

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	103.5469	103.175	3.919	1.85	
ZF	107.3906	107.125	4.101	3.90	
ZN	109.9531	109.305	4.281	5.82	
2y	100.147	100.0470	3.919	1.85	
5y	100.469	100.1500	4.140	4.41	
10y	102.063	102.0200	4.487	7.74	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.200	4.800	59	0.161	DEC	White Pack	
EDAH08	95.490	4.510	150	0.410	MAR		
EDAM08	95.650	4.350	241	0.660	JUN		
EDAU08	95.725	4.275	332	0.909	SEP	Red Pack	
EDAZ08	95.720	4.280	423	1.158	DEC		
EDAH09	95.655	4.345	514	1.408	MAR		
EDAM09	95.550	4.450	605	1.657	JUN	Green Pack	
EDAU09	95.450	4.550	696	1.906	SEP		
EDAZ09	95.355	4.645	787	2.156	DEC		
EDAH10	95.290	4.710	878	2.405	MAR	Blue Pack	
EDAM10	95.215	4.785	969	2.654	JUN		
EDAU10	95.170	4.830	1060	2.903	SEP		
EDAZ10	95.085	4.915	1151	3.153	DEC	Gold Pack	
EDAH11	95.035	4.965	1242	3.402	MAR		
EDAM11	94.980	5.020	1333	3.651	JUN		
EDAU11	94.925	5.075	1431	3.920	SEP		
EDAZ11	94.830	5.170	1522	4.169	DEC		
EDAH12	94.790	5.210	1613	4.419	MAR		
EDAM12	94.755	5.245	1704	4.668	JUN		
EDAU12	94.695	5.305	1795	4.917	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	4.598	1.000	9551.625	Pack Prices
Q.ED.Red	4.517	1.375	9559.375	
Q.ED.Green	4.866	1.875	9525.750	
Q.ED.Blue		0.000	9498.375	
Q.ED.Gold		0.000	9477.250	

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

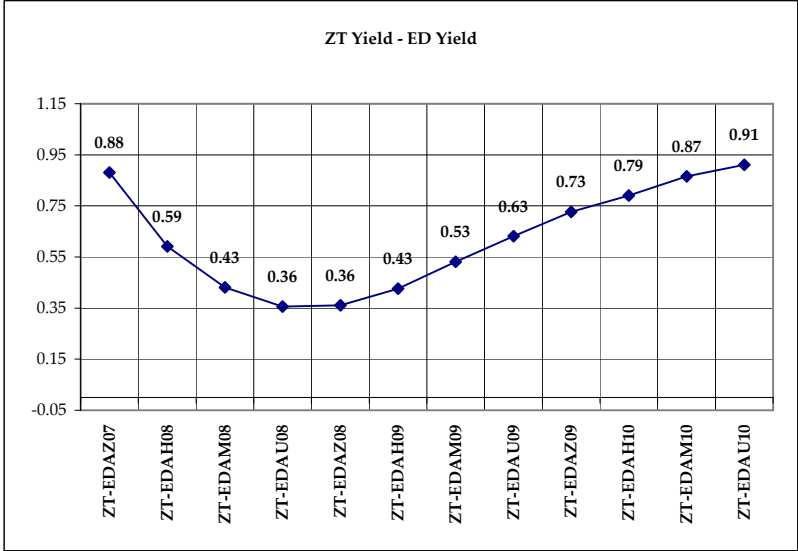
Eurodollar Color Codes for Individual Year Strips:

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

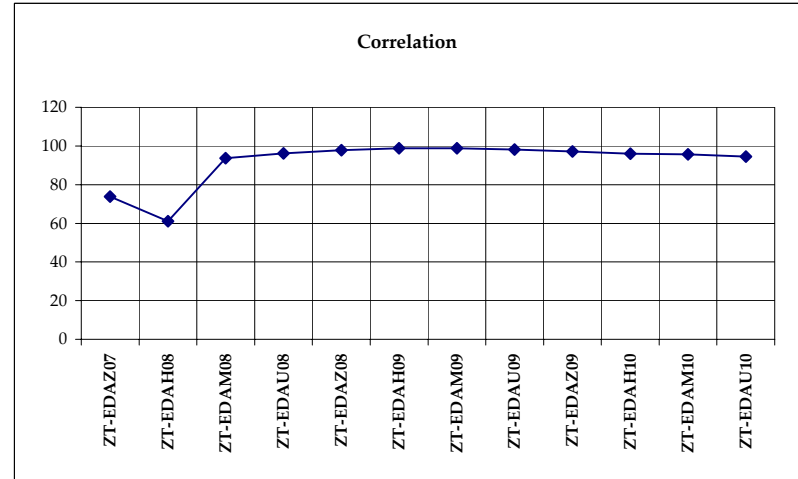
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.347	0.88	ZT-EDAZ07	73.891
EDAH08	8.057	0.59	ZT-EDAH08	61.116
EDAM08	7.897	0.43	ZT-EDAM08	93.633
EDAU08	7.822	0.36	ZT-EDAU08	96.137
EDAZ08	7.827	0.36	ZT-EDAZ08	97.875
EDAH09	7.892	0.43	ZT-EDAH09	98.883
EDAM09	7.997	0.53	ZT-EDAM09	98.878
EDAU09	8.097	0.63	ZT-EDAU09	98.216
EDAZ09	8.192	0.73	ZT-EDAZ09	97.179
EDAH10	8.257	0.79	ZT-EDAH10	96.019
EDAM10	8.332	0.87	ZT-EDAM10	95.639
EDAU10	8.377	0.91	ZT-EDAU10	94.513

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	0.161	1.85	1.68	ZT-EDAZ07
EDAH08	0.410	1.85	1.44	ZT-EDAH08
EDAM08	0.660	1.85	1.19	ZT-EDAM08
EDAU08	0.909	1.85	0.94	ZT-EDAU08
EDAZ08	1.158	1.85	0.69	ZT-EDAZ08
EDAH09	1.408	1.85	0.44	ZT-EDAH09
EDAM09	1.657	1.85	0.19	ZT-EDAM09
EDAU09	1.906	1.85	(0.06)	ZT-EDAU09
EDAZ09	2.156	1.85	(0.31)	ZT-EDAZ09
EDAH10	2.405	1.85	(0.56)	ZT-EDAH10
EDAM10	2.654	1.85	(0.81)	ZT-EDAM10
EDAU10	2.903	1.85	(1.06)	ZT-EDAU10

