

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	103.2656	103.085	4.105	1.85
ZF	106.6719	106.215	4.273	3.90
ZN	108.8906	108.285	4.450	5.82
2y	99.803	99.2570	4.105	1.85
5y	99.672	99.2150	4.322	4.41
10y	100.859	100.2750	4.637	7.73

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.060	4.940	61	0.166	DEC	White Pack	
EDAH08	95.325	4.675	152	0.416	MAR		
EDAM08	95.470	4.530	243	0.665	JUN		
EDAU08	95.535	4.465	334	0.914	SEP	Red Pack	
EDAZ08	95.530	4.470	425	1.164	DEC		
EDAH09	95.470	4.530	516	1.413	MAR		
EDAM09	95.375	4.625	607	1.662	JUN	Green Pack	
EDAU09	95.280	4.720	698	1.912	SEP		
EDAZ09	95.195	4.805	789	2.161	DEC		
EDAH10	95.130	4.870	880	2.410	MAR	Blue Pack	
EDAM10	95.060	4.940	971	2.660	JUN		
EDAU10	95.000	5.000	1062	2.909	SEP		
EDAZ10	94.920	5.080	1153	3.158	DEC	Gold Pack	
EDAH11	94.875	5.125	1244	3.408	MAR		
EDAM11	94.820	5.180	1335	3.657	JUN		
EDAU11	94.770	5.230	1433	3.925	SEP		
EDAZ11	94.700	5.300	1524	4.175	DEC		
EDAH12	94.650	5.350	1615	4.424	MAR		
EDAM12	94.635	5.365	1706	4.673	JUN		
EDAU12	94.595	5.405	1797	4.923	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	4.773	0.250	9534.750	Pack Prices
Q.ED.Red	4.704	1.375	9541.375	
Q.ED.Green	5.034	1.500	9509.625	
Q.ED.Blue		0.000	9484.500	
Q.ED.Gold		0.000	9464.750	

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.

jgoulding@ghco.com

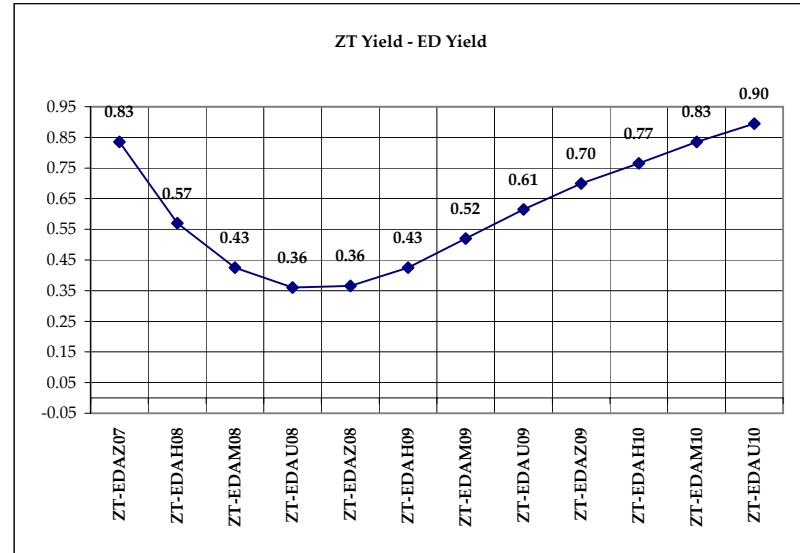
Eurodollar Color Codes for Individual Year Strips:

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

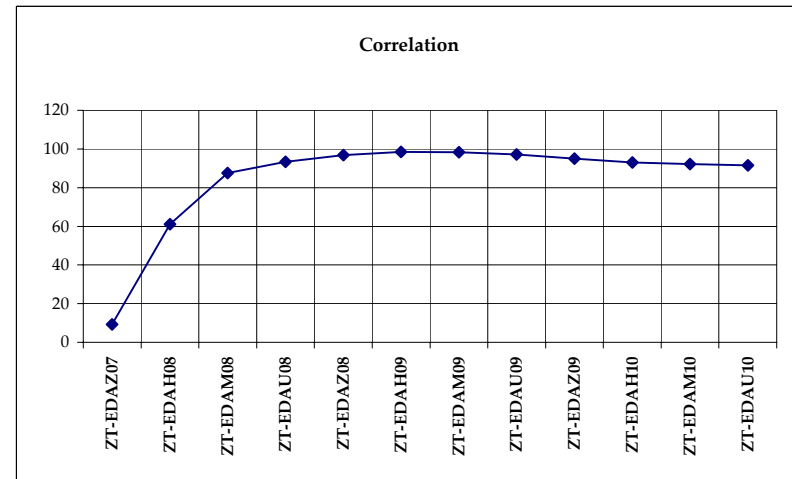
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.206	0.83	ZT-EDAZ07	9.334
EDAH08	7.941	0.57	ZT-EDAH08	61.116
EDAM08	7.796	0.43	ZT-EDAM08	87.593
EDAU08	7.731	0.36	ZT-EDAU08	93.328
EDAZ08	7.736	0.36	ZT-EDAZ08	96.759
EDAH09	7.796	0.43	ZT-EDAH09	98.501
EDAM09	7.891	0.52	ZT-EDAM09	98.338
EDAU09	7.986	0.61	ZT-EDAU09	97.099
EDAZ09	8.071	0.70	ZT-EDAZ09	95.033
EDAH10	8.136	0.77	ZT-EDAH10	93.057
EDAM10	8.206	0.83	ZT-EDAM10	92.190
EDAU10	8.266	0.90	ZT-EDAU10	91.610

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	0.166	1.85	1.69	ZT-EDAZ07
EDAH08	0.416	1.85	1.44	ZT-EDAH08
EDAM08	0.665	1.85	1.19	ZT-EDAM08
EDAU08	0.914	1.85	0.94	ZT-EDAU08
EDAZ08	1.164	1.85	0.69	ZT-EDAZ08
EDAH09	1.413	1.85	0.44	ZT-EDAH09
EDAM09	1.662	1.85	0.19	ZT-EDAM09
EDAU09	1.912	1.85	(0.06)	ZT-EDAU09
EDAZ09	2.161	1.85	(0.31)	ZT-EDAZ09
EDAH10	2.410	1.85	(0.56)	ZT-EDAH10
EDAM10	2.660	1.85	(0.80)	ZT-EDAM10
EDAU10	2.909	1.85	(1.05)	ZT-EDAU10

