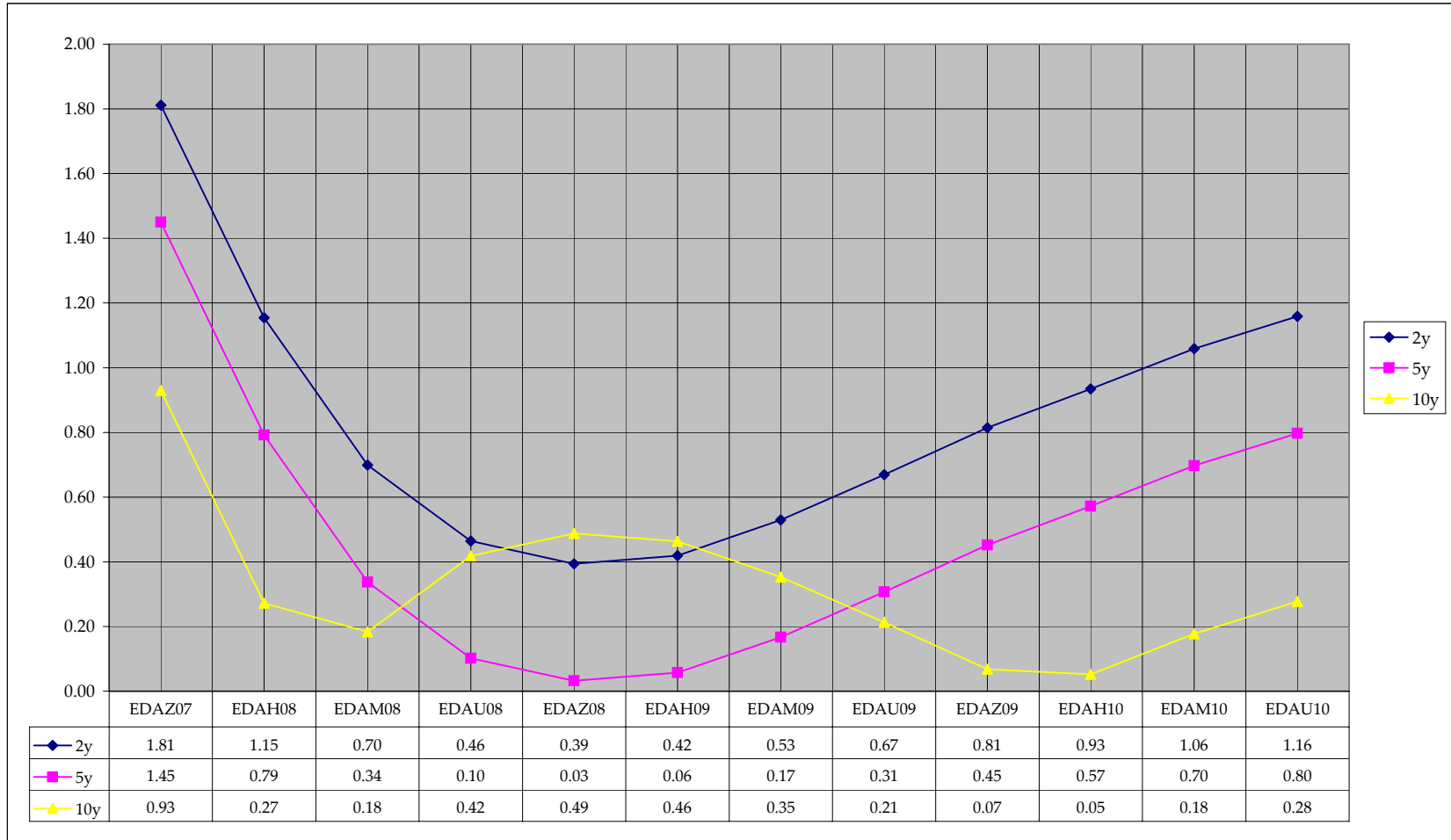
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

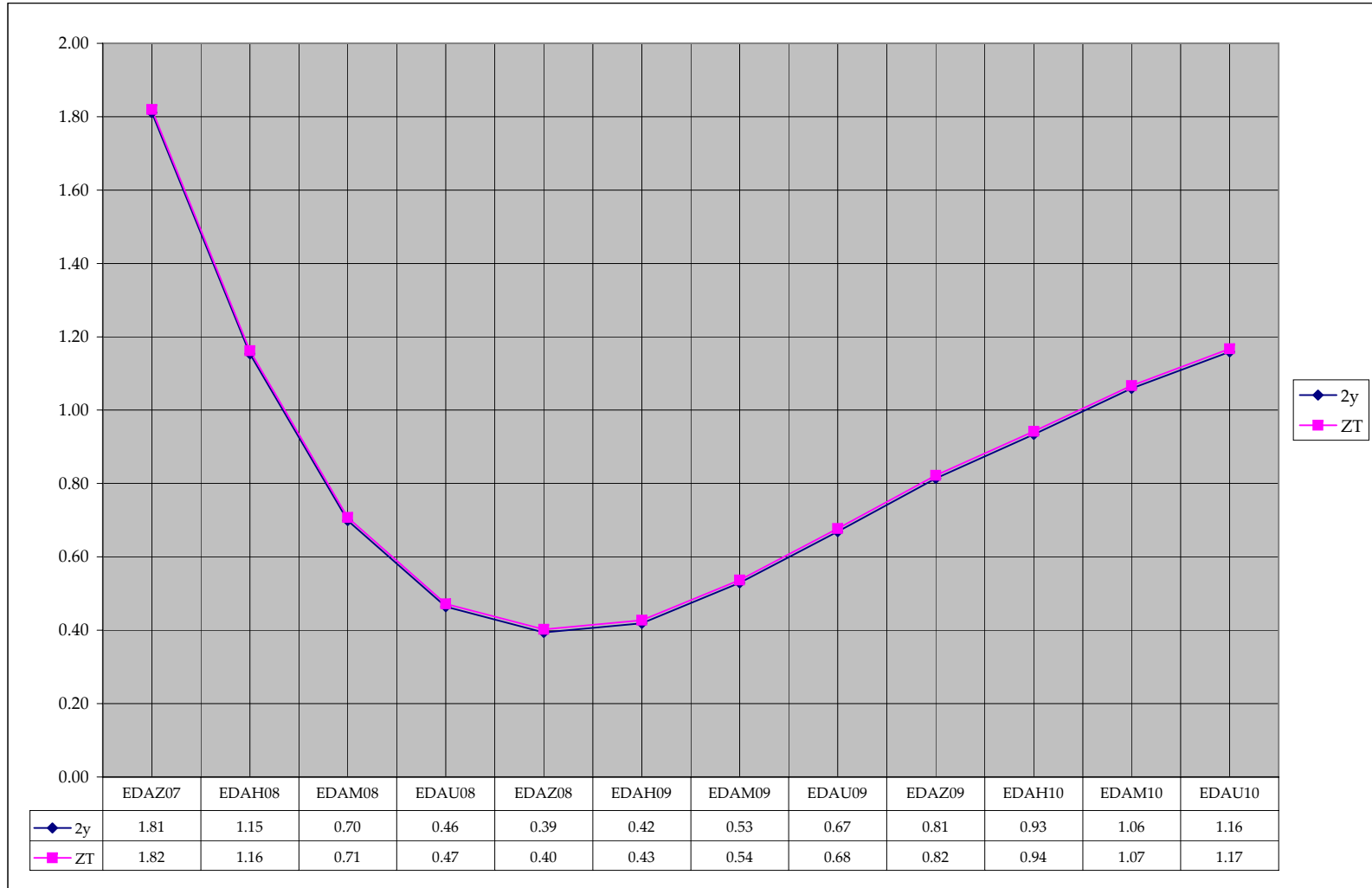