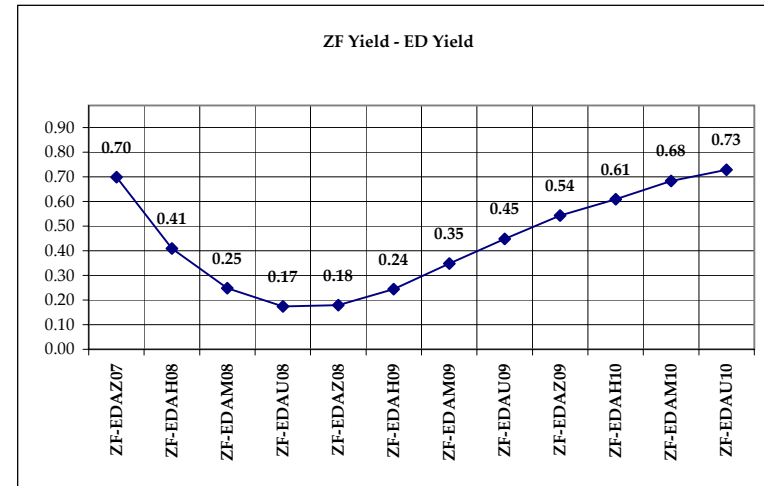
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	12.19	0.70	ZF-EDAZ07	87.268
EDAH08	11.90	0.41	ZF-EDAH08	96.679
EDAM08	11.74	0.25	ZF-EDAM08	98.573
EDAU08	11.67	0.17	ZF-EDAU08	99.387
EDAZ08	11.67	0.18	ZF-EDAZ08	99.465
EDAH09	11.74	0.24	ZF-EDAH09	98.940
EDAM09	11.84	0.35	ZF-EDAM09	99.018
EDAU09	11.94	0.45	ZF-EDAU09	99.407
EDAZ09	12.04	0.54	ZF-EDAZ09	99.791
EDAH10	12.10	0.61	ZF-EDAH10	99.831
EDAM10	12.18	0.68	ZF-EDAM10	99.771
EDAU10	12.22	0.73	ZF-EDAU10	99.268

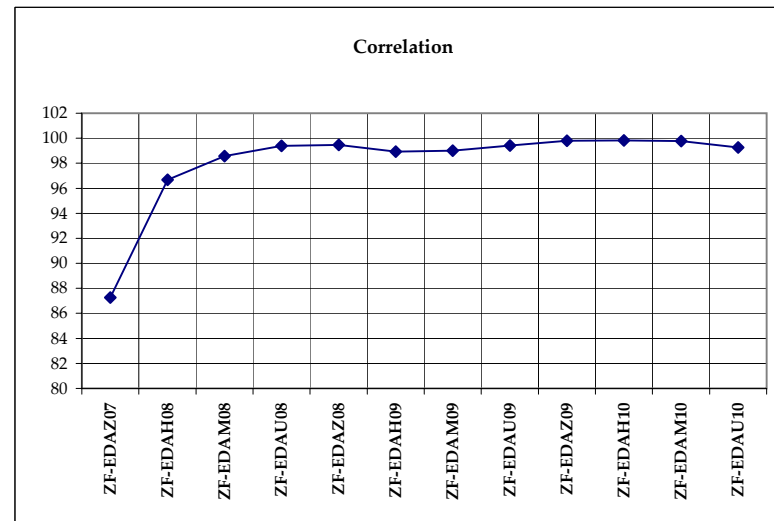
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAZ07	0.161	3.90	3.74
EDAH08	0.410	3.90	3.49
EDAM08	0.660	3.90	3.24
EDAU08	0.909	3.90	2.99
EDAZ08	1.158	3.90	2.74
EDAH09	1.408	3.90	2.49
EDAM09	1.657	3.90	2.24
EDAU09	1.906	3.90	1.99
EDAZ09	2.156	3.90	1.74
EDAH10	2.405	3.90	1.49
EDAM10	2.654	3.90	1.24
EDAU10	2.903	3.90	0.99

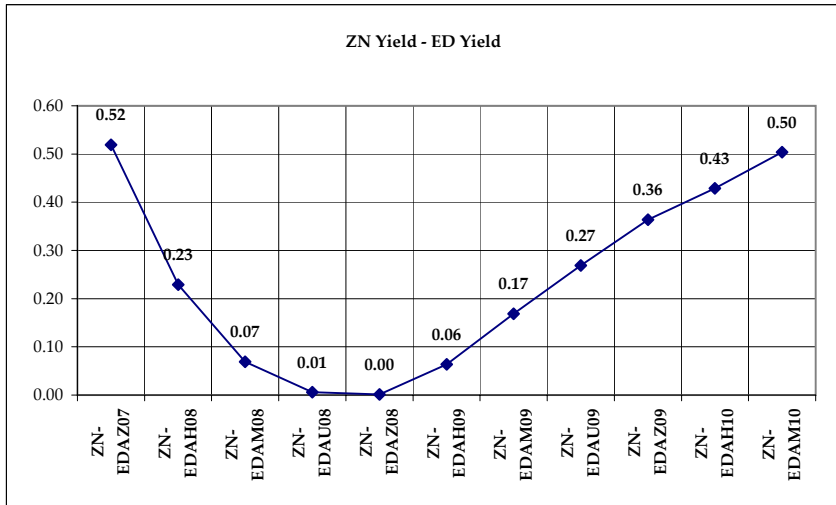
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