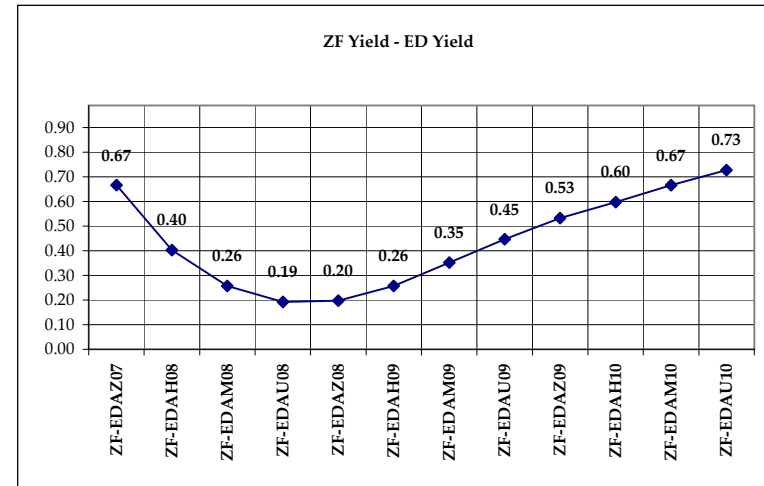
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	11.61	0.67	ZF-EDAZ07	34.361
EDAH08	11.35	0.40	ZF-EDAH08	88.543
EDAM08	11.20	0.26	ZF-EDAM08	95.923
EDAU08	11.14	0.19	ZF-EDAU08	98.398
EDAZ08	11.14	0.20	ZF-EDAZ08	98.880
EDAH09	11.20	0.26	ZF-EDAH09	98.229
EDAM09	11.30	0.35	ZF-EDAM09	98.484
EDAU09	11.39	0.45	ZF-EDAU09	98.862
EDAZ09	11.48	0.53	ZF-EDAZ09	99.255
EDAH10	11.54	0.60	ZF-EDAH10	99.118
EDAM10	11.61	0.67	ZF-EDAM10	98.735
EDAU10	11.67	0.73	ZF-EDAU10	98.730

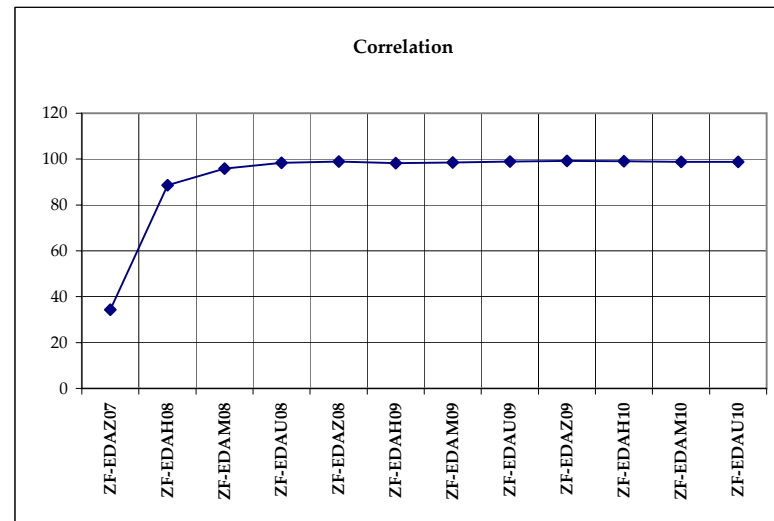
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAZ07	0.166	3.90	3.74	ZF-EDAZ07
EDAH08	0.416	3.90	3.49	ZF-EDAH08
EDAM08	0.665	3.90	3.24	ZF-EDAM08
EDAU08	0.914	3.90	2.99	ZF-EDAU08
EDAZ08	1.164	3.90	2.74	ZF-EDAZ08
EDAH09	1.413	3.90	2.49	ZF-EDAH09
EDAM09	1.662	3.90	2.24	ZF-EDAM09
EDAU09	1.912	3.90	1.99	ZF-EDAU09
EDAZ09	2.161	3.90	1.74	ZF-EDAZ09
EDAH10	2.410	3.90	1.49	ZF-EDAH10
EDAM10	2.660	3.90	1.24	ZF-EDAM10
EDAU10	2.909	3.90	0.99	ZF-EDAU10

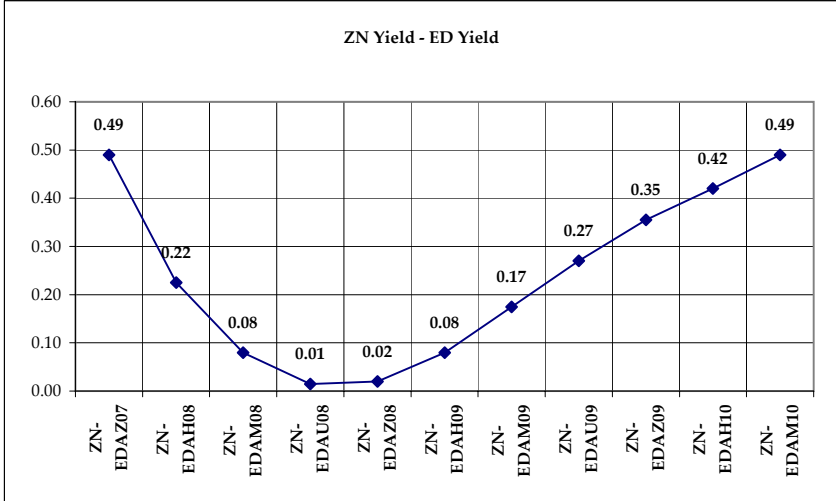
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

