

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	103.8594	103.275	3.764	1.88	
ZF	107.9063	107.290	3.966	3.88	
ZN	110.7188	110.230	4.169	5.81	
2y	99.734	99.2350	3.769	1.83	
5y	99.303	99.0970	4.029	4.42	
10y	102.953	102.3050	4.373	7.74	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.350	4.650	52	0.142	DEC	White Pack	
EDAH08	95.675	4.325	143	0.391	MAR		
EDAM08	95.820	4.180	234	0.640	JUN		
EDAU08	95.905	4.095	325	0.890	SEP	Red Pack	
EDAZ08	95.910	4.090	416	1.139	DEC		
EDAH09	95.850	4.150	507	1.388	MAR		
EDAM09	95.740	4.260	598	1.638	JUN	Green Pack	
EDAU09	95.630	4.370	689	1.887	SEP		
EDAZ09	95.525	4.475	780	2.136	DEC		
EDAH10	95.440	4.560	871	2.386	MAR	Blue Pack	
EDAM10	95.350	4.650	962	2.635	JUN		
EDAU10	95.285	4.715	1053	2.884	SEP		
EDAZ10	95.205	4.795	1144	3.134	DEC	Gold Pack	
EDAH11	95.140	4.860	1235	3.383	MAR		
EDAM11	95.085	4.915	1326	3.632	JUN		
EDAU11	95.000	5.000	1424	3.901	SEP		
EDAZ11	94.970	5.030	1515	4.150	DEC		
EDAH12	94.920	5.080	1606	4.399	MAR		
EDAM12	94.875	5.125	1697	4.649	JUN		
EDAU12	94.810	5.190	1788	4.898	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	4.420	-1.875	9568.750	Pack Prices
Q.ED.Red	4.322	-3.000	9578.250	
Q.ED.Green	4.718	-3.625	9540.000	
Q.ED.Blue	5.022	-3.000	9510.750	
Q.ED.Gold		0.125	9489.875	

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

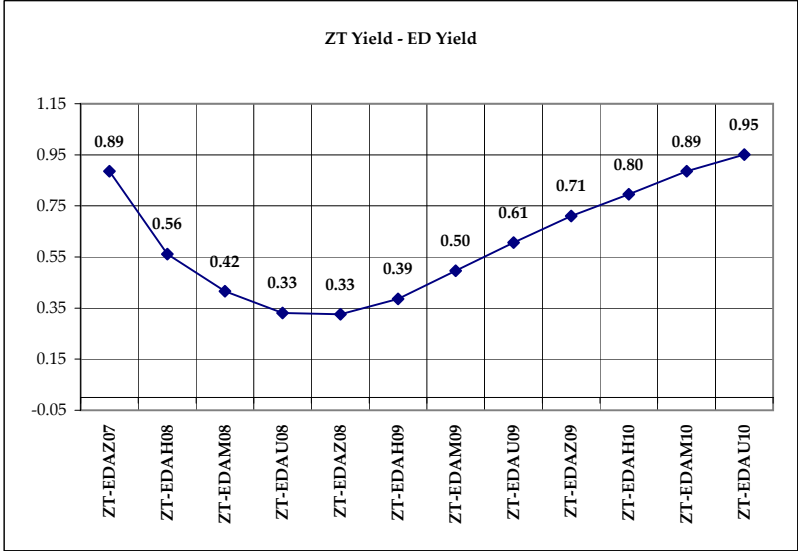
Eurodollar Color Codes for Individual Year Strips:

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

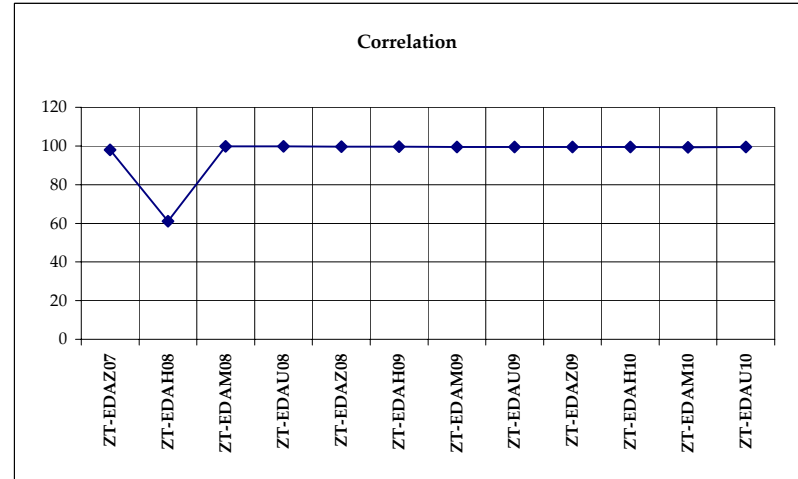
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.509	0.89	ZT-EDAZ07	98.069
EDAH08	8.184	0.56	ZT-EDAH08	61.116
EDAM08	8.039	0.42	ZT-EDAM08	99.780
EDAU08	7.954	0.33	ZT-EDAU08	99.778
EDAZ08	7.949	0.33	ZT-EDAZ08	99.721
EDAH09	8.009	0.39	ZT-EDAH09	99.602
EDAM09	8.119	0.50	ZT-EDAM09	99.442
EDAU09	8.229	0.61	ZT-EDAU09	99.394
EDAZ09	8.334	0.71	ZT-EDAZ09	99.399
EDAH10	8.419	0.80	ZT-EDAH10	99.405
EDAM10	8.509	0.89	ZT-EDAM10	99.286
EDAU10	8.574	0.95	ZT-EDAU10	99.414

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	0.142	1.88	1.74	ZT-EDAZ07
EDAH08	0.391	1.88	1.49	ZT-EDAH08
EDAM08	0.640	1.88	1.24	ZT-EDAM08
EDAU08	0.890	1.88	0.99	ZT-EDAU08
EDAZ08	1.139	1.88	0.74	ZT-EDAZ08
EDAH09	1.388	1.88	0.49	ZT-EDAH09
EDAM09	1.638	1.88	0.24	ZT-EDAM09
EDAU09	1.887	1.88	(0.00)	ZT-EDAU09
EDAZ09	2.136	1.88	(0.25)	ZT-EDAZ09
EDAH10	2.386	1.88	(0.50)	ZT-EDAH10
EDAM10	2.635	1.88	(0.75)	ZT-EDAM10
EDAU10	2.884	1.88	(1.00)	ZT-EDAU10

