

## The Morning Email: Eurodollars & Fed Funds

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**NEW**

Want something added? Let me know: [jgoulding@ghco.com](mailto:jgoulding@ghco.com)

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|        | Last   | High    | Low     | Open    | Month | Net     | Exp Date   | Implied |         |              |
|--------|--------|---------|---------|---------|-------|---------|------------|---------|---------|--------------|
| EDAZ07 | 95.350 | 95.355  | 95.330  | 95.330  | DEC   | -0.5    | 12/17/2007 | 4.650%  | Whites  | 1st Year     |
| EDAH08 | 95.675 | 95.680  | 95.645  | 95.645  | MAR   | -2.5    | 3/17/2008  | 4.325%  |         |              |
| EDAM08 | 95.820 | 95.825  | 95.790  | 95.795  | JUN   | -2.0    | 6/16/2008  | 4.180%  |         |              |
| EDAU08 | 95.905 | 95.910  | 95.875  | 95.880  | SEP   | -2.0    | 9/15/2008  | 4.095%  |         |              |
| EDAZ08 | 95.915 | 95.915  | 95.880  | 95.890  | DEC   | -3.0    | 12/15/2008 | 4.085%  | Reds    | 1-2 yrs out  |
| EDAH09 | 95.855 | 95.855  | 95.820  | 95.830  | MAR   | -2.5    | 3/16/2009  | 4.145%  |         |              |
| EDAM09 | 95.745 | 95.745  | 95.720  | 95.720  | JUN   | -2.5    | 6/15/2009  | 4.255%  |         |              |
| EDAU09 | 95.635 | 95.640  | 95.610  | 95.610  | SEP   | -2.5    | 9/14/2009  | 4.365%  |         |              |
| EDAZ09 | 95.525 | 95.530  | 95.505  | 95.520  | DEC   | -3.0    | 12/14/2009 | 4.475%  | Greens  | 2-3 yrs out  |
| EDAH10 | 95.445 | 95.450  | 95.430  | 95.450  | MAR   | -3.0    | 3/15/2010  | 4.555%  |         |              |
| EDAM10 | 95.350 | 95.365  | 95.350  | 95.350  | JUN   | -3.0    | 6/14/2010  | 4.650%  |         |              |
| EDAU10 | 95.285 | 95.285  | 95.255  | 95.255  | SEP   | -3.0    | 9/13/2010  | 4.715%  |         |              |
| EDAZ10 | 95.205 | 95.205  | 95.205  | 95.205  | DEC   | -2.5    | 12/13/2010 | 4.795%  | Blues   | 3-4 yrs out  |
| EDAH11 | 95.140 | 95.140  | 95.130  | 95.130  | MAR   | -2.0    | 3/14/2011  | 4.860%  |         |              |
| EDAM11 | 95.085 | 95.085  | 95.065  | 95.065  | JUN   | -2.0    | 6/13/2011  | 4.915%  |         |              |
| EDAU11 | 95.000 | 95.000  | 95.000  | 95.000  | SEP   | -2.5    | 9/19/2011  | 5.000%  |         |              |
| EDAZ11 | 94.970 | #VALUE! | #VALUE! | #VALUE! | DEC   | #VALUE! | 12/19/2011 | 5.030%  | Golds   | 4-5 yrs out  |
| EDAH12 | 94.920 | #VALUE! | #VALUE! | #VALUE! | MAR   | #VALUE! | 3/19/2012  | 5.080%  |         |              |
| EDAM12 | 94.875 | 94.875  | 94.850  | 94.850  | JUN   | 0.5     | 6/18/2012  | 5.125%  |         |              |
| EDAU12 | 94.810 | #VALUE! | #VALUE! | #VALUE! | SEP   | #VALUE! | 9/17/2012  | 5.190%  |         |              |
| EDAZ12 | 94.785 |         |         |         |       |         |            |         | Purples | 5-6 yrs out  |
| EDZH13 |        |         |         |         |       |         |            |         |         |              |
| EDAM13 |        |         |         |         |       |         |            |         |         |              |
| EDAU13 |        |         |         |         |       |         |            |         | Oranges | 6-7 yrs out  |
| EDAZ13 |        |         |         |         |       |         |            |         |         |              |
| EDAH14 |        |         |         |         |       |         |            |         |         |              |
| EDAM14 |        |         |         |         |       |         |            |         |         |              |
| EDAU14 |        |         |         |         |       |         |            |         | Pinks   | 7-8 yrs out  |
| EDAZ14 |        |         |         |         |       |         |            |         |         |              |
| EDAH15 |        |         |         |         |       |         |            |         |         |              |
| EDAM15 |        |         |         |         |       |         |            |         |         |              |
| EDAU15 |        |         |         |         |       |         |            |         | Grays   | 8-9 yrs out  |
| EDAZ16 |        |         |         |         |       |         |            |         |         |              |
| EDAH16 |        |         |         |         |       |         |            |         |         |              |
| EDAM16 |        |         |         |         |       |         |            |         |         |              |
| EDAU16 |        |         |         |         |       |         |            |         | Coppers | 8-10 yrs out |
| EDAZ17 |        |         |         |         |       |         |            |         |         |              |
| EDAH17 |        |         |         |         |       |         |            |         |         |              |
| EDAU17 |        |         |         |         |       |         |            |         |         |              |