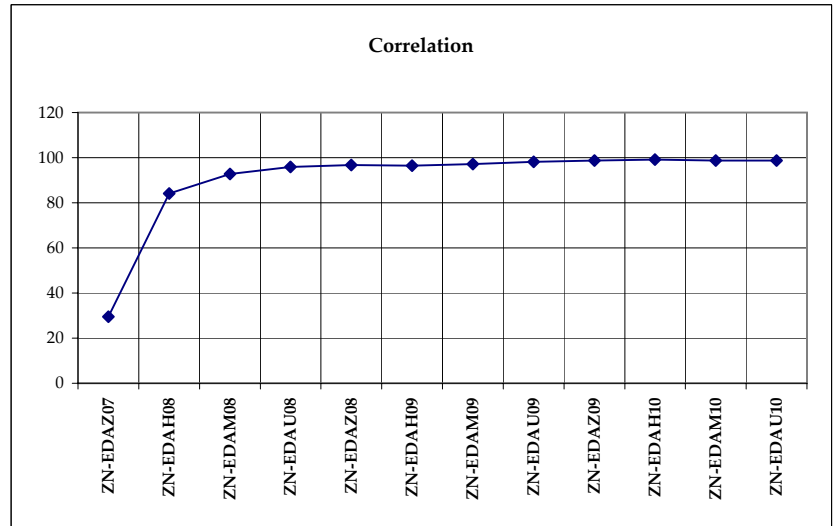
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	13.83	0.49	ZN-EDAZ07	29.46
EDAH08	13.57	0.22	ZN-EDAH08	84.16
EDAM08	13.42	0.08	ZN-EDAM08	92.71
EDAU08	13.36	0.01	ZN-EDAU08	95.83
EDAZ08	13.36	0.02	ZN-EDAZ08	96.69
EDAH09	13.42	0.08	ZN-EDAH09	96.48
EDAM09	13.52	0.17	ZN-EDAM09	97.13
EDAU09	13.61	0.27	ZN-EDAU09	98.10
EDAZ09	13.70	0.35	ZN-EDAZ09	98.69
EDAH10	13.76	0.42	ZN-EDAH10	99.12
EDAM10	13.83	0.49	ZN-EDAM10	98.74
EDAU10	13.89	0.55	ZN-EDAU10	98.73

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	0.166	5.82	5.65	ZN-EDAZ07
EDAH08	0.416	5.82	5.40	ZN-EDAH08
EDAM08	0.665	5.82	5.15	ZN-EDAM08
EDAU08	0.914	5.82	4.90	ZN-EDAU08
EDAZ08	1.164	5.82	4.65	ZN-EDAZ08
EDAH09	1.413	5.82	4.40	ZN-EDAH09
EDAM09	1.662	5.82	4.16	ZN-EDAM09
EDAU09	1.912	5.82	3.91	ZN-EDAU09
EDAZ09	2.161	5.82	3.66	ZN-EDAZ09
EDAH10	2.410	5.82	3.41	ZN-EDAH10
EDAM10	2.660	5.82	3.16	ZN-EDAM10
EDAU10	2.909	5.82	2.91	ZN-EDAU10

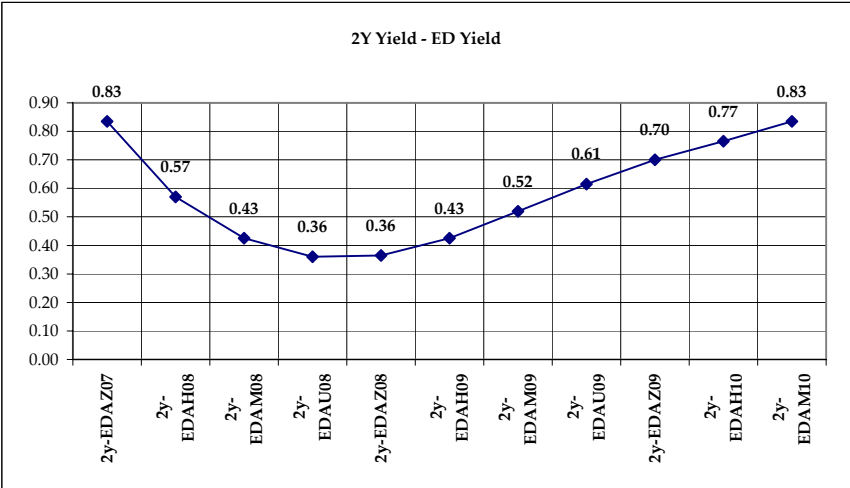
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.74	0.83	2y-EDAZ07	-10.789
EDAH08	4.48	0.57	2y-EDAH08	-76.770
EDAM08	4.33	0.43	2y-EDAM08	-88.282
EDAU08	4.27	0.36	2y-EDAU08	-92.967
EDAZ08	4.27	0.36	2y-EDAZ08	-88.282
EDAH09	4.33	0.43	2y-EDAH09	-97.782
EDAM09	4.43	0.52	2y-EDAM09	-97.627
EDAU09	4.52	0.61	2y-EDAU09	-96.203
EDAZ09	4.61	0.70	2y-EDAZ09	-93.492
EDAH10	4.67	0.77	2y-EDAH10	-90.948
EDAM10	4.74	0.83	2y-EDAM10	-90.182
EDAU10	4.80	0.90	2y-EDAU10	-89.834

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.