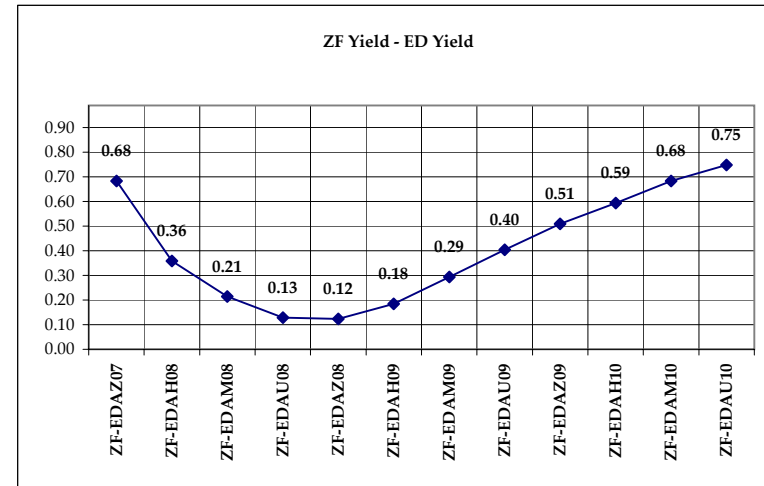
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

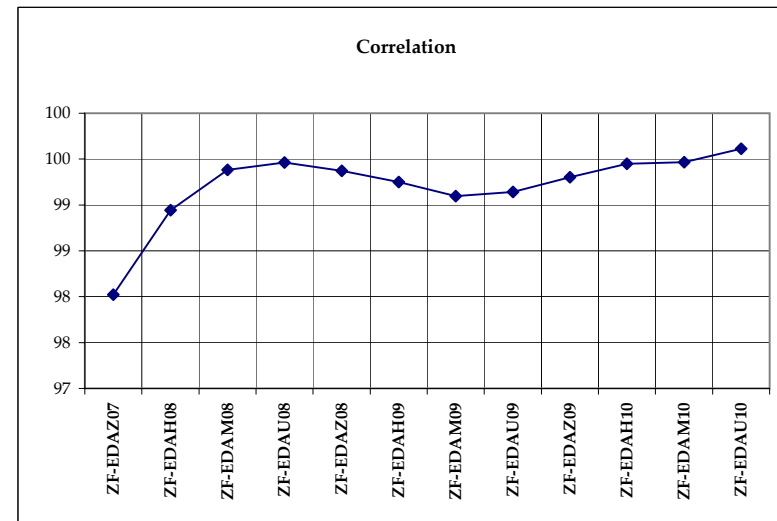
	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	12.56	0.68	ZF-EDAZ07	98.021
EDAH08	12.23	0.36	ZF-EDAH08	98.943
EDAM08	12.09	0.21	ZF-EDAM08	99.383
EDAU08	12.00	0.13	ZF-EDAU08	99.464
EDAZ08	12.00	0.12	ZF-EDAZ08	99.373
EDAH09	12.06	0.18	ZF-EDAH09	99.251
EDAM09	12.17	0.29	ZF-EDAM09	99.096
EDAU09	12.28	0.40	ZF-EDAU09	99.141
EDAZ09	12.38	0.51	ZF-EDAZ09	99.304
EDAH10	12.47	0.59	ZF-EDAH10	99.448
EDAM10	12.56	0.68	ZF-EDAM10	99.465
EDAU10	12.62	0.75	ZF-EDAU10	99.613

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	0.142	3.88	3.74	ZF-EDAZ07
EDAH08	0.391	3.88	3.49	ZF-EDAH08
EDAM08	0.640	3.88	3.24	ZF-EDAM08
EDAU08	0.890	3.88	2.99	ZF-EDAU08
EDAZ08	1.139	3.88	2.74	ZF-EDAZ08
EDAH09	1.388	3.88	2.49	ZF-EDAH09
EDAM09	1.638	3.88	2.24	ZF-EDAM09
EDAU09	1.887	3.88	1.99	ZF-EDAU09
EDAZ09	2.136	3.88	1.74	ZF-EDAZ09
EDAH10	2.386	3.88	1.50	ZF-EDAH10
EDAM10	2.635	3.88	1.25	ZF-EDAM10
EDAU10	2.884	3.88	1.00	ZF-EDAU10

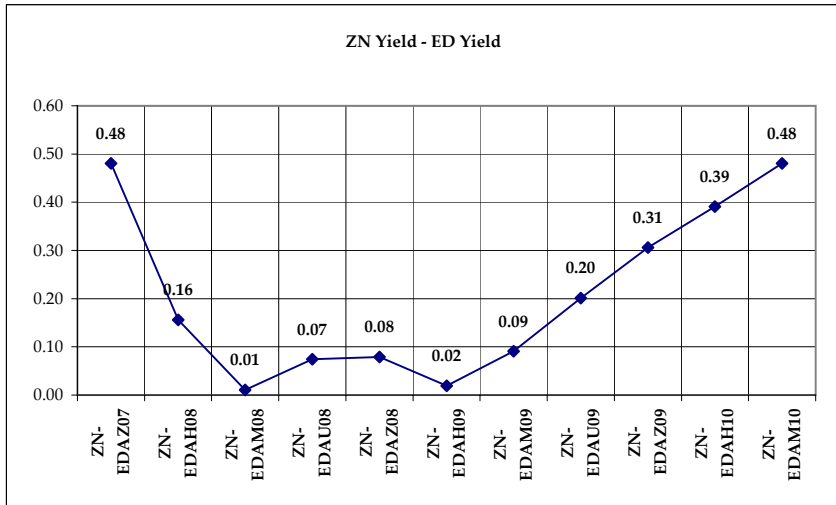
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

