

The Morning Email: TERM TEDS & Dirty TEDS

Table of Contents

PgA	Quotes	Pg9	2y Basis TED Curve
Pg1	Dirty TED: ZT vs Eurodollar Contracts	Pg10	5y Basis TED Curve
Pg2	Dirty TED: ZF vs Eurodollar Contracts	Pg11	10y Basis TED Curve
Pg3	Dirty TED: ZN vs Eurodollar Contracts	Pg12	Packs
Pg4	TERM TED: 2y vs Eurodollar Contracts		
Pg5	TERM TED: 5y vs Eurodollar Contracts		
Pg6	TERM TED: 10y vs Eurodollar Contracts		
Pg7	Dirty TED Curve		
Pg8	TED Curve		

eCBOT fixed income futures have been rolled to DEC 07.

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	103.3281	103.105	4.040	1.90	
ZF	107.1719	107.055	4.136	4.02	
ZN	109.6719	109.215	4.229	5.94	
2y	99.944	99.3020	4.025	1.88	
5y	99.834	99.2670	4.160	4.46	
10y	102.141	102.0450	4.480	7.86	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.398	5.602	11	0.029	SEP	White Pack	
EDAZ07	95.065	4.935	102	0.279	DEC		
EDAH08	95.480	4.520	193	0.528	MAR		
EDAM08	95.575	4.425	284	0.777	JUN	Red Pack	
EDAU08	95.575	4.425	375	1.027	SEP		
EDAZ08	95.540	4.460	466	1.276	DEC		
EDAH09	95.480	4.520	557	1.525	MAR	Green Pack	
EDAM09	95.420	4.580	648	1.775	JUN		
EDAU09	95.360	4.640	739	2.024	SEP		
EDAZ09	95.300	4.700	830	2.273	DEC	Blue Pack	
EDAH10	95.260	4.740	921	2.523	MAR		
EDAM10	95.165	4.835	1012	2.772	JUN		
EDAU10	95.155	4.845	1103	3.021	SEP	Gold Pack	
EDAZ10	95.060	4.940	1194	3.271	DEC		
EDAH11	95.050	4.950	1285	3.520	MAR		
EDAM11	94.995	5.005	1376	3.769	JUN		
EDAU11	94.935	5.065	1474	4.038	SEP		
EDAZ11	94.890	5.110	1565	4.287	DEC		
EDAH12	94.800	5.200	1656	4.536	MAR		
EDAM12	94.715	5.285	1747	4.786	JUN		

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	5.000	-2.375	9512.938	Pack Prices
Q.ED.Red	4.611	0.000	9550.375	
Q.ED.Green	4.852	-0.125	9527.125	
Q.ED.Blue	-0.375	9505.000		
Q.ED.Gold	0.000	9484.000		
Q.ED.Purple	0.000	9484.000		

Red pack is a 2yr proxy
 Gold pack is a 10 yr proxy
 Red pack/Gold pack is a 2/10 proxy
 Blue/Gold is a 5/10 proxy

Overview of Hedging

9/6/2007 5:49

Page A

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

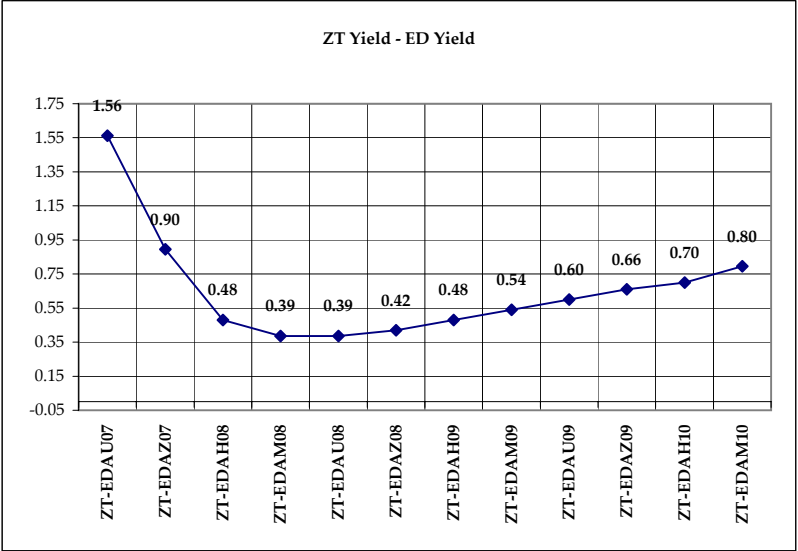
Eurodollar Color Codes for Individual Year Strips:

