

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	103.4844	103.155	3.966	1.85	
ZF	107.1875	107.060	4.131	3.90	
ZN	109.6250	109.200	4.335	5.82	
2y	100.053	100.0170	3.966	1.85	
5y	100.234	100.0750	4.195	4.41	
10y	101.688	101.2200	4.532	7.74	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.120	4.880	60	0.164	DEC	White Pack	
EDAH08	95.425	4.575	151	0.413	MAR		
EDAM08	95.595	4.405	242	0.662	JUN		
EDAU08	95.670	4.330	333	0.912	SEP	Red Pack	
EDAZ08	95.670	4.330	424	1.161	DEC		
EDAH09	95.610	4.390	515	1.410	MAR		
EDAM09	95.510	4.490	606	1.660	JUN	Green Pack	
EDAU09	95.410	4.590	697	1.909	SEP		
EDAZ09	95.315	4.685	788	2.158	DEC		
EDAH10	95.245	4.755	879	2.408	MAR	Blue Pack	
EDAM10	95.175	4.825	970	2.657	JUN		
EDAU10	95.100	4.900	1061	2.906	SEP		
EDAZ10	95.030	4.970	1152	3.155	DEC	Gold Pack	
EDAH11	94.970	5.030	1243	3.405	MAR		
EDAM11	94.915	5.085	1334	3.654	JUN		
EDAU11	94.835	5.165	1432	3.923	SEP		
EDAZ11	94.810	5.190	1523	4.172	DEC		
EDAH12	94.745	5.255	1614	4.421	MAR		
EDAM12	94.710	5.290	1705	4.671	JUN		
EDAU12	94.670	5.330	1796	4.920	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	4.664	0.500	9545.250	Pack Prices
Q.ED.Red	4.563	2.000	9555.000	
Q.ED.Green	4.917	1.750	9520.875	
Q.ED.Blue		0.000	9494.250	
Q.ED.Gold		0.000	9473.750	

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

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

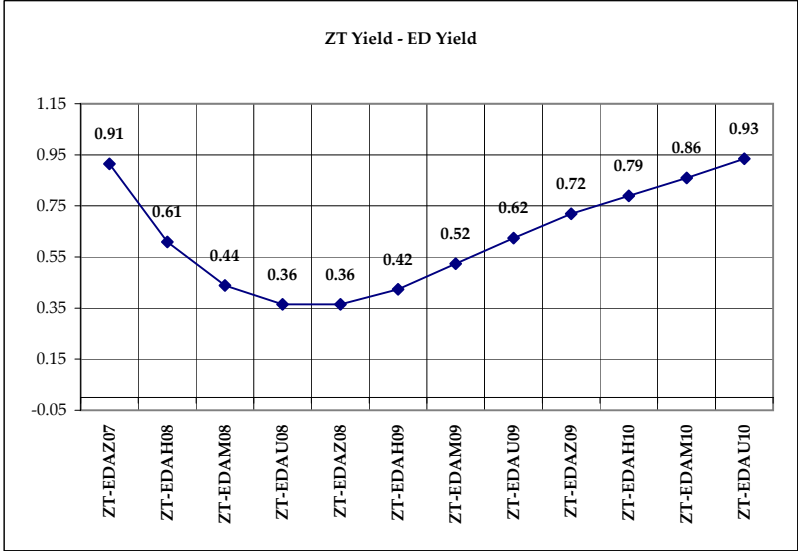
Eurodollar Color Codes for Individual Year Strips:

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

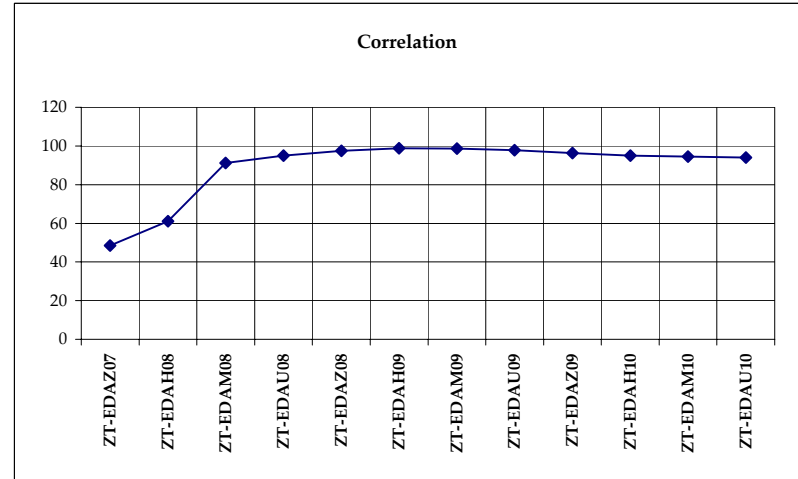
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.364	0.91	ZT-EDAZ07	48.574
EDAH08	8.059	0.61	ZT-EDAH08	61.116
EDAM08	7.889	0.44	ZT-EDAM08	91.188
EDAU08	7.814	0.36	ZT-EDAU08	95.044
EDAZ08	7.814	0.36	ZT-EDAZ08	97.460
EDAH09	7.874	0.42	ZT-EDAH09	98.775
EDAM09	7.974	0.52	ZT-EDAM09	98.662
EDAU09	8.074	0.62	ZT-EDAU09	97.812
EDAZ09	8.169	0.72	ZT-EDAZ09	96.413
EDAH10	8.239	0.79	ZT-EDAH10	95.059
EDAM10	8.309	0.86	ZT-EDAM10	94.445
EDAU10	8.384	0.93	ZT-EDAU10	94.014

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	0.164	1.85	1.69	ZT-EDAZ07
EDAH08	0.413	1.85	1.44	ZT-EDAH08
EDAM08	0.662	1.85	1.19	ZT-EDAM08
EDAU08	0.912	1.85	0.94	ZT-EDAU08
EDAZ08	1.161	1.85	0.69	ZT-EDAZ08
EDAH09	1.410	1.85	0.44	ZT-EDAH09
EDAM09	1.660	1.85	0.19	ZT-EDAM09
EDAU09	1.909	1.85	(0.06)	ZT-EDAU09
EDAZ09	2.158	1.85	(0.30)	ZT-EDAZ09
EDAH10	2.408	1.85	(0.55)	ZT-EDAH10
EDAM10	2.657	1.85	(0.80)	ZT-EDAM10
EDAU10	2.906	1.85	(1.05)	ZT-EDAU10

