

The Morning Email: TERM TEDS & Dirty TEDS

Table of Contents

PgA	Quotes	Pg9	2y Basis TED Curve
Pg1	Dirty TED: ZT vs Eurodollar Contracts	Pg10	5y Basis TED Curve
Pg2	Dirty TED: ZF vs Eurodollar Contracts	Pg11	10y Basis TED Curve
Pg3	Dirty TED: ZN vs Eurodollar Contracts	Pg12	Packs
Pg4	TERM TED: 2y vs Eurodollar Contracts		
Pg5	TERM TED: 5y vs Eurodollar Contracts		
Pg6	TERM TED: 10y vs Eurodollar Contracts		
Pg7	Dirty TED Curve		
Pg8	TED Curve		

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	103.3031	103.097	4.083	1.88	
ZF	106.5781	106.185	4.282	3.92	
ZN	108.8125	108.260	4.455	5.84	
2y	99.844	99.2700	4.083	1.88	
5y	99.625	99.2000	4.331	4.43	
10y	100.938	100.3000	4.628	7.75	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	94.980	5.020	69	0.188	DEC	White Pack	
EDAH08	95.250	4.750	160	0.438	MAR		
EDAM08	95.415	4.585	251	0.687	JUN		
EDAU08	95.500	4.500	342	0.936	SEP	Red Pack	
EDAZ08	95.510	4.490	433	1.186	DEC		
EDAH09	95.465	4.535	524	1.435	MAR		
EDAM09	95.375	4.625	615	1.684	JUN	Green Pack	
EDAU09	95.275	4.725	706	1.934	SEP		
EDAZ09	95.180	4.820	797	2.183	DEC		
EDAH10	95.110	4.890	888	2.432	MAR	Blue Pack	
EDAM10	95.035	4.965	979	2.682	JUN		
EDAU10	94.970	5.030	1070	2.931	SEP		
EDAZ10	94.900	5.100	1161	3.180	DEC	Gold Pack	
EDAH11	94.820	5.180	1252	3.429	MAR		
EDAM11	#VALUE!	#VALUE!	1343	3.679	JUN		
EDAU11	#VALUE!	#VALUE!	1441	3.947	SEP		
EDAZ11	94.670	5.330	1532	4.197	DEC		
EDAH12	94.625	5.375	1623	4.446	MAR		
EDAM12	#VALUE!	#VALUE!	1714	4.695	JUN		
EDAU12	#VALUE!	#VALUE!	1805	4.945	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	4.836	0.500	9528.625	Pack Prices
Q.ED.Red	4.712	2.625	9540.625	
Q.ED.Green	5.057	1.750	9507.375	
Q.ED.Blue		0.000	9480.875	
Q.ED.Gold		0.000	9460.000	

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

Overview of Hedging

10/9/2007 5:58

Page A

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

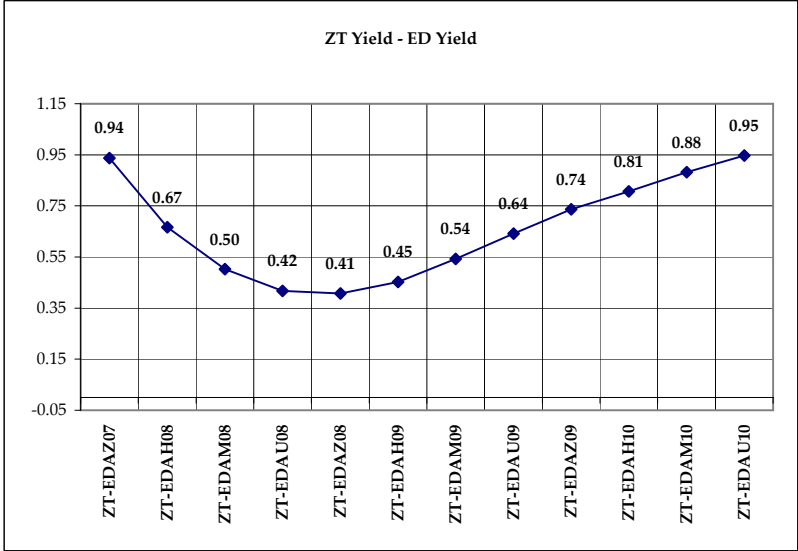
Eurodollar Color Codes for Individual Year Strips:

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

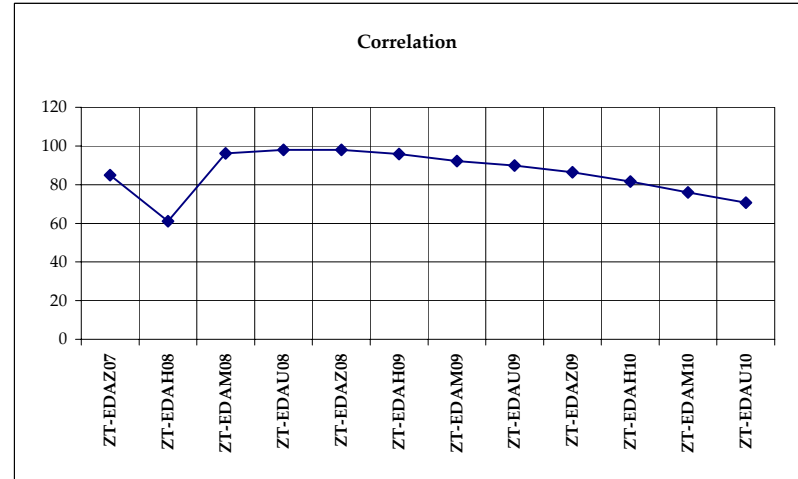
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.323	0.94	ZT-EDAZ07	84.902
EDAH08	8.053	0.67	ZT-EDAH08	61.116
EDAM08	7.888	0.50	ZT-EDAM08	96.117
EDAU08	7.803	0.42	ZT-EDAU08	98.010
EDAZ08	7.793	0.41	ZT-EDAZ08	97.999
EDAH09	7.838	0.45	ZT-EDAH09	95.788
EDAM09	7.928	0.54	ZT-EDAM09	92.238
EDAU09	8.028	0.64	ZT-EDAU09	89.930
EDAZ09	8.123	0.74	ZT-EDAZ09	86.350
EDAH10	8.193	0.81	ZT-EDAH10	81.577
EDAM10	8.268	0.88	ZT-EDAM10	75.980
EDAU10	8.333	0.95	ZT-EDAU10	70.641