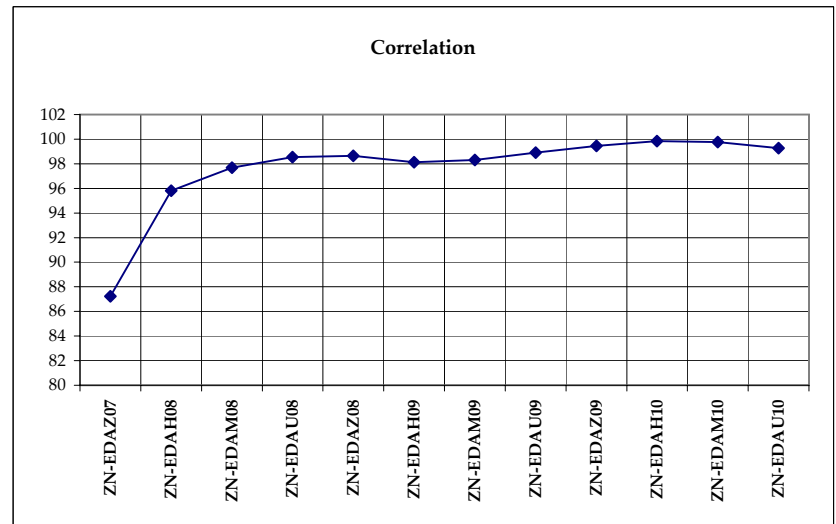
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	14.75	0.52	ZN-EDAZ07	87.22
EDAH08	14.46	0.23	ZN-EDAH08	95.81
EDAM08	14.30	0.07	ZN-EDAM08	97.69
EDAU08	14.23	0.01	ZN-EDAU08	98.53
EDAZ08	14.23	0.00	ZN-EDAZ08	98.64
EDAH09	14.30	0.06	ZN-EDAH09	98.12
EDAM09	14.40	0.17	ZN-EDAM09	98.30
EDAU09	14.50	0.27	ZN-EDAU09	98.91
EDAZ09	14.60	0.36	ZN-EDAZ09	99.45
EDAH10	14.66	0.43	ZN-EDAH10	99.83
EDAM10	14.74	0.50	ZN-EDAM10	99.77
EDAU10	14.78	0.55	ZN-EDAU10	99.27

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	0.161	5.82	5.66	ZN-EDAZ07
EDAH08	0.410	5.82	5.41	ZN-EDAH08
EDAM08	0.660	5.82	5.16	ZN-EDAM08
EDAU08	0.909	5.82	4.91	ZN-EDAU08
EDAZ08	1.158	5.82	4.66	ZN-EDAZ08
EDAH09	1.408	5.82	4.41	ZN-EDAH09
EDAM09	1.657	5.82	4.16	ZN-EDAM09
EDAU09	1.906	5.82	3.91	ZN-EDAU09
EDAZ09	2.156	5.82	3.66	ZN-EDAZ09
EDAH10	2.405	5.82	3.41	ZN-EDAH10
EDAM10	2.654	5.82	3.16	ZN-EDAM10
EDAU10	2.903	5.82	2.91	ZN-EDAU10

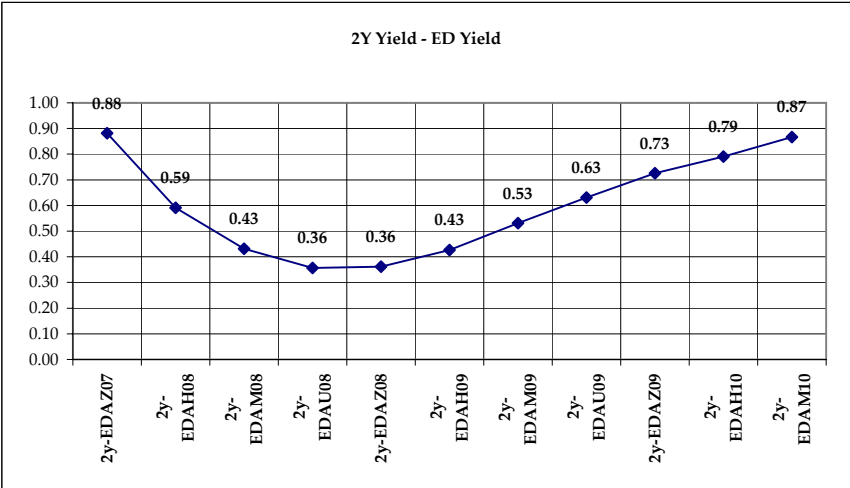
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.95	0.88	2y-EDAZ07	-75.953
EDAH08	4.66	0.59	2y-EDAH08	-91.332
EDAM08	4.50	0.43	2y-EDAM08	-95.142
EDAU08	4.42	0.36	2y-EDAU08	-97.118
EDAZ08	4.43	0.36	2y-EDAZ08	-95.142
EDAH09	4.49	0.43	2y-EDAH09	-99.205
EDAM09	4.60	0.53	2y-EDAM09	-99.098
EDAU09	4.70	0.63	2y-EDAU09	-98.671
EDAZ09	4.79	0.73	2y-EDAZ09	-97.691
EDAH10	4.86	0.79	2y-EDAH10	-96.528
EDAM10	4.93	0.87	2y-EDAM10	-96.201
EDAU10	4.98	0.91	2y-EDAU10	-95.348

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.