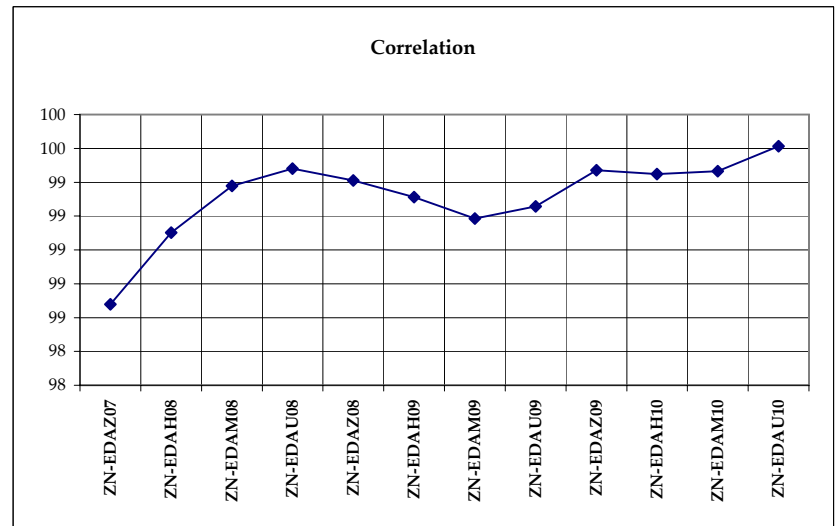
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	15.37	0.48	ZN-EDAZ07	98.68
EDAH08	15.04	0.16	ZN-EDAH08	99.10
EDAM08	14.90	0.01	ZN-EDAM08	99.38
EDAU08	14.81	0.07	ZN-EDAU08	99.48
EDAZ08	14.81	0.08	ZN-EDAZ08	99.41
EDAH09	14.87	0.02	ZN-EDAH09	99.31
EDAM09	14.98	0.09	ZN-EDAM09	99.19
EDAU09	15.09	0.20	ZN-EDAU09	99.26
EDAZ09	15.19	0.31	ZN-EDAZ09	99.47
EDAH10	15.28	0.39	ZN-EDAH10	99.45
EDAM10	15.37	0.48	ZN-EDAM10	99.46
EDAU10	15.43	0.55	ZN-EDAU10	99.61

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	0.142	5.81	5.66	ZN-EDAZ07
EDAH08	0.391	5.81	5.41	ZN-EDAH08
EDAM08	0.640	5.81	5.17	ZN-EDAM08
EDAU08	0.890	5.81	4.92	ZN-EDAU08
EDAZ08	1.139	5.81	4.67	ZN-EDAZ08
EDAH09	1.388	5.81	4.42	ZN-EDAH09
EDAM09	1.638	5.81	4.17	ZN-EDAM09
EDAU09	1.887	5.81	3.92	ZN-EDAU09
EDAZ09	2.136	5.81	3.67	ZN-EDAZ09
EDAH10	2.386	5.81	3.42	ZN-EDAH10
EDAM10	2.635	5.81	3.17	ZN-EDAM10
EDAU10	2.884	5.81	2.92	ZN-EDAU10

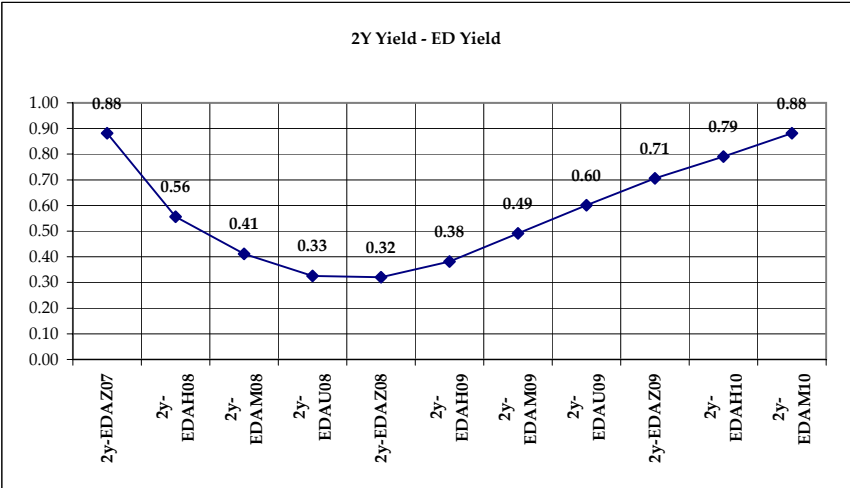
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.38	0.88	2y-EDAZ07	-96.919
EDAH08	4.06	0.56	2y-EDAH08	-98.154
EDAM08	3.91	0.41	2y-EDAM08	-98.727
EDAU08	3.83	0.33	2y-EDAU08	-98.772
EDAZ08	3.82	0.32	2y-EDAZ08	-98.772
EDAH09	3.88	0.38	2y-EDAH09	-98.378
EDAM09	3.99	0.49	2y-EDAM09	-98.062
EDAU09	4.10	0.60	2y-EDAU09	-98.033
EDAZ09	4.21	0.71	2y-EDAZ09	-98.118
EDAH10	4.29	0.79	2y-EDAH10	-98.251
EDAM10	4.38	0.88	2y-EDAM10	-98.149
EDAU10	4.45	0.95	2y-EDAU10	-98.499

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.