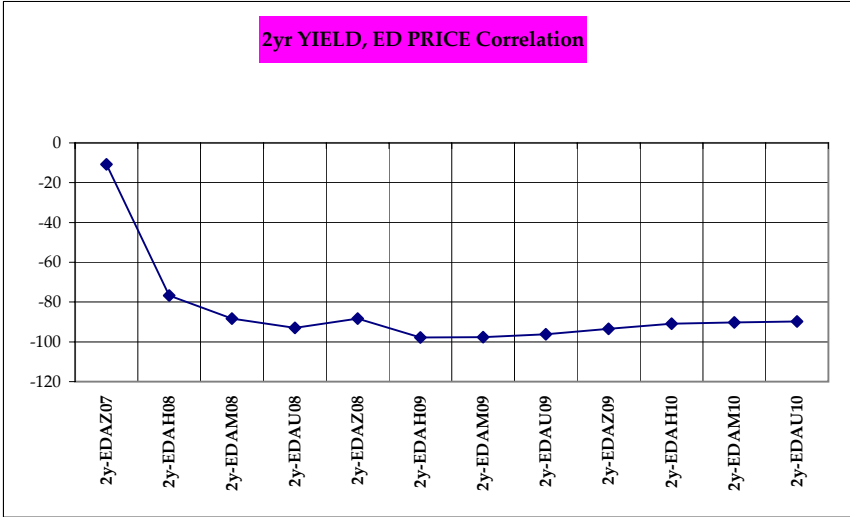


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.166	1.85	2y-EDAZ07
EDAH08	0.416	1.85	2y-EDAH08
EDAM08	0.665	1.85	2y-EDAM08
EDAU08	0.914	1.85	2y-EDAU08
EDAZ08	1.164	1.85	2y-EDAZ08
EDAH09	1.413	1.85	2y-EDAH09
EDAM09	1.662	1.85	2y-EDAM09
EDAU09	1.912	1.85	2y-EDAU09
EDAZ09	2.161	1.85	2y-EDAZ09
EDAH10	2.410	1.85	2y-EDAH10
EDAM10	2.660	1.85	2y-EDAM10
EDAU10	2.909	1.85	2y-EDAU10

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

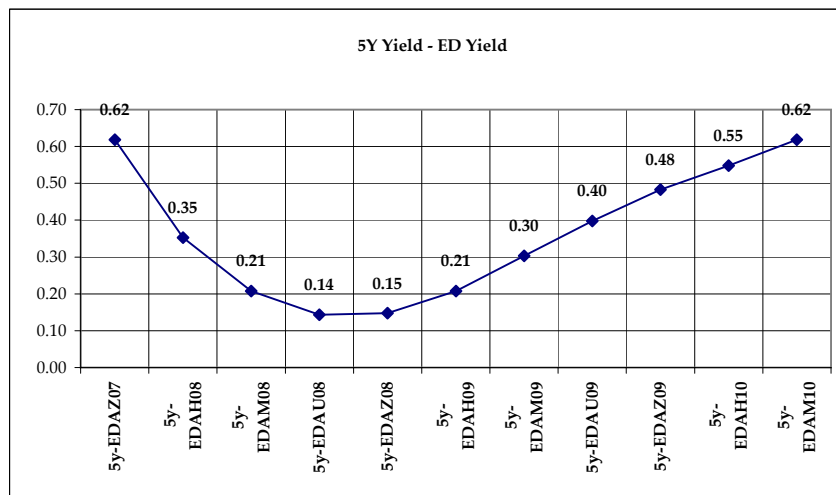
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.61	0.62	5y-EDAZ07	-29.819
EDAH08	4.35	0.35	5y-EDAH08	-87.109
EDAM08	4.20	0.21	5y-EDAM08	-95.276
EDAU08	4.14	0.14	5y-EDAU08	-97.645
EDAZ08	4.14	0.15	5y-EDAZ08	-95.276
EDAH09	4.20	0.21	5y-EDAH09	-98.421
EDAM09	4.30	0.30	5y-EDAM09	-98.568
EDAU09	4.39	0.40	5y-EDAU09	-98.626
EDAZ09	4.48	0.48	5y-EDAZ09	-97.988
EDAH10	4.54	0.55	5y-EDAH10	-97.027
EDAM10	4.61	0.62	5y-EDAM10	-96.733
EDAU10	4.67	0.68	5y-EDAU10	-96.738

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.

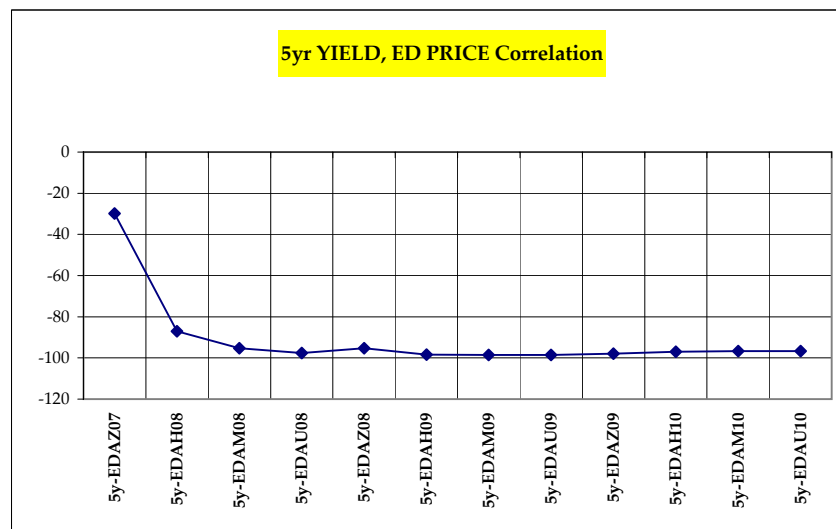


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.166	4.41	4.24	5y-EDAZ07
EDAH08	0.416	4.41	4.00	5y-EDAH08
EDAM08	0.665	4.41	3.75	5y-EDAM08
EDAU08	0.914	4.41	3.50	5y-EDAU08
EDAZ08	1.164	4.41	3.25	5y-EDAZ08
EDAH09	1.413	4.41	3.00	5y-EDAH09
EDAM09	1.662	4.41	2.75	5y-EDAM09
EDAU09	1.912	4.41	2.50	5y-EDAU09
EDAZ09	2.161	4.41	2.25	5y-EDAZ09
EDAH10	2.410	4.41	2.00	5y-EDAH10
EDAM10	2.660	4.41	1.75	5y-EDAM10
EDAU10	2.909	4.41	1.50	5y-EDAU10

