

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	103.1875	103.060	4.138	1.86	
ZF	106.5000	106.160	4.319	3.91	
ZN	108.7188	108.230	4.480	5.82	
2y	99.734	99.2350	4.138	1.86	
5y	99.516	99.1650	4.360	4.42	
10y	100.734	100.2350	4.653	7.74	

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAZ07	95.050	4.950	66	0.180	DEC	White Pack
EDAH08	95.300	4.700	157	0.429	MAR	
EDAM08	95.445	4.555	248	0.679	JUN	
EDAU08	95.510	4.490	339	0.928	SEP	Red Pack
EDAZ08	95.510	4.490	430	1.177	DEC	
EDAH09	95.450	4.550	521	1.427	MAR	
EDAM09	95.355	4.645	612	1.676	JUN	Green Pack
EDAU09	95.265	4.735	703	1.925	SEP	
EDAZ09	95.175	4.825	794	2.175	DEC	
EDAH10	95.110	4.890	885	2.424	MAR	Blue Pack
EDAM10	95.045	4.955	976	2.673	JUN	
EDAU10	94.995	5.005	1067	2.923	SEP	
EDAZ10	94.935	5.065	1158	3.172	DEC	Gold Pack
EDAH11	94.890	5.110	1249	3.421	MAR	
EDAM11	94.830	5.170	1340	3.671	JUN	
EDAU11	94.740	5.260	1438	3.939	SEP	
EDAZ11	94.710	5.290	1529	4.188	DEC	
EDAH12	94.670	5.330	1620	4.438	MAR	
EDAM12	94.640	5.360	1711	4.687	JUN	
EDAU12	94.585	5.415	1802	4.936	SEP	

	Last Yield	Net Yield	Last Price	
Q.ED.White	4.795	0.625	9532.625	Pack Prices
Q.ED.Red	4.723	1.500	9539.500	
Q.ED.Green	5.049	2.125	9508.125	
Q.ED.Blue		0.000	9482.875	
Q.ED.Gold		0.000	9463.750	

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 10 yr proxy
 Red pack/Gold pack is a 2/10 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.

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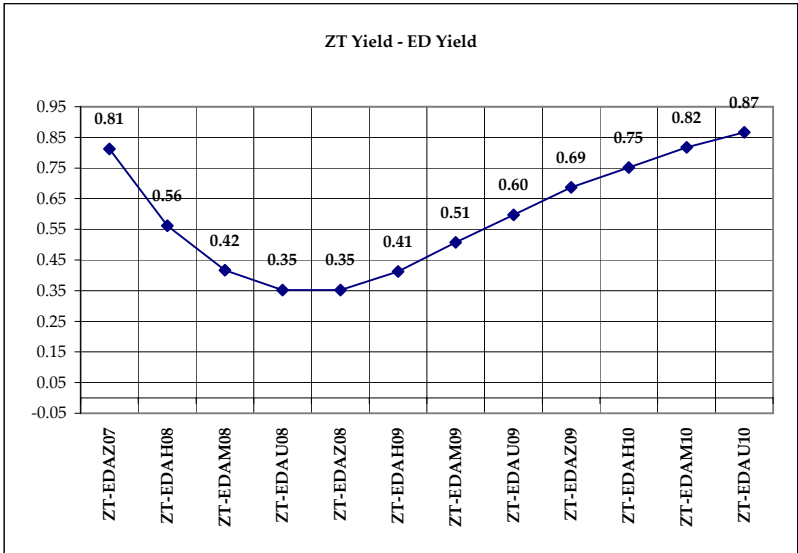
Eurodollar Color Codes for Individual Year Strips:

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

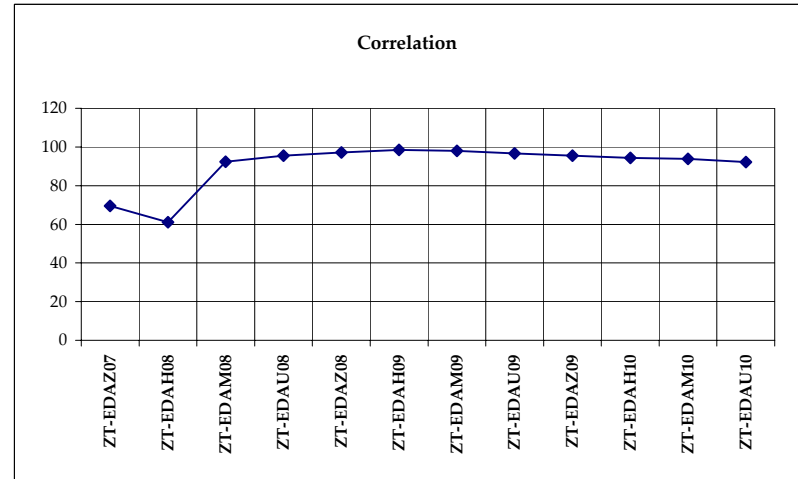
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.138	0.81	ZT-EDAZ07	69.450
EDAH08	7.888	0.56	ZT-EDAH08	61.116
EDAM08	7.742	0.42	ZT-EDAM08	92.321
EDAU08	7.677	0.35	ZT-EDAU08	95.560
EDAZ08	7.677	0.35	ZT-EDAZ08	97.212
EDAH09	7.738	0.41	ZT-EDAH09	98.454
EDAM09	7.833	0.51	ZT-EDAM09	98.064
EDAU09	7.923	0.60	ZT-EDAU09	96.698
EDAZ09	8.013	0.69	ZT-EDAZ09	95.550
EDAH10	8.078	0.75	ZT-EDAH10	94.372
EDAM10	8.143	0.82	ZT-EDAM10	93.884
EDAU10	8.193	0.87	ZT-EDAU10	92.153