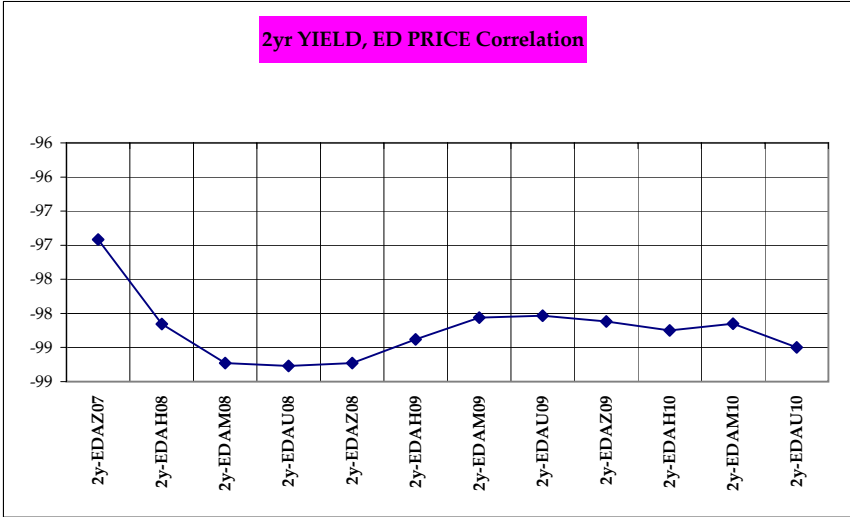


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.142	1.83	2y-EDAZ07
EDAH08	0.391	1.83	2y-EDAH08
EDAM08	0.640	1.83	2y-EDAM08
EDAU08	0.890	1.83	2y-EDAU08
EDAZ08	1.139	1.83	2y-EDAZ08
EDAH09	1.388	1.83	2y-EDAH09
EDAM09	1.638	1.83	2y-EDAM09
EDAU09	1.887	1.83	2y-EDAU09
EDAZ09	2.136	1.83	2y-EDAZ09
EDAH10	2.386	1.83	2y-EDAH10
EDAM10	2.635	1.83	2y-EDAM10
EDAU10	2.884	1.83	2y-EDAU10

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

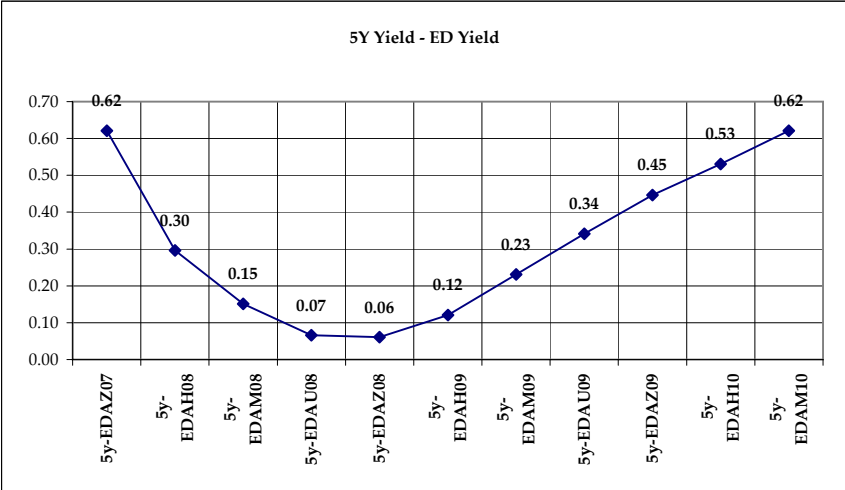
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	3.95	0.62	5y-EDAZ07	-97.009
EDAH08	3.63	0.30	5y-EDAH08	-97.831
EDAM08	3.48	0.15	5y-EDAM08	-98.450
EDAU08	3.40	0.07	5y-EDAU08	-98.563
EDAZ08	3.39	0.06	5y-EDAZ08	-98.450
EDAH09	3.45	0.12	5y-EDAH09	-98.162
EDAM09	3.56	0.23	5y-EDAM09	-97.872
EDAU09	3.67	0.34	5y-EDAU09	-97.916
EDAZ09	3.78	0.45	5y-EDAZ09	-98.139
EDAH10	3.86	0.53	5y-EDAH10	-98.364
EDAM10	3.95	0.62	5y-EDAM10	-98.363
EDAU10	4.02	0.69	5y-EDAU10	-98.699

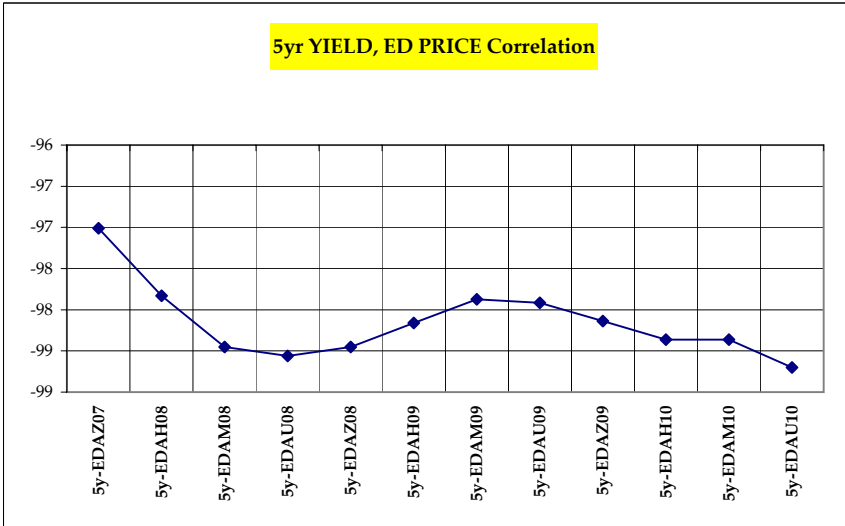
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.



	GE Duration as Fraction of year	5Y Duration	Spread Duration	
EDAZ07	0.142	4.42	4.28	5y-EDAZ07
EDAH08	0.391	4.42	4.03	5y-EDAH08
EDAM08	0.640	4.42	3.78	5y-EDAM08
EDAU08	0.890	4.42	3.53	5y-EDAU08
EDAZ08	1.139	4.42	3.28	5y-EDAZ08
EDAH09	1.388	4.42	3.03	5y-EDAH09
EDAM09	1.638	4.42	2.78	5y-EDAM09
EDAU09	1.887	4.42	2.53	5y-EDAU09
EDAZ09	2.136	4.42	2.28	5y-EDAZ09
EDAH10	2.386	4.42	2.03	5y-EDAH10
EDAM10	2.635	4.42	1.79	5y-EDAM10
EDAU10	2.884	4.42	1.54	5y-EDAU10