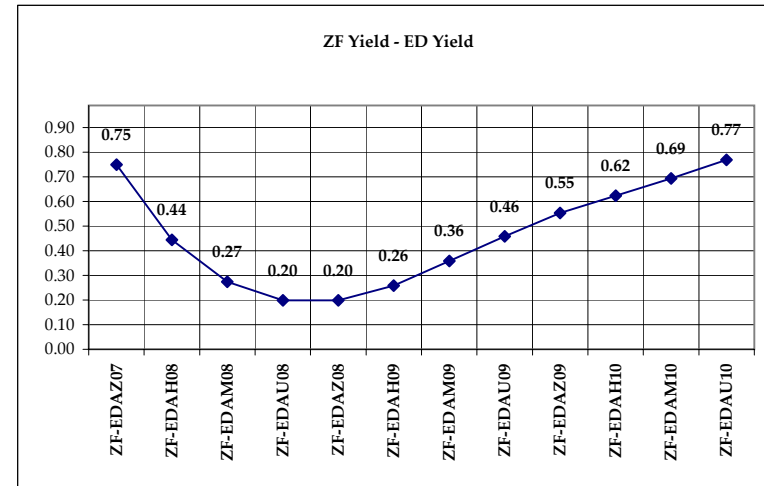
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	12.07	0.75	ZF-EDAZ07	67.416
EDAH08	11.76	0.44	ZF-EDAH08	93.552
EDAM08	11.59	0.27	ZF-EDAM08	97.579
EDAU08	11.52	0.20	ZF-EDAU08	99.035
EDAZ08	11.52	0.20	ZF-EDAZ08	99.230
EDAH09	11.58	0.26	ZF-EDAH09	98.635
EDAM09	11.68	0.36	ZF-EDAM09	98.754
EDAU09	11.78	0.46	ZF-EDAU09	99.166
EDAZ09	11.87	0.55	ZF-EDAZ09	99.592
EDAH10	11.94	0.62	ZF-EDAH10	99.681
EDAM10	12.01	0.69	ZF-EDAM10	99.543
EDAU10	12.09	0.77	ZF-EDAU10	99.254

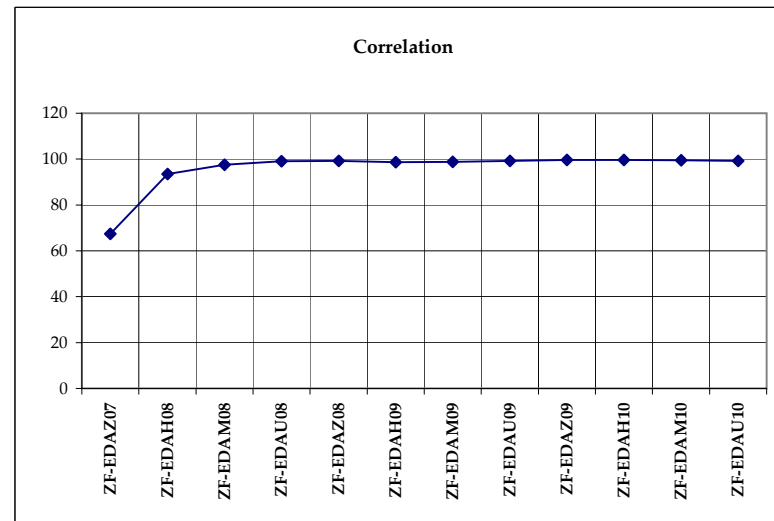
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAZ07	0.164	3.90	3.74	ZF-EDAZ07
EDAH08	0.413	3.90	3.49	ZF-EDAH08
EDAM08	0.662	3.90	3.24	ZF-EDAM08
EDAU08	0.912	3.90	2.99	ZF-EDAU08
EDAZ08	1.161	3.90	2.74	ZF-EDAZ08
EDAH09	1.410	3.90	2.49	ZF-EDAH09
EDAM09	1.660	3.90	2.24	ZF-EDAM09
EDAU09	1.909	3.90	1.99	ZF-EDAU09
EDAZ09	2.158	3.90	1.75	ZF-EDAZ09
EDAH10	2.408	3.90	1.50	ZF-EDAH10
EDAM10	2.657	3.90	1.25	ZF-EDAM10
EDAU10	2.906	3.90	1.00	ZF-EDAU10

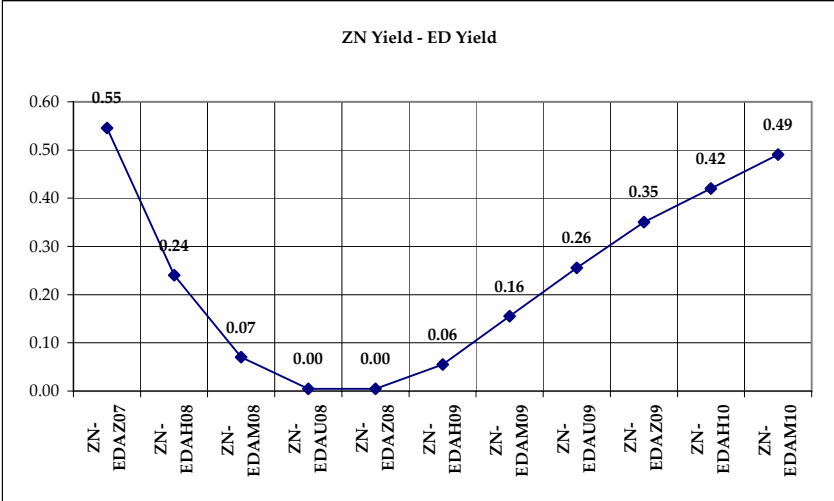
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

