

## The Morning Email: Eurodollars & Fed Funds

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Want something added? Let me know: [jgoulding@ghco.com](mailto:jgoulding@ghco.com)

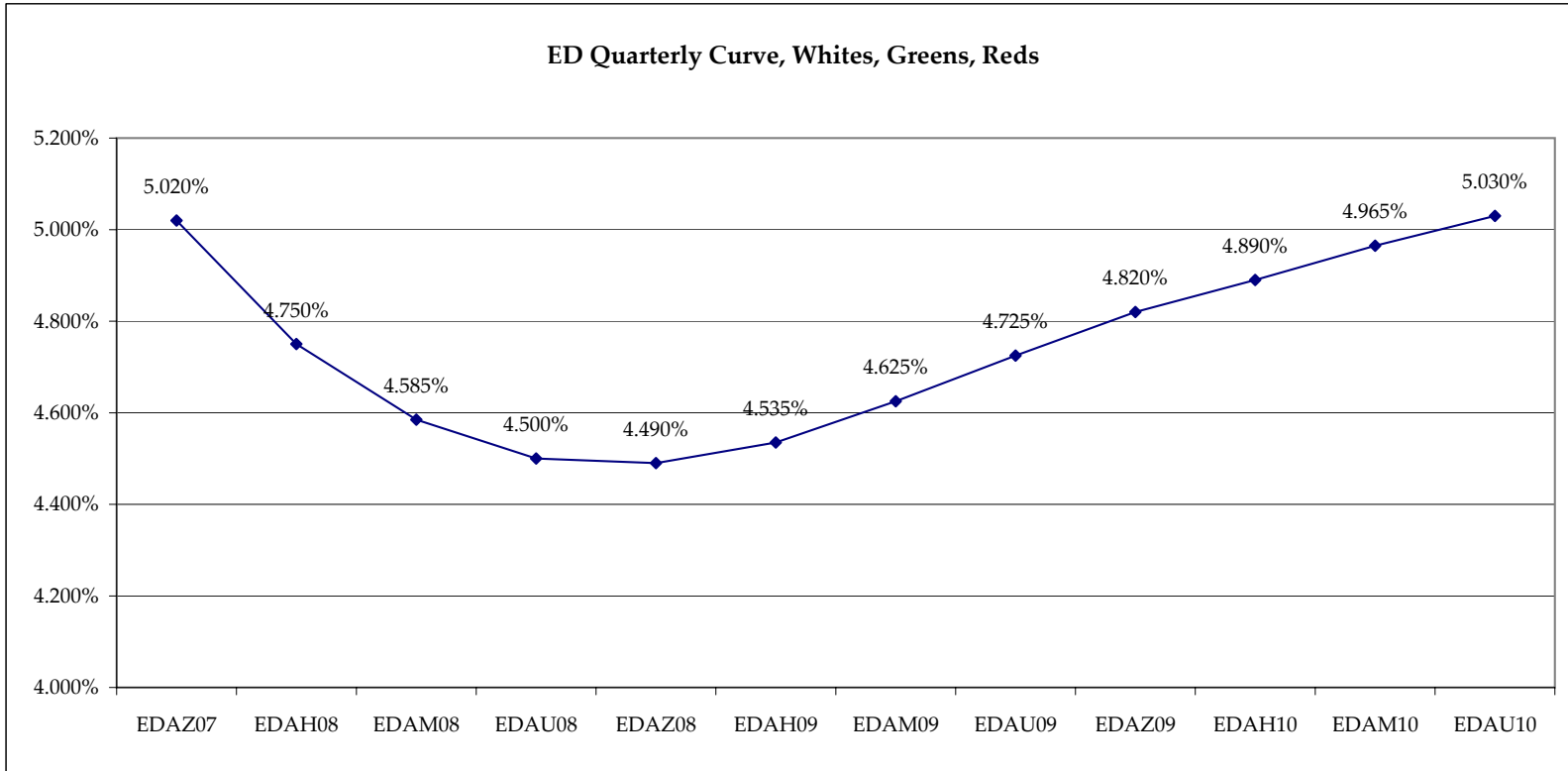
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|        | Last    | High    | Low     | Open    | Month | Net     | Exp Date   | Implied |         |              |
|--------|---------|---------|---------|---------|-------|---------|------------|---------|---------|--------------|
| EDAZ07 | 94.980  | 94.985  | 94.970  | 94.975  | DEC   | -0.5    | 12/17/2007 | 5.020%  | Whites  | 1st Year     |
| EDAH08 | 95.250  | 95.265  | 95.245  | 95.245  | MAR   | -2.0    | 3/17/2008  | 4.750%  |         |              |
| EDAM08 | 95.415  | 95.435  | 95.400  | 95.405  | JUN   | -2.0    | 6/16/2008  | 4.585%  |         |              |
| EDAU08 | 95.500  | 95.520  | 95.485  | 95.485  | SEP   | -2.0    | 9/15/2008  | 4.500%  | Reds    | 1-2 yrs out  |
| EDAZ08 | 95.510  | 95.535  | 95.490  | 95.490  | DEC   | -1.5    | 12/15/2008 | 4.490%  |         |              |
| EDAH09 | 95.465  | 95.490  | 95.445  | 95.445  | MAR   | -1.5    | 3/16/2009  | 4.535%  |         |              |
| EDAM09 | 95.375  | 95.390  | 95.360  | 95.360  | JUN   | -0.5    | 6/15/2009  | 4.625%  | Greens  | 2-3 yrs out  |
| EDAU09 | 95.275  | 95.290  | 95.260  | 95.260  | SEP   | -0.5    | 9/14/2009  | 4.725%  |         |              |
| EDAZ09 | 95.180  | 95.180  | 95.170  | 95.180  | DEC   | 0.5     | 12/14/2009 | 4.820%  |         |              |
| EDAH10 | 95.110  | 95.115  | 95.110  | 95.115  | MAR   | 0.0     | 3/15/2010  | 4.890%  | Blues   | 3-4 yrs out  |
| EDAM10 | 95.035  | 95.040  | 95.030  | 95.040  | JUN   | 1.0     | 6/14/2010  | 4.965%  |         |              |
| EDAU10 | 94.970  | 94.970  | 94.965  | 94.965  | SEP   | 1.0     | 9/13/2010  | 5.030%  |         |              |
| EDAZ10 | 94.900  | #VALUE! | #VALUE! | #VALUE! | DEC   | 3.0     | 12/13/2010 | 5.100%  | Golds   | 4-5 yrs out  |
| EDAH11 | 94.820  | #VALUE! | #VALUE! | #VALUE! | MAR   | 2.0     | 3/14/2011  | 5.180%  |         |              |
| EDAM11 | #VALUE! | #VALUE! | #VALUE! | #VALUE! | JUN   | -2.5    | 6/13/2011  | #VALUE! |         |              |
| EDAU11 | #VALUE! | #VALUE! | #VALUE! | #VALUE! | SEP   | 3.0     | 9/19/2011  | #VALUE! | Purples | 5-6 yrs out  |
| EDAZ11 | 94.670  | #VALUE! | #VALUE! | #VALUE! | DEC   | 3.0     | 12/19/2011 | 5.330%  |         |              |
| EDAH12 | 94.625  | #VALUE! | #VALUE! | #VALUE! | MAR   | #VALUE! | 3/19/2012  | 5.375%  |         |              |