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

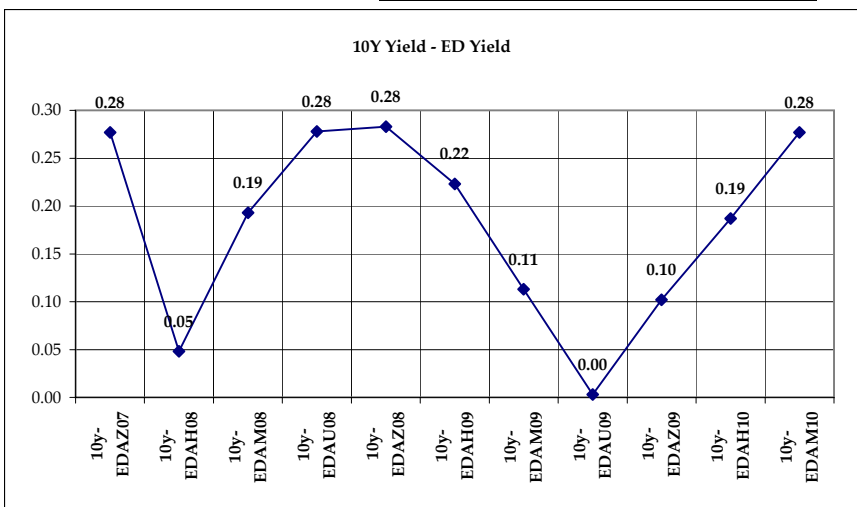
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	3.95	0.28	10y-EDAZ07	-98.305
EDAH08	3.63	0.05	10y-EDAH08	-98.349
EDAM08	3.48	0.19	10y-EDAM08	-98.693
EDAU08	3.40	0.28	10y-EDAU08	-98.844
EDAZ08	3.39	0.28	10y-EDAZ08	-98.693
EDAH09	3.45	0.22	10y-EDAH09	-98.535
EDAM09	3.56	0.11	10y-EDAM09	-98.297
EDAU09	3.67	0.00	10y-EDAU09	-98.370
EDAZ09	3.78	0.10	10y-EDAZ09	-98.667
EDAH10	3.86	0.19	10y-EDAH10	-98.878
EDAM10	3.95	0.28	10y-EDAM10	-98.836
EDAU10	4.02	0.34	10y-EDAU10	-99.181

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.

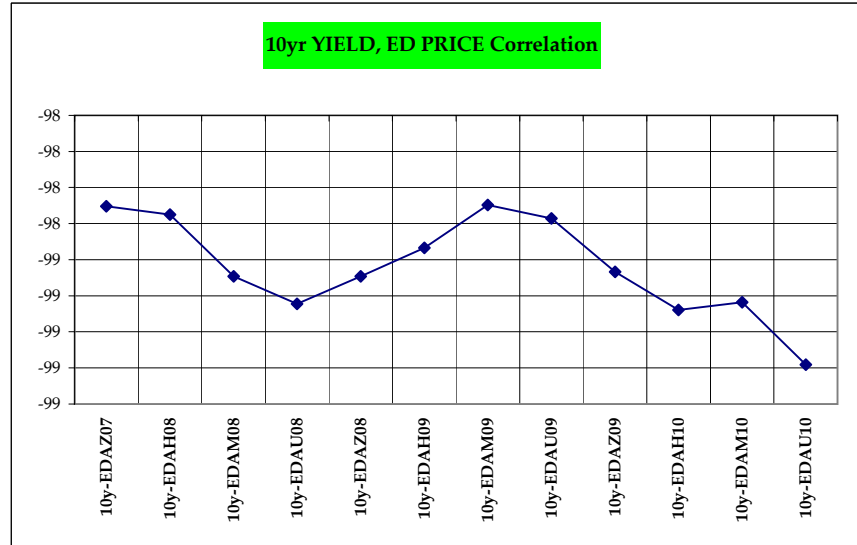


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAZ07	0.142	7.74	7.59	10y-EDAZ07
EDAH08	0.391	7.74	7.34	10y-EDAH08
EDAM08	0.640	7.74	7.10	10y-EDAM08
EDAU08	0.890	7.74	6.85	10y-EDAU08
EDAZ08	1.139	7.74	6.60	10y-EDAZ08
EDAH09	1.388	7.74	6.35	10y-EDAH09
EDAM09	1.638	7.74	6.10	10y-EDAM09
EDAU09	1.887	7.74	5.85	10y-EDAU09
EDAZ09	2.136	7.74	5.60	10y-EDAZ09
EDAH10	2.386	7.74	5.35	10y-EDAH10
EDAM10	2.635	7.74	5.10	10y-EDAM10
EDAU10	2.884	7.74	4.85	10y-EDAU10