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	0.180	1.86	1.68	ZT-EDAZ07
EDAH08	0.429	1.86	1.43	ZT-EDAH08
EDAM08	0.679	1.86	1.18	ZT-EDAM08
EDAU08	0.928	1.86	0.93	ZT-EDAU08
EDAZ08	1.177	1.86	0.68	ZT-EDAZ08
EDAH09	1.427	1.86	0.44	ZT-EDAH09
EDAM09	1.676	1.86	0.19	ZT-EDAM09
EDAU09	1.925	1.86	(0.06)	ZT-EDAU09
EDAZ09	2.175	1.86	(0.31)	ZT-EDAZ09
EDAH10	2.424	1.86	(0.56)	ZT-EDAH10
EDAM10	2.673	1.86	(0.81)	ZT-EDAM10
EDAU10	2.923	1.86	(1.06)	ZT-EDAU10

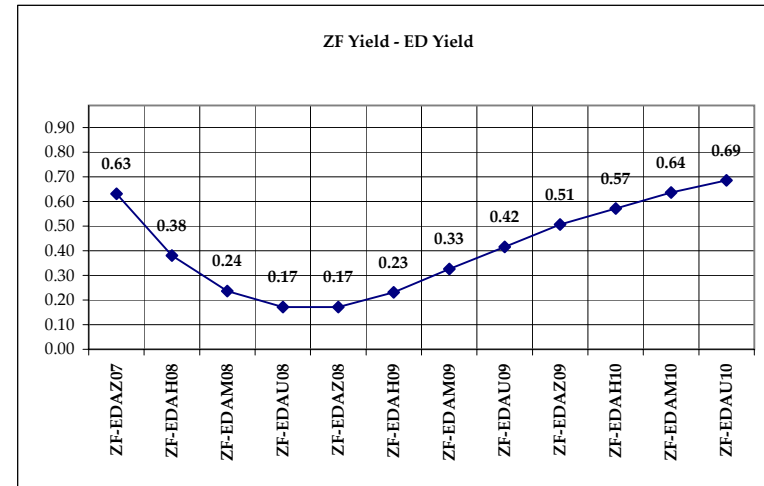
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

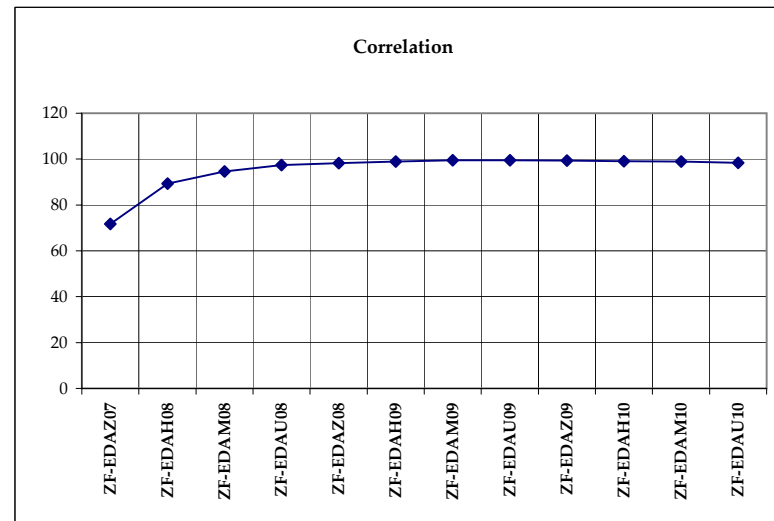
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	11.45	0.63	ZF-EDAZ07	71.728
EDAH08	11.20	0.38	ZF-EDAH08	89.333
EDAM08	11.06	0.24	ZF-EDAM08	94.625
EDAU08	10.99	0.17	ZF-EDAU08	97.383
EDAZ08	10.99	0.17	ZF-EDAZ08	98.301
EDAH09	11.05	0.23	ZF-EDAH09	98.984
EDAM09	11.15	0.33	ZF-EDAM09	99.439
EDAU09	11.24	0.42	ZF-EDAU09	99.492
EDAZ09	11.33	0.51	ZF-EDAZ09	99.280
EDAH10	11.39	0.57	ZF-EDAH10	99.022
EDAM10	11.46	0.64	ZF-EDAM10	98.934
EDAU10	11.51	0.69	ZF-EDAU10	98.373

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	0.180	3.91	3.73	ZF-EDAZ07
EDAH08	0.429	3.91	3.48	ZF-EDAH08
EDAM08	0.679	3.91	3.23	ZF-EDAM08
EDAU08	0.928	3.91	2.98	ZF-EDAU08
EDAZ08	1.177	3.91	2.73	ZF-EDAZ08
EDAH09	1.427	3.91	2.48	ZF-EDAH09
EDAM09	1.676	3.91	2.23	ZF-EDAM09
EDAU09	1.925	3.91	1.98	ZF-EDAU09
EDAZ09	2.175	3.91	1.73	ZF-EDAZ09
EDAH10	2.424	3.91	1.48	ZF-EDAH10
EDAM10	2.673	3.91	1.24	ZF-EDAM10
EDAU10	2.923	3.91	0.99	ZF-EDAU10

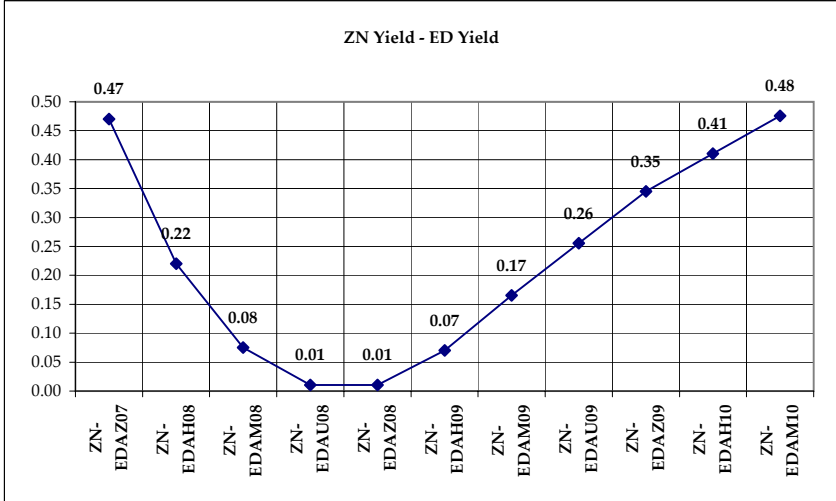
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

