

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	103.8281	103.265	3.755	1.84	
ZF	107.9844	107.315	3.951	3.90	
ZN	110.7969	110.255	4.153	5.82	
2y	100.453	100.1450	3.755	1.84	
5y	101.116	101.0370	3.996	4.41	
10y	103.047	103.0150	4.364	7.75	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.305	4.695	56	0.153	DEC	} White Pack	
EDAH08	95.635	4.365	147	0.402	MAR		
EDAM08	95.800	4.200	238	0.651	JUN		
EDAU08	95.885	4.115	329	0.901	SEP	} Red Pack	
EDAZ08	95.880	4.120	420	1.150	DEC		
EDAH09	95.805	4.195	511	1.399	MAR		
EDAM09	95.695	4.305	602	1.649	JUN	} Green Pack	
EDAU09	95.600	4.400	693	1.898	SEP		
EDAZ09	95.500	4.500	784	2.147	DEC		
EDAH10	95.430	4.570	875	2.397	MAR	} Blue Pack	
EDAM10	95.325	4.675	966	2.646	JUN		
EDAU10	95.265	4.735	1057	2.895	SEP		
EDAZ10	95.220	4.780	1148	3.145	DEC	} Gold Pack	
EDAH11	95.140	4.860	1239	3.394	MAR		
EDAM11	95.070	4.930	1330	3.643	JUN		
EDAU11	95.015	4.985	1428	3.912	SEP	} Gold Pack	
EDAZ11	94.940	5.060	1519	4.161	DEC		
EDAH12	94.905	5.095	1610	4.410	MAR		
EDAM12	94.825	5.175	1701	4.660	JUN		
EDAU12	94.775	5.225	1792	4.909	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	4.453	3.625	9565.625	} Pack Prices
Q.ED.Red	4.361	4.750	9574.500	
Q.ED.Green	4.739	2.625	9538.000	
Q.ED.Blue	5.018	1.250	9511.125	
Q.ED.Gold		0.000	9488.500	

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

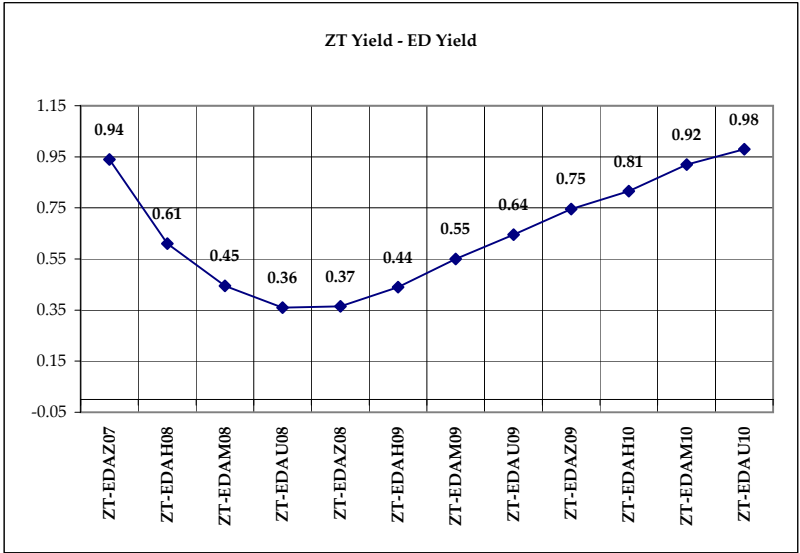
Eurodollar Color Codes for Individual Year Strips:

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

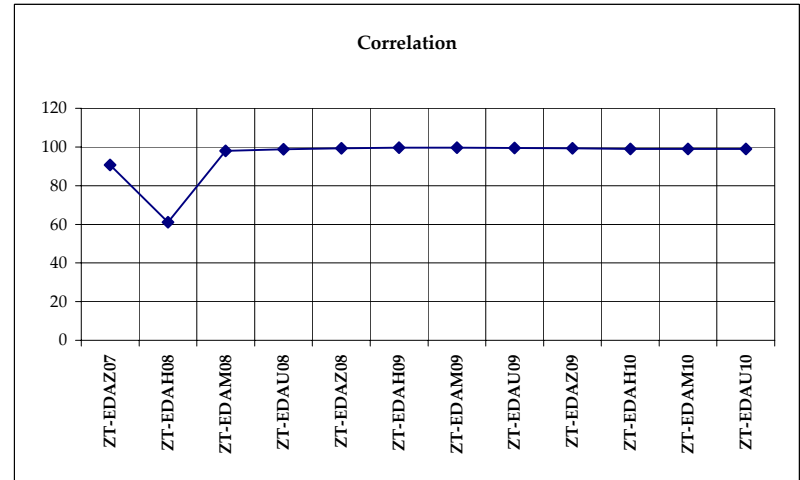
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.523	0.94	ZT-EDAZ07	90.703
EDAH08	8.193	0.61	ZT-EDAH08	61.116
EDAM08	8.028	0.45	ZT-EDAM08	97.954
EDAU08	7.943	0.36	ZT-EDAU08	98.792
EDAZ08	7.948	0.37	ZT-EDAZ08	99.341
EDAH09	8.023	0.44	ZT-EDAH09	99.651
EDAM09	8.133	0.55	ZT-EDAM09	99.684
EDAU09	8.228	0.64	ZT-EDAU09	99.479
EDAZ09	8.328	0.75	ZT-EDAZ09	99.258
EDAH10	8.398	0.81	ZT-EDAH10	99.009
EDAM10	8.503	0.92	ZT-EDAM10	99.003
EDAU10	8.563	0.98	ZT-EDAU10	98.973