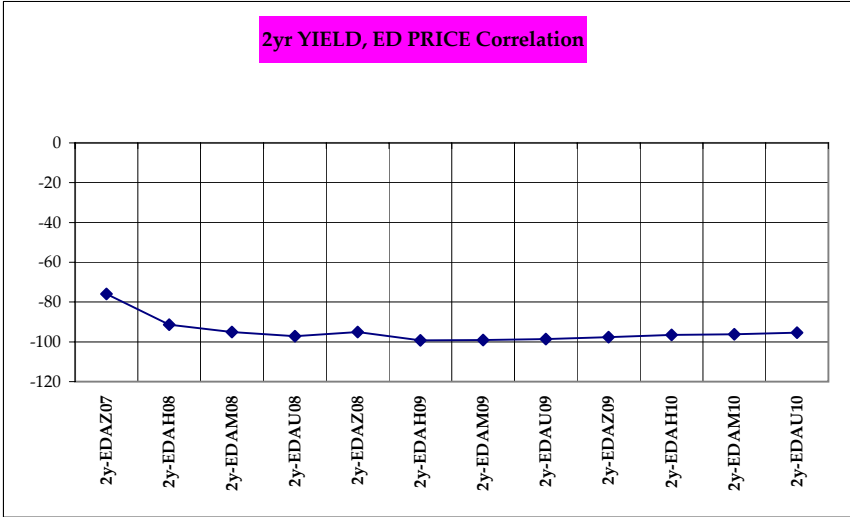


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.161	1.85	2y-EDAZ07
EDAH08	0.410	1.85	2y-EDAH08
EDAM08	0.660	1.85	2y-EDAM08
EDAU08	0.909	1.85	2y-EDAU08
EDAZ08	1.158	1.85	2y-EDAZ08
EDAH09	1.408	1.85	2y-EDAH09
EDAM09	1.657	1.85	2y-EDAM09
EDAU09	1.906	1.85	2y-EDAU09
EDAZ09	2.156	1.85	2y-EDAZ09
EDAH10	2.405	1.85	2y-EDAH10
EDAM10	2.654	1.85	2y-EDAM10
EDAU10	2.903	1.85	2y-EDAU10

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

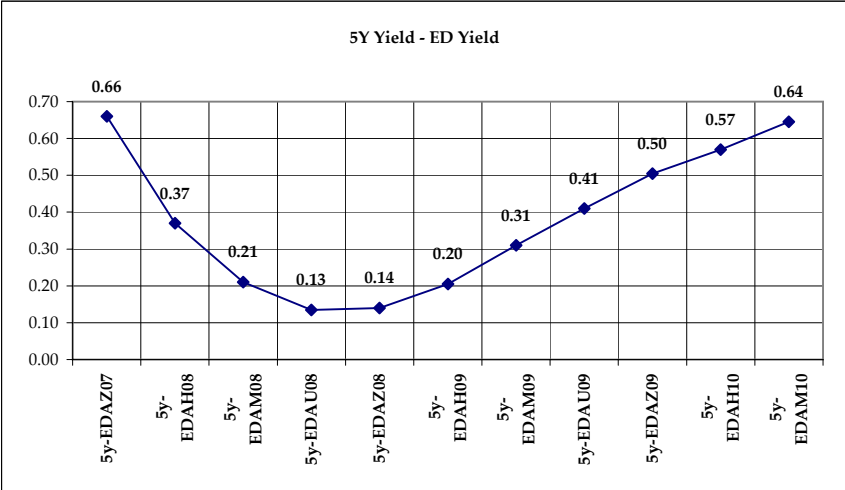
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.27	0.66	5y-EDAZ07	-86.025
EDAH08	4.98	0.37	5y-EDAH08	-96.598
EDAM08	4.82	0.21	5y-EDAM08	-98.716
EDAU08	4.74	0.13	5y-EDAU08	-99.509
EDAZ08	4.75	0.14	5y-EDAZ08	-98.716
EDAH09	4.81	0.20	5y-EDAH09	-99.304
EDAM09	4.92	0.31	5y-EDAM09	-99.256
EDAU09	5.02	0.41	5y-EDAU09	-99.619
EDAZ09	5.11	0.50	5y-EDAZ09	-99.718
EDAH10	5.18	0.57	5y-EDAH10	-99.485
EDAM10	5.25	0.64	5y-EDAM10	-99.407
EDAU10	5.30	0.69	5y-EDAU10	-98.982

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.

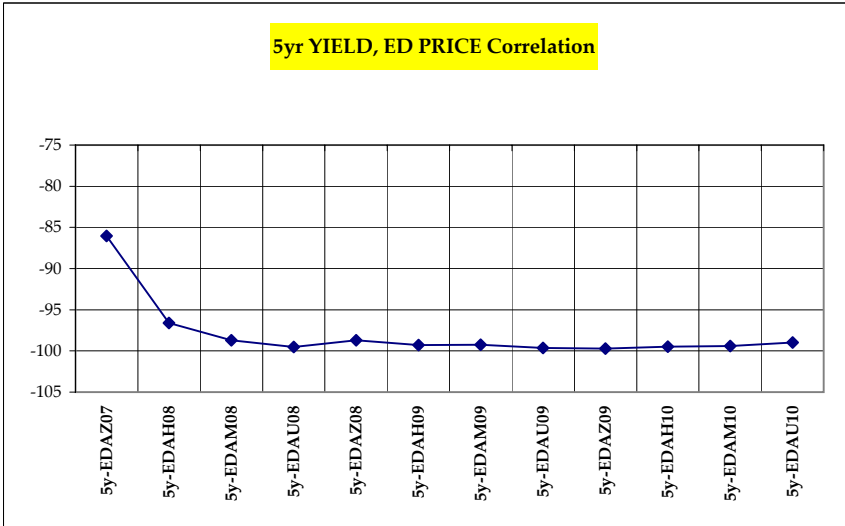


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.161	4.41	4.25	5y-EDAZ07
EDAH08	0.410	4.41	4.00	5y-EDAH08
EDAM08	0.660	4.41	3.75	5y-EDAM08
EDAU08	0.909	4.41	3.50	5y-EDAU08
EDAZ08	1.158	4.41	3.25	5y-EDAZ08
EDAH09	1.408	4.41	3.00	5y-EDAH09
EDAM09	1.657	4.41	2.75	5y-EDAM09
EDAU09	1.906	4.41	2.50	5y-EDAU09
EDAZ09	2.156	4.41	2.25	5y-EDAZ09
EDAH10	2.405	4.41	2.00	5y-EDAH10
EDAM10	2.654	4.41	1.75	5y-EDAM10
EDAU10	2.903	4.41	1.50	5y-EDAU10