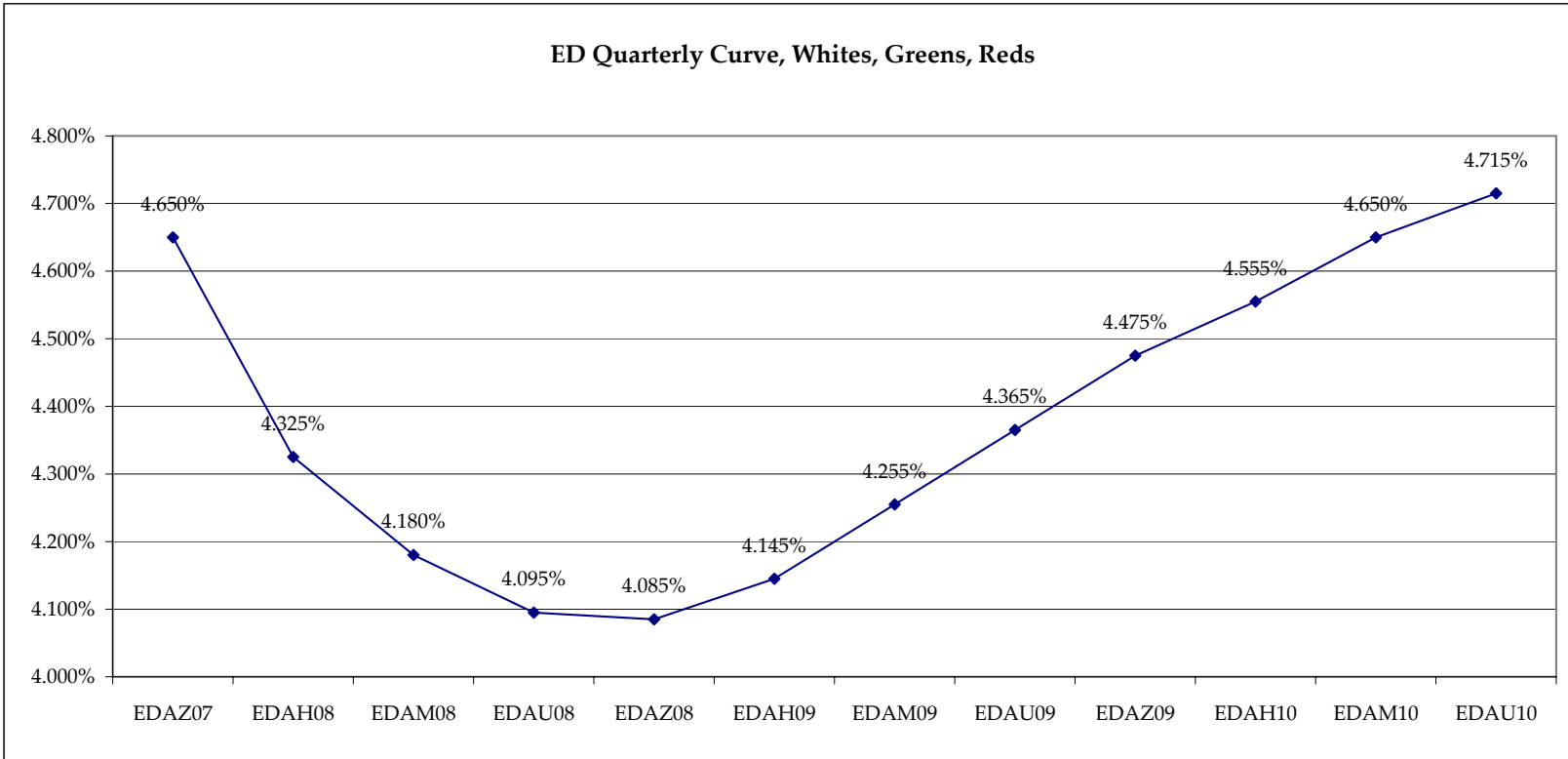
Red Pack is a 2 YR Proxy.  
See pg 6 for pack pricing