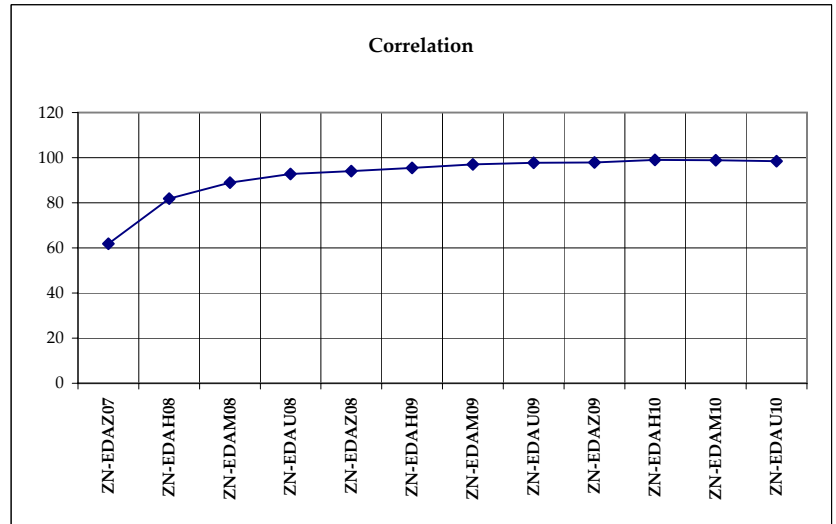
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	13.67	0.47	ZN-EDAZ07	61.81
EDAH08	13.42	0.22	ZN-EDAH08	81.89
EDAM08	13.27	0.08	ZN-EDAM08	88.92
EDAU08	13.21	0.01	ZN-EDAU08	92.76
EDAZ08	13.21	0.01	ZN-EDAZ08	94.09
EDAH09	13.27	0.07	ZN-EDAH09	95.48
EDAM09	13.36	0.17	ZN-EDAM09	96.95
EDAU09	13.45	0.26	ZN-EDAU09	97.71
EDAZ09	13.54	0.35	ZN-EDAZ09	97.84
EDAH10	13.61	0.41	ZN-EDAH10	99.02
EDAM10	13.67	0.48	ZN-EDAM10	98.93
EDAU10	13.72	0.53	ZN-EDAU10	98.37

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	0.180	5.82	5.64	ZN-EDAZ07
EDAH08	0.429	5.82	5.39	ZN-EDAH08
EDAM08	0.679	5.82	5.15	ZN-EDAM08
EDAU08	0.928	5.82	4.90	ZN-EDAU08
EDAZ08	1.177	5.82	4.65	ZN-EDAZ08
EDAH09	1.427	5.82	4.40	ZN-EDAH09
EDAM09	1.676	5.82	4.15	ZN-EDAM09
EDAU09	1.925	5.82	3.90	ZN-EDAU09
EDAZ09	2.175	5.82	3.65	ZN-EDAZ09
EDAH10	2.424	5.82	3.40	ZN-EDAH10
EDAM10	2.673	5.82	3.15	ZN-EDAM10
EDAU10	2.923	5.82	2.90	ZN-EDAU10

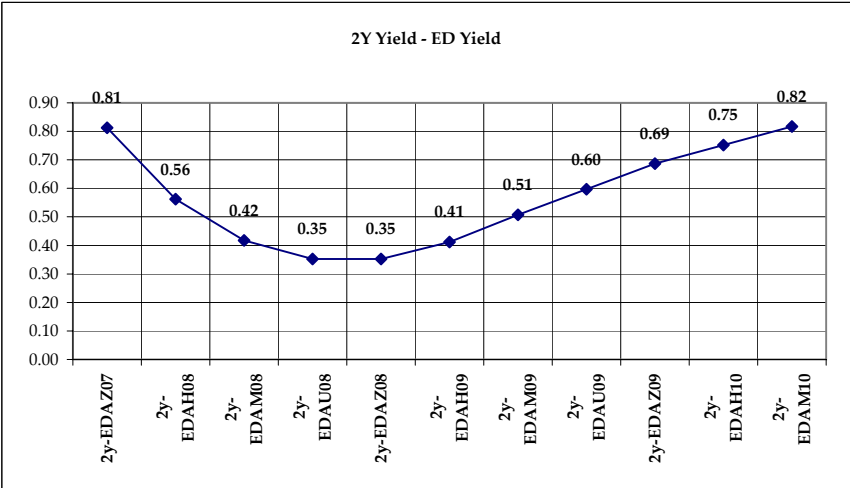
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.68	0.81	2y-EDAZ07	-72.060
EDAH08	4.43	0.56	2y-EDAH08	-89.191
EDAM08	4.29	0.42	2y-EDAM08	-93.813
EDAU08	4.22	0.35	2y-EDAU08	-96.229
EDAZ08	4.22	0.35	2y-EDAZ08	-93.813
EDAH09	4.28	0.41	2y-EDAH09	-98.002
EDAM09	4.38	0.51	2y-EDAM09	-97.737
EDAU09	4.47	0.60	2y-EDAU09	-96.346
EDAZ09	4.56	0.69	2y-EDAZ09	-95.150
EDAH10	4.62	0.75	2y-EDAH10	-94.092
EDAM10	4.69	0.82	2y-EDAM10	-93.761
EDAU10	4.74	0.87	2y-EDAU10	-92.311

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.