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

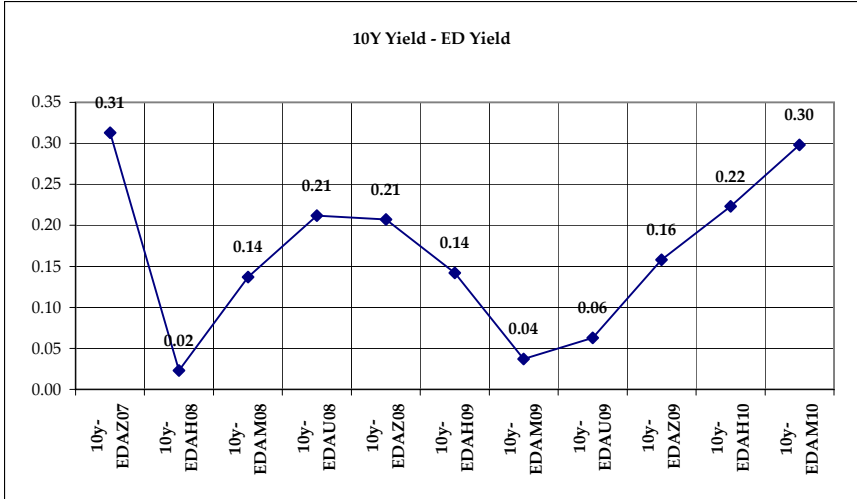
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

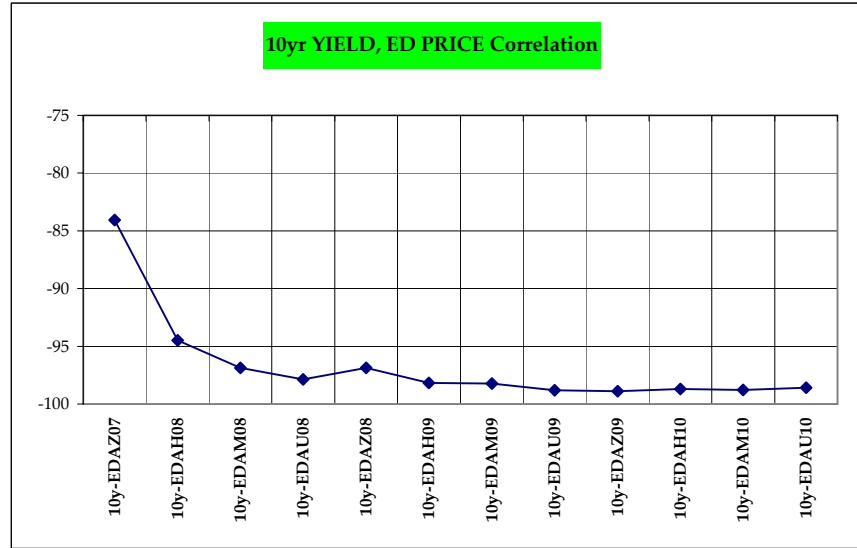
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.27	0.31	10y-EDAZ07	-84.054
EDAH08	4.98	0.02	10y-EDAH08	-94.495
EDAM08	4.82	0.14	10y-EDAM08	-96.856
EDAU08	4.74	0.21	10y-EDAU08	-97.866
EDAZ08	4.75	0.21	10y-EDAZ08	-96.856
EDAH09	4.81	0.14	10y-EDAH09	-98.179
EDAM09	4.92	0.04	10y-EDAM09	-98.214
EDAU09	5.02	0.06	10y-EDAU09	-98.809
EDAZ09	5.11	0.16	10y-EDAZ09	-98.880
EDAH10	5.18	0.22	10y-EDAH10	-98.702
EDAM10	5.25	0.30	10y-EDAM10	-98.768
EDAU10	5.30	0.34	10y-EDAU10	-98.582

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	0.161	7.74	7.58	10y-EDAZ07
EDAH08	0.410	7.74	7.33	10y-EDAH08
EDAM08	0.660	7.74	7.08	10y-EDAM08
EDAU08	0.909	7.74	6.83	10y-EDAU08
EDAZ08	1.158	7.74	6.58	10y-EDAZ08
EDAH09	1.408	7.74	6.33	10y-EDAH09
EDAM09	1.657	7.74	6.08	10y-EDAM09
EDAU09	1.906	7.74	5.83	10y-EDAU09
EDAZ09	2.156	7.74	5.58	10y-EDAZ09
EDAH10	2.405	7.74	5.34	10y-EDAH10
EDAM10	2.654	7.74	5.09	10y-EDAM10
EDAU10	2.903	7.74	4.84	10y-EDAU10