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

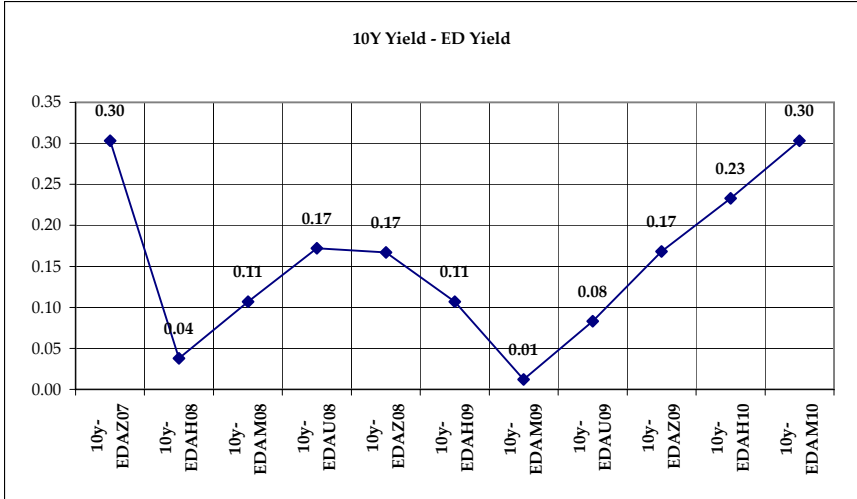
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

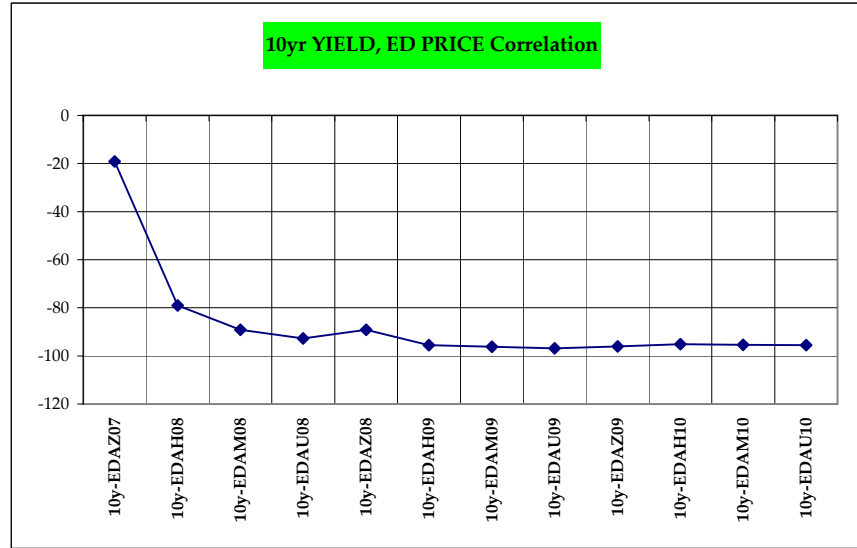
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.61	0.30	10y-EDAZ07	-19.122
EDAH08	4.35	0.04	10y-EDAH08	-78.963
EDAM08	4.20	0.11	10y-EDAM08	-89.188
EDAU08	4.14	0.17	10y-EDAU08	-92.751
EDAZ08	4.14	0.17	10y-EDAZ08	-89.188
EDAH09	4.20	0.11	10y-EDAH09	-95.507
EDAM09	4.30	0.01	10y-EDAM09	-96.120
EDAU09	4.39	0.08	10y-EDAU09	-96.827
EDAZ09	4.48	0.17	10y-EDAZ09	-95.990
EDAH10	4.54	0.23	10y-EDAH10	-95.069
EDAM10	4.61	0.30	10y-EDAM10	-95.428
EDAU10	4.67	0.36	10y-EDAU10	-95.502

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	0.166	7.73	7.57	10y-EDAZ07
EDAH08	0.416	7.73	7.32	10y-EDAH08
EDAM08	0.665	7.73	7.07	10y-EDAM08
EDAU08	0.914	7.73	6.82	10y-EDAU08
EDAZ08	1.164	7.73	6.57	10y-EDAZ08
EDAH09	1.413	7.73	6.32	10y-EDAH09
EDAM09	1.662	7.73	6.07	10y-EDAM09
EDAU09	1.912	7.73	5.82	10y-EDAU09
EDAZ09	2.161	7.73	5.57	10y-EDAZ09
EDAH10	2.410	7.73	5.32	10y-EDAH10
EDAM10	2.660	7.73	5.07	10y-EDAM10
EDAU10	2.909	7.73	4.82	10y-EDAU10

