

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	103.8031	103.257	3.789	1.88	
ZF	107.7813	107.250	4.003	3.88	
ZN	110.4844	110.155	4.222	5.80	
2y	99.678	99.2170	3.794	1.83	
5y	99.156	99.0500	4.064	4.42	
10y	102.703	102.2250	4.404	7.73	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.330	4.670	49	0.134	DEC	White Pack	
EDAH08	95.650	4.350	140	0.383	MAR		
EDAM08	95.780	4.220	231	0.632	JUN		
EDAU08	95.860	4.140	322	0.882	SEP	Red Pack	
EDAZ08	95.870	4.130	413	1.131	DEC		
EDAH09	95.810	4.190	504	1.380	MAR		
EDAM09	95.705	4.295	595	1.629	JUN	Green Pack	
EDAU09	95.595	4.405	686	1.879	SEP		
EDAZ09	95.490	4.510	777	2.128	DEC		
EDAH10	95.390	4.610	868	2.377	MAR	Blue Pack	
EDAM10	95.305	4.695	959	2.627	JUN		
EDAU10	95.225	4.775	1050	2.876	SEP		
EDAZ10	#VALUE!	#VALUE!	1141	3.125	DEC	Gold Pack	
EDAH11	#VALUE!	#VALUE!	1232	3.375	MAR		
EDAM11	95.015	4.985	1323	3.624	JUN		
EDAU11	#VALUE!	#VALUE!	1421	3.892	SEP	Gold Pack	
EDAZ11	94.910	5.090	1512	4.142	DEC		
EDAH12	94.830	5.170	1603	4.391	MAR		
EDAM12	94.810	5.190	1694	4.640	JUN		
EDAU12	94.790	5.210	1785	4.890	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	4.454	-2.500	9565.500	Pack Prices
Q.ED.Red	4.361	-2.500	9574.500	
Q.ED.Green	4.767	-2.125	9535.250	
Q.ED.Blue		0.000	9506.250	
Q.ED.Gold		0.000	9481.750	

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

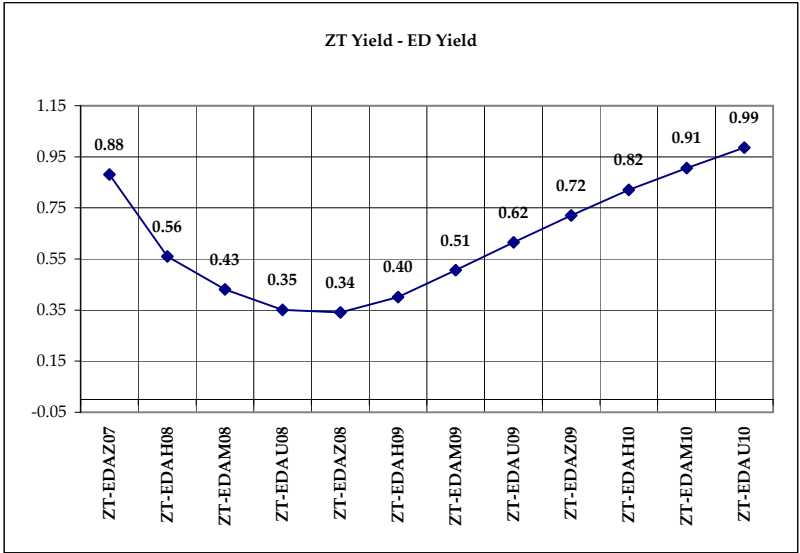
Eurodollar Color Codes for Individual Year Strips:

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

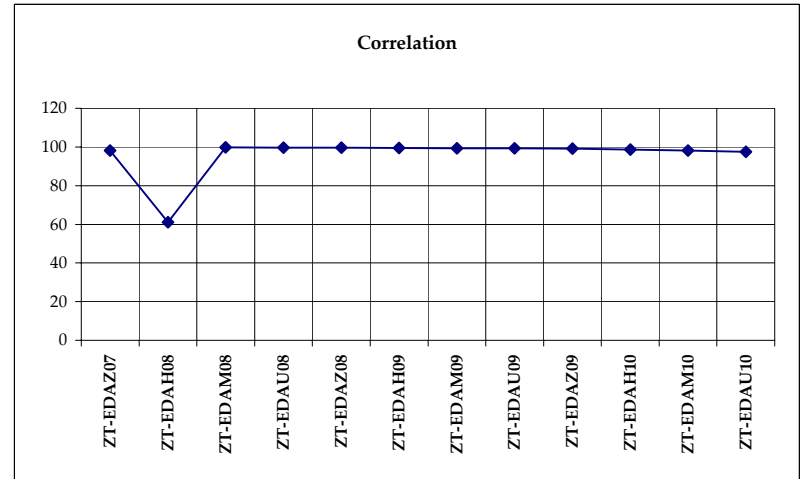
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.473	0.88	ZT-EDAZ07	98.087
EDAH08	8.153	0.56	ZT-EDAH08	61.116
EDAM08	8.023	0.43	ZT-EDAM08	99.753
EDAU08	7.943	0.35	ZT-EDAU08	99.705
EDAZ08	7.933	0.34	ZT-EDAZ08	99.656
EDAH09	7.993	0.40	ZT-EDAH09	99.547
EDAM09	8.098	0.51	ZT-EDAM09	99.343
EDAU09	8.208	0.62	ZT-EDAU09	99.272
EDAZ09	8.313	0.72	ZT-EDAZ09	99.085
EDAH10	8.413	0.82	ZT-EDAH10	98.657
EDAM10	8.498	0.91	ZT-EDAM10	98.213
EDAU10	8.578	0.99	ZT-EDAU10	97.532