| EDAM12 | #VALUE! | #VALUE! | #VALUE! | #VALUE! | JUN   | #VALUE! | 6/18/2012  | #VALUE! | Oranges | 6-7 yrs out  |
| EDAU12 | #VALUE! | #VALUE! | #VALUE! | #VALUE! | SEP   | #VALUE! | 9/17/2012  | #VALUE! |         |              |
| EDAZ12 |         |         |         |         |       |         |            |         |         |              |
| EDZH13 |         |         |         |         |       |         |            |         | Pinks   | 7-8 yrs out  |
| EDAM13 |         |         |         |         |       |         |            |         |         |              |
| EDAU13 |         |         |         |         |       |         |            |         |         |              |
| EDAZ13 |         |         |         |         |       |         |            |         | Greys   | 8-9 yrs out  |
| EDAH14 |         |         |         |         |       |         |            |         |         |              |
| EDAM14 |         |         |         |         |       |         |            |         |         |              |
| EDAU14 |         |         |         |         |       |         |            |         | Coppers | 8-10 yrs out |
| EDAZ14 |         |         |         |         |       |         |            |         |         |              |
| EDAH15 |         |         |         |         |       |         |            |         |         |              |
| EDAM15 |         |         |         |         |       |         |            |         |         |              |
| EDAU15 |         |         |         |         |       |         |            |         |         |              |
| EDAZ15 |         |         |         |         |       |         |            |         |         |              |
| EDAH16 |         |         |         |         |       |         |            |         |         |              |
| EDAM16 |         |         |         |         |       |         |            |         |         |              |
| EDAU16 |         |         |         |         |       |         |            |         |         |              |
| EDAZ16 |         |         |         |         |       |         |            |         |         |              |
| EDAH17 |         |         |         |         |       |         |            |         |         |              |
| EDAM17 |         |         |         |         |       |         |            |         |         |              |
| EDAU17 |         |         |         |         |       |         |            |         |         |              |