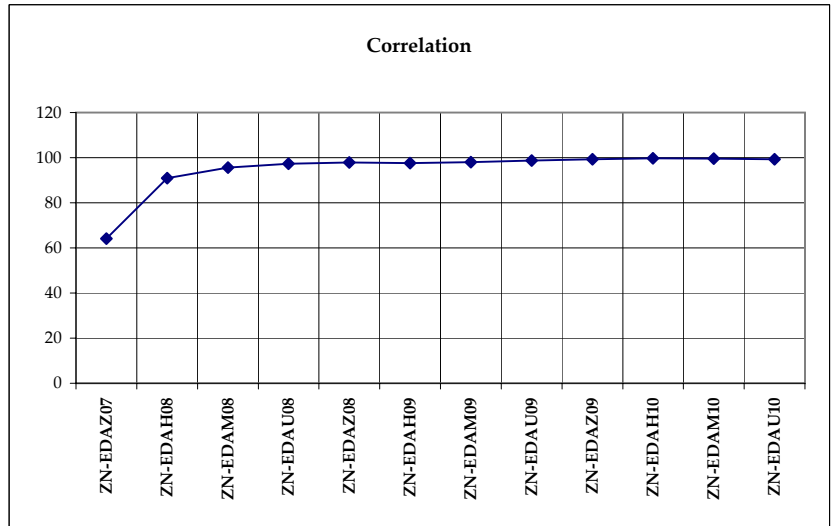
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	14.51	0.55	ZN-EDAZ07	64.13
EDAH08	14.20	0.24	ZN-EDAH08	90.97
EDAM08	14.03	0.07	ZN-EDAM08	95.59
EDAU08	13.96	0.00	ZN-EDAU08	97.36
EDAZ08	13.96	0.00	ZN-EDAZ08	97.82
EDAH09	14.02	0.06	ZN-EDAH09	97.55
EDAM09	14.12	0.16	ZN-EDAM09	97.97
EDAU09	14.22	0.26	ZN-EDAU09	98.65
EDAZ09	14.31	0.35	ZN-EDAZ09	99.25
EDAH10	14.38	0.42	ZN-EDAH10	99.68
EDAM10	14.45	0.49	ZN-EDAM10	99.54
EDAU10	14.53	0.57	ZN-EDAU10	99.25

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	0.164	5.82	5.66	ZN-EDAZ07
EDAH08	0.413	5.82	5.41	ZN-EDAH08
EDAM08	0.662	5.82	5.16	ZN-EDAM08
EDAU08	0.912	5.82	4.91	ZN-EDAU08
EDAZ08	1.161	5.82	4.66	ZN-EDAZ08
EDAH09	1.410	5.82	4.41	ZN-EDAH09
EDAM09	1.660	5.82	4.16	ZN-EDAM09
EDAU09	1.909	5.82	3.91	ZN-EDAU09
EDAZ09	2.158	5.82	3.66	ZN-EDAZ09
EDAH10	2.408	5.82	3.41	ZN-EDAH10
EDAM10	2.657	5.82	3.17	ZN-EDAM10
EDAU10	2.906	5.82	2.92	ZN-EDAU10

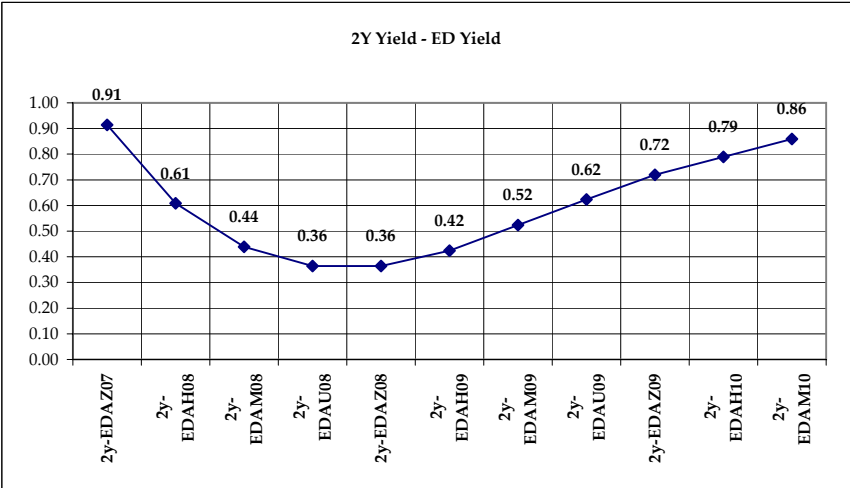
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.93	0.91	2y-EDAZ07	-49.461
EDAH08	4.63	0.61	2y-EDAH08	-85.670
EDAM08	4.46	0.44	2y-EDAM08	-92.650
EDAU08	4.38	0.36	2y-EDAU08	-95.879
EDAZ08	4.38	0.36	2y-EDAZ08	-92.650
EDAH09	4.44	0.42	2y-EDAH09	-98.972
EDAM09	4.54	0.52	2y-EDAM09	-98.809
EDAU09	4.64	0.62	2y-EDAU09	-98.220
EDAZ09	4.74	0.72	2y-EDAZ09	-96.856
EDAH10	4.81	0.79	2y-EDAH10	-95.390
EDAM10	4.88	0.86	2y-EDAM10	-94.883
EDAU10	4.95	0.93	2y-EDAU10	-94.568

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.