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

10yr YIELD, ED PRICE Correlation

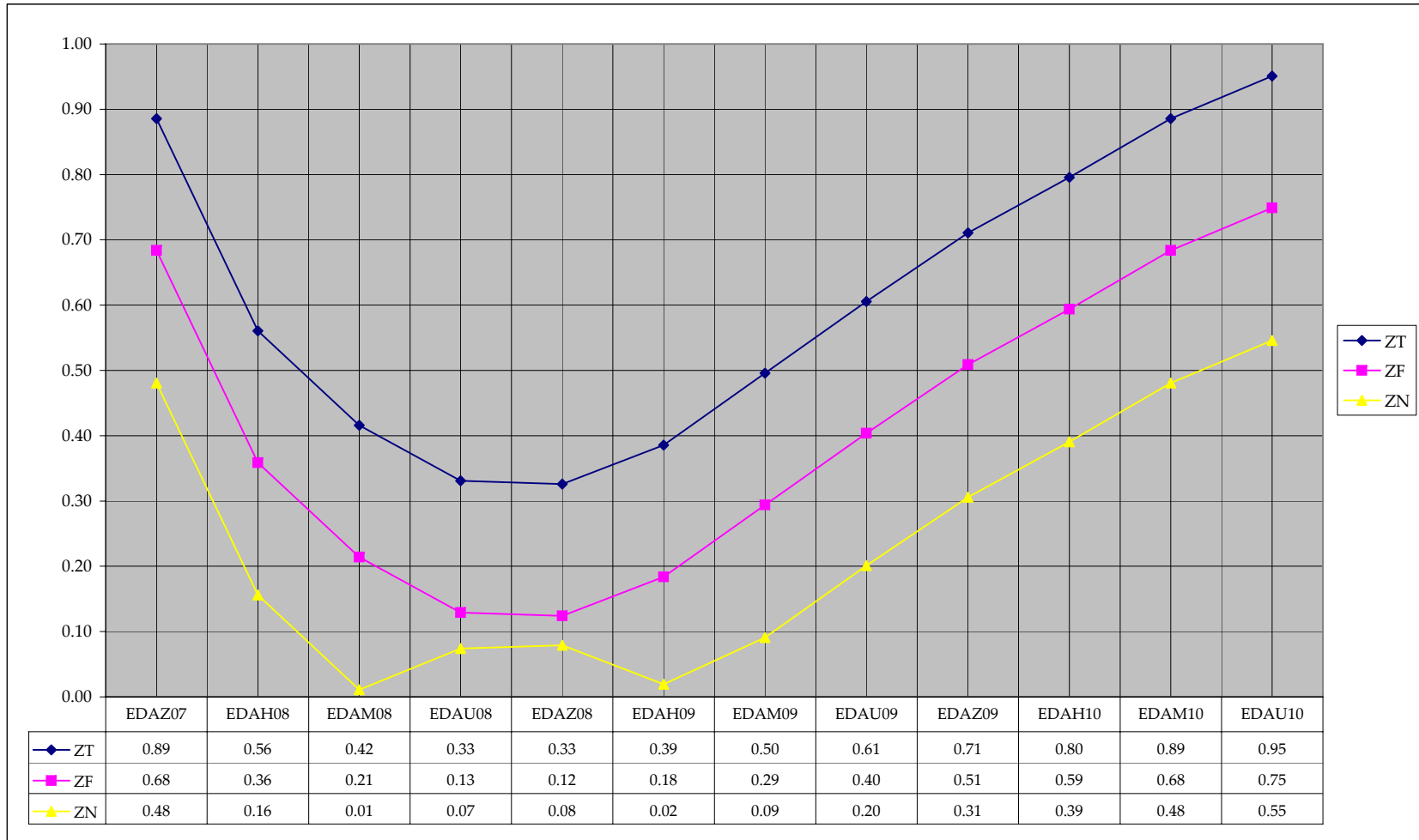


Dirty TED Curve

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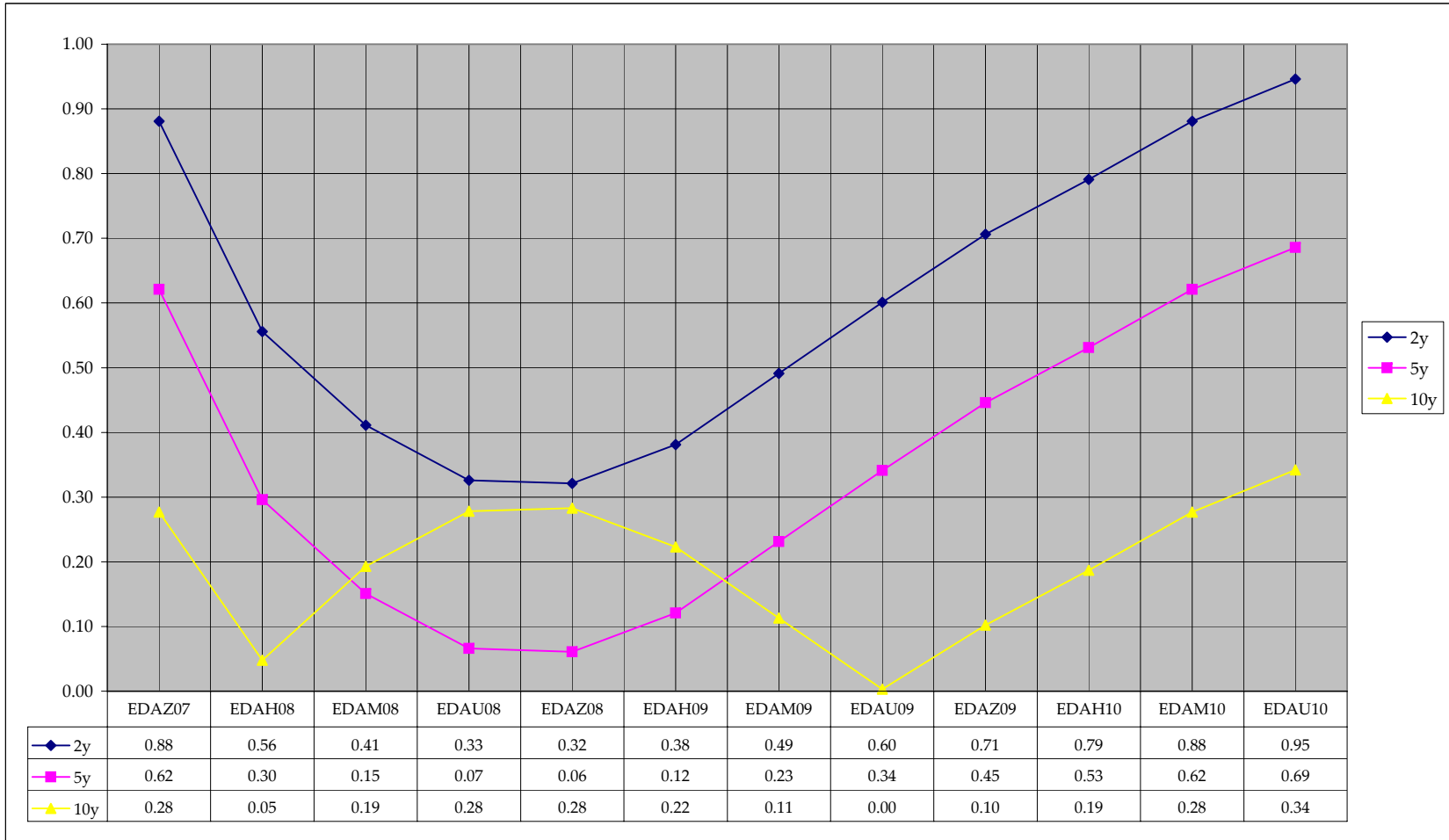
Page 7

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.