Red/Gold pack is  
2/10 Spread Proxy

Gold Pack is a 10 YR Proxy

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

I do not keep stats on  
purples through  
coppers due to lack of  
volume.  
Also, matrix excludes  
serial contracts.  
Serials can be found  
on the ED and FF  
spread page.

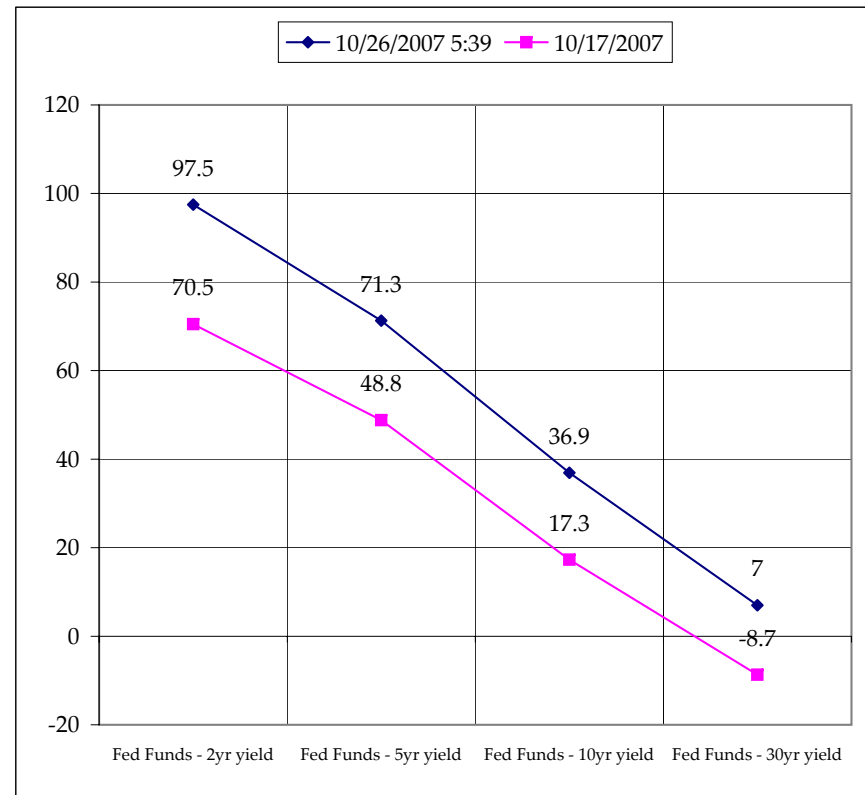
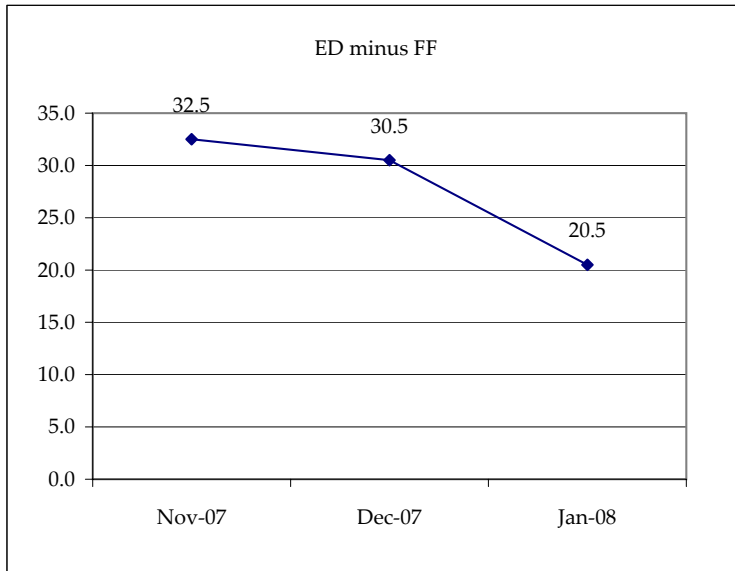