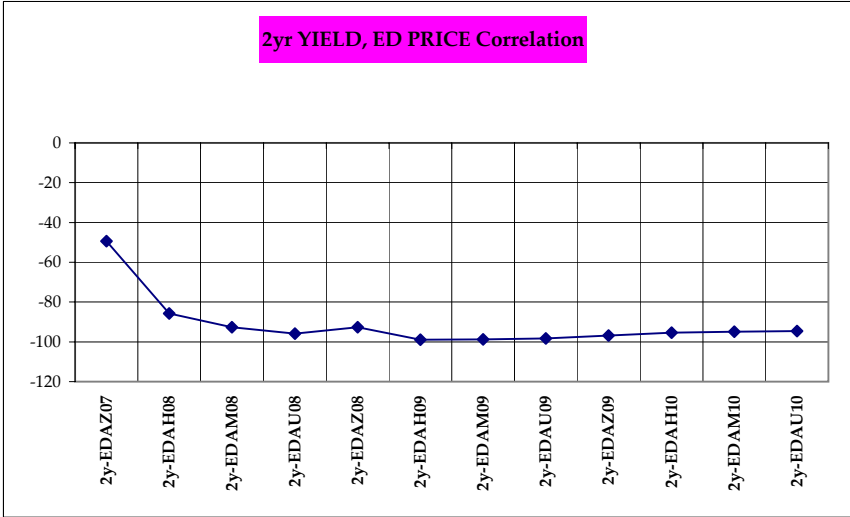


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.164	1.85	2y-EDAZ07
EDAH08	0.413	1.85	2y-EDAH08
EDAM08	0.662	1.85	2y-EDAM08
EDAU08	0.912	1.85	2y-EDAU08
EDAZ08	1.161	1.85	2y-EDAZ08
EDAH09	1.410	1.85	2y-EDAH09
EDAM09	1.660	1.85	2y-EDAM09
EDAU09	1.909	1.85	2y-EDAU09
EDAZ09	2.158	1.85	2y-EDAZ09
EDAH10	2.408	1.85	2y-EDAH10
EDAM10	2.657	1.85	2y-EDAM10
EDAU10	2.906	1.85	2y-EDAU10

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

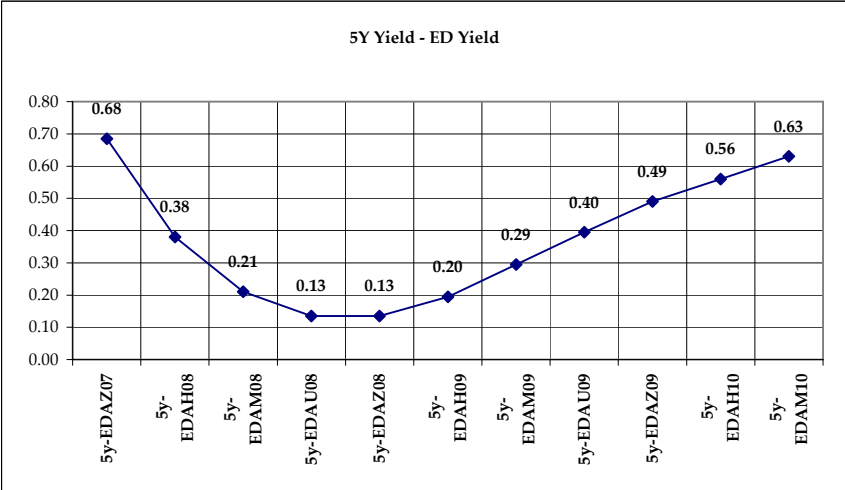
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.11	0.68	5y-EDAZ07	-62.997
EDAH08	4.81	0.38	5y-EDAH08	-92.575
EDAM08	4.64	0.21	5y-EDAM08	-97.323
EDAU08	4.56	0.13	5y-EDAU08	-98.934
EDAZ08	4.56	0.13	5y-EDAZ08	-97.323
EDAH09	4.62	0.20	5y-EDAH09	-99.194
EDAM09	4.72	0.29	5y-EDAM09	-99.236
EDAU09	4.82	0.40	5y-EDAU09	-99.598
EDAZ09	4.92	0.49	5y-EDAZ09	-99.594
EDAH10	4.99	0.56	5y-EDAH10	-99.246
EDAM10	5.06	0.63	5y-EDAM10	-99.121
EDAU10	5.13	0.70	5y-EDAU10	-98.945

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.

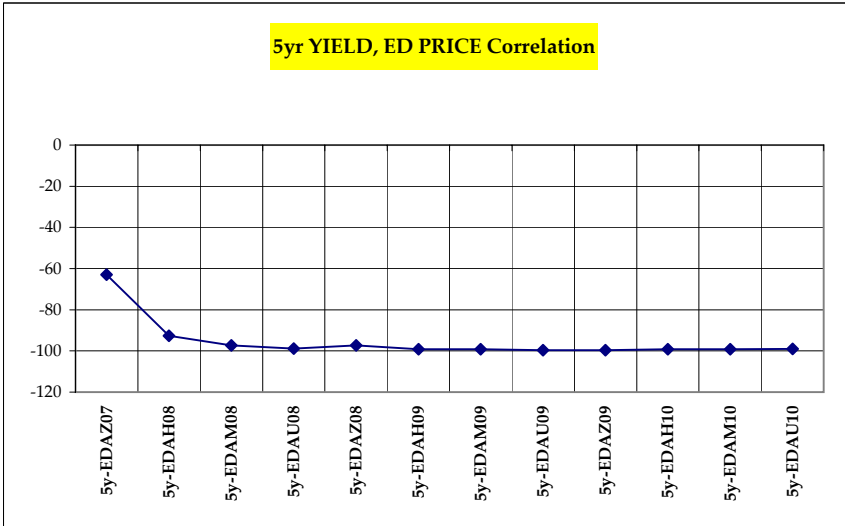


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.164	4.41	4.25	5y-EDAZ07
EDAH08	0.413	4.41	4.00	5y-EDAH08
EDAM08	0.662	4.41	3.75	5y-EDAM08
EDAU08	0.912	4.41	3.50	5y-EDAU08
EDAZ08	1.161	4.41	3.25	5y-EDAZ08
EDAH09	1.410	4.41	3.00	5y-EDAH09
EDAM09	1.660	4.41	2.75	5y-EDAM09
EDAU09	1.909	4.41	2.50	5y-EDAU09
EDAZ09	2.158	4.41	2.25	5y-EDAZ09
EDAH10	2.408	4.41	2.01	5y-EDAH10
EDAM10	2.657	4.41	1.76	5y-EDAM10
EDAU10	2.906	4.41	1.51	5y-EDAU10