I do not keep stats on purples through coppers due to lack of volume. Also, matrix excludes serial contracts. Serials can be found on the ED and FF spread page.

The Morning Email, ED&FF

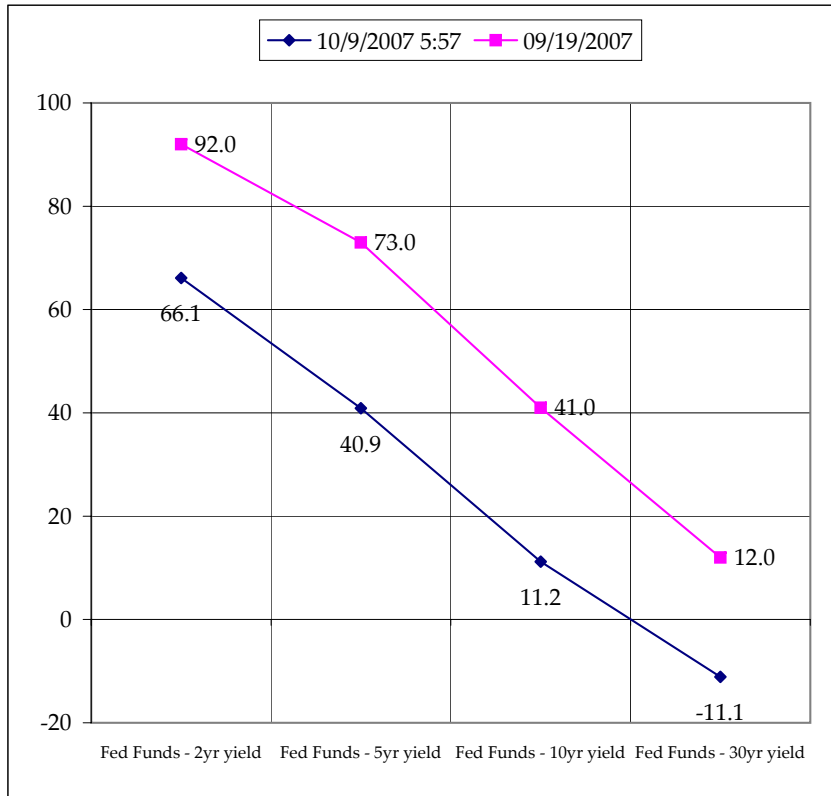
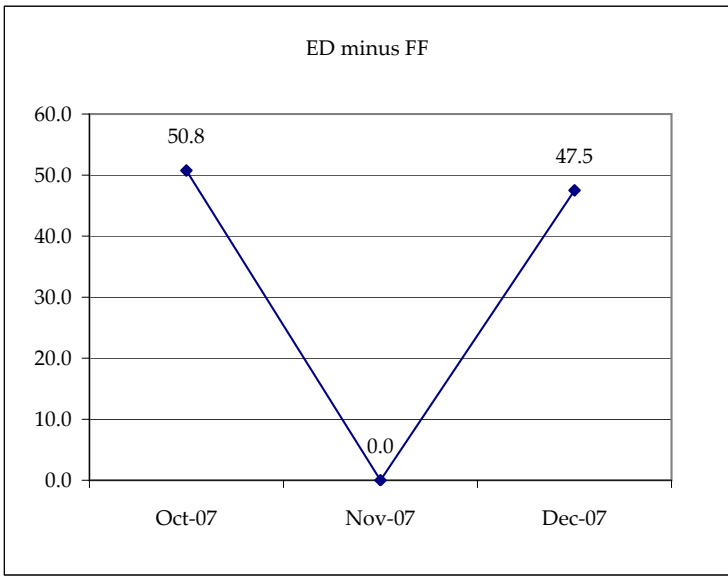