| Month  | Fed Funds (FF) |         |         | ED      | ED - FF |
|--------|----------------|---------|---------|---------|---------|
|        | Last           | Net     | Implied | Implied | bps     |
| Oct-07 | 95.260         | -0.100  | 4.740   |         |         |
| Nov-07 | 95.525         | -0.100  | 4.475   | 4.800   | 32.5    |
| Dec-07 | 95.655         | -0.050  | 4.345   | 4.650   | 30.5    |
| Jan-08 | 95.725         | -0.050  | 4.275   | 4.480   | 20.5    |
| Feb-08 | 95.845         | -0.100  | 4.155   |         |         |
| Mar-08 | #VALUE!        | #VALUE! | #VALUE! | 4.325   | #VALUE! |
| Apr-08 | #VALUE!        | #VALUE! | #VALUE! |         |         |
| May-08 | #VALUE!        | #VALUE! | #VALUE! |         |         |
| Jun-08 | #VALUE!        | #VALUE! | #VALUE! | 4.180   | #VALUE! |
| Jul-08 | #VALUE!        | #VALUE! | #VALUE! |         |         |
| Aug-08 | #VALUE!        | #VALUE! | #VALUE! |         |         |
| Sep-08 | #VALUE!        | #VALUE! | #VALUE! | 4.095   | #VALUE! |

| Fed Funds Daily Effective Rate Minus US Treasury Yields |          |          |            |
|---|----------|----------|------------|
| Spread Name   | Diff bps | Net Chng | 10/17/2007 |
| Fed Funds - 2yr yield                                   | 97.5     | 0.8      | 70.5       |
| Fed Funds - 5yr yield                                   | 71.3     | 0.4      | 48.8       |
| Fed Funds - 10yr yield                                  | 36.9     | 1.2      | 17.3       |
| Fed Funds - 30yr yield                                  | 7        | 1.5      | -8.7       |
| GFER  | 4.74     | #VALUE!  |            |

GFER = Fed Funds Daily Effective Rate

Why 10/17/2007?  
 The morning of the CPI release is a good benchmark. I marked them at 5:30am CT, which was 2 hours before the CPI release.



|                   | avg target | 400  | 425   | 450   | 475   | 500  | 525  |      |
|-------------------|------------|------|-------|-------|-------|------|------|------|
| <b>October</b>    |            |      |       |       |       |      |      |      |
| <b>10/24/2007</b> | 4.465%     | 0.5% | 22.6% | 68.9% | 7.1%  | 0.0% | 0.8% |      |
| <b>10/25/2007</b> | 4.465%     | 1.1% | 20.8% | 70.2% | 7.1%  | 0.0% | 0.6% |      |
| <b>December</b>   |            | 375  | 400   | 425   | 450   | 475  | 500  | 525  |
| <b>10/24/2007</b> | 4.280%     | 0.0% | 21.9% | 47.3% | 29.6% | 0.0% | 0.0% | 1.1% |
| <b>10/25/2007</b> | 4.280%     | 0.0% | 21.2% | 48.5% | 29.3% | 0.0% | 0.0% | 1.0% |

This page shows the month of the FOMC meeting and the probabilities that they will ease/tighten to a certain Fed Funds Target Rate.