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	0.153	1.84	1.69	ZT-EDAZ07
EDAH08	0.402	1.84	1.44	ZT-EDAH08
EDAM08	0.651	1.84	1.19	ZT-EDAM08
EDAU08	0.901	1.84	0.94	ZT-EDAU08
EDAZ08	1.150	1.84	0.69	ZT-EDAZ08
EDAH09	1.399	1.84	0.45	ZT-EDAH09
EDAM09	1.649	1.84	0.20	ZT-EDAM09
EDAU09	1.898	1.84	(0.05)	ZT-EDAU09
EDAZ09	2.147	1.84	(0.30)	ZT-EDAZ09
EDAH10	2.397	1.84	(0.55)	ZT-EDAH10
EDAM10	2.646	1.84	(0.80)	ZT-EDAM10
EDAU10	2.895	1.84	(1.05)	ZT-EDAU10

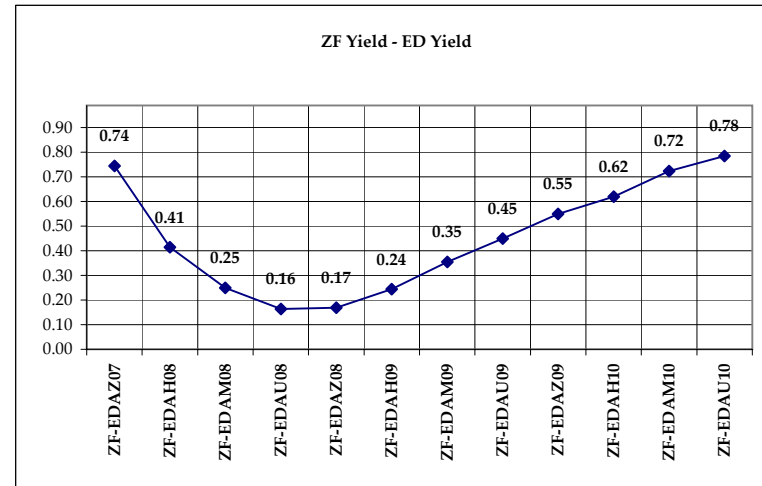
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

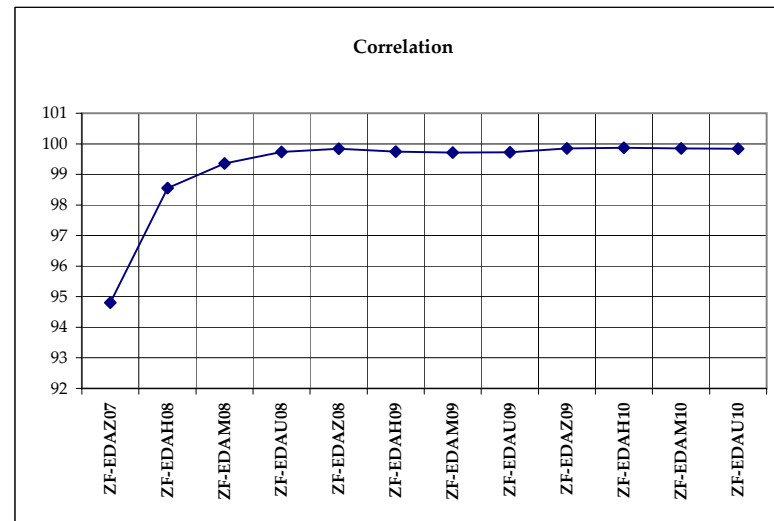
ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	12.68	0.74	ZF-EDAZ07	94.807
EDAH08	12.35	0.41	ZF-EDAH08	98.550
EDAM08	12.18	0.25	ZF-EDAM08	99.353
EDAU08	12.10	0.16	ZF-EDAU08	99.730
EDAZ08	12.10	0.17	ZF-EDAZ08	99.835
EDAH09	12.18	0.24	ZF-EDAH09	99.748
EDAM09	12.29	0.35	ZF-EDAM09	99.717
EDAU09	12.38	0.45	ZF-EDAU09	99.723
EDAZ09	12.48	0.55	ZF-EDAZ09	99.845
EDAH10	12.55	0.62	ZF-EDAH10	99.865
EDAM10	12.66	0.72	ZF-EDAM10	99.845
EDAU10	12.72	0.78	ZF-EDAU10	99.836

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	0.153	3.90	3.74	ZF-EDAZ07
EDAH08	0.402	3.90	3.50	ZF-EDAH08
EDAM08	0.651	3.90	3.25	ZF-EDAM08
EDAU08	0.901	3.90	3.00	ZF-EDAU08
EDAZ08	1.150	3.90	2.75	ZF-EDAZ08
EDAH09	1.399	3.90	2.50	ZF-EDAH09
EDAM09	1.649	3.90	2.25	ZF-EDAM09
EDAU09	1.898	3.90	2.00	ZF-EDAU09
EDAZ09	2.147	3.90	1.75	ZF-EDAZ09
EDAH10	2.397	3.90	1.50	ZF-EDAH10
EDAM10	2.646	3.90	1.25	ZF-EDAM10
EDAU10	2.895	3.90	1.00	ZF-EDAU10

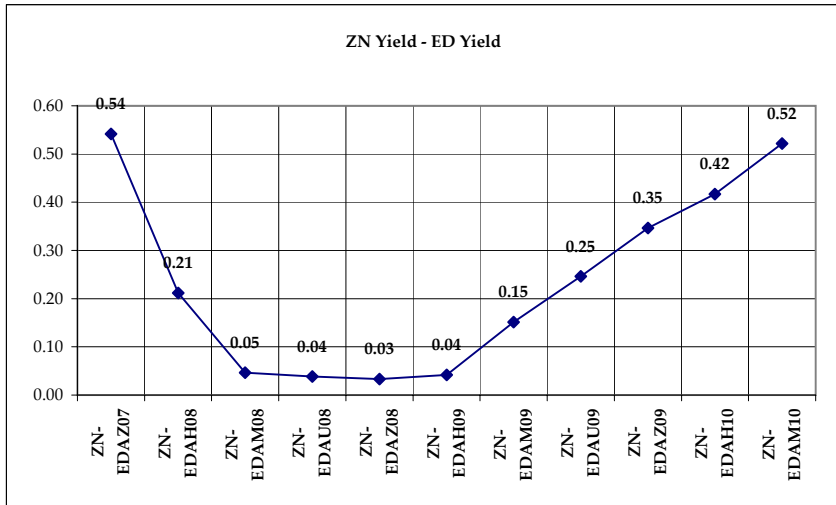
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