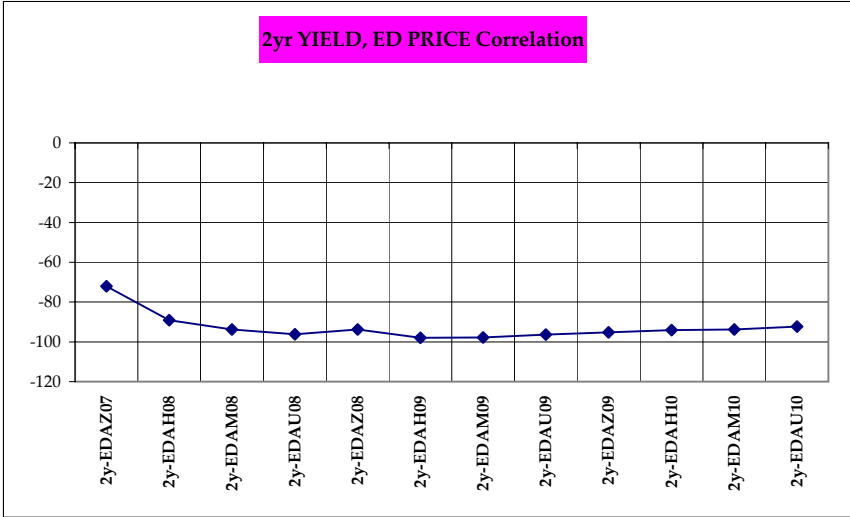


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.180	1.86	2y-EDAZ07
EDAH08	0.429	1.86	2y-EDAH08
EDAM08	0.679	1.86	2y-EDAM08
EDAU08	0.928	1.86	2y-EDAU08
EDAZ08	1.177	1.86	2y-EDAZ08
EDAH09	1.427	1.86	2y-EDAH09
EDAM09	1.676	1.86	2y-EDAM09
EDAU09	1.925	1.86	2y-EDAU09
EDAZ09	2.175	1.86	2y-EDAZ09
EDAH10	2.424	1.86	2y-EDAH10
EDAM10	2.673	1.86	2y-EDAM10
EDAU10	2.923	1.86	2y-EDAU10

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

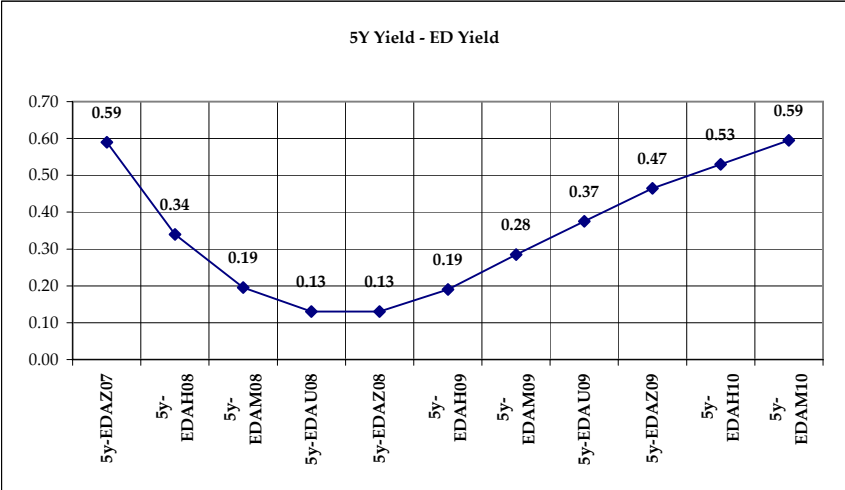
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.47	0.59	5y-EDAZ07	-68.683
EDAH08	4.22	0.34	5y-EDAH08	-86.491
EDAM08	4.07	0.19	5y-EDAM08	-92.336
EDAU08	4.01	0.13	5y-EDAU08	-94.964
EDAZ08	4.01	0.13	5y-EDAZ08	-92.336
EDAH09	4.07	0.19	5y-EDAH09	-96.114
EDAM09	4.16	0.28	5y-EDAM09	-96.702
EDAU09	4.25	0.37	5y-EDAU09	-96.668
EDAZ09	4.34	0.47	5y-EDAZ09	-96.396
EDAH10	4.41	0.53	5y-EDAH10	-96.302
EDAM10	4.47	0.59	5y-EDAM10	-96.305
EDAU10	4.52	0.64	5y-EDAU10	-95.733

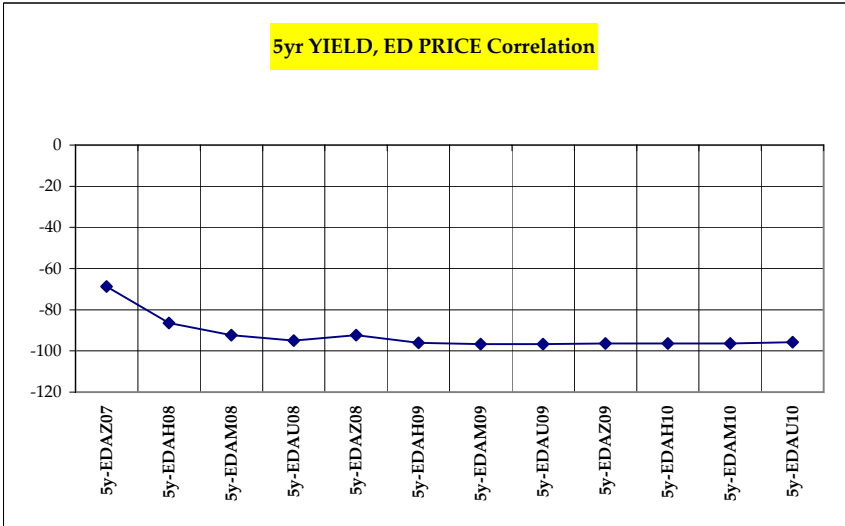
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.