TED Curve

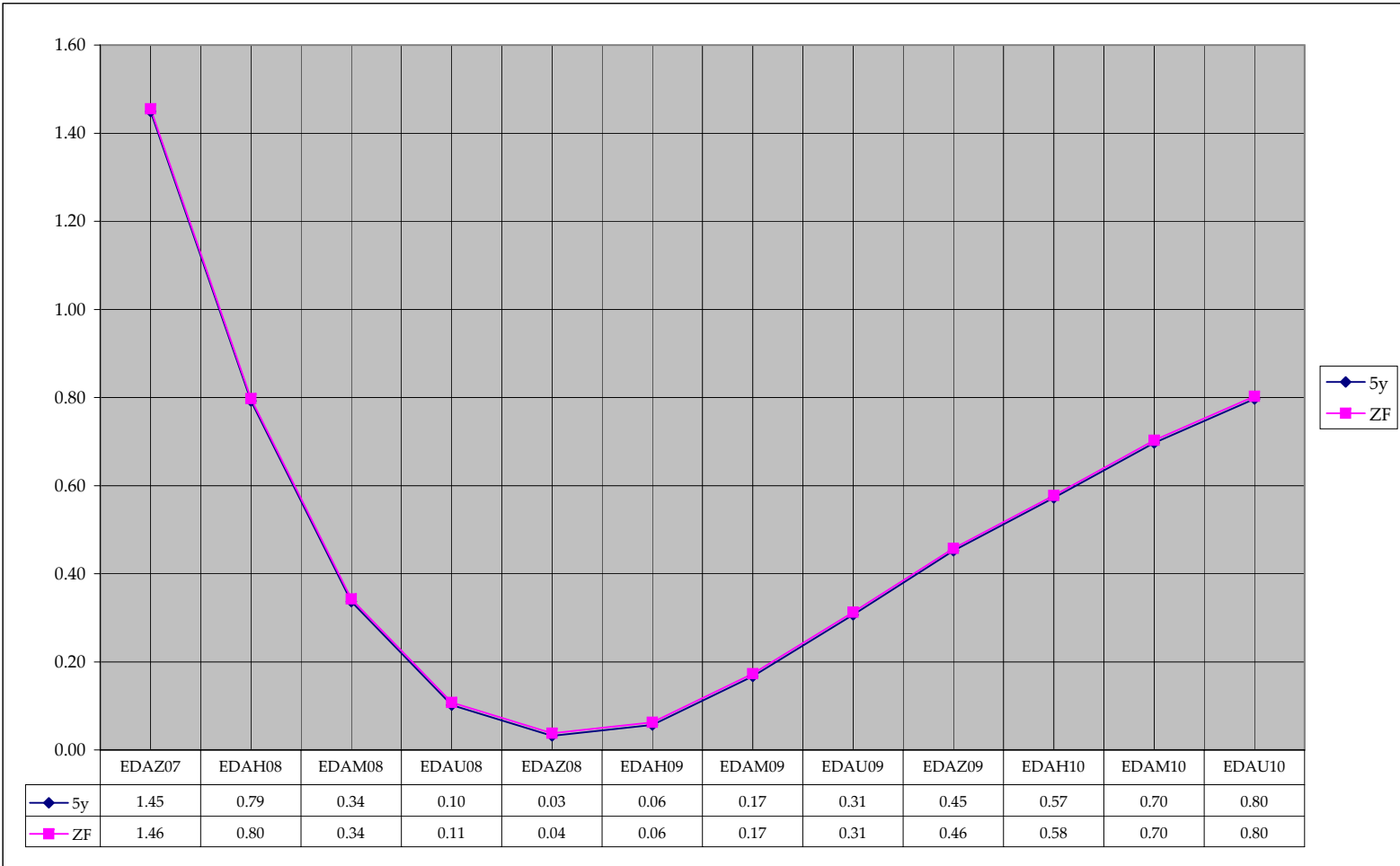
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