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

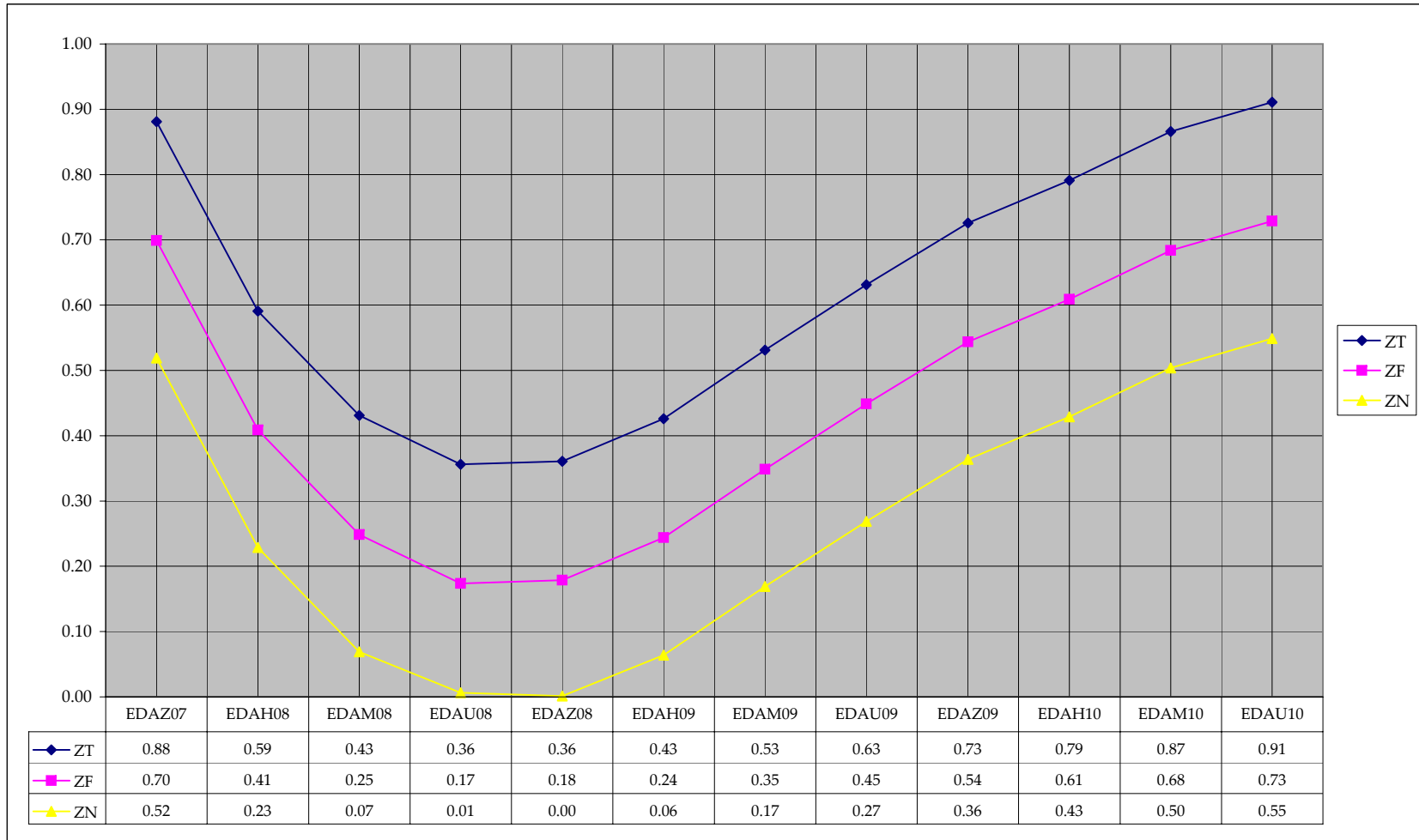


Dirty TED Curve

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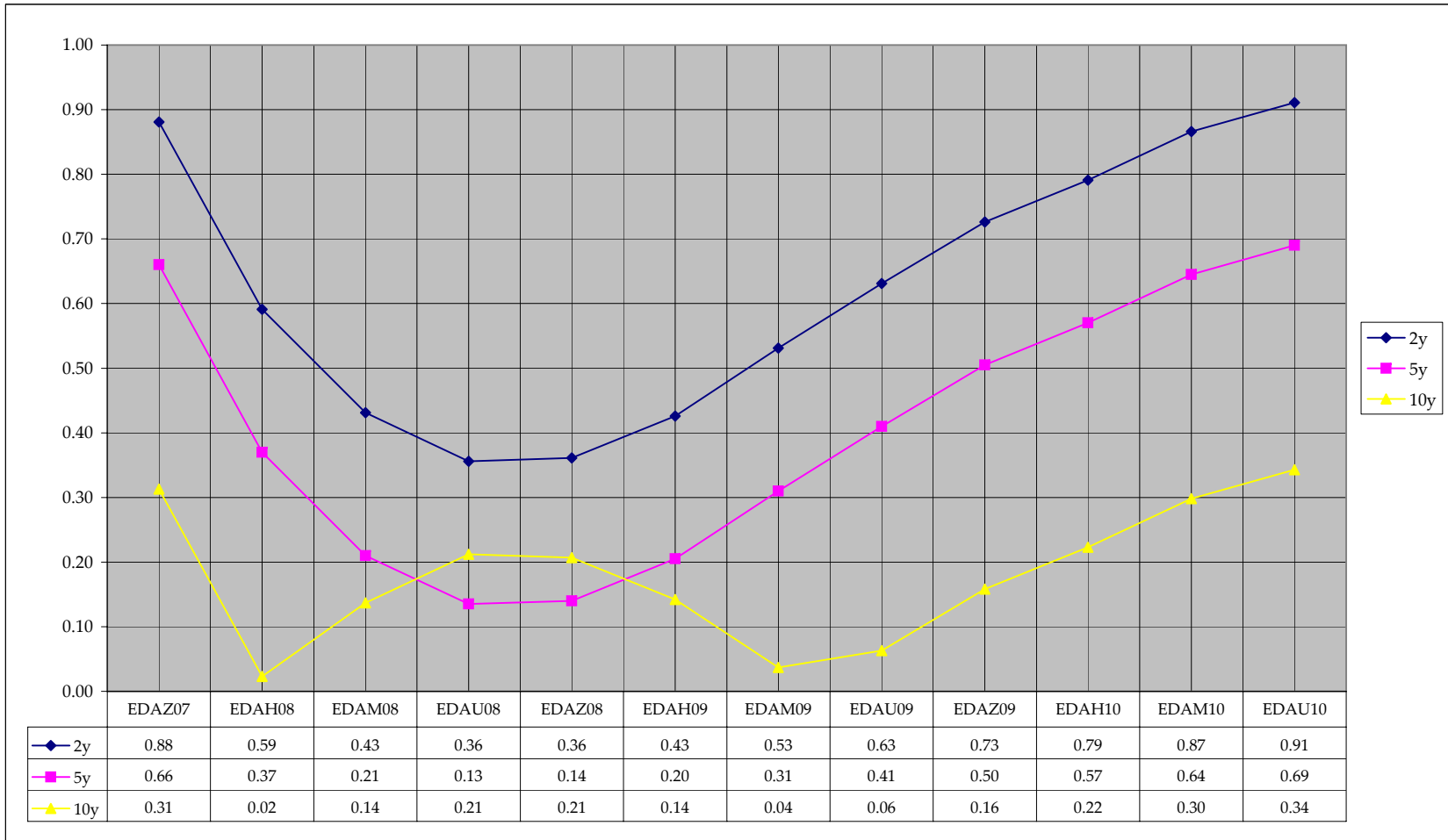
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