	GE Duration as Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.180	4.42	4.24	5y-EDAZ07
EDAH08	0.429	4.42	3.99	5y-EDAH08
EDAM08	0.679	4.42	3.74	5y-EDAM08
EDAU08	0.928	4.42	3.49	5y-EDAU08
EDAZ08	1.177	4.42	3.24	5y-EDAZ08
EDAH09	1.427	4.42	2.99	5y-EDAH09
EDAM09	1.676	4.42	2.74	5y-EDAM09
EDAU09	1.925	4.42	2.49	5y-EDAU09
EDAZ09	2.175	4.42	2.24	5y-EDAZ09
EDAH10	2.424	4.42	1.99	5y-EDAH10
EDAM10	2.673	4.42	1.74	5y-EDAM10
EDAU10	2.923	4.42	1.50	5y-EDAU10

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

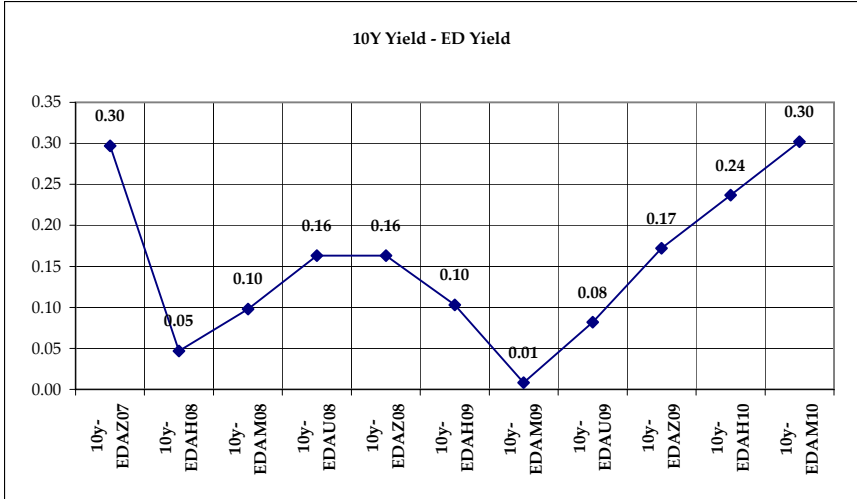
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

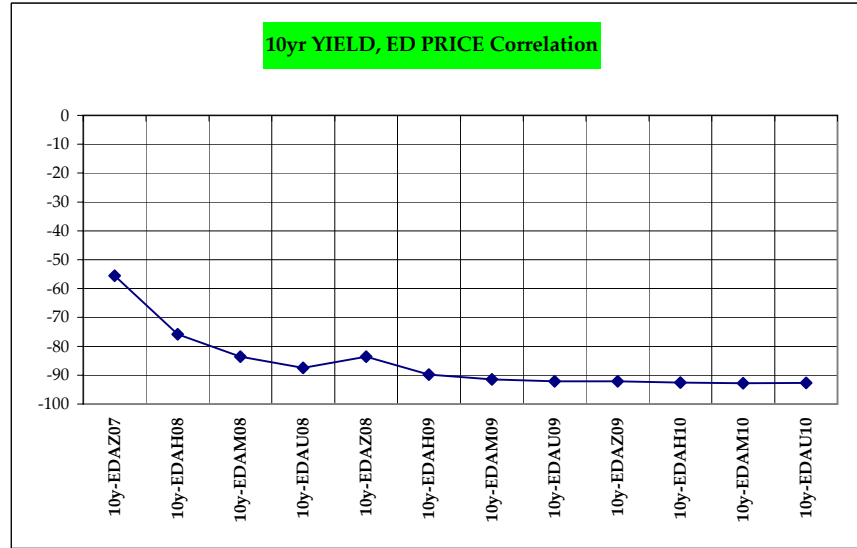
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.47	0.30	10y-EDAZ07	-55.501
EDAH08	4.22	0.05	10y-EDAH08	-75.813
EDAM08	4.07	0.10	10y-EDAM08	-83.596
EDAU08	4.01	0.16	10y-EDAU08	-87.452
EDAZ08	4.01	0.16	10y-EDAZ08	-83.596
EDAH09	4.07	0.10	10y-EDAH09	-89.824
EDAM09	4.16	0.01	10y-EDAM09	-91.508
EDAU09	4.25	0.08	10y-EDAU09	-92.113
EDAZ09	4.34	0.17	10y-EDAZ09	-92.153
EDAH10	4.41	0.24	10y-EDAH10	-92.625
EDAM10	4.47	0.30	10y-EDAM10	-92.770
EDAU10	4.52	0.35	10y-EDAU10	-92.694

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	0.180	7.74	7.56	10y-EDAZ07
EDAH08	0.429	7.74	7.31	10y-EDAH08
EDAM08	0.679	7.74	7.06	10y-EDAM08
EDAU08	0.928	7.74	6.81	10y-EDAU08
EDAZ08	1.177	7.74	6.56	10y-EDAZ08
EDAH09	1.427	7.74	6.31	10y-EDAH09
EDAM09	1.676	7.74	6.06	10y-EDAM09
EDAU09	1.925	7.74	5.81	10y-EDAU09
EDAZ09	2.175	7.74	5.56	10y-EDAZ09
EDAH10	2.424	7.74	5.31	10y-EDAH10
EDAM10	2.673	7.74	5.06	10y-EDAM10
EDAU10	2.923	7.74	4.82	10y-EDAU10