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	0.188	1.88	1.69	ZT-EDAZ07
EDAH08	0.438	1.88	1.44	ZT-EDAH08
EDAM08	0.687	1.88	1.19	ZT-EDAM08
EDAU08	0.936	1.88	0.94	ZT-EDAU08
EDAZ08	1.186	1.88	0.69	ZT-EDAZ08
EDAH09	1.435	1.88	0.44	ZT-EDAH09
EDAM09	1.684	1.88	0.19	ZT-EDAM09
EDAU09	1.934	1.88	(0.06)	ZT-EDAU09
EDAZ09	2.183	1.88	(0.31)	ZT-EDAZ09
EDAH10	2.432	1.88	(0.56)	ZT-EDAH10
EDAM10	2.682	1.88	(0.81)	ZT-EDAM10
EDAU10	2.931	1.88	(1.05)	ZT-EDAU10

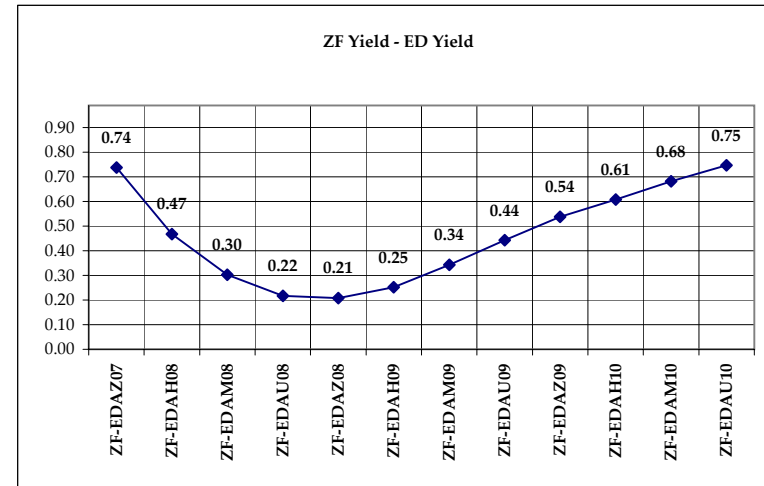
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	11.60	0.74	ZF-EDAZ07	51.933
EDAH08	11.33	0.47	ZF-EDAH08	59.706
EDAM08	11.16	0.30	ZF-EDAM08	74.111
EDAU08	11.08	0.22	ZF-EDAU08	82.699
EDAZ08	11.07	0.21	ZF-EDAZ08	87.702
EDAH09	11.11	0.25	ZF-EDAH09	91.120
EDAM09	11.20	0.34	ZF-EDAM09	93.312
EDAU09	11.30	0.44	ZF-EDAU09	95.317
EDAZ09	11.40	0.54	ZF-EDAZ09	96.756
EDAH10	11.47	0.61	ZF-EDAH10	97.416
EDAM10	11.54	0.68	ZF-EDAM10	96.795
EDAU10	11.61	0.75	ZF-EDAU10	95.428

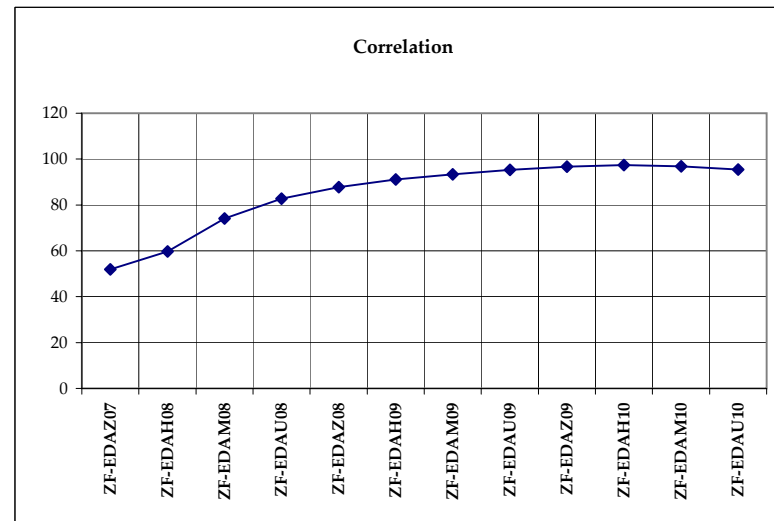
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAZ07	0.188	3.92	ZF-EDAZ07
EDAH08	0.438	3.92	ZF-EDAH08
EDAM08	0.687	3.92	ZF-EDAM08
EDAU08	0.936	3.92	ZF-EDAU08
EDAZ08	1.186	3.92	ZF-EDAZ08
EDAH09	1.435	3.92	ZF-EDAH09
EDAM09	1.684	3.92	ZF-EDAM09
EDAU09	1.934	3.92	ZF-EDAU09
EDAZ09	2.183	3.92	ZF-EDAZ09
EDAH10	2.432	3.92	ZF-EDAH10
EDAM10	2.682	3.92	ZF-EDAM10
EDAU10	2.931	3.92	ZF-EDAU10

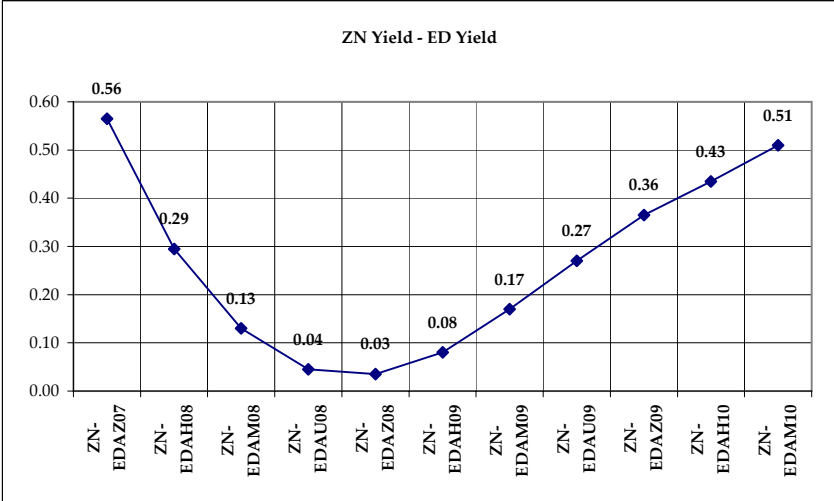
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