| Month  | Fed Funds (FF) |         |         | ED      | ED - FF |
|--------|----------------|---------|---------|---------|---------|
|        | Last           | Net     | Implied | Implied | bps     |
| Oct-07 | 95.260         | -0.050  | 4.740   | 5.248   | 50.8    |
| Nov-07 | 95.355         | -0.150  | 4.645   | #VALUE! | #VALUE! |
| Dec-07 | 95.455         | -0.150  | 4.545   | 5.020   | 47.5    |
| Jan-08 | 95.500         | -0.150  | 4.500   |         |         |
| Feb-08 | 95.580         | -0.050  | 4.420   |         |         |
| Mar-08 | #VALUE!        | #VALUE! | #VALUE! | 4.750   | #VALUE! |
| Apr-08 | #VALUE!        | #VALUE! | #VALUE! |         |         |
| May-08 | #VALUE!        | #VALUE! | #VALUE! |         |         |
| Jun-08 | #VALUE!        | #VALUE! | #VALUE! | 4.585   | #VALUE! |
| Jul-08 | #VALUE!        | #VALUE! | #VALUE! |         |         |
| Aug-08 | #VALUE!        | #VALUE! | #VALUE! |         |         |
| Sep-08 | #VALUE!        | #VALUE! | #VALUE! | 4.500   | #VALUE! |

| Fed Funds Daily Effective Rate<br>Minus US Treasury Yields |          |          |            |
|--|----------|----------|------------|
| Spread Name  | Diff bps | Net Chng | 09/19/2007 |
| Fed Funds - 2yr yield                                      | 66.1     | -0.8     | 92.0       |
| Fed Funds - 5yr yield                                      | 40.9     | -0.2     | 73.0       |
| Fed Funds - 10yr yield                                     | 11.2     | 0.4      | 41.0       |
| Fed Funds - 30yr yield                                     | -11.1    | 0.6      | 12.0       |
| GFER   | 4.74     | #VALUE!  |            |

GFER = Fed Funds Daily Effective Rate

Why 9/19/2007?  
 The morning after the last FOMC meeting is a good benchmark. I marked at 7:00am CT (Before CPI release).



| <b>October</b>   | <b>avg target</b> | <b>400</b> | <b>425</b> | <b>450</b> | <b>475</b> | <b>500</b> | <b>525</b> |            |
|------------------|-------------------|------------|------------|------------|------------|------------|------------|------------|
| <b>10/4/2007</b> | 4.566%            | 0.4%       | 11.4%      | 49.9%      | 38.2%      | 0.0%       | 0.1%       |            |
| <b>10/5/2007</b> | 4.626%            | 0.5%       | 3.3%       | 41.5%      | 54.7%      | 0.0%       | 0.0%       |            |
| <b>December</b>  | <b>avg target</b> | <b>375</b> | <b>400</b> | <b>425</b> | <b>450</b> | <b>475</b> | <b>500</b> | <b>525</b> |
| <b>10/4/2007</b> | 4.400%            | 6.2%       | 5.5%       | 37.1%      | 31.2%      | 13.9%      | 5.7%       | 0.5%       |
| <b>10/5/2007</b> | 4.476%            | 5.6%       | 0.0%       | 27.4%      | 38.2%      | 22.8%      | 5.9%       | 0.0%       |

This page shows the month of the FOMC meeting and the probabilities that they will ease/tighten to a certain Fed Funds Target Rate.

These probabilities take options into account and are much better at forecasting the FOMC intentions than the 'day-count' equation most analysts on the street use.

Notes:

All probabilities are taken from The Cleveland Federal Reserve

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**Eurodollar COT Data**

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| Current Positions |           |          |            |         |           |             |            |             |
|-------------------|-----------|----------|------------|---------|-----------|-------------|------------|-------------|
| Small Spec        |           |          | Large Spec |         |           | Commercials |            |             |
| Long              | Short     | Net      | Long       | Short   | Net       | Long        | Short      | Net         |
| 1,276,052         | 1,288,472 | (12,420) | 1,426,902  | 321,561 | 1,105,341 | 9,010,363   | 10,103,284 | (1,092,921) |

As of  
10/2/2007

| Week over Week Change |         |          |
|-----------------------|---------|----------|
| Sm Spec               | Lg Spec | Commrci  |
| 2,611                 | 86,920  | (89,530) |

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