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

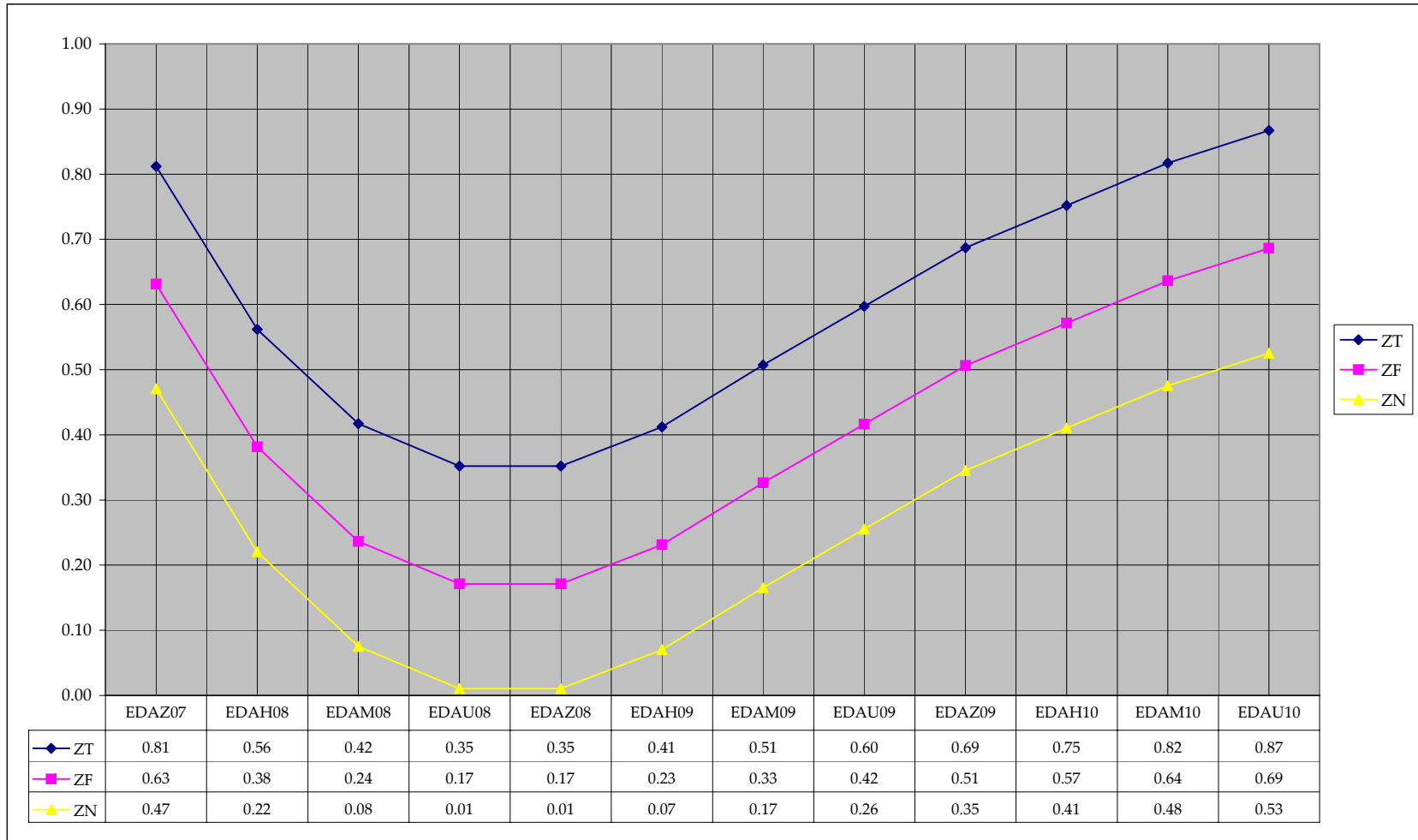


Dirty TED Curve

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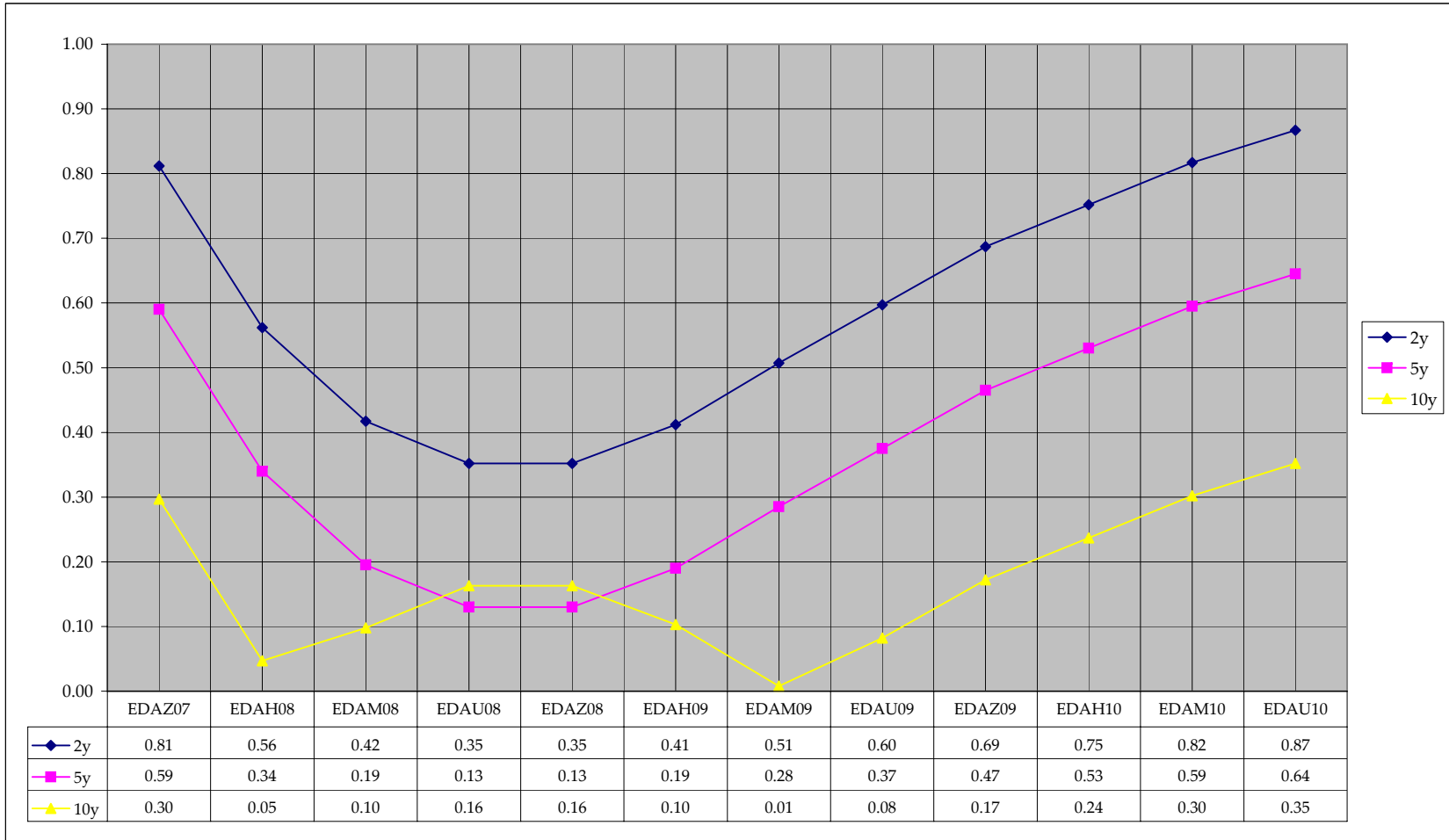
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