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	0.134	1.88	1.75	ZT-EDAZ07
EDAH08	0.383	1.88	1.50	ZT-EDAH08
EDAM08	0.632	1.88	1.25	ZT-EDAM08
EDAU08	0.882	1.88	1.00	ZT-EDAU08
EDAZ08	1.131	1.88	0.75	ZT-EDAZ08
EDAH09	1.380	1.88	0.50	ZT-EDAH09
EDAM09	1.629	1.88	0.25	ZT-EDAM09
EDAU09	1.879	1.88	0.00	ZT-EDAU09
EDAZ09	2.128	1.88	(0.25)	ZT-EDAZ09
EDAH10	2.377	1.88	(0.50)	ZT-EDAH10
EDAM10	2.627	1.88	(0.75)	ZT-EDAM10
EDAU10	2.876	1.88	(1.00)	ZT-EDAU10

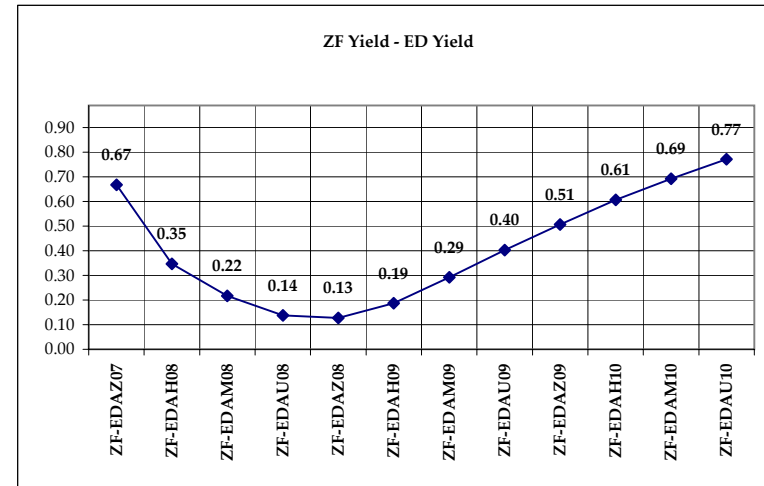
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	12.45	0.67	ZF-EDAZ07	96.975
EDAH08	12.13	0.35	ZF-EDAH08	97.656
EDAM08	12.00	0.22	ZF-EDAM08	99.015
EDAU08	11.92	0.14	ZF-EDAU08	99.232
EDAZ08	11.91	0.13	ZF-EDAZ08	98.967
EDAH09	11.97	0.19	ZF-EDAH09	98.790
EDAM09	12.08	0.29	ZF-EDAM09	98.526
EDAU09	12.19	0.40	ZF-EDAU09	98.692
EDAZ09	12.29	0.51	ZF-EDAZ09	99.011
EDAH10	12.39	0.61	ZF-EDAH10	99.183
EDAM10	12.48	0.69	ZF-EDAM10	99.041
EDAU10	12.56	0.77	ZF-EDAU10	98.859

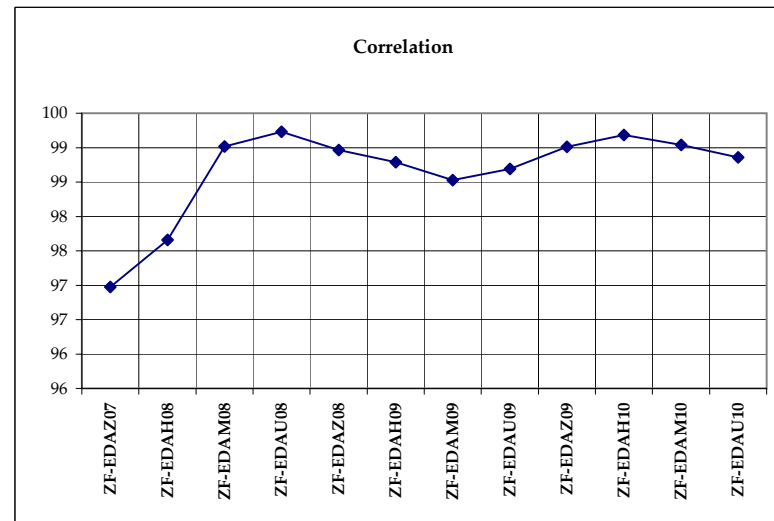
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAZ07	0.134	3.88	3.74	ZF-EDAZ07
EDAH08	0.383	3.88	3.49	ZF-EDAH08
EDAM08	0.632	3.88	3.25	ZF-EDAM08
EDAU08	0.882	3.88	3.00	ZF-EDAU08
EDAZ08	1.131	3.88	2.75	ZF-EDAZ08
EDAH09	1.380	3.88	2.50	ZF-EDAH09
EDAM09	1.629	3.88	2.25	ZF-EDAM09
EDAU09	1.879	3.88	2.00	ZF-EDAU09
EDAZ09	2.128	3.88	1.75	ZF-EDAZ09
EDAH10	2.377	3.88	1.50	ZF-EDAH10
EDAM10	2.627	3.88	1.25	ZF-EDAM10
EDAU10	2.876	3.88	1.00	ZF-EDAU10

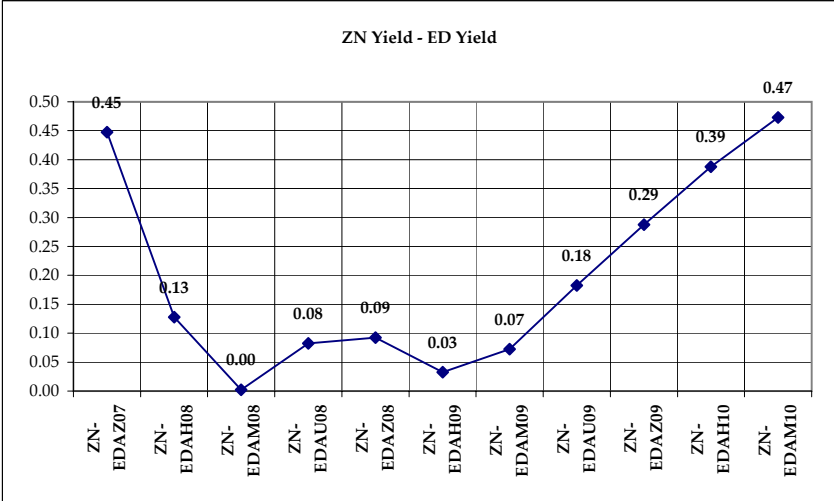
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Dirty TED: ZN vs Eurodollar Contracts