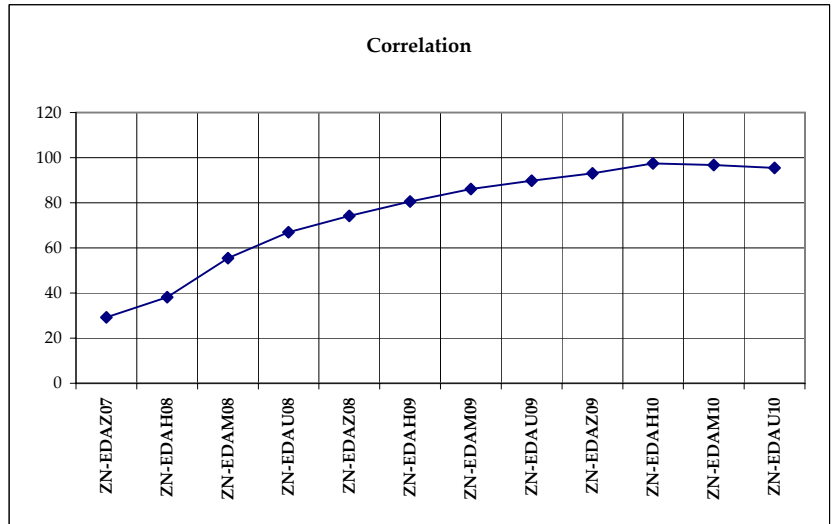
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	13.83	0.56	ZN-EDAZ07	29.15
EDAH08	13.56	0.29	ZN-EDAH08	38.15
EDAM08	13.40	0.13	ZN-EDAM08	55.52
EDAU08	13.31	0.04	ZN-EDAU08	66.90
EDAZ08	13.30	0.03	ZN-EDAZ08	74.13
EDAH09	13.35	0.08	ZN-EDAH09	80.61
EDAM09	13.44	0.17	ZN-EDAM09	86.06
EDAU09	13.54	0.27	ZN-EDAU09	89.86
EDAZ09	13.63	0.36	ZN-EDAZ09	93.11
EDAH10	13.70	0.43	ZN-EDAH10	97.42
EDAM10	13.78	0.51	ZN-EDAM10	96.80
EDAU10	13.84	0.57	ZN-EDAU10	95.43

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	0.188	5.84	5.65	ZN-EDAZ07
EDAH08	0.438	5.84	5.40	ZN-EDAH08
EDAM08	0.687	5.84	5.15	ZN-EDAM08
EDAU08	0.936	5.84	4.90	ZN-EDAU08
EDAZ08	1.186	5.84	4.65	ZN-EDAZ08
EDAH09	1.435	5.84	4.40	ZN-EDAH09
EDAM09	1.684	5.84	4.15	ZN-EDAM09
EDAU09	1.934	5.84	3.91	ZN-EDAU09
EDAZ09	2.183	5.84	3.66	ZN-EDAZ09
EDAH10	2.432	5.84	3.41	ZN-EDAH10
EDAM10	2.682	5.84	3.16	ZN-EDAM10
EDAU10	2.931	5.84	2.91	ZN-EDAU10

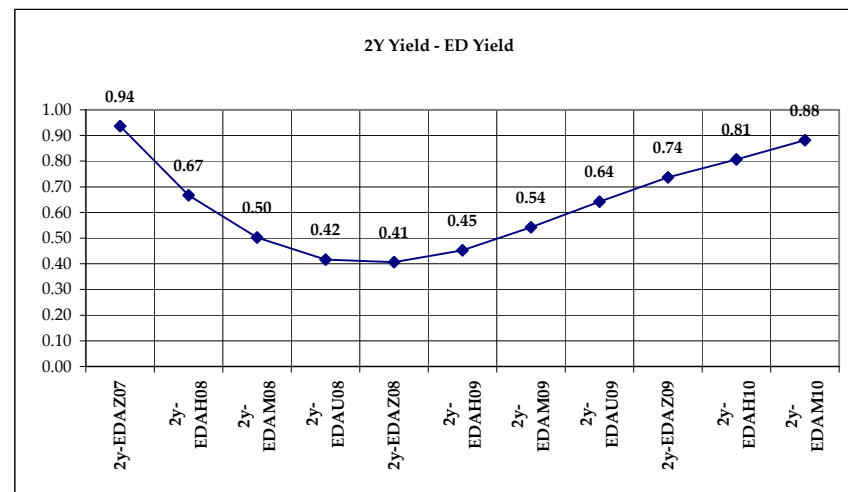
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.86	0.94	2y-EDAZ07	-82.057
EDAH08	4.59	0.67	2y-EDAH08	-87.079
EDAM08	4.43	0.50	2y-EDAM08	-93.914
EDAU08	4.34	0.42	2y-EDAU08	-96.160
EDAZ08	4.33	0.41	2y-EDAZ08	-93.914
EDAH09	4.38	0.45	2y-EDAH09	-94.749
EDAM09	4.47	0.54	2y-EDAM09	-91.907
EDAU09	4.57	0.64	2y-EDAU09	-88.957
EDAZ09	4.66	0.74	2y-EDAZ09	-84.698
EDAH10	4.73	0.81	2y-EDAH10	-80.022
EDAM10	4.81	0.88	2y-EDAM10	-74.746
EDAU10	4.87	0.95	2y-EDAU10	-70.168

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.