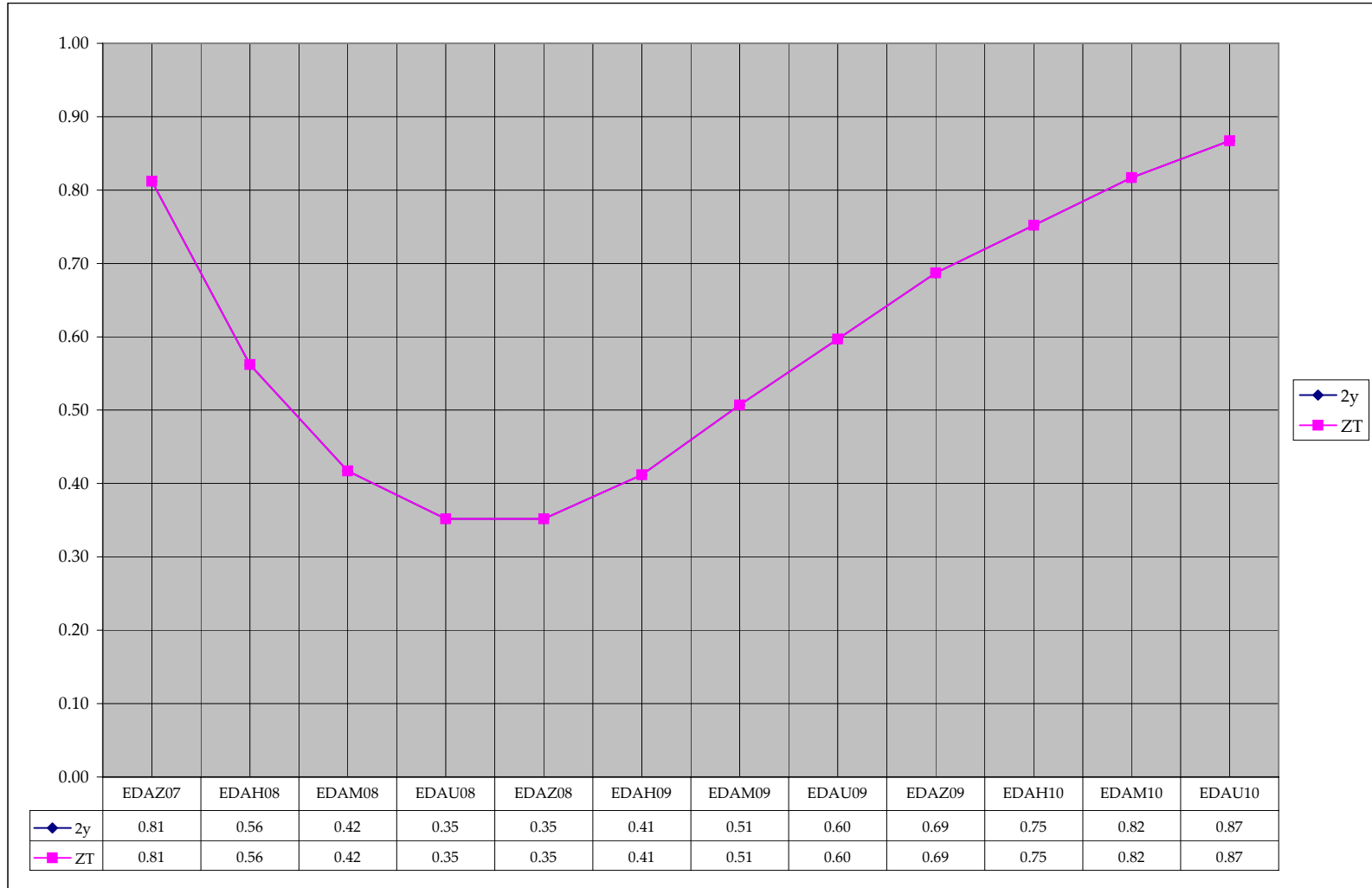


TED Curve

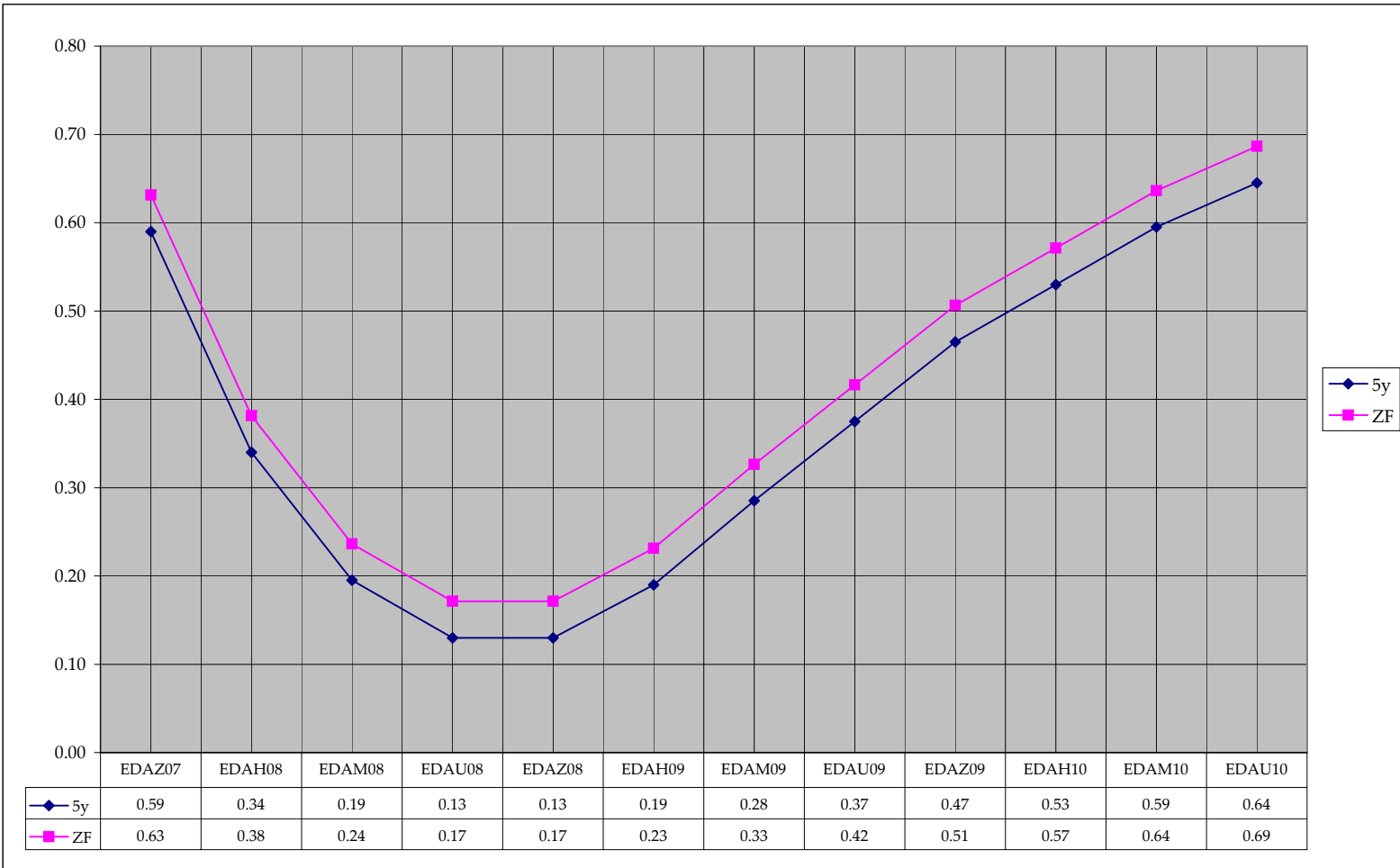
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