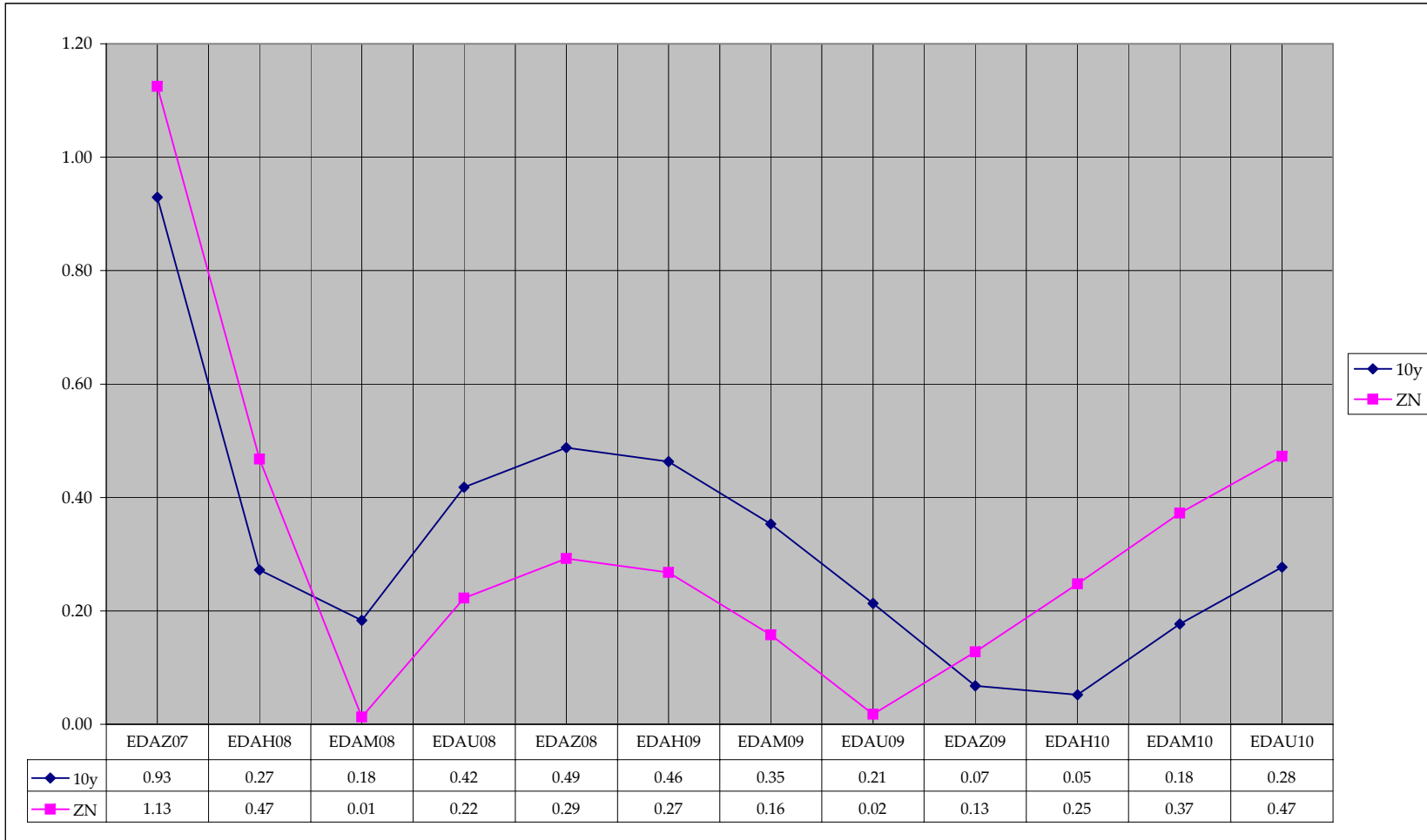
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.188	-1.188	9591.188
Q.ED.Red	3.641	0.750	9644.125
Q.ED.Green	4.146	1.000	9595.250
Q.ED.Blue		1.500	9555.750
Q.ED.Gold		0.000	9525.250