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

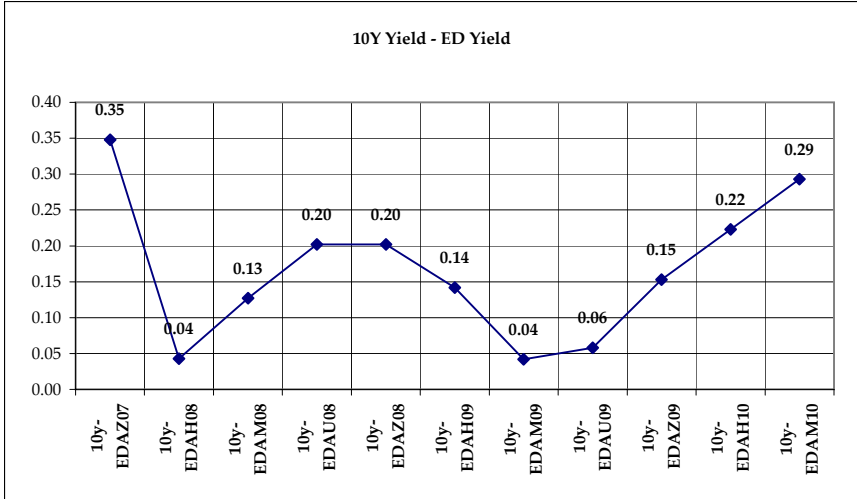
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

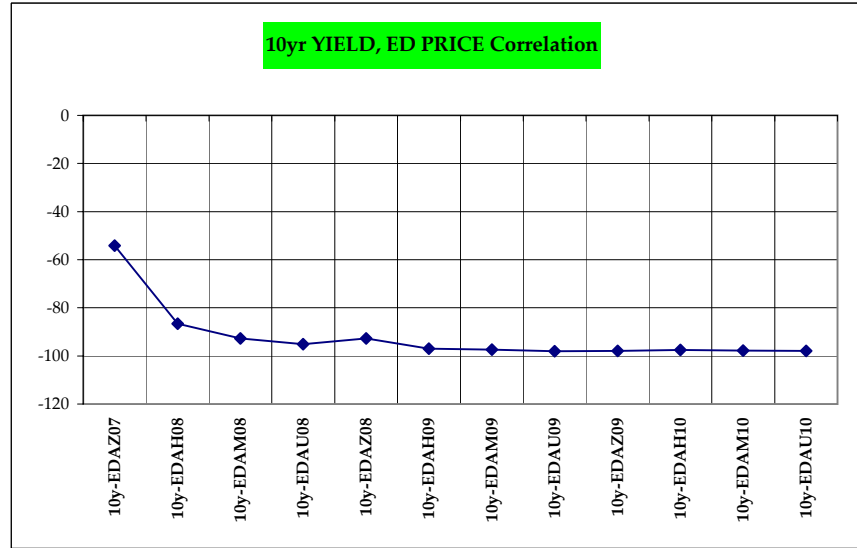
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.11	0.35	10y-EDAZ07	-54.159
EDAH08	4.81	0.04	10y-EDAH08	-86.618
EDAM08	4.64	0.13	10y-EDAM08	-92.704
EDAU08	4.56	0.20	10y-EDAU08	-95.067
EDAZ08	4.56	0.20	10y-EDAZ08	-92.704
EDAH09	4.62	0.14	10y-EDAH09	-96.931
EDAM09	4.72	0.04	10y-EDAM09	-97.363
EDAU09	4.82	0.06	10y-EDAU09	-98.013
EDAZ09	4.92	0.15	10y-EDAZ09	-97.897
EDAH10	4.99	0.22	10y-EDAH10	-97.555
EDAM10	5.06	0.29	10y-EDAM10	-97.743
EDAU10	5.13	0.37	10y-EDAU10	-97.892

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	0.164	7.74	7.58	10y-EDAZ07
EDAH08	0.413	7.74	7.33	10y-EDAH08
EDAM08	0.662	7.74	7.08	10y-EDAM08
EDAU08	0.912	7.74	6.83	10y-EDAU08
EDAZ08	1.161	7.74	6.58	10y-EDAZ08
EDAH09	1.410	7.74	6.33	10y-EDAH09
EDAM09	1.660	7.74	6.08	10y-EDAM09
EDAU09	1.909	7.74	5.83	10y-EDAU09
EDAZ09	2.158	7.74	5.58	10y-EDAZ09
EDAH10	2.408	7.74	5.33	10y-EDAH10
EDAM10	2.657	7.74	5.09	10y-EDAM10
EDAU10	2.906	7.74	4.84	10y-EDAU10