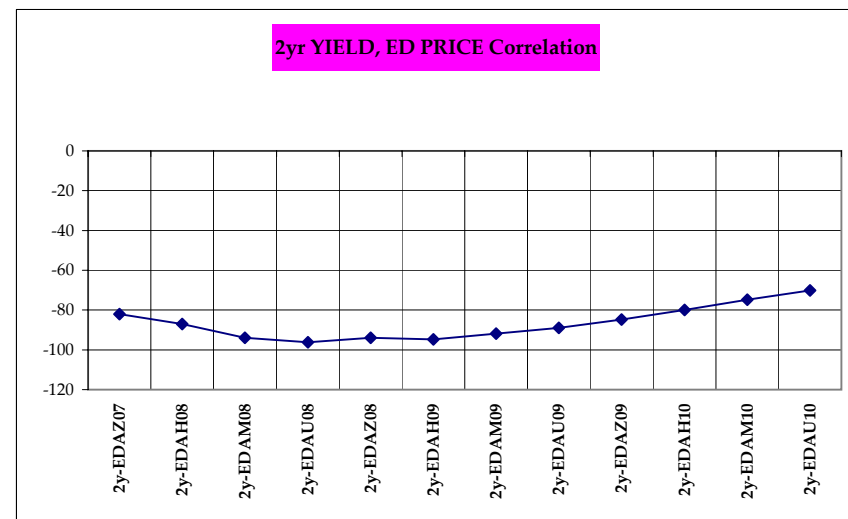


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.188	1.69	2y-EDAZ07
EDAH08	0.438	1.44	2y-EDAH08
EDAM08	0.687	1.19	2y-EDAM08
EDAU08	0.936	0.94	2y-EDAU08
EDAZ08	1.186	0.69	2y-EDAZ08
EDAH09	1.435	0.44	2y-EDAH09
EDAM09	1.684	0.19	2y-EDAM09
EDAU09	1.934	(0.06)	2y-EDAU09
EDAZ09	2.183	(0.31)	2y-EDAZ09
EDAH10	2.432	(0.56)	2y-EDAH10
EDAM10	2.682	(0.81)	2y-EDAM10
EDAU10	2.931	(1.05)	2y-EDAU10

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

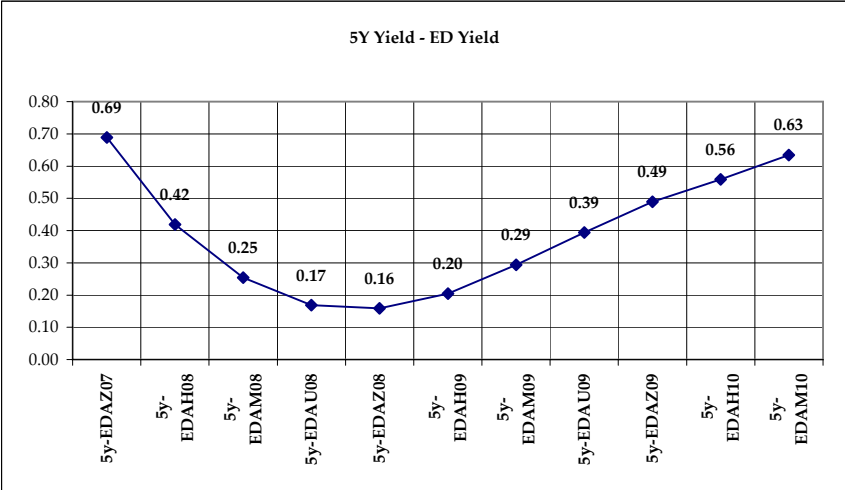
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.65	0.69	5y-EDAZ07	-52.762
EDAH08	4.38	0.42	5y-EDAH08	-60.840
EDAM08	4.21	0.25	5y-EDAM08	-74.594
EDAU08	4.13	0.17	5y-EDAU08	-82.287
EDAZ08	4.12	0.16	5y-EDAZ08	-74.594
EDAH09	4.16	0.20	5y-EDAH09	-88.916
EDAM09	4.25	0.29	5y-EDAM09	-90.839
EDAU09	4.35	0.39	5y-EDAU09	-92.010
EDAZ09	4.45	0.49	5y-EDAZ09	-92.337
EDAH10	4.52	0.56	5y-EDAH10	-92.518
EDAM10	4.59	0.63	5y-EDAM10	-91.190
EDAU10	4.66	0.70	5y-EDAU10	-89.686

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.

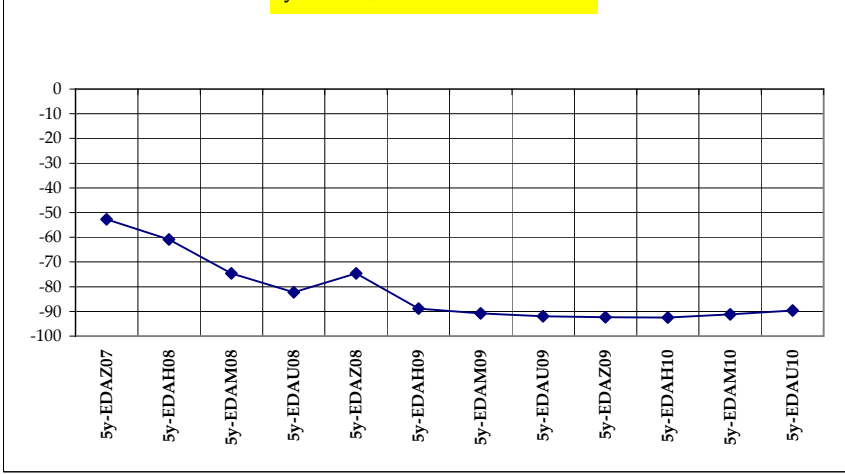


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.188	4.43	4.24	5y-EDAZ07
EDAH08	0.438	4.43	3.99	5y-EDAH08
EDAM08	0.687	4.43	3.75	5y-EDAM08
EDAU08	0.936	4.43	3.50	5y-EDAU08
EDAZ08	1.186	4.43	3.25	5y-EDAZ08
EDAH09	1.435	4.43	3.00	5y-EDAH09
EDAM09	1.684	4.43	2.75	5y-EDAM09
EDAU09	1.934	4.43	2.50	5y-EDAU09
EDAZ09	2.183	4.43	2.25	5y-EDAZ09
EDAH10	2.432	4.43	2.00	5y-EDAH10
EDAM10	2.682	4.43	1.75	5y-EDAM10
EDAU10	2.931	4.43	1.50	5y-EDAU10