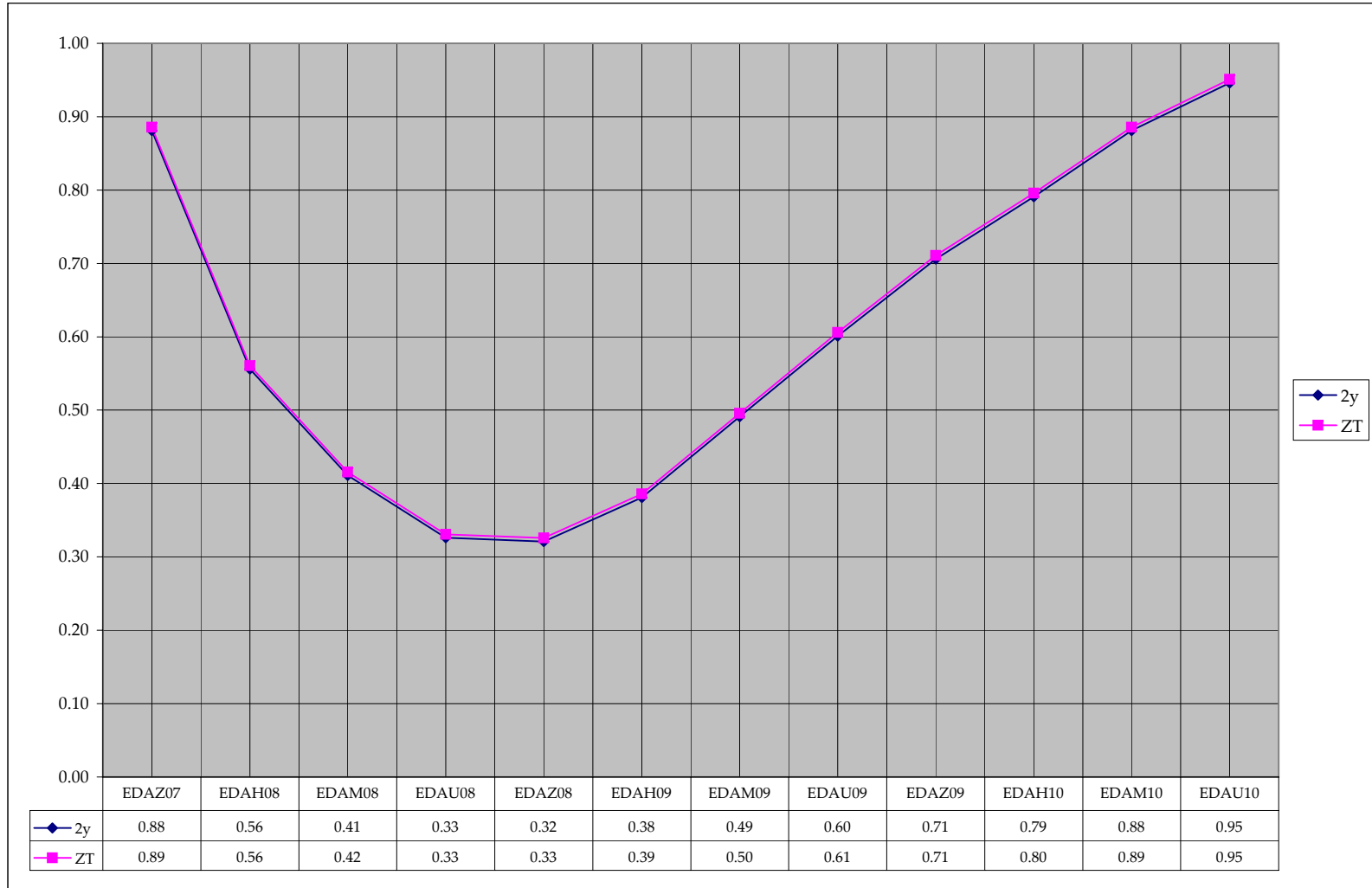


TED Curve

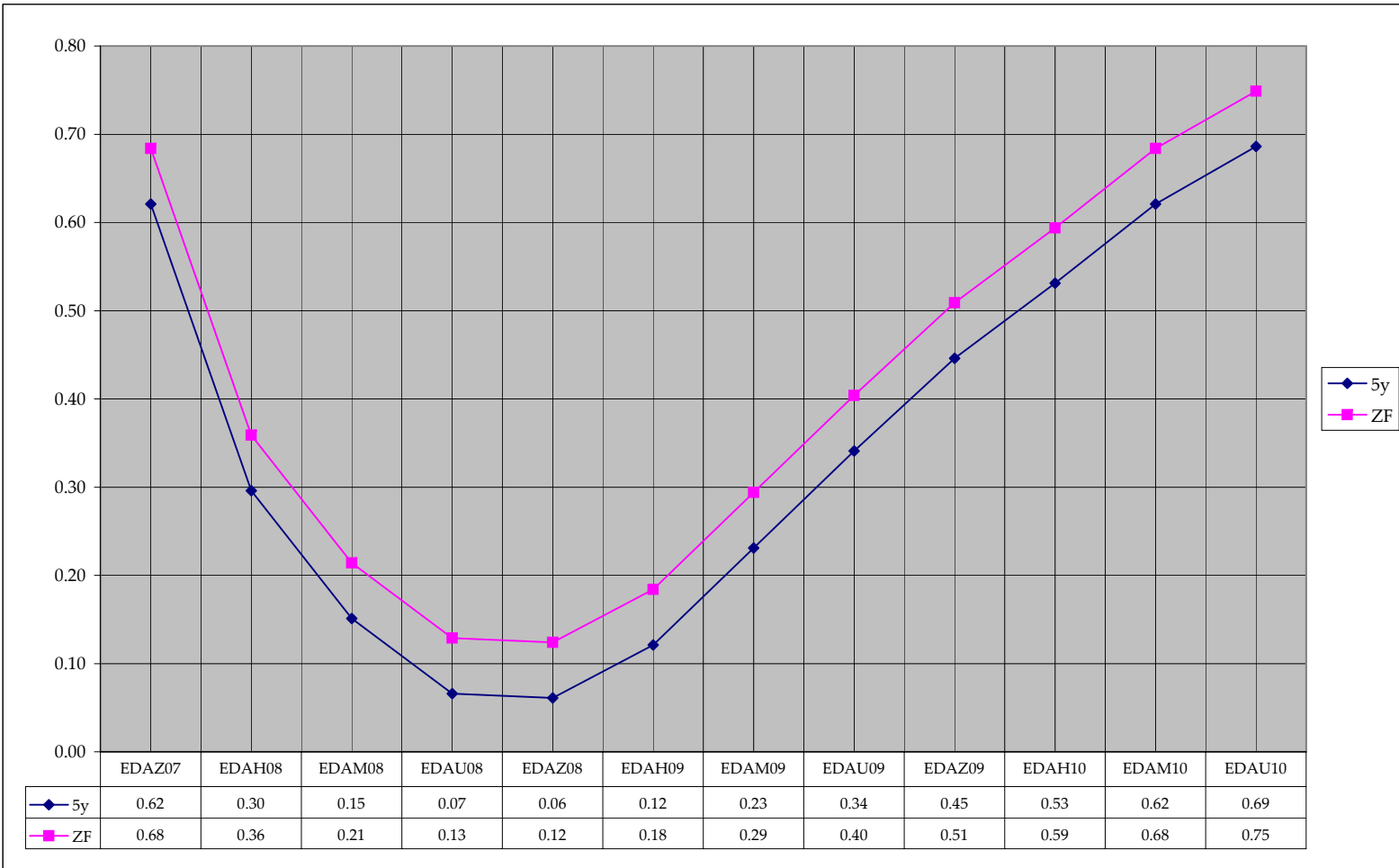
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