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

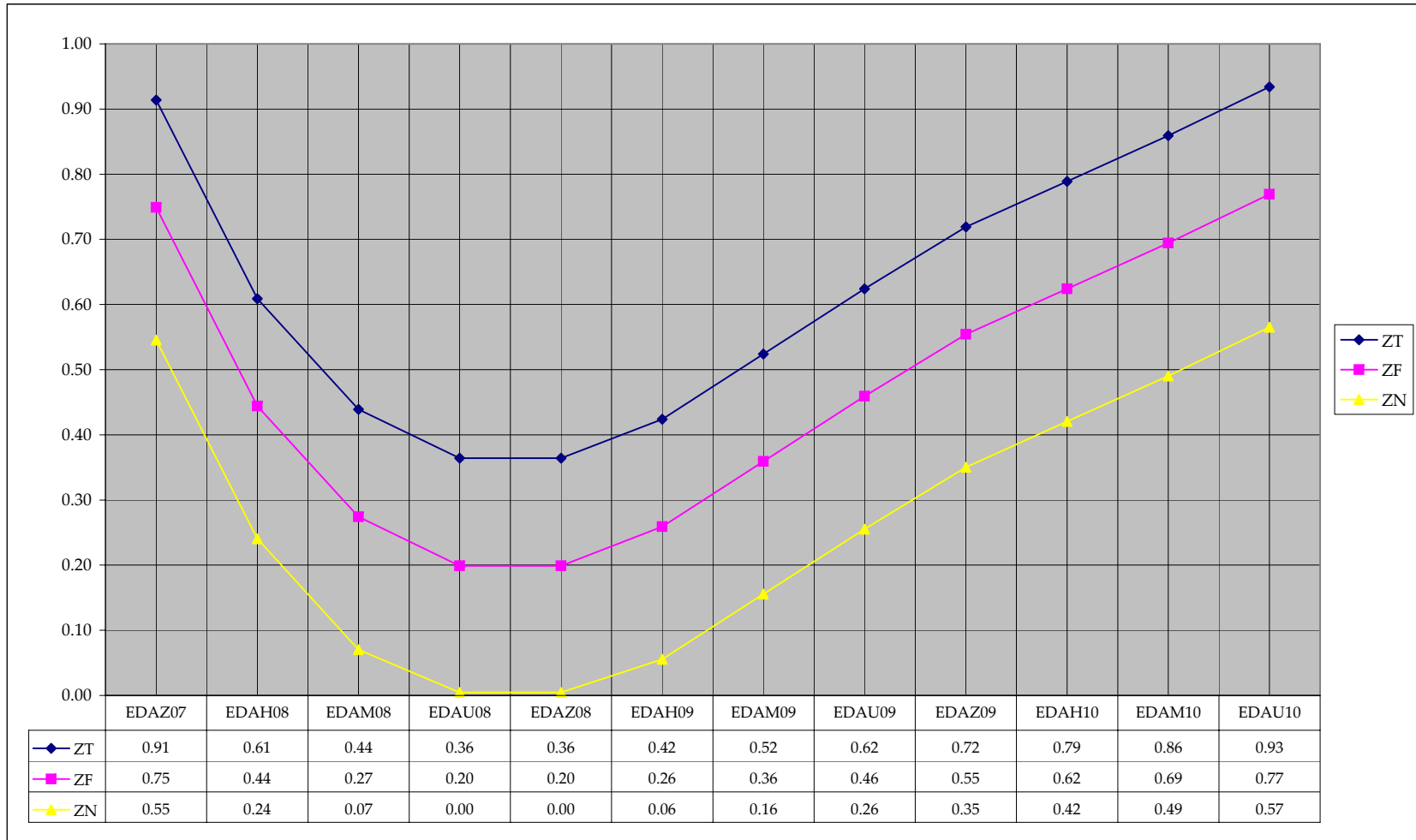


Dirty TED Curve

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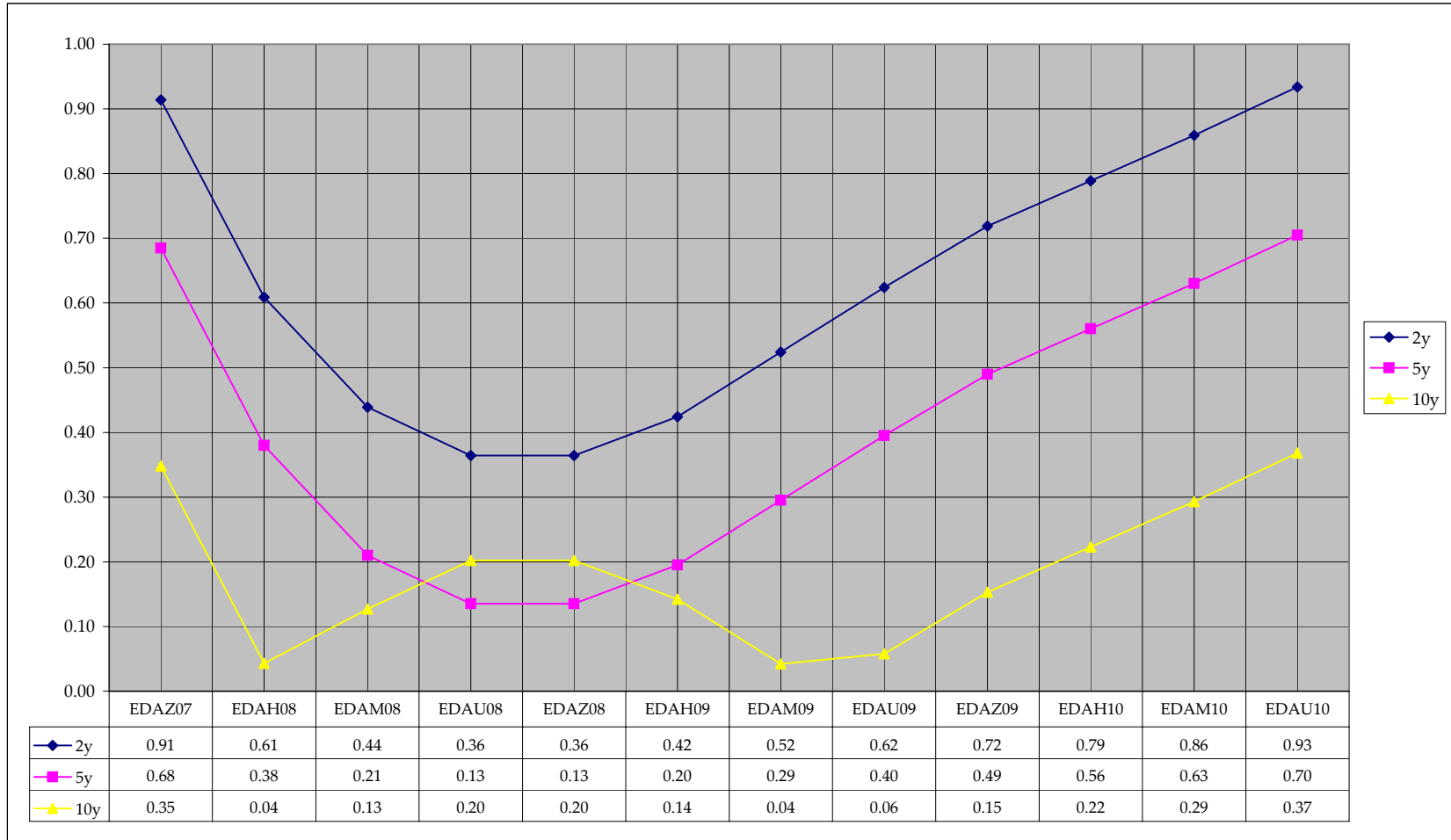
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