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

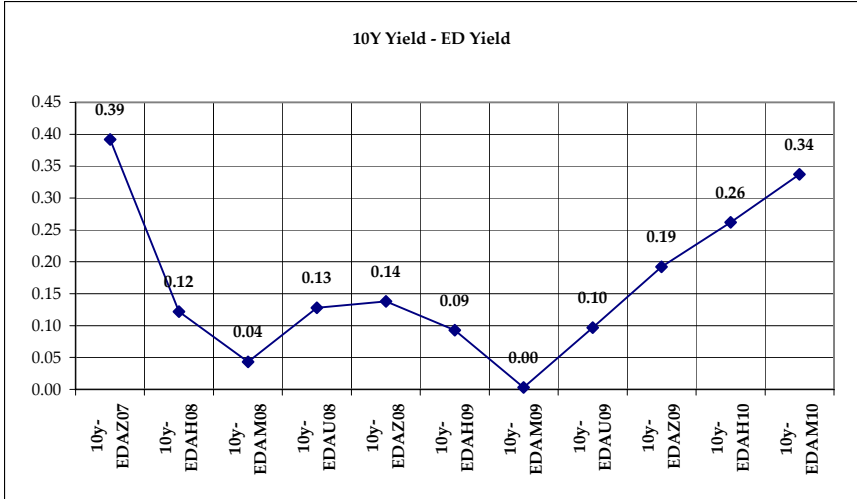
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

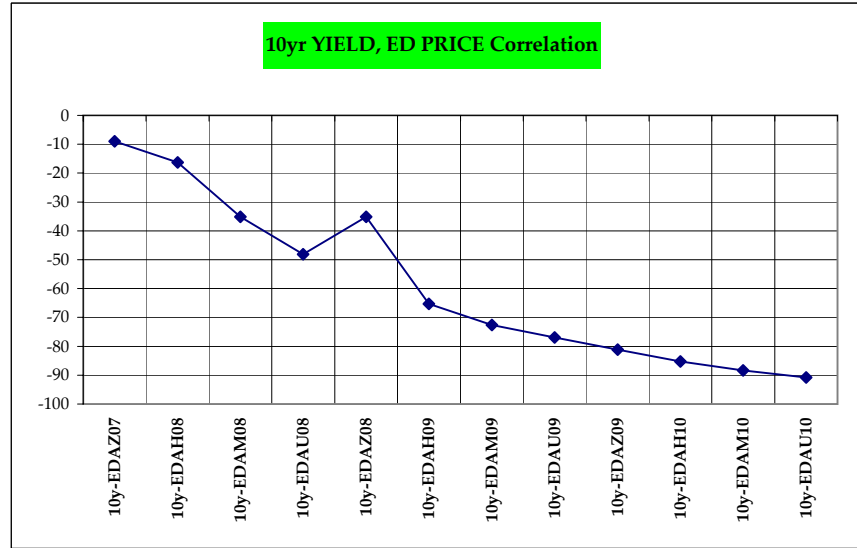
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.65	0.39	10y-EDAZ07	-9.010
EDAH08	4.38	0.12	10y-EDAH08	-16.332
EDAM08	4.21	0.04	10y-EDAM08	-35.171
EDAU08	4.13	0.13	10y-EDAU08	-48.119
EDAZ08	4.12	0.14	10y-EDAZ08	-35.171
EDAH09	4.16	0.09	10y-EDAH09	-65.259
EDAM09	4.25	0.00	10y-EDAM09	-72.628
EDAU09	4.35	0.10	10y-EDAU09	-76.901
EDAZ09	4.45	0.19	10y-EDAZ09	-81.106
EDAH10	4.52	0.26	10y-EDAH10	-85.294
EDAM10	4.59	0.34	10y-EDAM10	-88.340
EDAU10	4.66	0.40	10y-EDAU10	-90.809

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	0.188	7.75	7.57	10y-EDAZ07
EDAH08	0.438	7.75	7.32	10y-EDAH08
EDAM08	0.687	7.75	7.07	10y-EDAM08
EDAU08	0.936	7.75	6.82	10y-EDAU08
EDAZ08	1.186	7.75	6.57	10y-EDAZ08
EDAH09	1.435	7.75	6.32	10y-EDAH09
EDAM09	1.684	7.75	6.07	10y-EDAM09
EDAU09	1.934	7.75	5.82	10y-EDAU09
EDAZ09	2.183	7.75	5.57	10y-EDAZ09
EDAH10	2.432	7.75	5.32	10y-EDAH10
EDAM10	2.682	7.75	5.07	10y-EDAM10
EDAU10	2.931	7.75	4.82	10y-EDAU10