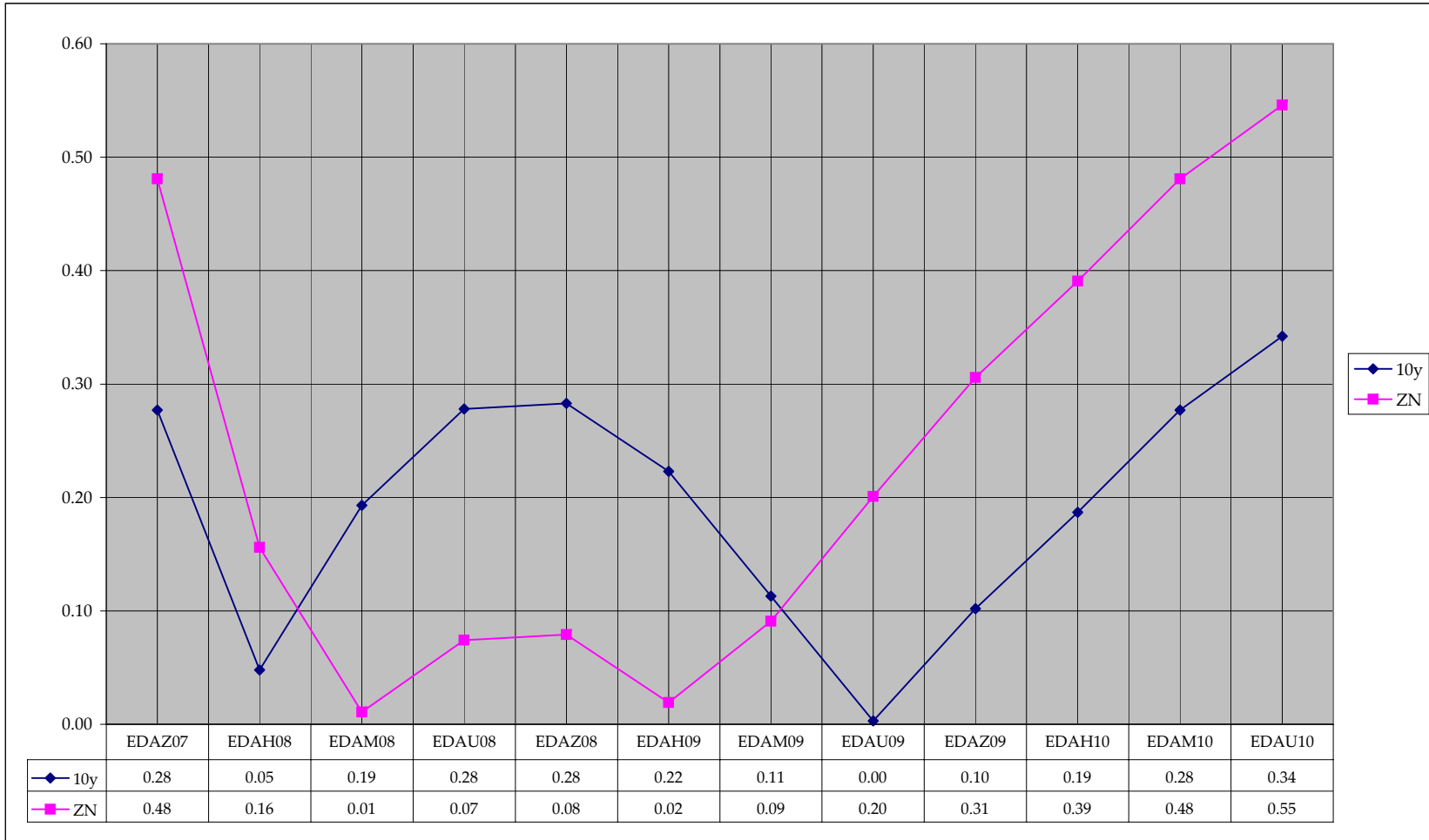
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

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	last Yield	Net Last Yield	Last Price
Q.ED.White	4.420	-1.875	9568.750
Q.ED.Red	4.322	-3.000	9578.250
Q.ED.Green	4.718	-3.625	9540.000
Q.ED.Blue	5.022	-3.000	9510.750
Q.ED.Gold		0.125	9489.875