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

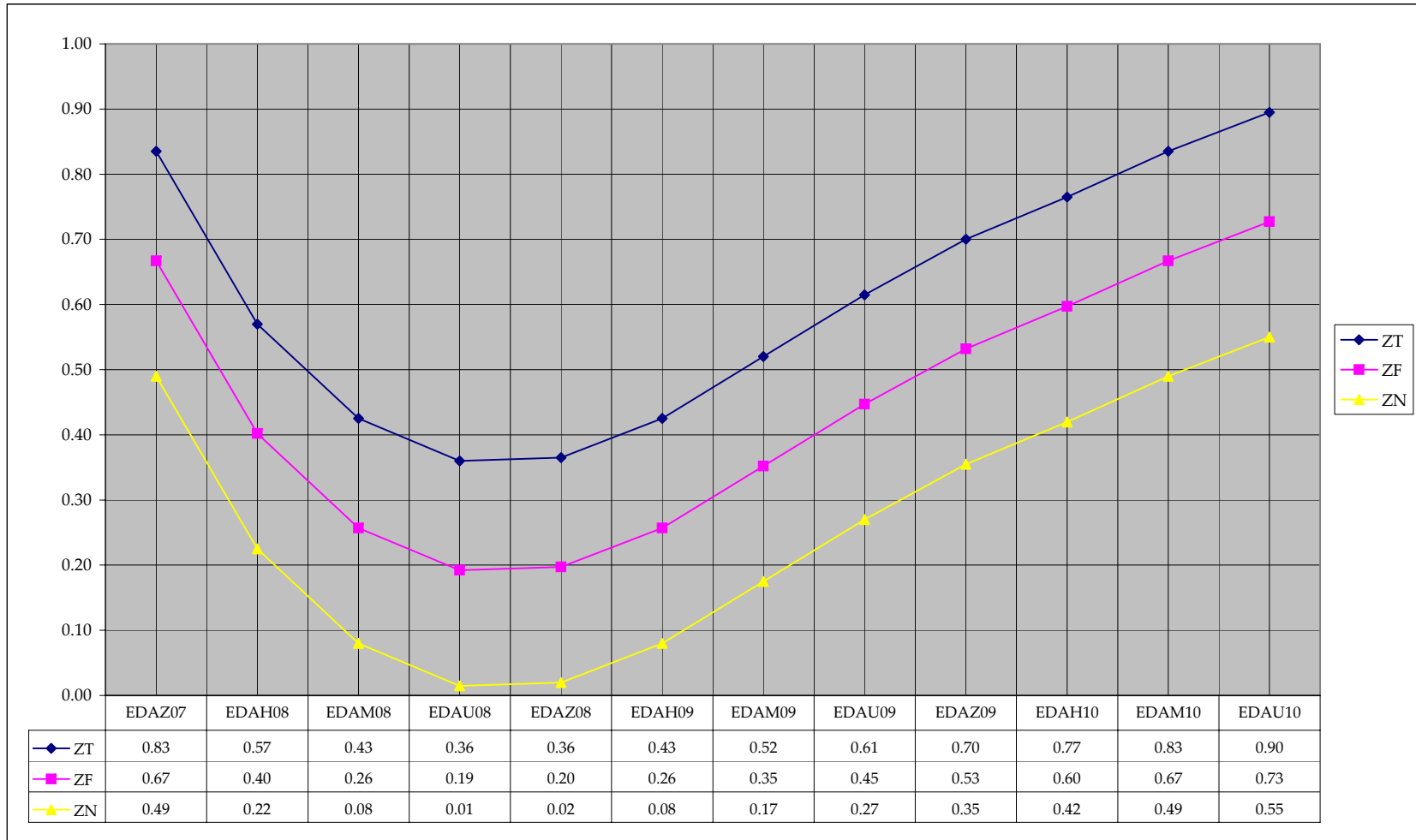


Dirty TED Curve

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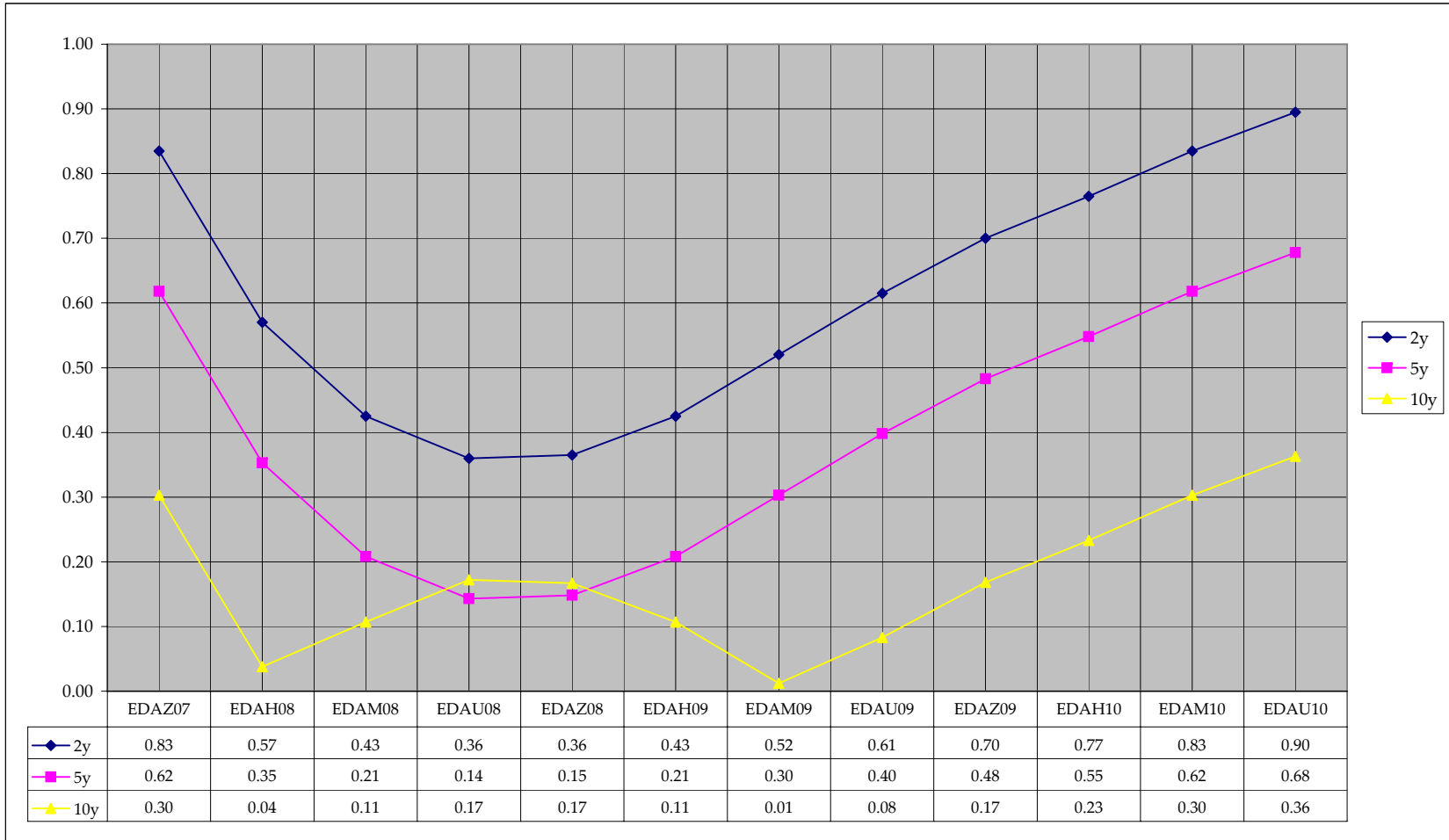
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