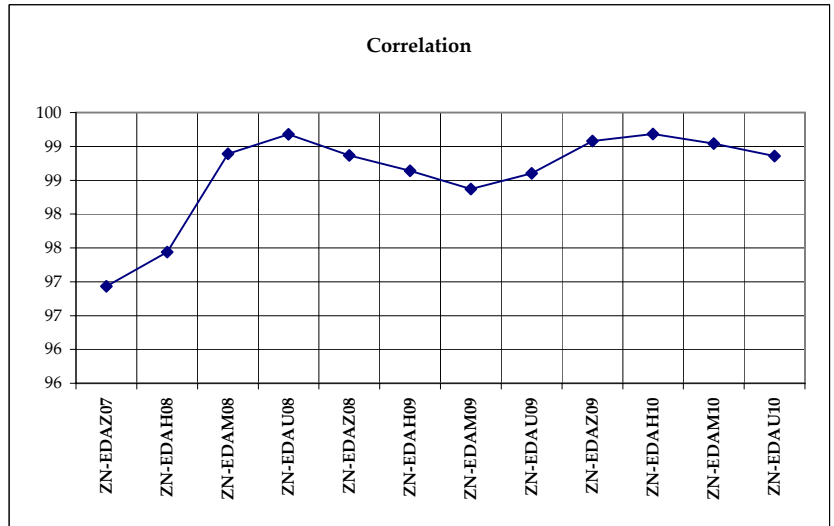
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	15.15	0.45	ZN-EDAZ07	96.93
EDAH08	14.83	0.13	ZN-EDAH08	97.44
EDAM08	14.70	0.00	ZN-EDAM08	98.89
EDAU08	14.62	0.08	ZN-EDAU08	99.18
EDAZ08	14.61	0.09	ZN-EDAZ08	98.87
EDAH09	14.67	0.03	ZN-EDAH09	98.64
EDAM09	14.78	0.07	ZN-EDAM09	98.37
EDAU09	14.89	0.18	ZN-EDAU09	98.60
EDAZ09	14.99	0.29	ZN-EDAZ09	99.08
EDAH10	15.09	0.39	ZN-EDAH10	99.18
EDAM10	15.18	0.47	ZN-EDAM10	99.04
EDAU10	15.26	0.55	ZN-EDAU10	98.86

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	0.134	5.80	5.67	ZN-EDAZ07
EDAH08	0.383	5.80	5.42	ZN-EDAH08
EDAM08	0.632	5.80	5.17	ZN-EDAM08
EDAU08	0.882	5.80	4.92	ZN-EDAU08
EDAZ08	1.131	5.80	4.67	ZN-EDAZ08
EDAH09	1.380	5.80	4.42	ZN-EDAH09
EDAM09	1.629	5.80	4.17	ZN-EDAM09
EDAU09	1.879	5.80	3.92	ZN-EDAU09
EDAZ09	2.128	5.80	3.67	ZN-EDAZ09
EDAH10	2.377	5.80	3.42	ZN-EDAH10
EDAM10	2.627	5.80	3.17	ZN-EDAM10
EDAU10	2.876	5.80	2.92	ZN-EDAU10

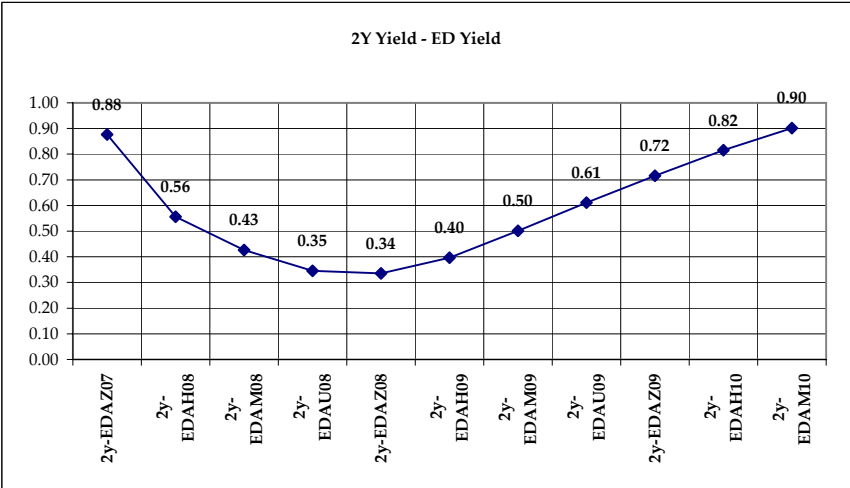
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.35	0.88	2y-EDAZ07	-96.873
EDAH08	4.03	0.56	2y-EDAH08	-97.353
EDAM08	3.90	0.43	2y-EDAM08	-98.037
EDAU08	3.82	0.35	2y-EDAU08	-98.031
EDAZ08	3.81	0.34	2y-EDAZ08	-98.037
EDAH09	3.87	0.40	2y-EDAH09	-97.645
EDAM09	3.97	0.50	2y-EDAM09	-97.235
EDAU09	4.08	0.61	2y-EDAU09	-97.179
EDAZ09	4.19	0.72	2y-EDAZ09	-97.060
EDAH10	4.29	0.82	2y-EDAH10	-96.714
EDAM10	4.37	0.90	2y-EDAM10	-96.271
EDAU10	4.45	0.98	2y-EDAU10	-95.821

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.