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

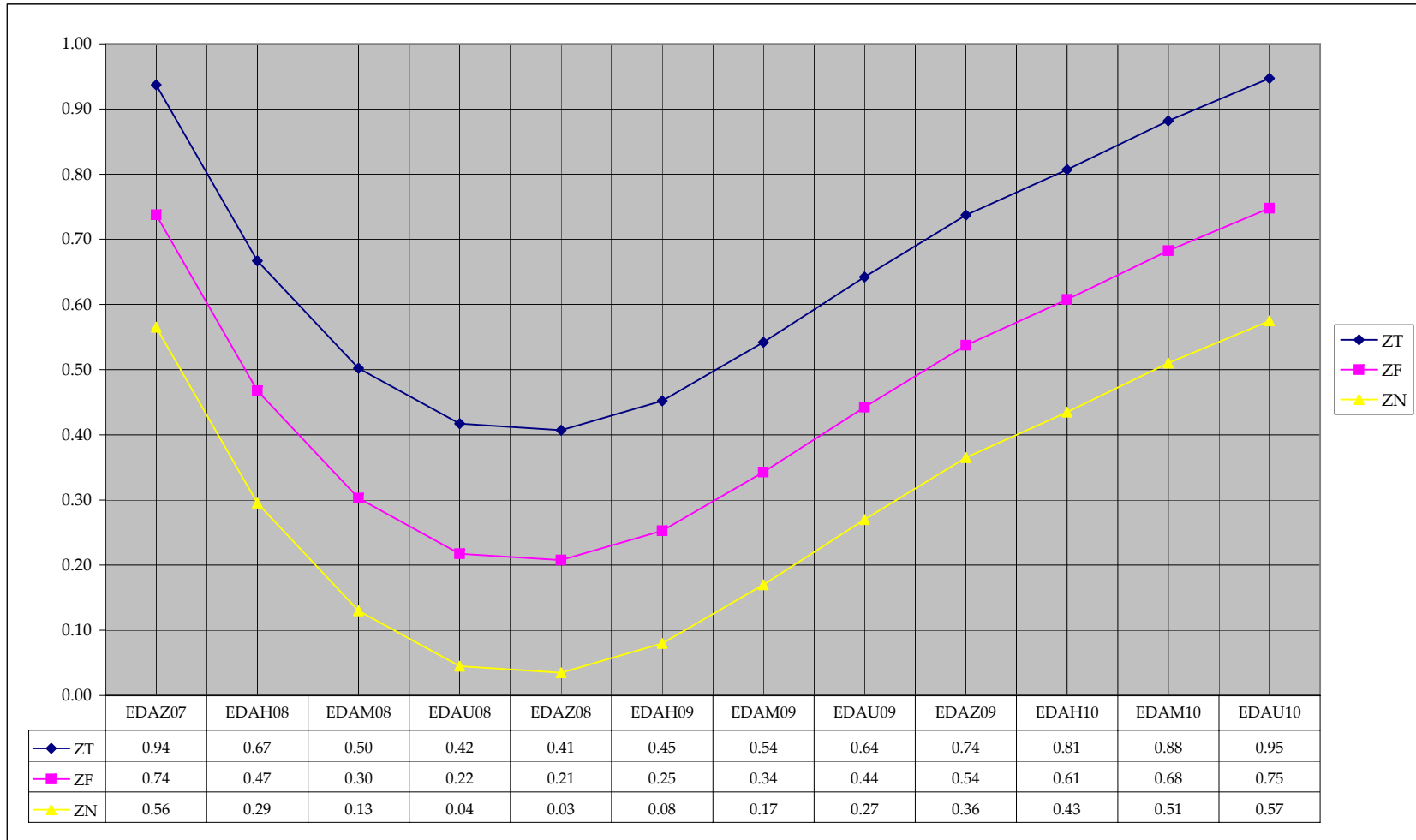


Dirty TED Curve

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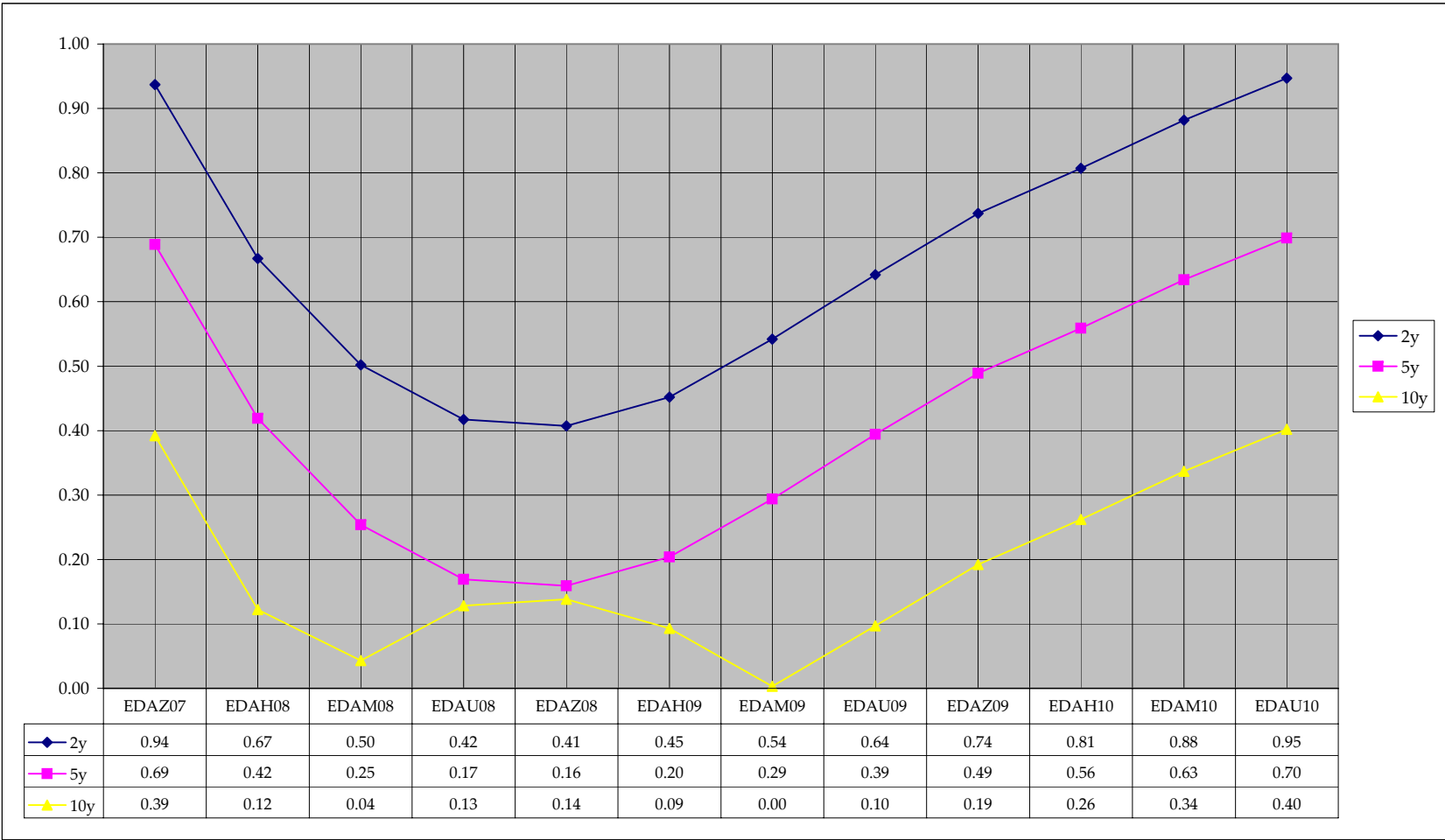
Page 7

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.