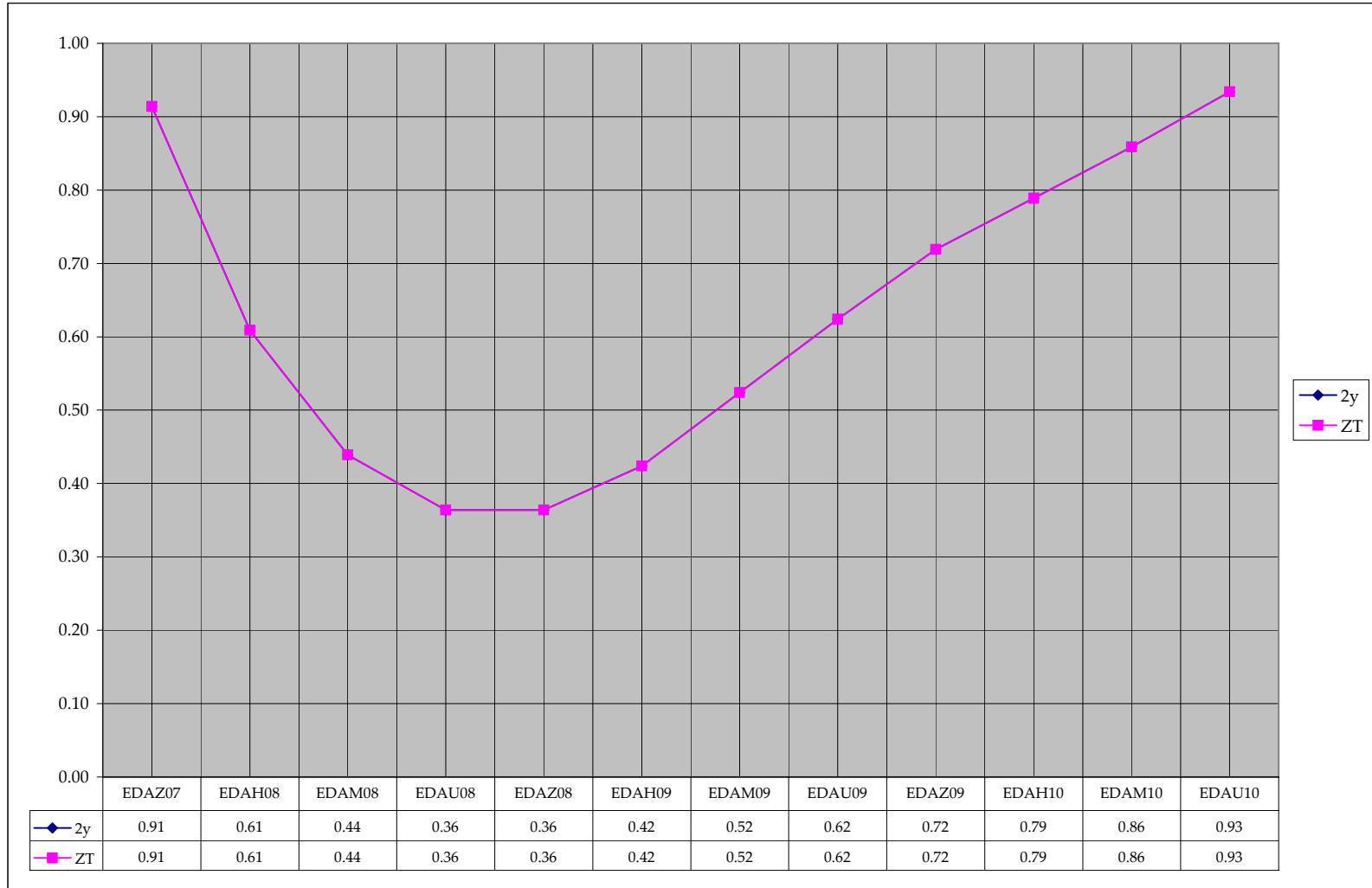


TED Curve

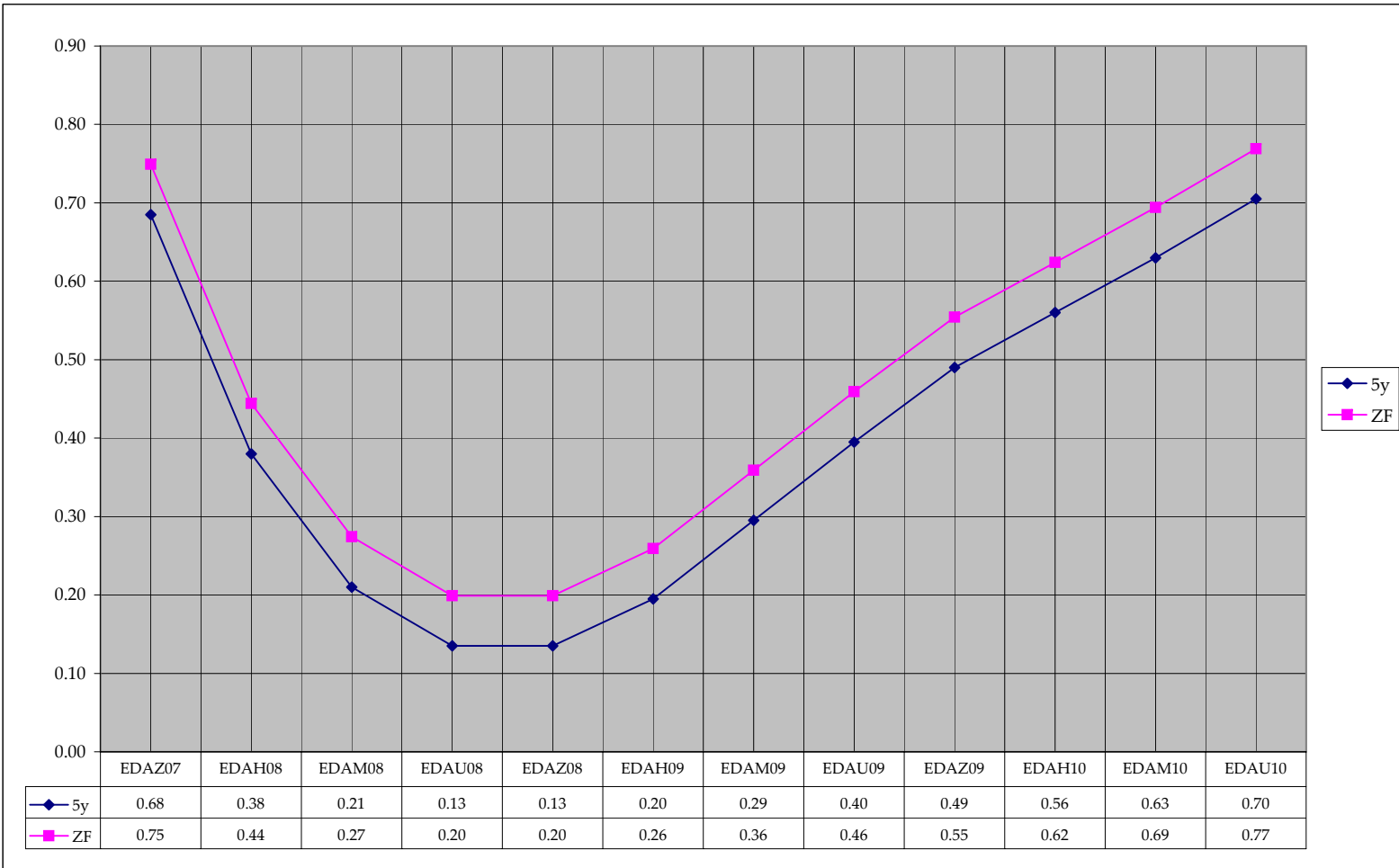
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