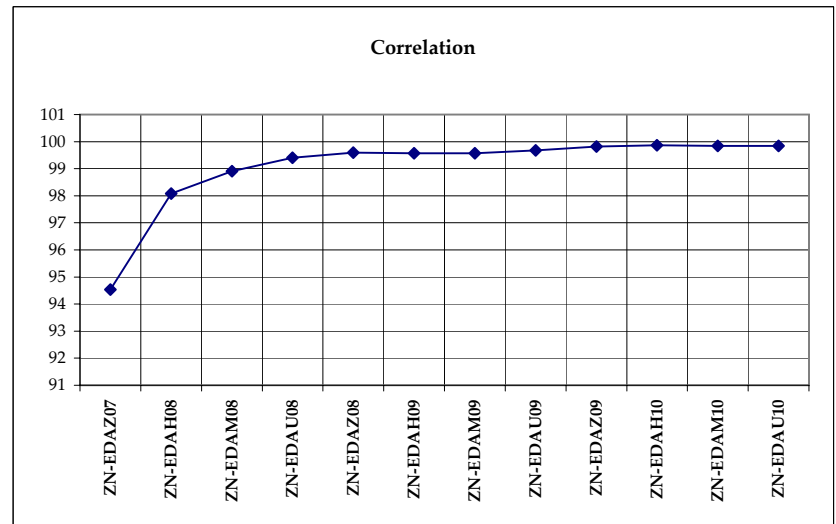
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	15.49	0.54	ZN-EDAZ07	94.53
EDAH08	15.16	0.21	ZN-EDAH08	98.07
EDAM08	15.00	0.05	ZN-EDAM08	98.91
EDAU08	14.91	0.04	ZN-EDAU08	99.41
EDAZ08	14.92	0.03	ZN-EDAZ08	99.60
EDAH09	14.99	0.04	ZN-EDAH09	99.57
EDAM09	15.10	0.15	ZN-EDAM09	99.57
EDAU09	15.20	0.25	ZN-EDAU09	99.68
EDAZ09	15.30	0.35	ZN-EDAZ09	99.81
EDAH10	15.37	0.42	ZN-EDAH10	99.87
EDAM10	15.47	0.52	ZN-EDAM10	99.85
EDAU10	15.53	0.58	ZN-EDAU10	99.84

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	0.153	5.82	5.67	ZN-EDAZ07
EDAH08	0.402	5.82	5.42	ZN-EDAH08
EDAM08	0.651	5.82	5.17	ZN-EDAM08
EDAU08	0.901	5.82	4.92	ZN-EDAU08
EDAZ08	1.150	5.82	4.67	ZN-EDAZ08
EDAH09	1.399	5.82	4.42	ZN-EDAH09
EDAM09	1.649	5.82	4.17	ZN-EDAM09
EDAU09	1.898	5.82	3.92	ZN-EDAU09
EDAZ09	2.147	5.82	3.68	ZN-EDAZ09
EDAH10	2.397	5.82	3.43	ZN-EDAH10
EDAM10	2.646	5.82	3.18	ZN-EDAM10
EDAU10	2.895	5.82	2.93	ZN-EDAU10

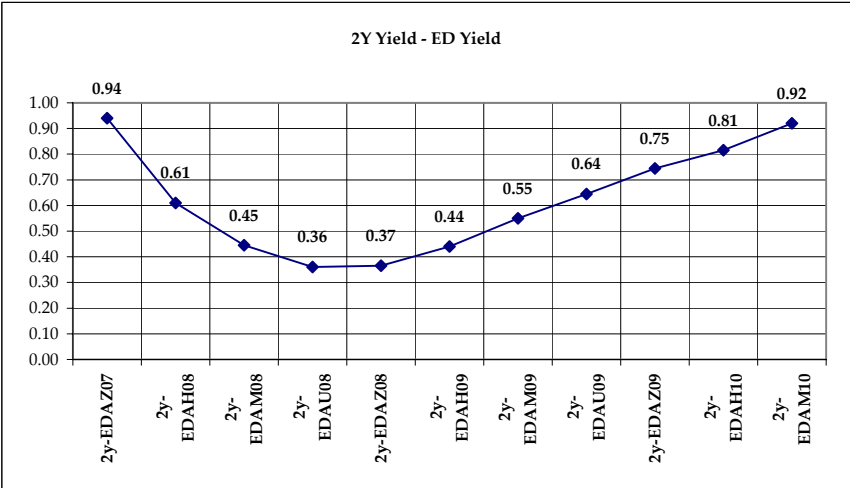
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.15	0.94	2y-EDAZ07	-91.671
EDAH08	4.82	0.61	2y-EDAH08	-97.109
EDAM08	4.65	0.45	2y-EDAM08	-98.495
EDAU08	4.57	0.36	2y-EDAU08	-99.124
EDAZ08	4.57	0.37	2y-EDAZ08	-98.495
EDAH09	4.65	0.44	2y-EDAH09	-99.733
EDAM09	4.76	0.55	2y-EDAM09	-99.713
EDAU09	4.85	0.64	2y-EDAU09	-99.623
EDAZ09	4.95	0.75	2y-EDAZ09	-99.453
EDAH10	5.02	0.81	2y-EDAH10	-99.185
EDAM10	5.13	0.92	2y-EDAM10	-99.220
EDAU10	5.19	0.98	2y-EDAU10	-99.224

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.