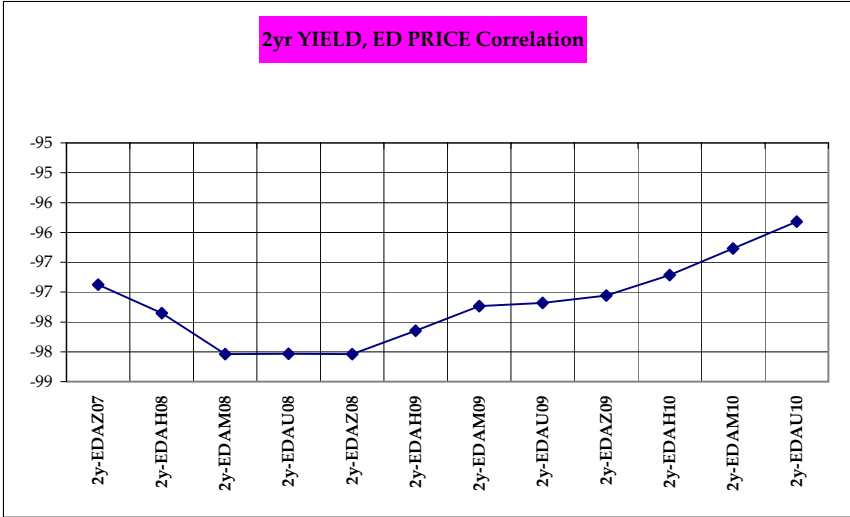


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.134	1.69	2y-EDAZ07
EDAH08	0.383	1.44	2y-EDAH08
EDAM08	0.632	1.19	2y-EDAM08
EDAU08	0.882	0.94	2y-EDAU08
EDAZ08	1.131	0.69	2y-EDAZ08
EDAH09	1.380	0.45	2y-EDAH09
EDAM09	1.629	0.20	2y-EDAM09
EDAU09	1.879	(0.05)	2y-EDAU09
EDAZ09	2.128	(0.30)	2y-EDAZ09
EDAH10	2.377	(0.55)	2y-EDAH10
EDAM10	2.627	(0.80)	2y-EDAM10
EDAU10	2.876	(1.05)	2y-EDAU10

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

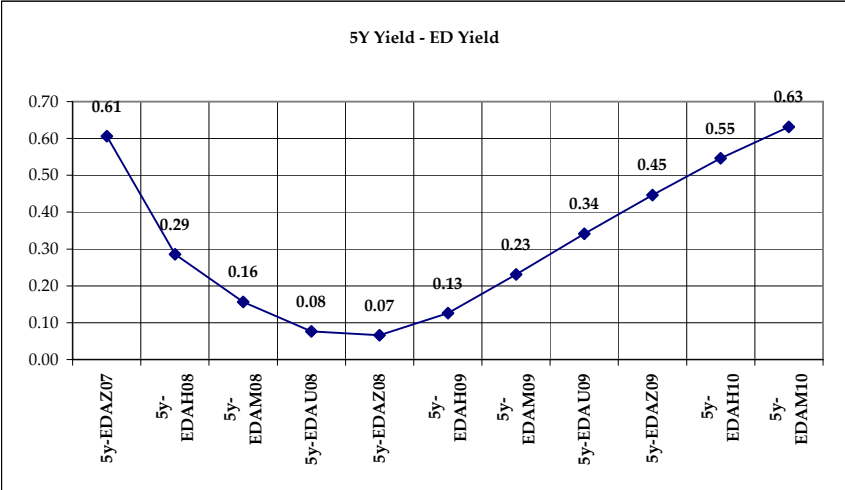
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

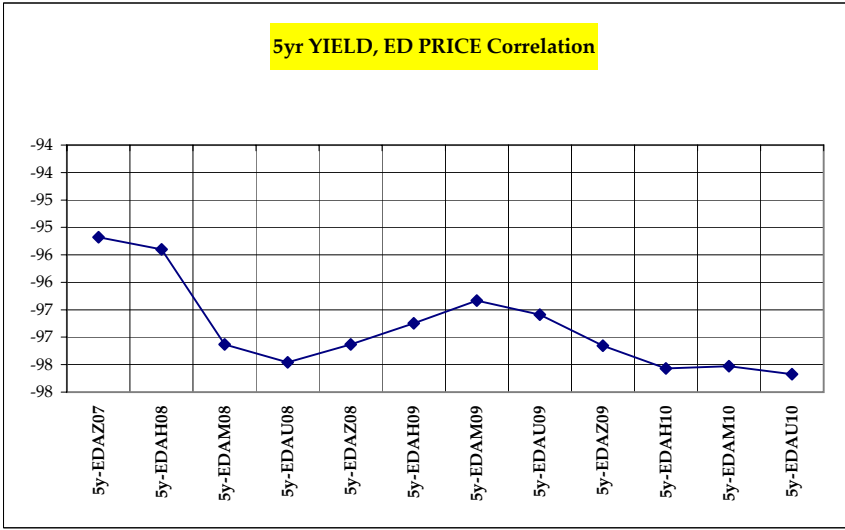
	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	3.83	0.61	5y-EDAZ07	-95.181
EDAH08	3.51	0.29	5y-EDAH08	-95.398
EDAM08	3.38	0.16	5y-EDAM08	-97.130
EDAU08	3.30	0.08	5y-EDAU08	-97.457
EDAZ08	3.29	0.07	5y-EDAZ08	-97.130
EDAH09	3.35	0.13	5y-EDAH09	-96.749
EDAM09	3.45	0.23	5y-EDAM09	-96.331
EDAU09	3.56	0.34	5y-EDAU09	-96.587
EDAZ09	3.67	0.45	5y-EDAZ09	-97.155
EDAH10	3.77	0.55	5y-EDAH10	-97.566
EDAM10	3.85	0.63	5y-EDAM10	-97.525
EDAU10	3.93	0.71	5y-EDAU10	-97.672

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	0.134	4.42	4.28	5y-EDAZ07
EDAH08	0.383	4.42	4.03	5y-EDAH08
EDAM08	0.632	4.42	3.78	5y-EDAM08
EDAU08	0.882	4.42	3.53	5y-EDAU08
EDAZ08	1.131	4.42	3.29	5y-EDAZ08
EDAH09	1.380	4.42	3.04	5y-EDAH09
EDAM09	1.629	4.42	2.79	5y-EDAM09
EDAU09	1.879	4.42	2.54	5y-EDAU09
EDAZ09	2.128	4.42	2.29	5y-EDAZ09
EDAH10	2.377	4.42	2.04	5y-EDAH10
EDAM10	2.627	4.42	1.79	5y-EDAM10
EDAU10	2.876	4.42	1.54	5y-EDAU10