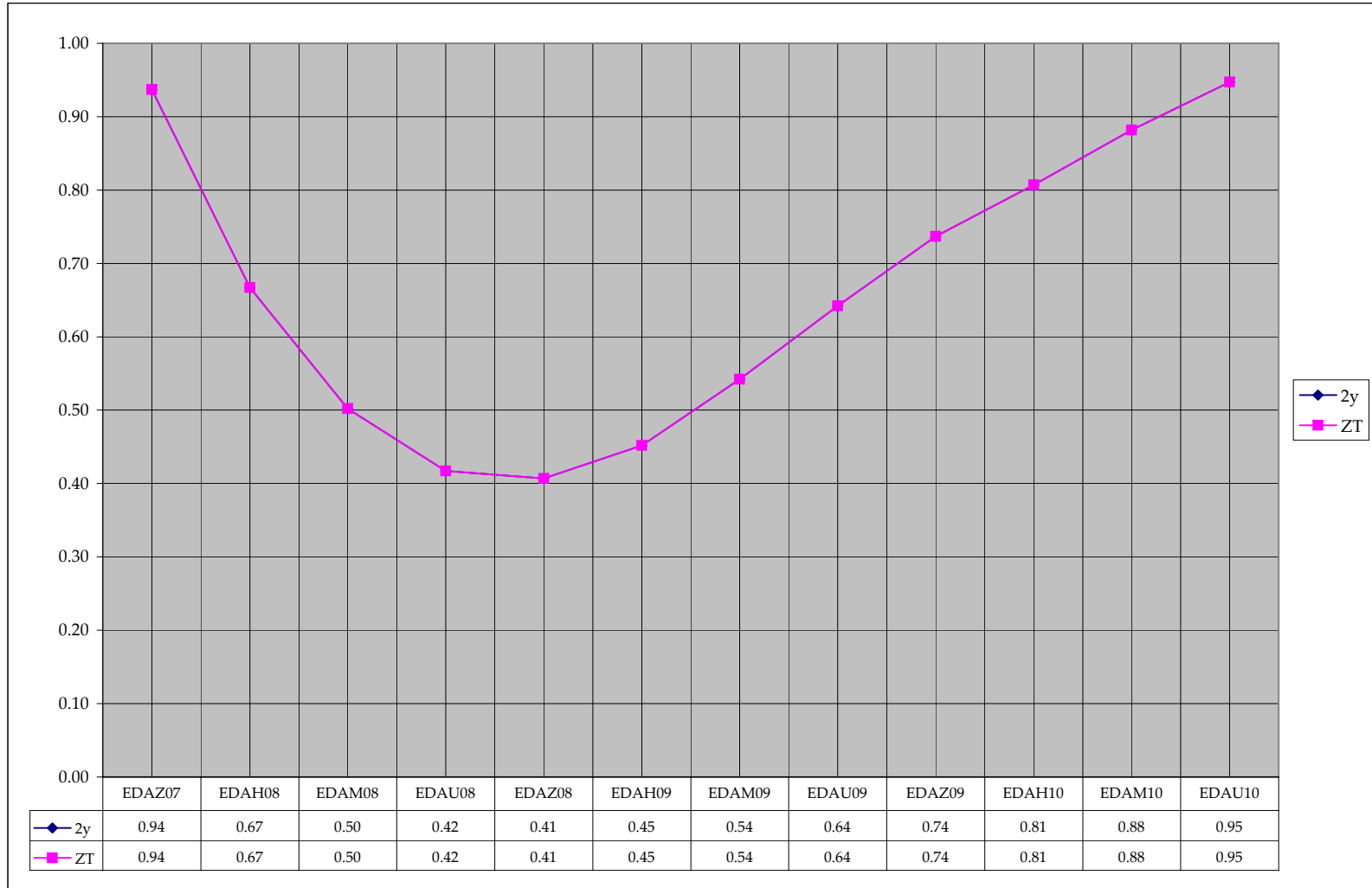


TED Curve

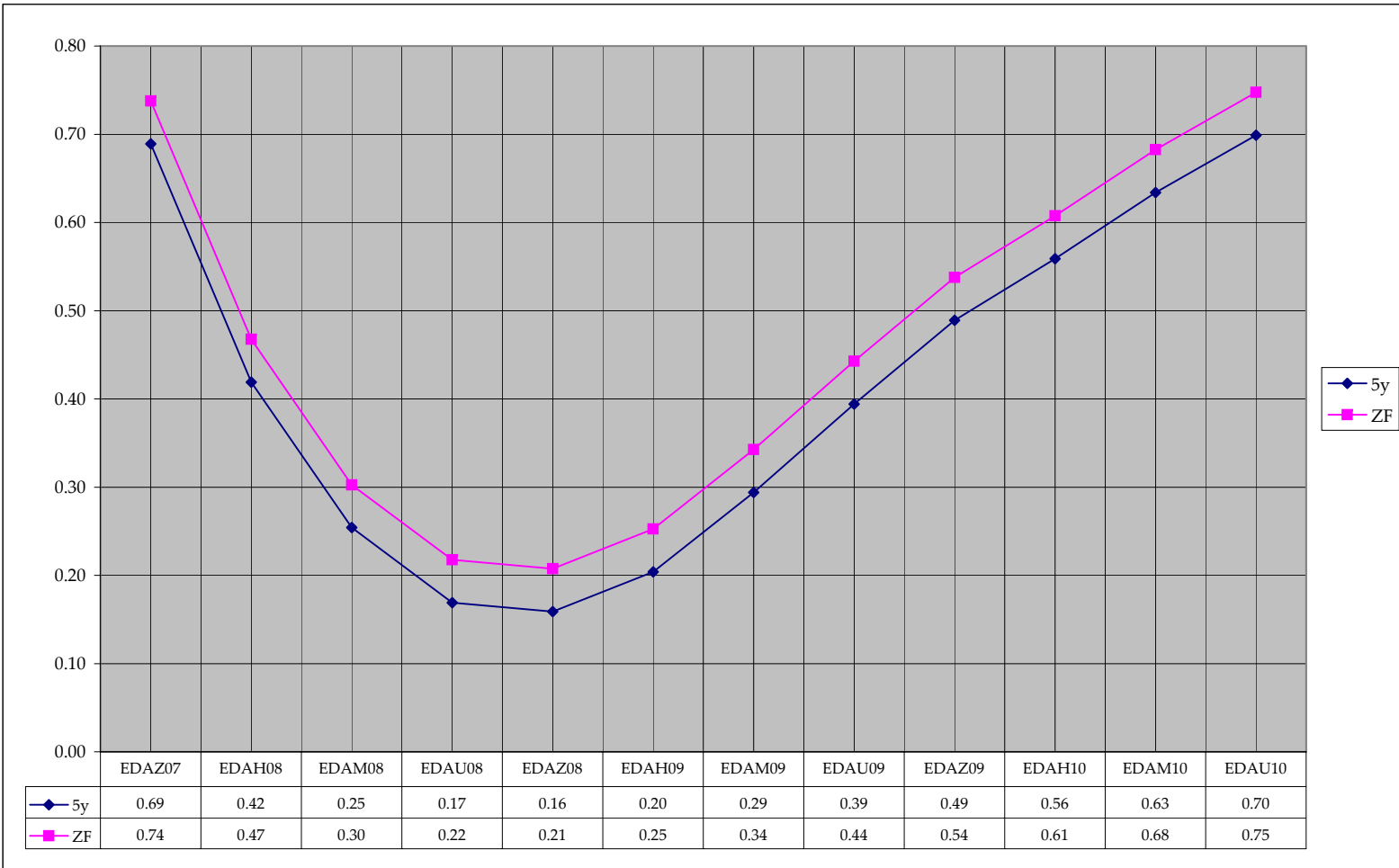
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



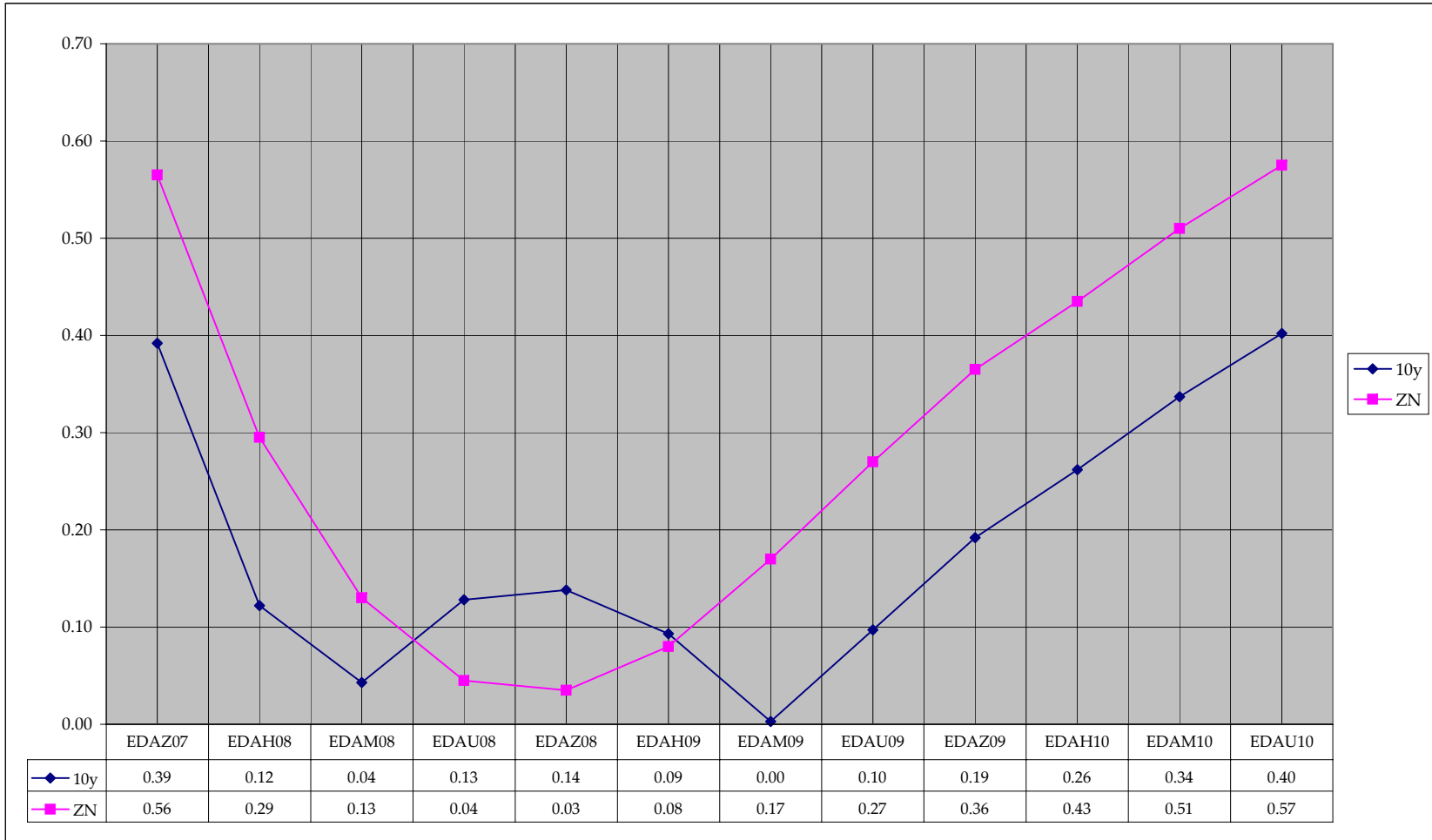
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.836	0.500	9528.625
Q.ED.Red	4.712	2.625	9540.625
Q.ED.Green	5.057	1.750	9507.375
Q.ED.Blue	0.000	0.000	9480.875
Q.ED.Gold	0.000	0.000	9460.000