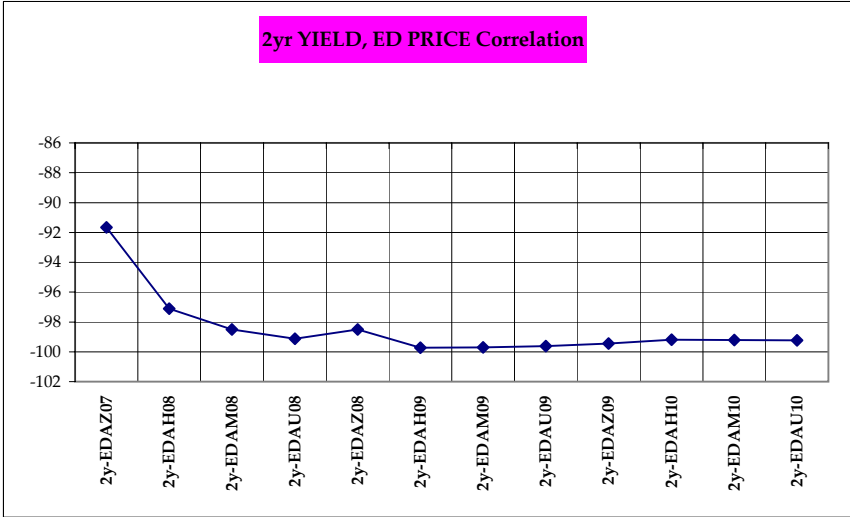


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.153	1.84	2y-EDAZ07
EDAH08	0.402	1.84	2y-EDAH08
EDAM08	0.651	1.84	2y-EDAM08
EDAU08	0.901	1.84	2y-EDAU08
EDAZ08	1.150	1.84	2y-EDAZ08
EDAH09	1.399	1.84	2y-EDAH09
EDAM09	1.649	1.84	2y-EDAM09
EDAU09	1.898	1.84	2y-EDAU09
EDAZ09	2.147	1.84	2y-EDAZ09
EDAH10	2.397	1.84	2y-EDAH10
EDAM10	2.646	1.84	2y-EDAM10
EDAU10	2.895	1.84	2y-EDAU10

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

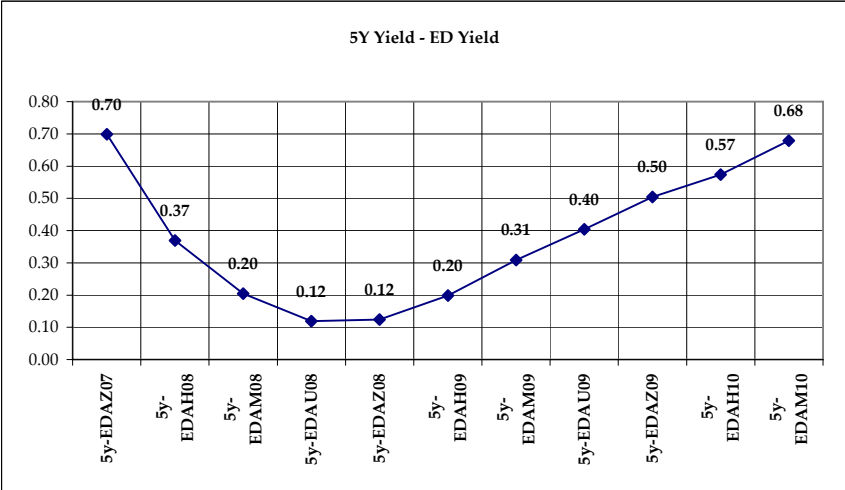
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.81	0.70	5y-EDAZ07	-94.695
EDAH08	5.48	0.37	5y-EDAH08	-98.622
EDAM08	5.32	0.20	5y-EDAM08	-99.440
EDAU08	5.23	0.12	5y-EDAU08	-99.759
EDAZ08	5.24	0.12	5y-EDAZ08	-99.440
EDAH09	5.31	0.20	5y-EDAH09	-99.767
EDAM09	5.42	0.31	5y-EDAM09	-99.707
EDAU09	5.52	0.40	5y-EDAU09	-99.789
EDAZ09	5.62	0.50	5y-EDAZ09	-99.876
EDAH10	5.69	0.57	5y-EDAH10	-99.828
EDAM10	5.79	0.68	5y-EDAM10	-99.832
EDAU10	5.85	0.74	5y-EDAU10	-99.848

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.

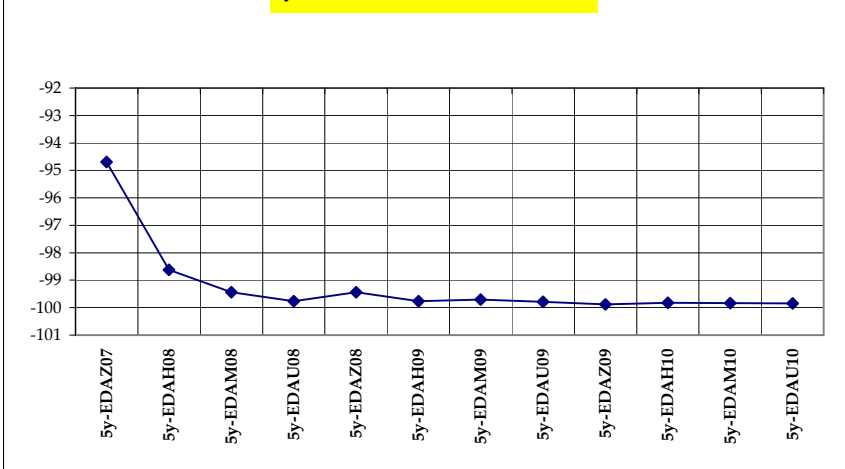


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAZ07	0.153	4.41	5y-EDAZ07
EDAH08	0.402	4.41	5y-EDAH08
EDAM08	0.651	4.41	5y-EDAM08
EDAU08	0.901	4.41	5y-EDAU08
EDAZ08	1.150	4.41	5y-EDAZ08
EDAH09	1.399	4.41	5y-EDAH09
EDAM09	1.649	4.41	5y-EDAM09
EDAU09	1.898	4.41	5y-EDAU09
EDAZ09	2.147	4.41	5y-EDAZ09
EDAH10	2.397	4.41	5y-EDAH10
EDAM10	2.646	4.41	5y-EDAM10
EDAU10	2.895	4.41	5y-EDAU10