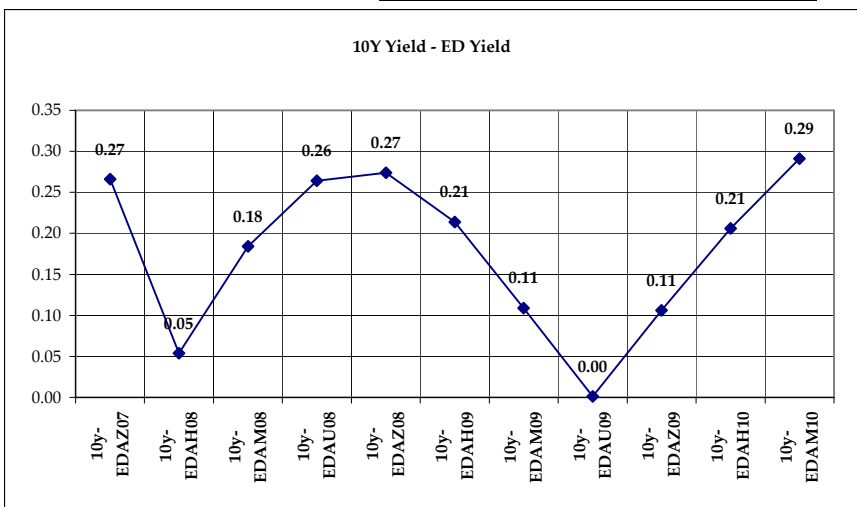
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

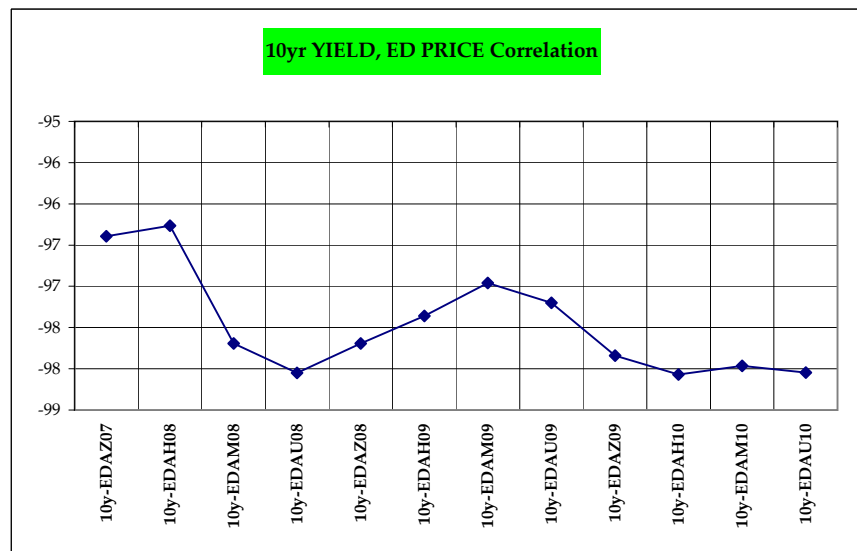
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	3.83	0.27	10y-EDAZ07	-96.392
EDAH08	3.51	0.05	10y-EDAH08	-96.265
EDAM08	3.38	0.18	10y-EDAM08	-97.693
EDAU08	3.30	0.26	10y-EDAU08	-98.051
EDAZ08	3.29	0.27	10y-EDAZ08	-97.693
EDAH09	3.35	0.21	10y-EDAH09	-97.358
EDAM09	3.45	0.11	10y-EDAM09	-96.960
EDAU09	3.56	0.00	10y-EDAU09	-97.200
EDAZ09	3.67	0.11	10y-EDAZ09	-97.840
EDAH10	3.77	0.21	10y-EDAH10	-98.070
EDAM10	3.85	0.29	10y-EDAM10	-97.965
EDAU10	3.93	0.37	10y-EDAU10	-98.047

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	0.134	7.73	7.60	10y-EDAZ07
EDAH08	0.383	7.73	7.35	10y-EDAH08
EDAM08	0.632	7.73	7.10	10y-EDAM08
EDAU08	0.882	7.73	6.85	10y-EDAU08
EDAZ08	1.131	7.73	6.60	10y-EDAZ08
EDAH09	1.380	7.73	6.35	10y-EDAH09
EDAM09	1.629	7.73	6.10	10y-EDAM09
EDAU09	1.879	7.73	5.85	10y-EDAU09
EDAZ09	2.128	7.73	5.60	10y-EDAZ09
EDAH10	2.377	7.73	5.35	10y-EDAH10
EDAM10	2.627	7.73	5.10	10y-EDAM10
EDAU10	2.876	7.73	4.85	10y-EDAU10