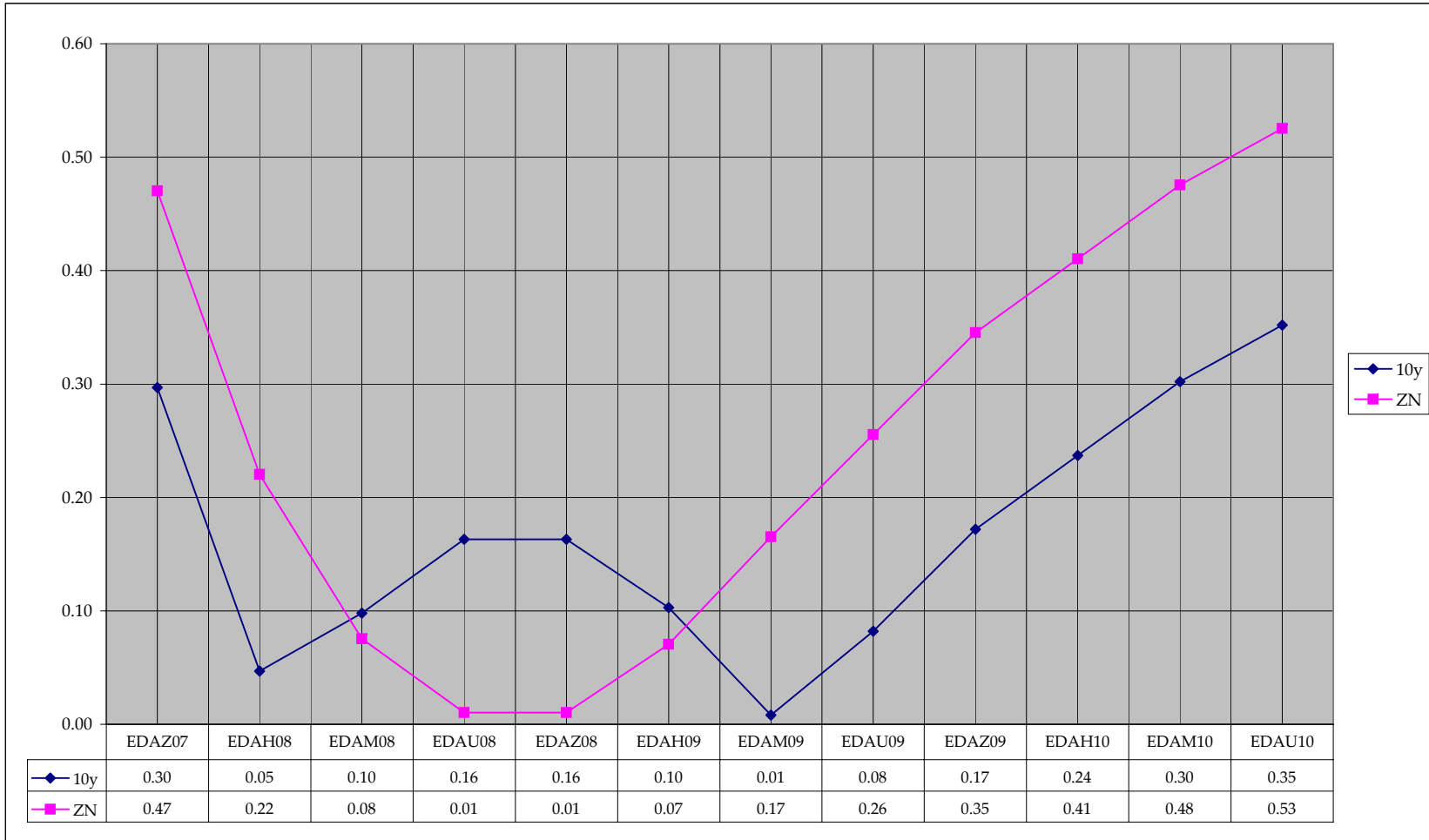
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.795	0.625	9532.625
Q.ED.Red	4.723	1.500	9539.500
Q.ED.Green	5.049	2.125	9508.125
Q.ED.Blue	0.000	0.000	9482.875
Q.ED.Gold	0.000	0.000	9463.750