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

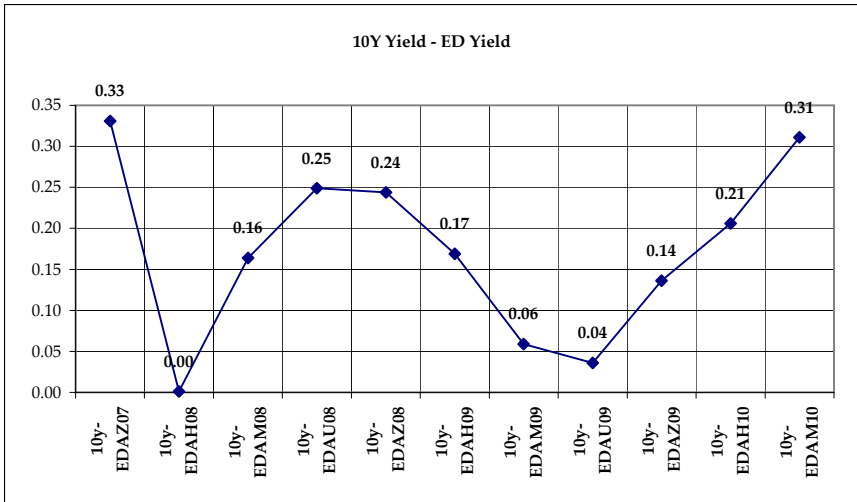
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

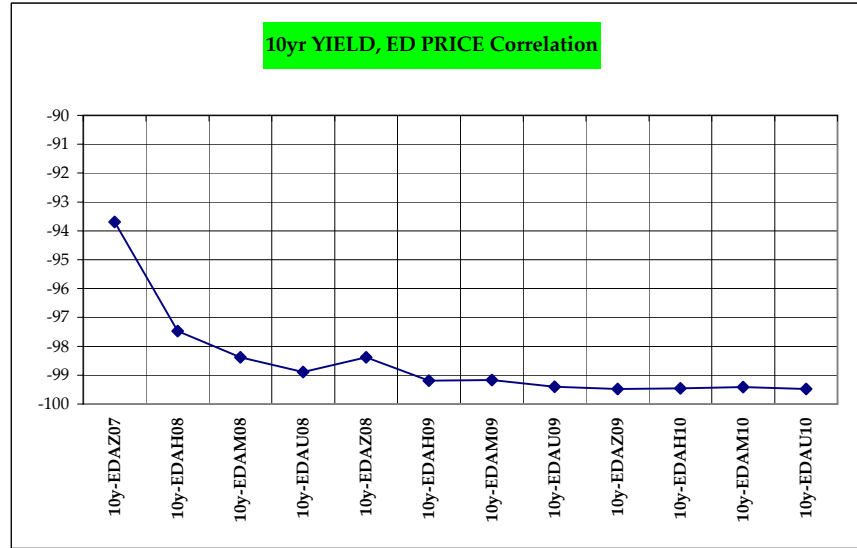
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	5.81	0.33	10y-EDAZ07	-93.697
EDAH08	5.48	0.00	10y-EDAH08	-97.478
EDAM08	5.32	0.16	10y-EDAM08	-98.378
EDAU08	5.23	0.25	10y-EDAU08	-98.888
EDAZ08	5.24	0.24	10y-EDAZ08	-98.378
EDAH09	5.31	0.17	10y-EDAH09	-99.187
EDAM09	5.42	0.06	10y-EDAM09	-99.166
EDAU09	5.52	0.04	10y-EDAU09	-99.406
EDAZ09	5.62	0.14	10y-EDAZ09	-99.482
EDAH10	5.69	0.21	10y-EDAH10	-99.454
EDAM10	5.79	0.31	10y-EDAM10	-99.412
EDAU10	5.85	0.37	10y-EDAU10	-99.484

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	0.153	7.75	7.60	10y-EDAZ07
EDAH08	0.402	7.75	7.35	10y-EDAH08
EDAM08	0.651	7.75	7.10	10y-EDAM08
EDAU08	0.901	7.75	6.85	10y-EDAU08
EDAZ08	1.150	7.75	6.60	10y-EDAZ08
EDAH09	1.399	7.75	6.35	10y-EDAH09
EDAM09	1.649	7.75	6.10	10y-EDAM09
EDAU09	1.898	7.75	5.85	10y-EDAU09
EDAZ09	2.147	7.75	5.61	10y-EDAZ09
EDAH10	2.397	7.75	5.36	10y-EDAH10
EDAM10	2.646	7.75	5.11	10y-EDAM10
EDAU10	2.895	7.75	4.86	10y-EDAU10