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

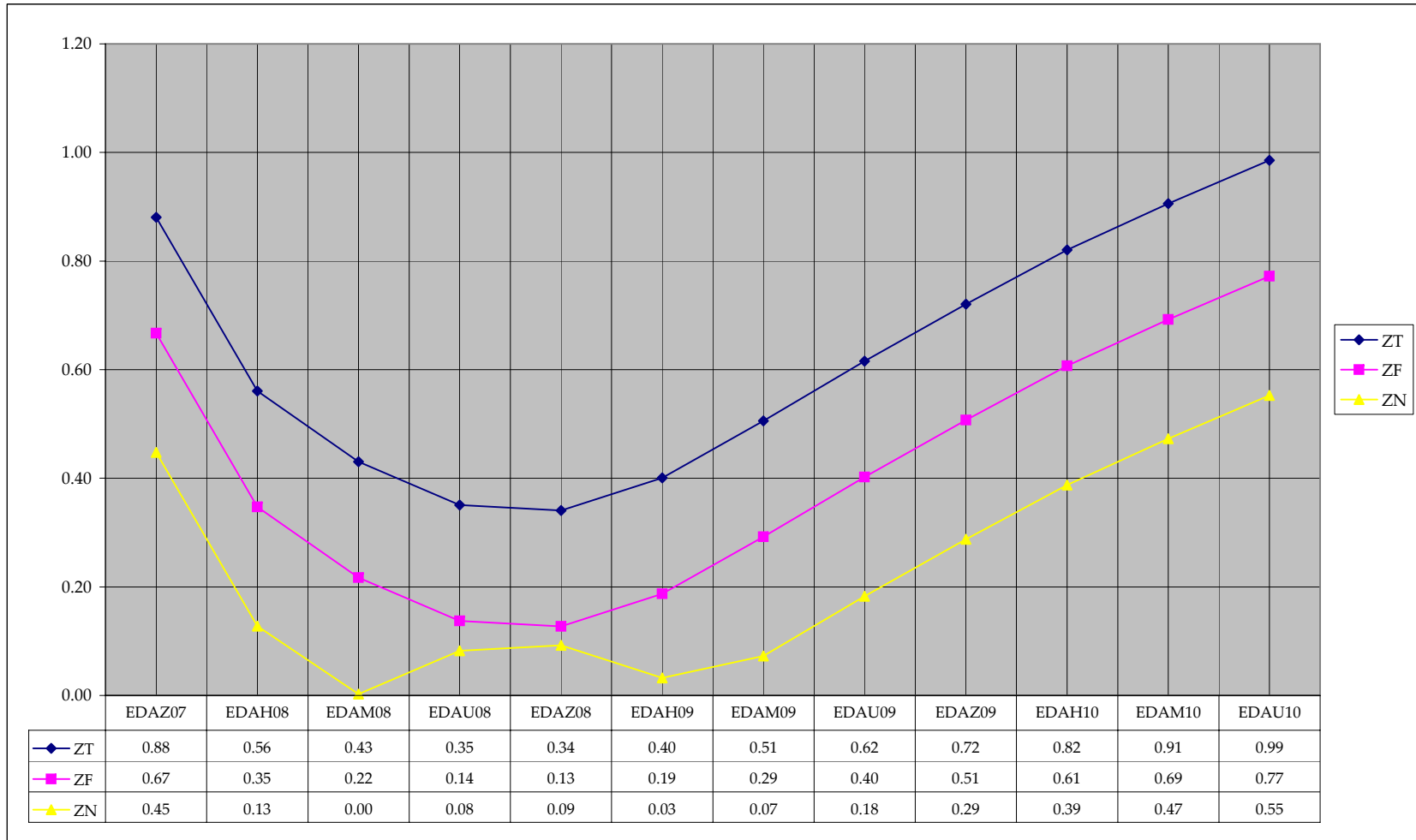


Dirty TED Curve

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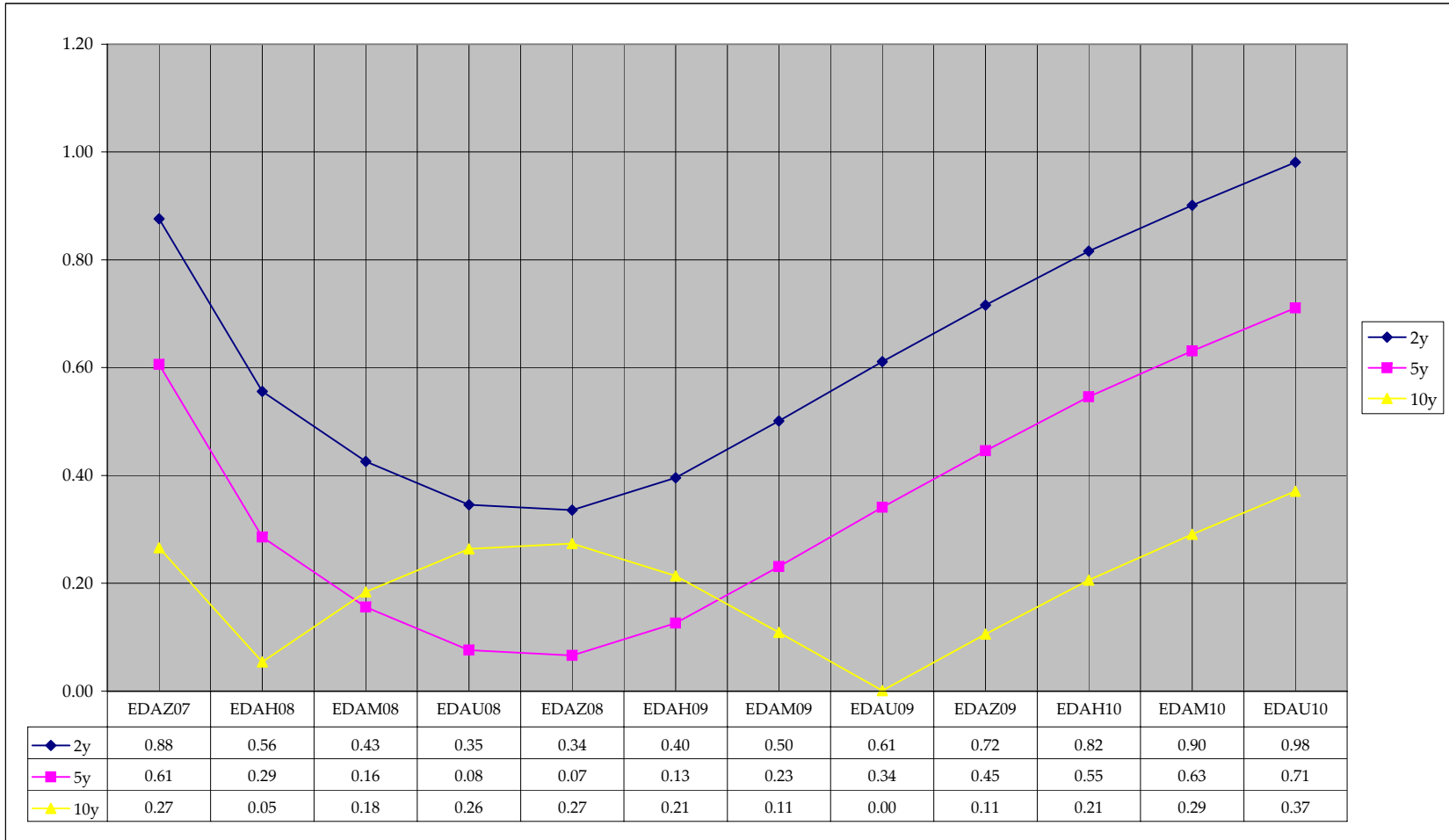
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