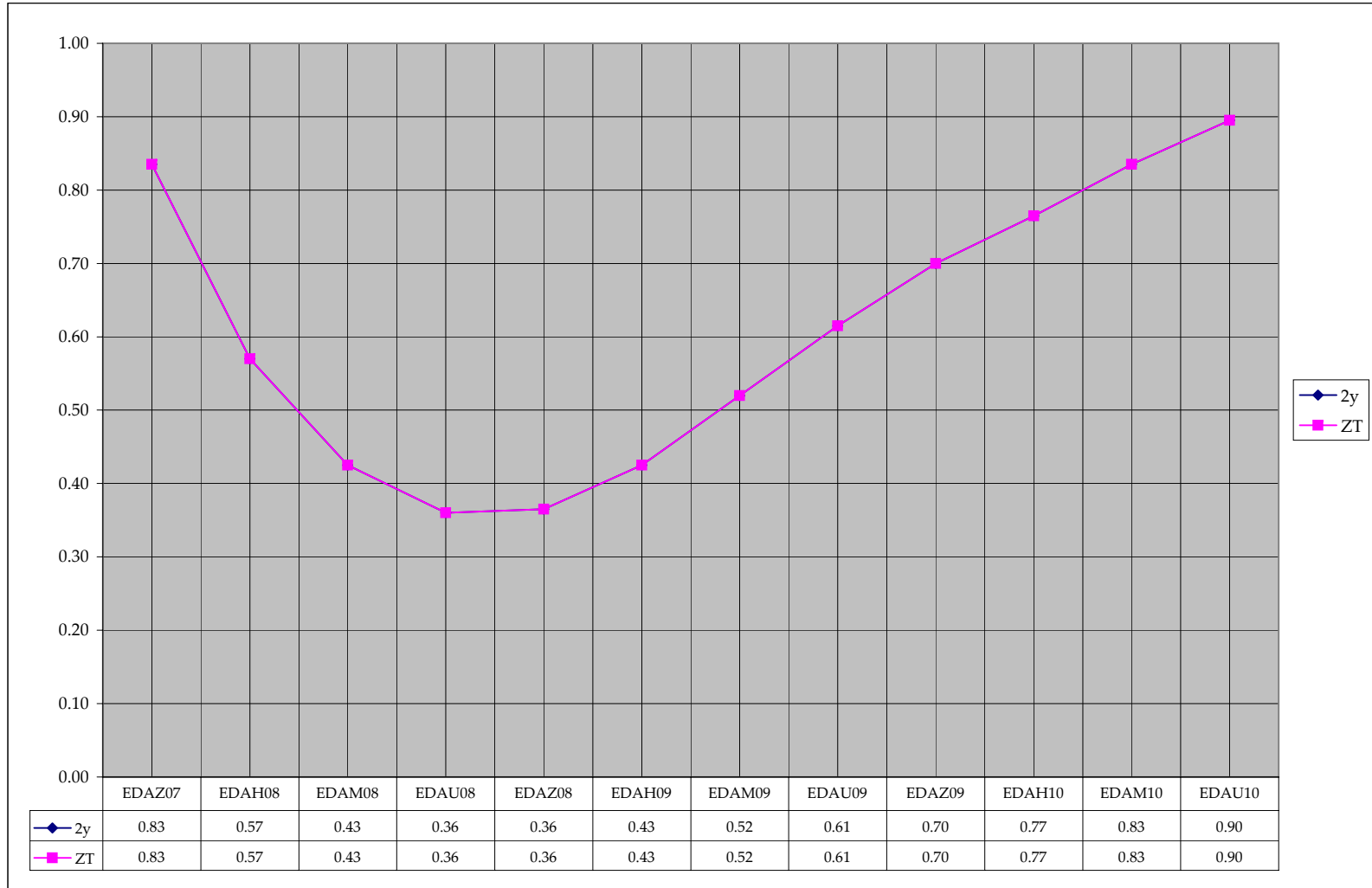


TED Curve

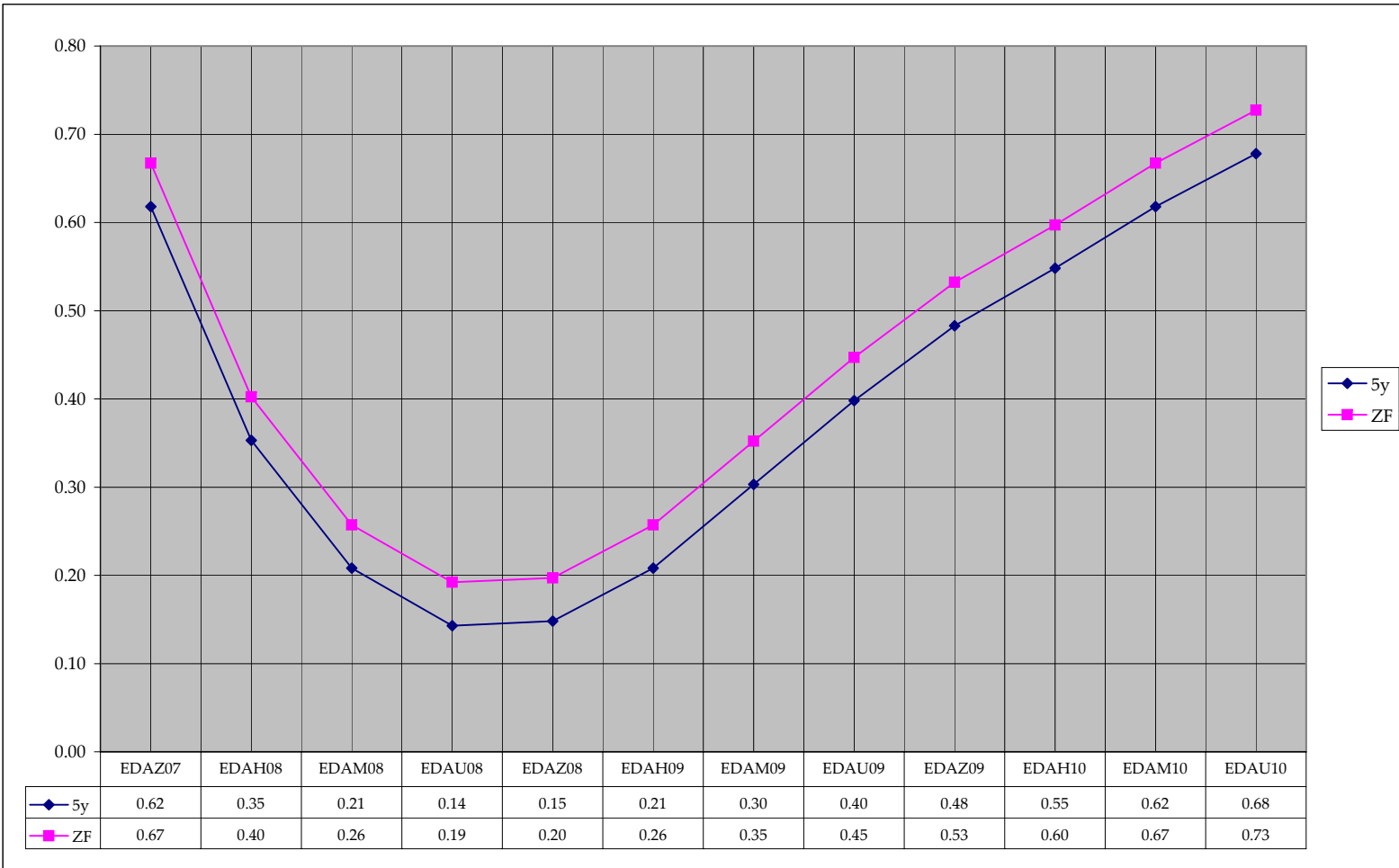
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