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

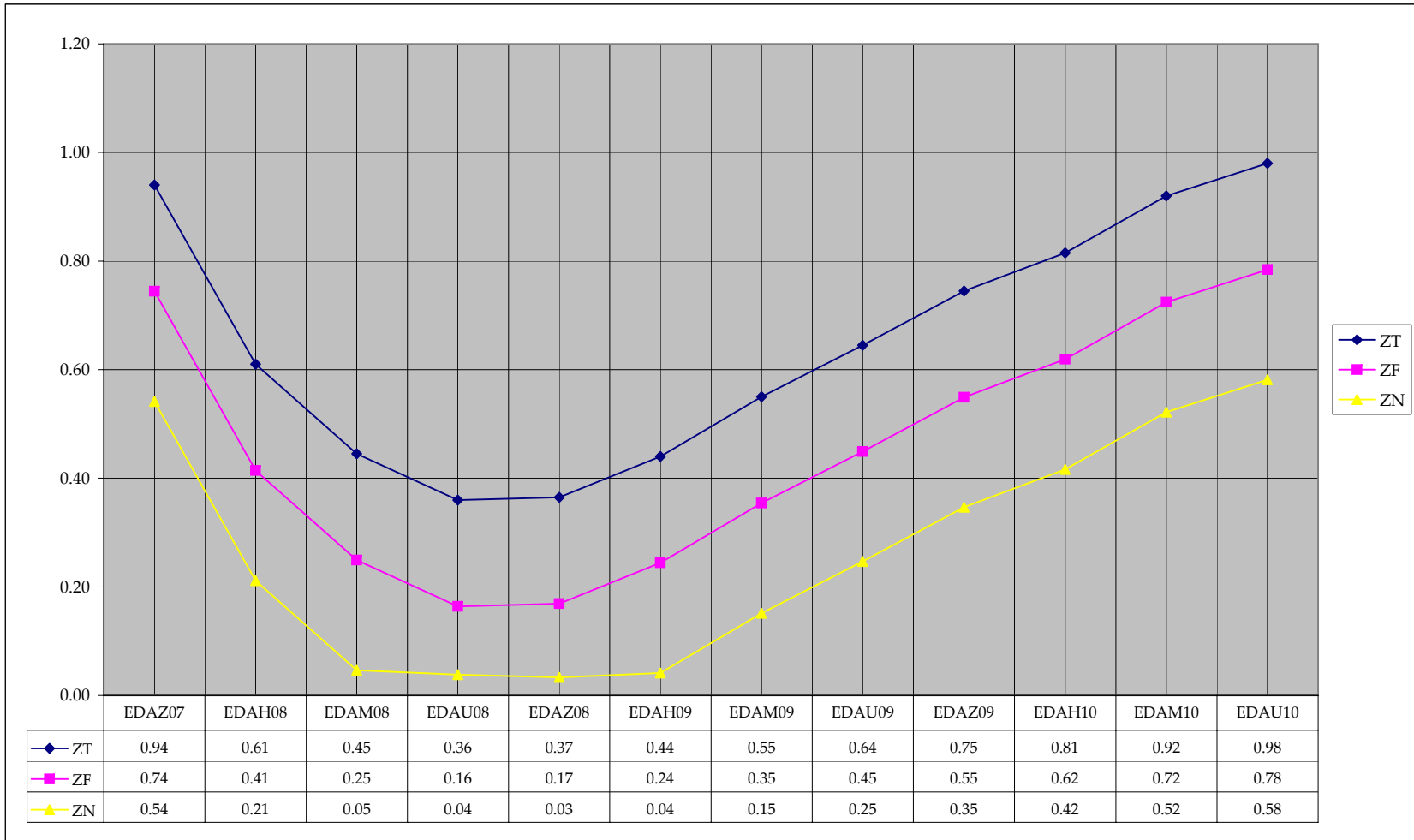


Dirty TED Curve

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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.