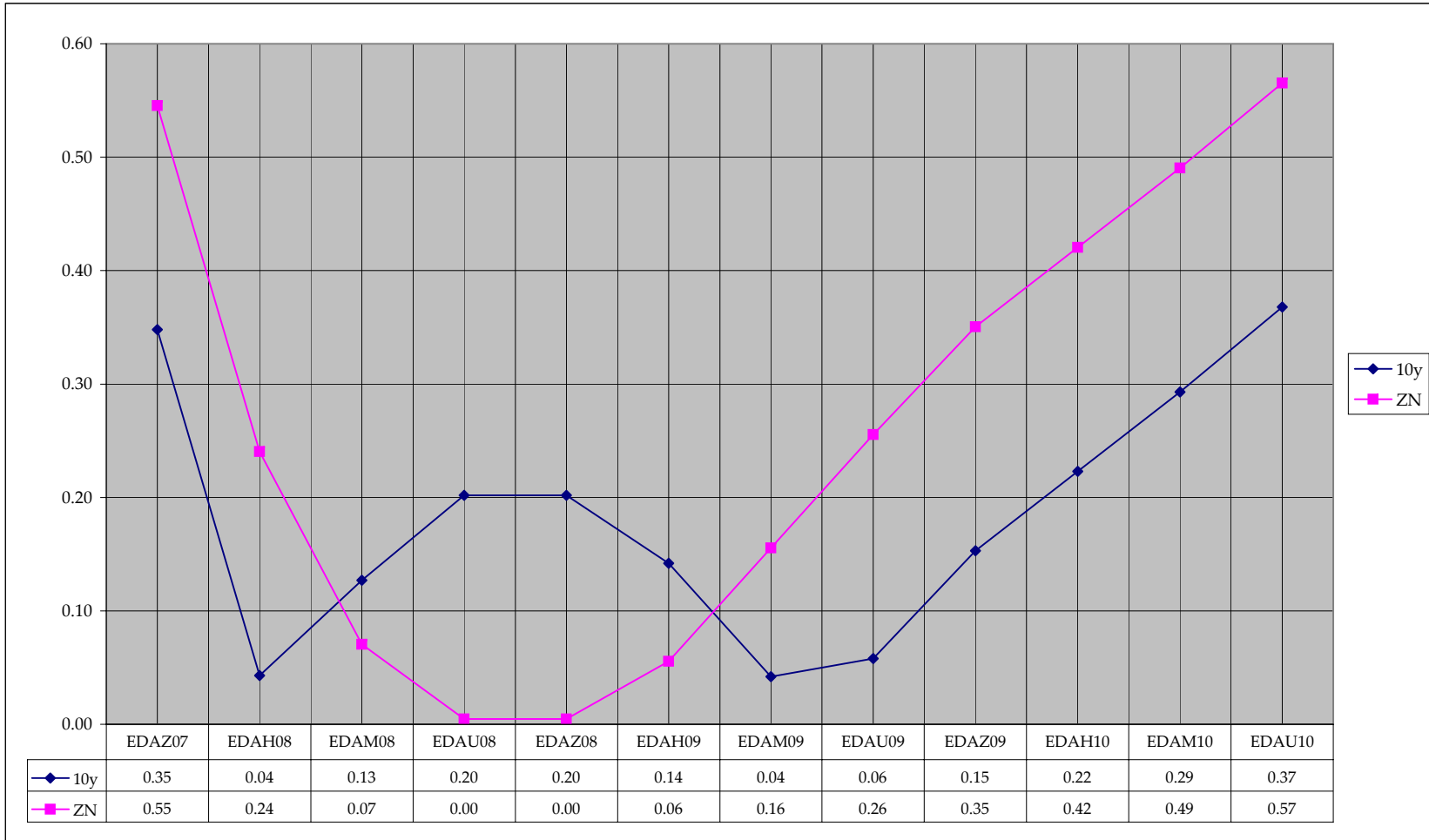
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.664	0.500	9545.250
Q.ED.Red	4.563	2.000	9555.000
Q.ED.Green	4.917	1.750	9520.875
Q.ED.Blue	0.000	0.000	9494.250
Q.ED.Gold	0.000	0.000	9473.750