These probabilities take options into account and are much better at forecasting the FOMC intentions than the 'day-count' equation most analysts on the street use.

Notes:

All probabilities are taken from The Cleveland Federal Reserve

| Current Positions |           |          |            |         |         |             |           |           |
|-------------------|-----------|----------|------------|---------|---------|-------------|-----------|-----------|
| Small Spec        |           |          | Large Spec |         |         | Commercials |           |           |
| Long              | Short     | Net      | Long       | Short   | Net     | Long        | Short     | Net       |
| 1,323,125         | 1,341,375 | (18,250) | 1,137,628  | 314,553 | 823,075 | 8,694,047   | 9,498,872 | (804,825) |

As of  
10/9/2007

| Week over Week Change |           |         |
|-----------------------|-----------|---------|
| Sm Spec               | Lg Spec   | Commrc  |
| 14,118                | (127,785) | 113,663 |

| SYMBOL             | Last Quote | Last Trade | High   | Low    | Net   | Open   | Expiration | Today's Volume | Yesterday's Volume | Name       | Proxy |
|--------------------|------------|------------|--------|--------|-------|--------|------------|----------------|--------------------|------------|-------|
| EDAP1              | (200)      | (250)      | (200)  | (350)  | (200) | (250)  | 12/17/2007 | 175            | 3,759              | White Pack | 1yr   |
| EDAP2              | (250)      | (250)      | (250)  | (525)  | (250) | (375)  | 12/15/2008 | 336            | 8,645              | Red Pack   | 2yr   |
| EDAP3              | (325)      | (300)      | (300)  | (475)  | (325) | (350)  | 12/14/2009 | 133            | 3,825              | Green Pack | 3yr   |
| EDAP4              | (375)      | (375)      | (350)  | (400)  | (375) | (375)  | 12/13/2010 | 50             | 1,571              | Blue Pack  | 5yr   |
| EDAP5              |            | (825)      |        | 0      |       |        | 12/19/2011 | 0              | 1,422              | Gold Pack  | 10yr  |
| <b>BUNDLES</b>     |            |            |        |        |       |        |            |                |                    |            |       |
| EDAB2              | (200)      | (300)      | (225)  | (425)  | (200) | (325)  | 12/17/2007 | 368            | 8,884              | 2yr Bundle | 2yr   |
| EDAB3              | (225)      | (325)      | (250)  | (425)  | (225) | (400)  | 12/17/2007 | 125            | 684                | 3yr Bundle | 3yr   |
| EDAB4              |            | (50)       |        | 0      |       |        | 12/17/2007 | 0              | 72                 | 4yr Bundle | 4yr   |
| EDAB5              |            | (225)      |        | 0      |       |        | 12/17/2007 | 0              | 278                | 5yr Bundle | 5yr   |
| <b>CAL SPREADS</b> |            |            |        |        |       |        |            |                |                    |            |       |
| EDAS3              | 1050       | 1050       | 1050   | 1050   | 0     | 1050   | 9/14/2009  | 222            | 5,480              |            |       |
| EDAS6              | (2350)     | (2300)     | (2200) | (2400) | 0     | (2400) | 3/17/2008  | 938            | 21,571             |            |       |
| EDAS9              | (350)      | (300)      | (200)  | (350)  | (50)  | (350)  | 6/16/2008  | 476            | 8,985              |            |       |
| EDAS12             | (1800)     | (1750)     | (1650) | (1850) | 0     | (1700) | 3/17/2008  | 207            | 5,604              |            |       |