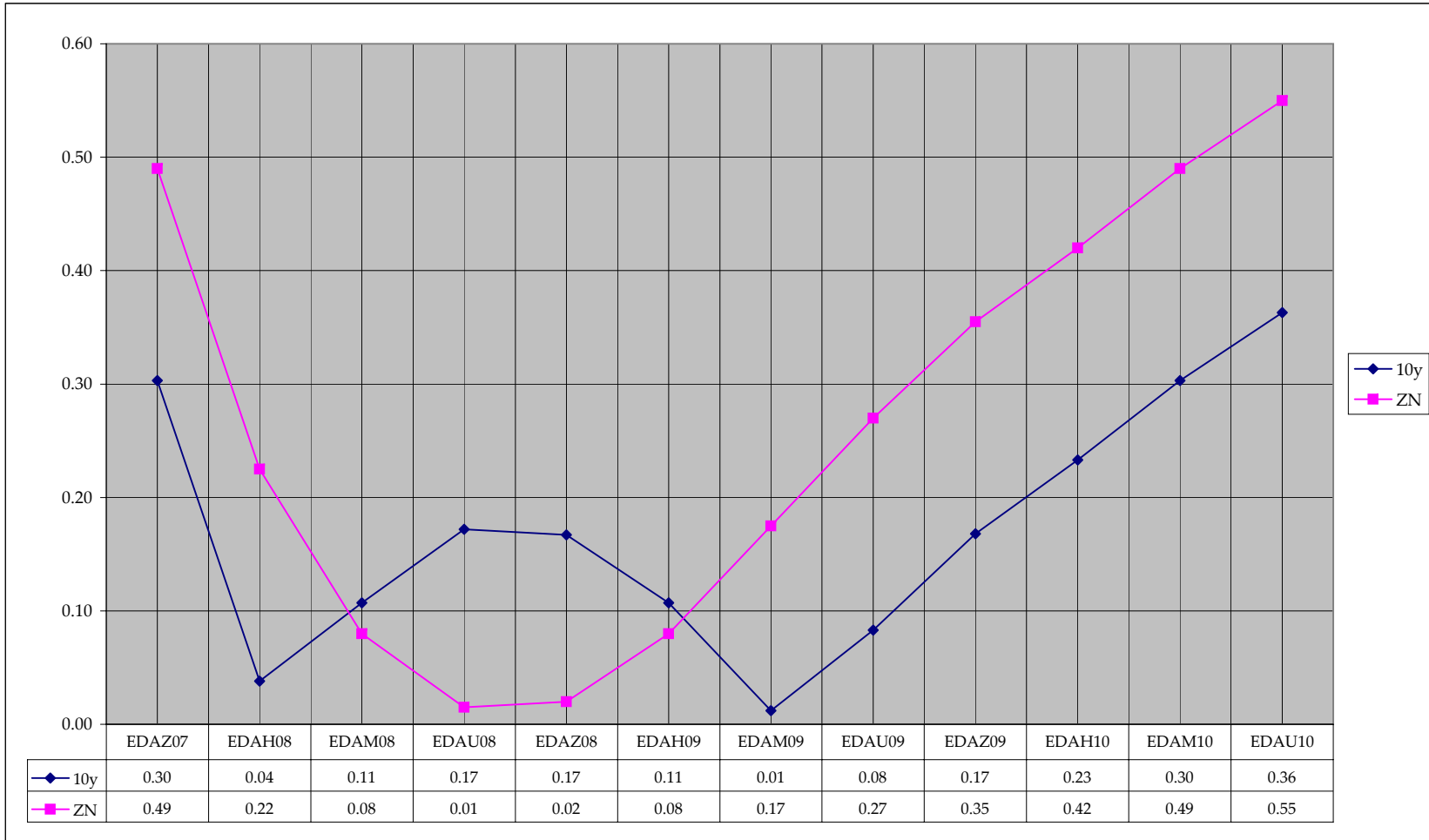
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

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	last Yield	Net Last Yield	Last Price
Q.ED.White	4.773	0.250	9534.750
Q.ED.Red	4.704	1.375	9541.375
Q.ED.Green	5.034	1.500	9509.625
Q.ED.Blue		0.000	9484.500
Q.ED.Gold		0.000	9464.750