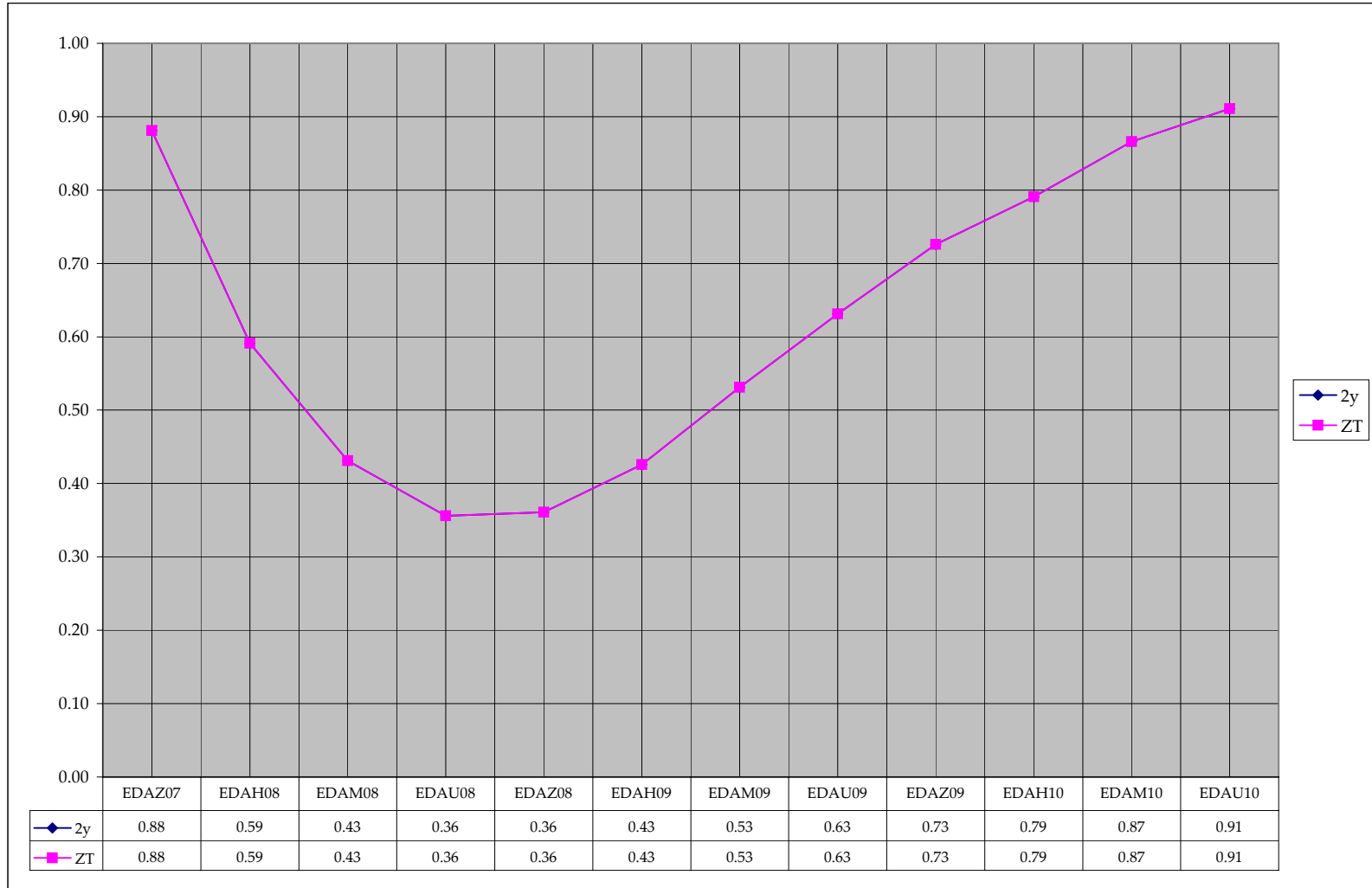


TED Curve

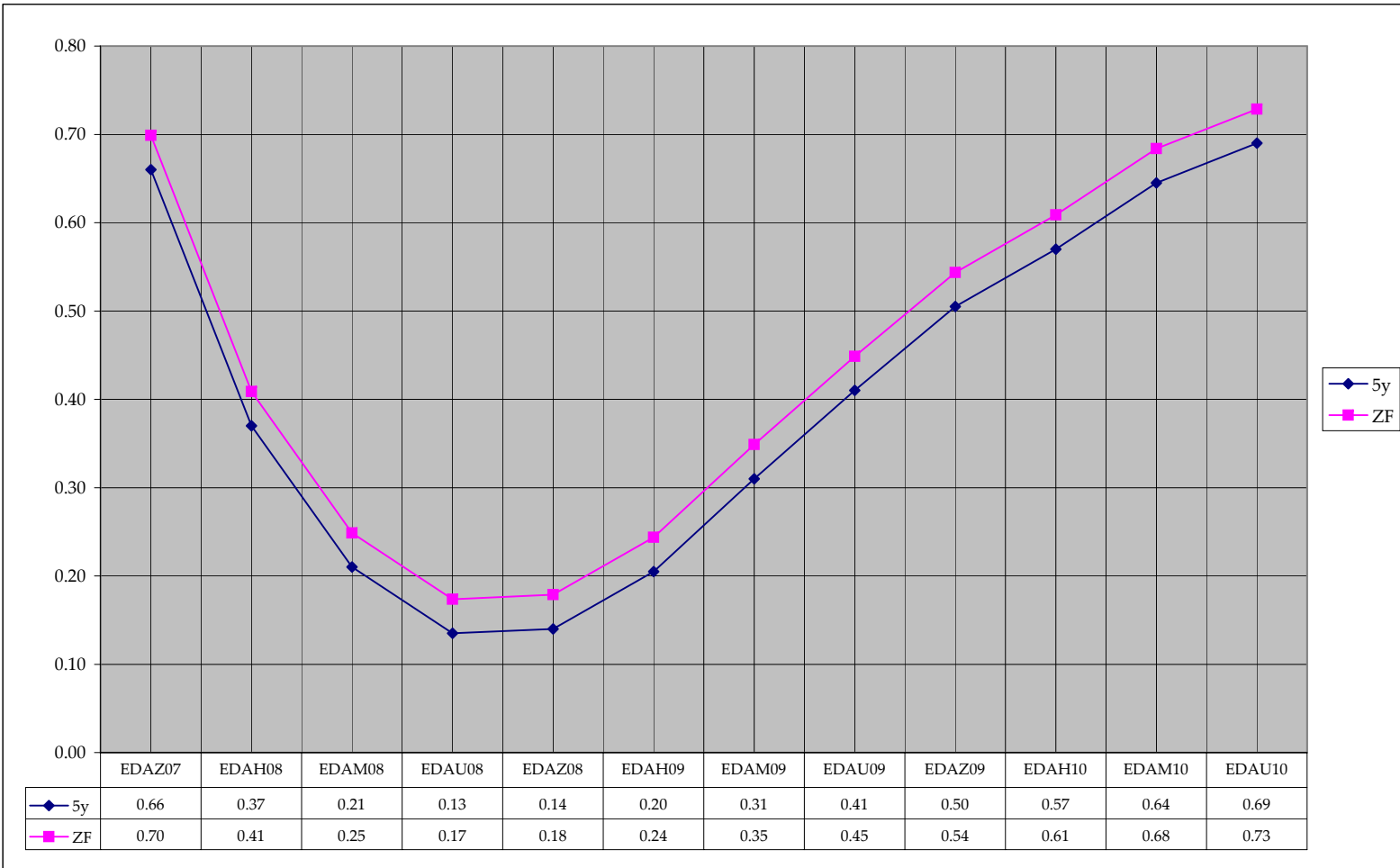
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



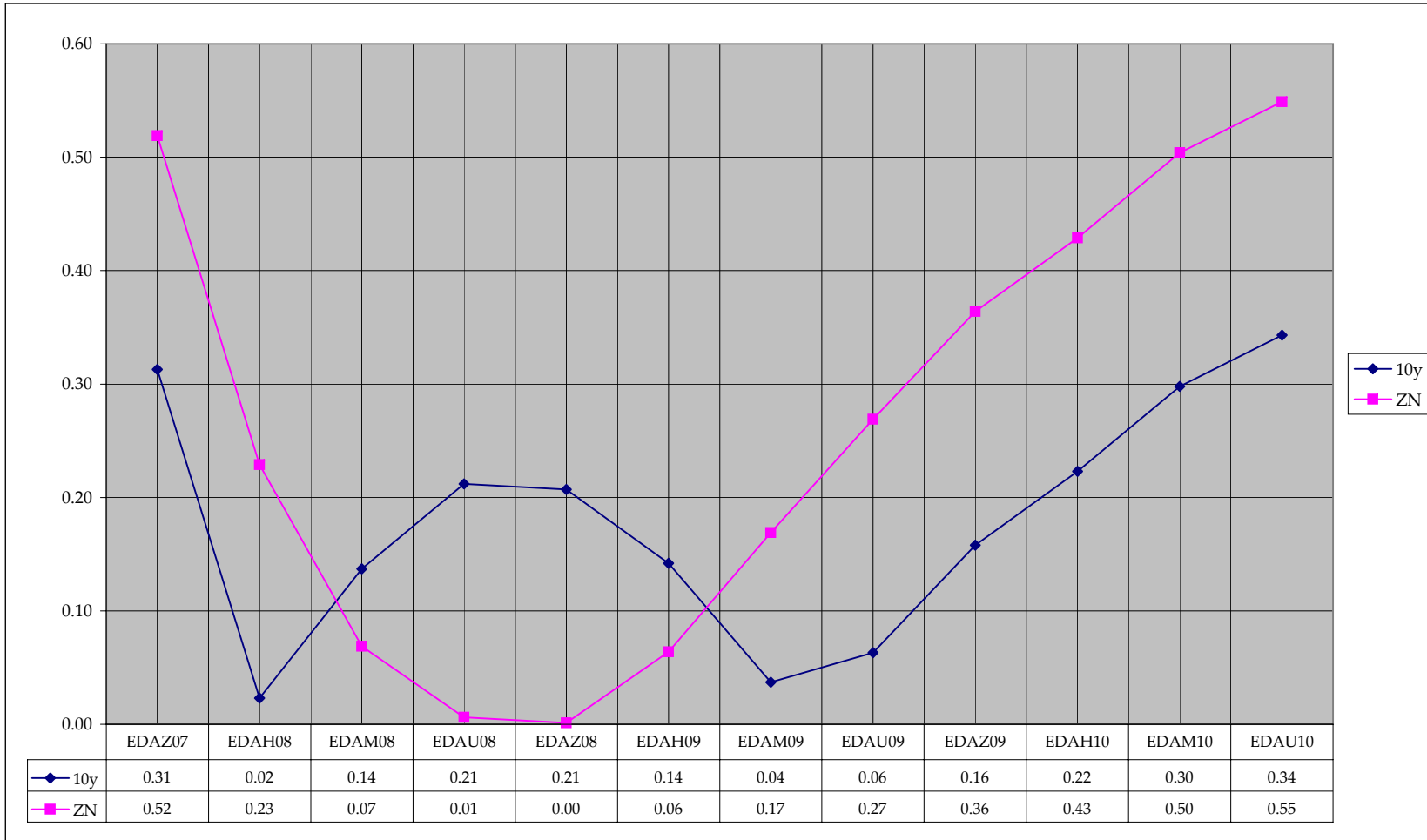
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.598	1.000	9551.625
Q.ED.Red	4.517	1.375	9559.375
Q.ED.Green	4.866	1.875	9525.750
Q.ED.Blue		0.000	9498.375
Q.ED.Gold		0.000	9477.250