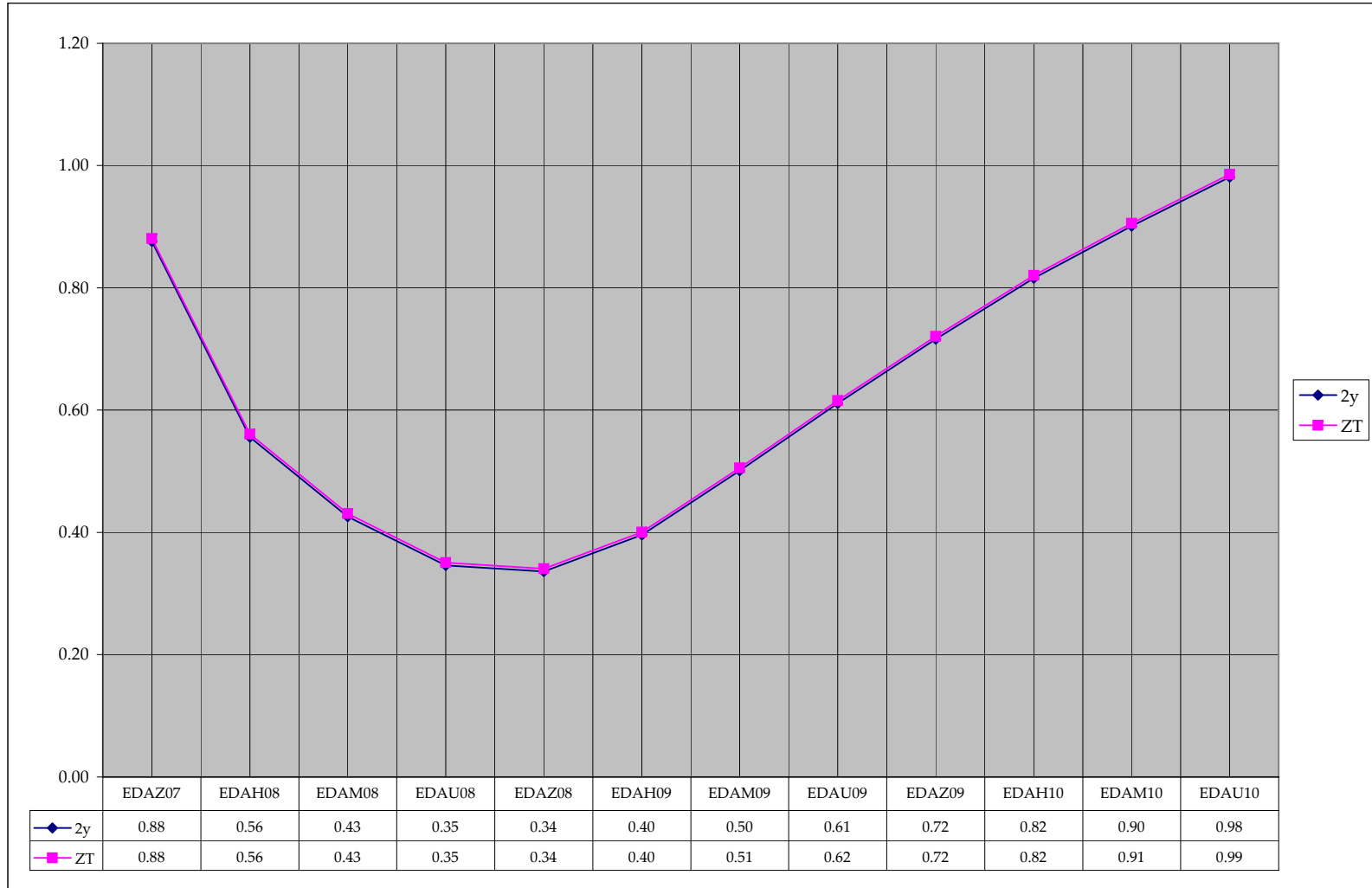


TED Curve

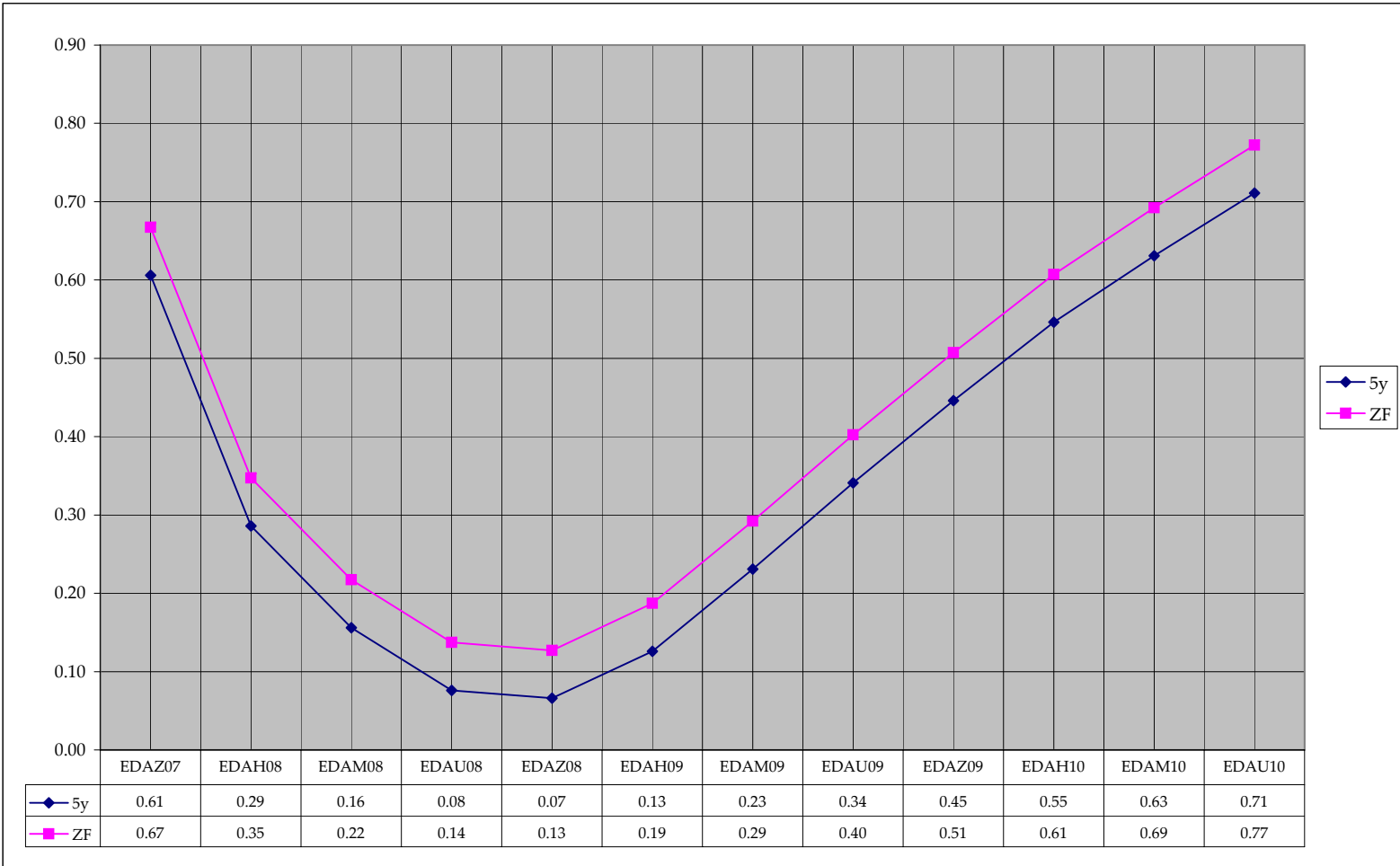
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



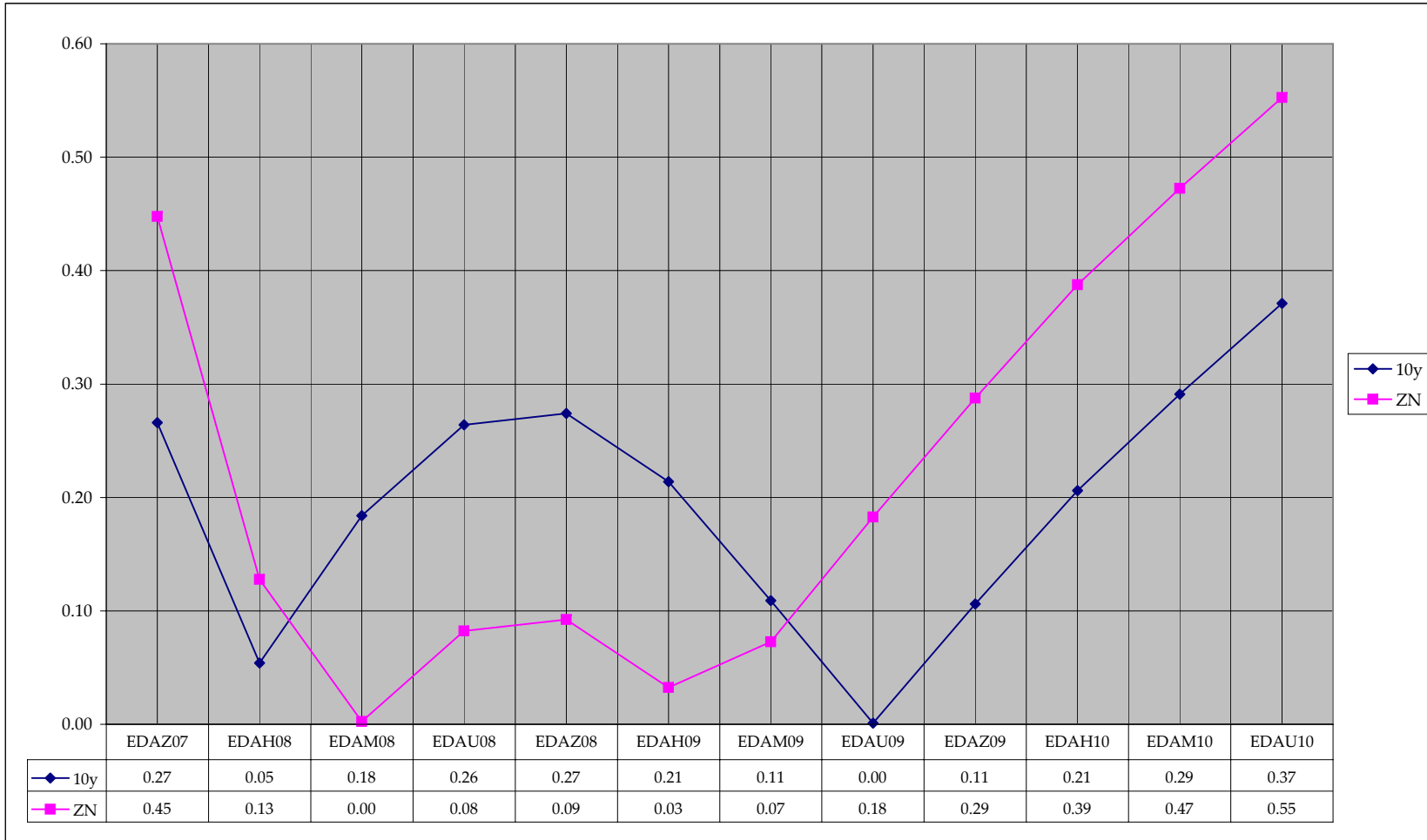
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.454	-2.500	9565.500
Q.ED.Red	4.361	-2.500	9574.500
Q.ED.Green	4.767	-2.125	9535.250
Q.ED.Blue		0.000	9506.250
Q.ED.Gold		0.000	9481.750