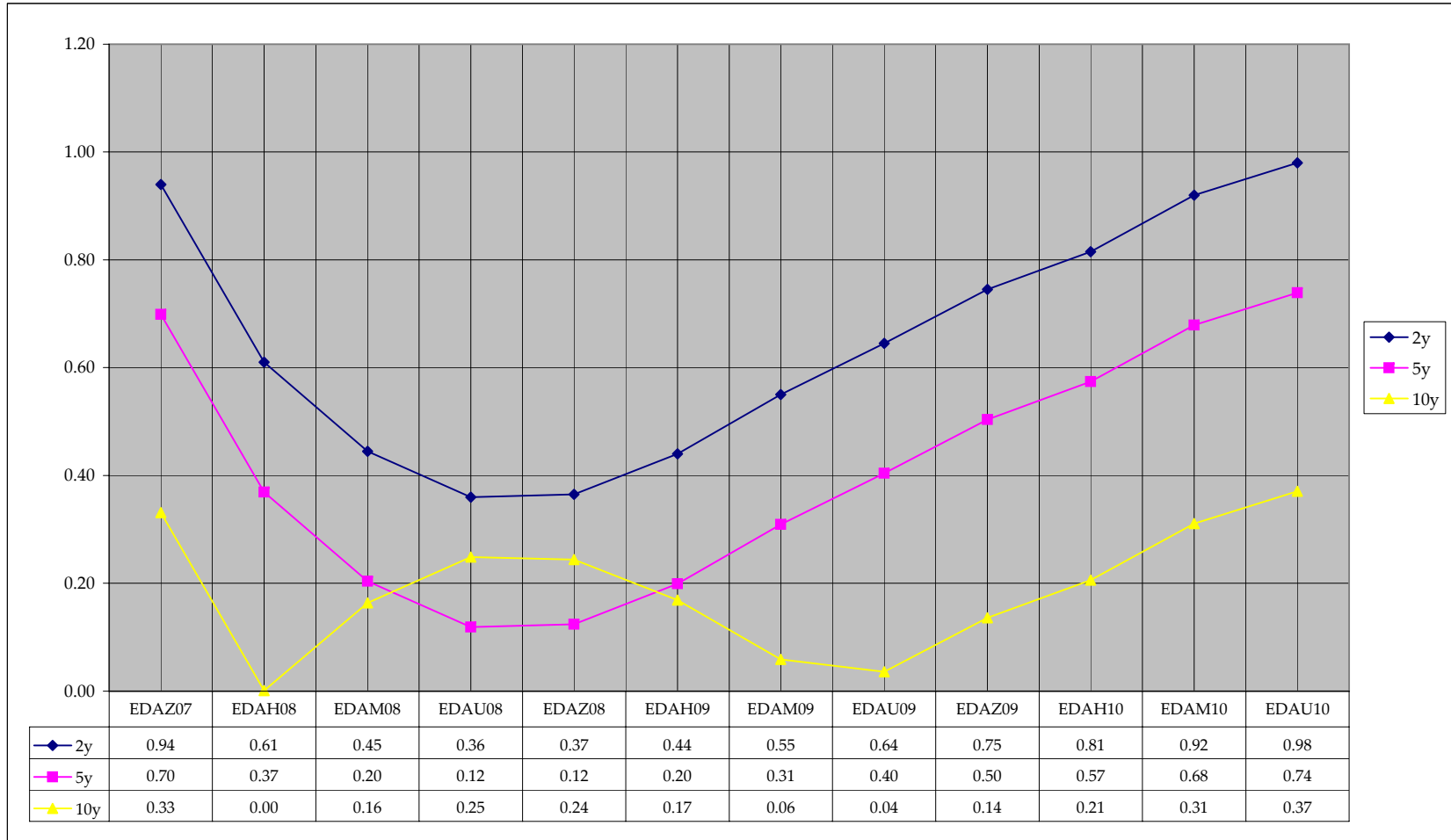


TED Curve

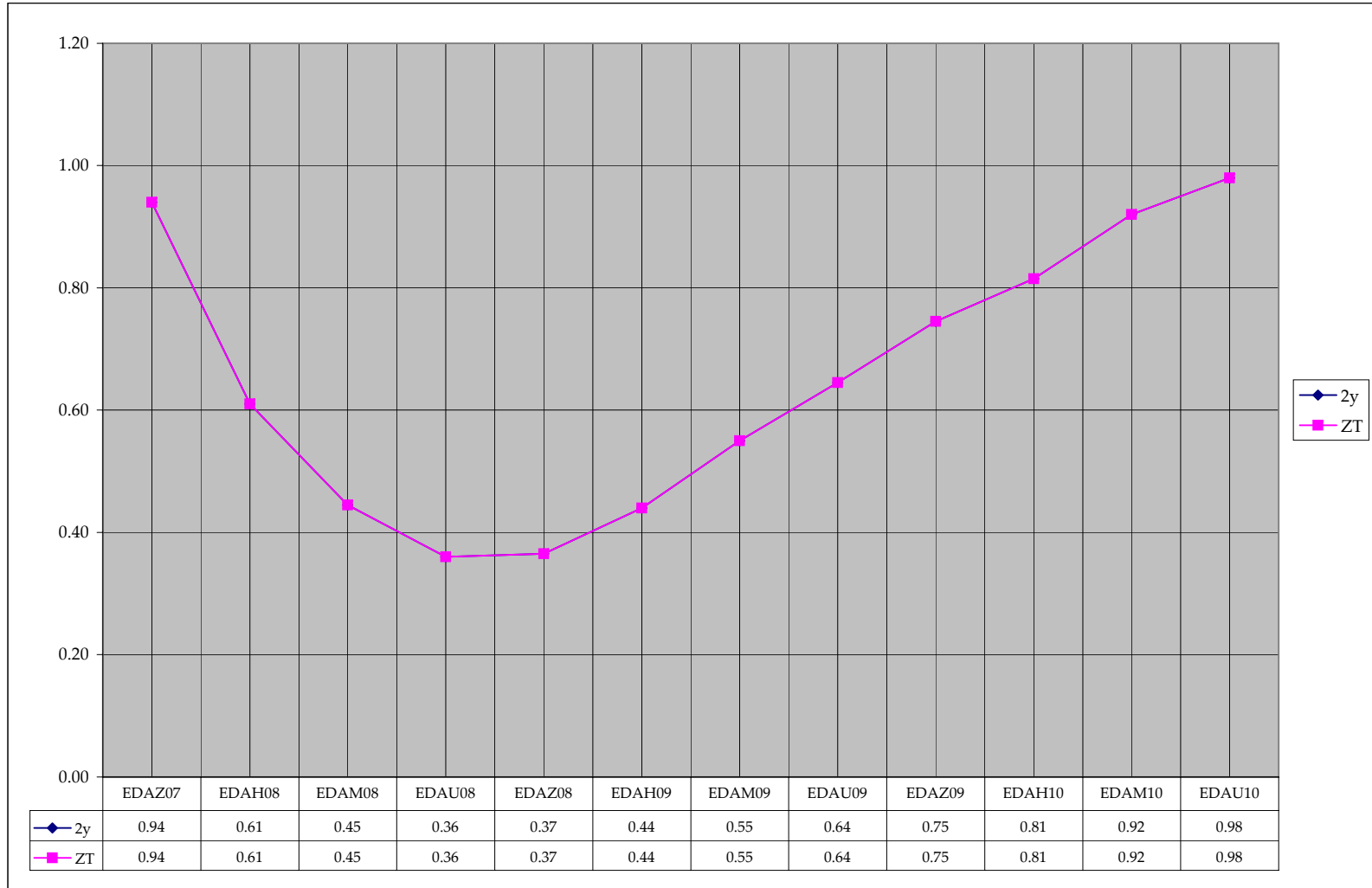
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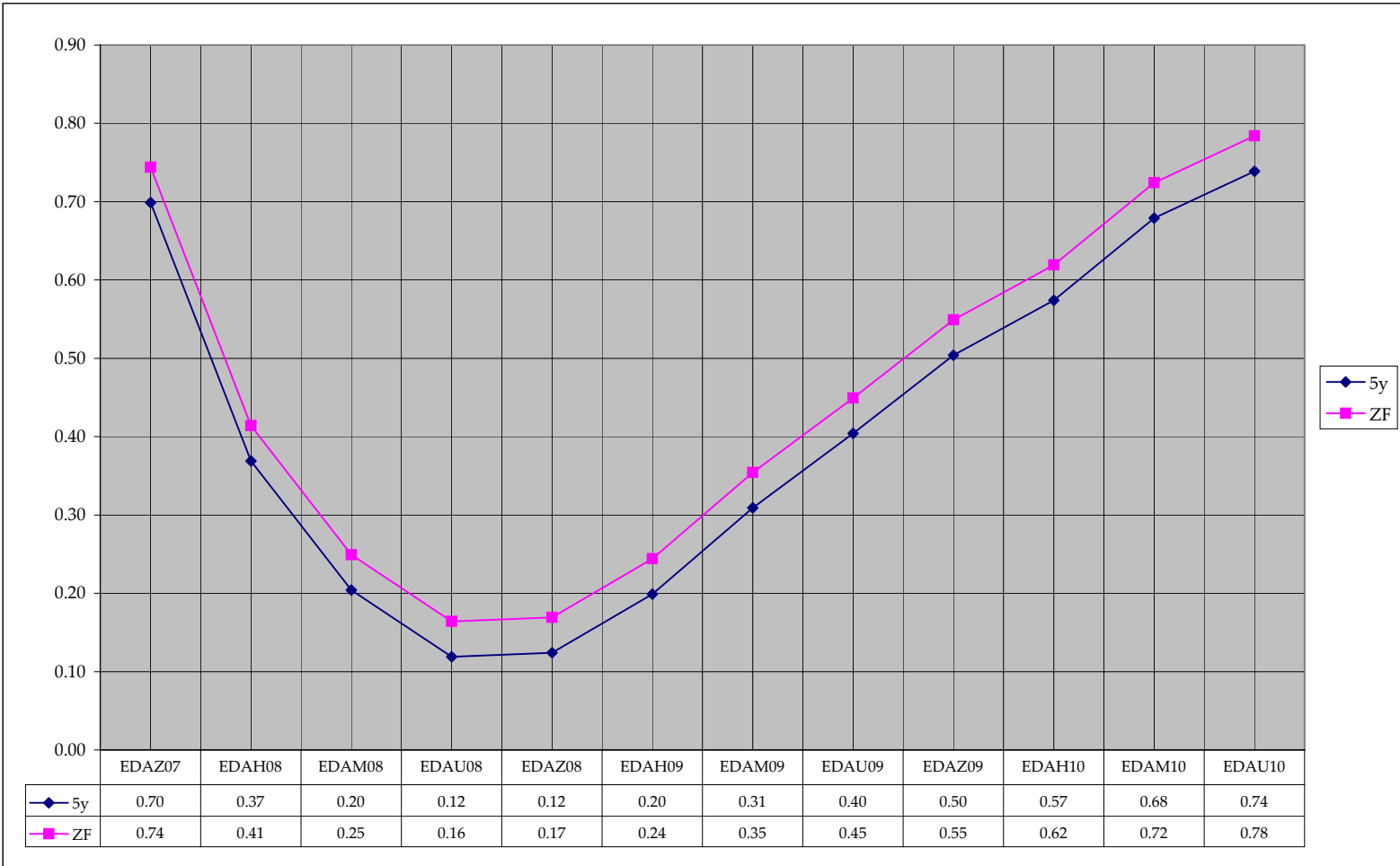
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



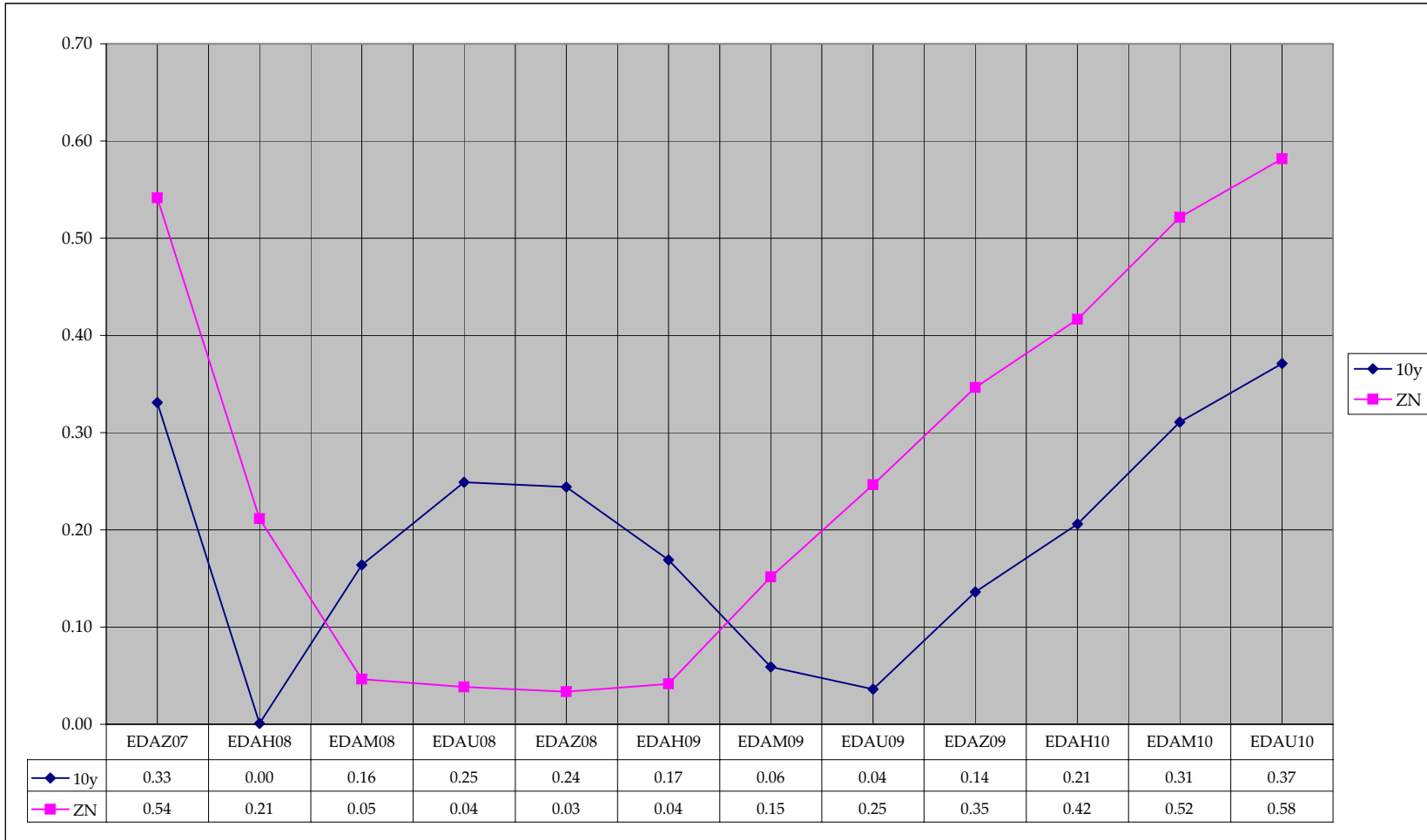
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.453	3.625	9565.625
Q.ED.Red	4.361	4.750	9574.500
Q.ED.Green	4.739	2.625	9538.000
Q.ED.Blue	5.018	1.250	9511.125
Q.ED.Gold		0.000	9488.500