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

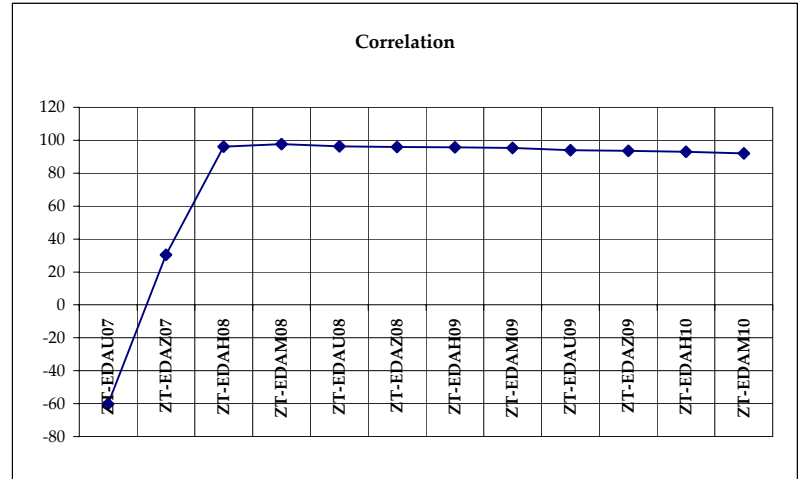
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	8.931	1.56	ZT-EDAU07	-60.150
EDAZ07	8.263	0.90	ZT-EDAZ07	30.319
EDAH08	7.848	0.48	ZT-EDAH08	96.126
EDAM08	7.753	0.39	ZT-EDAM08	97.583
EDAU08	7.753	0.39	ZT-EDAU08	96.289
EDAZ08	7.788	0.42	ZT-EDAZ08	95.913
EDAH09	7.848	0.48	ZT-EDAH09	95.740
EDAM09	7.908	0.54	ZT-EDAM09	95.293
EDAU09	7.968	0.60	ZT-EDAU09	93.946
EDAZ09	8.028	0.66	ZT-EDAZ09	93.484
EDAH10	8.068	0.70	ZT-EDAH10	92.895
EDAM10	8.163	0.80	ZT-EDAM10	92.055

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		
EDAU07	0.029	1.90	1.87	ZT-EDAU07
EDAZ07	0.279	1.90	1.62	ZT-EDAZ07
EDAH08	0.528	1.90	1.37	ZT-EDAH08
EDAM08	0.777	1.90	1.12	ZT-EDAM08
EDAU08	1.027	1.90	0.87	ZT-EDAU08
EDAZ08	1.276	1.90	0.62	ZT-EDAZ08
EDAH09	1.525	1.90	0.38	ZT-EDAH09
EDAM09	1.775	1.90	0.13	ZT-EDAM09
EDAU09	2.024	1.90	(0.12)	ZT-EDAU09
EDAZ09	2.273	1.90	(0.37)	ZT-EDAZ09
EDAH10	2.523	1.90	(0.62)	ZT-EDAH10
EDAM10	2.772	1.90	(0.87)	ZT-EDAM10

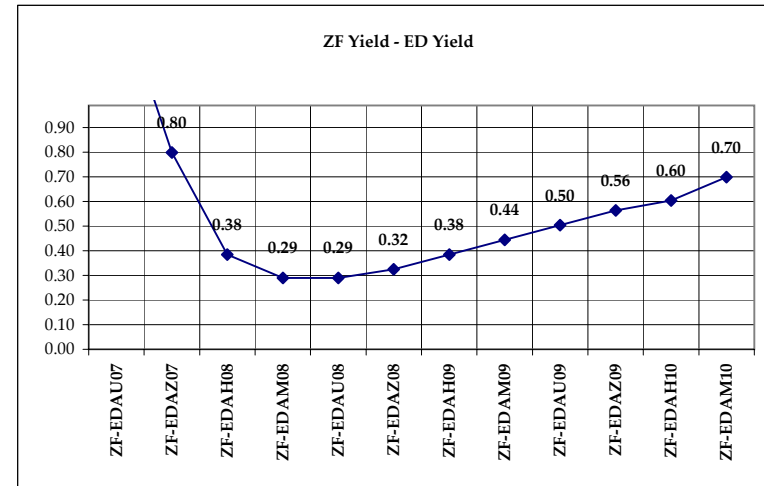
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	12.77	1.47	ZF-EDAU07	-71.937
EDAZ07	12.11	0.80	ZF-EDAZ07	16.825
EDAH08	11.69	0.38	ZF-EDAH08	92.128
EDAM08	11.60	0.29	ZF-EDAM08	97.220
EDAU08	11.60	0.29	ZF-EDAU08	98.411
EDAZ08	11.63	0.32	ZF-EDAZ08	98.739
EDAH09	11.69	0.38	ZF-EDAH09	98.689
EDAM09	11.75	0.44	ZF-EDAM09	98.610
EDAU09	11.81	0.50	ZF-EDAU09	98.205
EDAZ09	11.87	0.56	ZF-EDAZ09	97.974
EDAH10	11.91	0.60	ZF-EDAH10	97.506
EDAM10	12.01	0.70	ZF-EDAM10	97.297

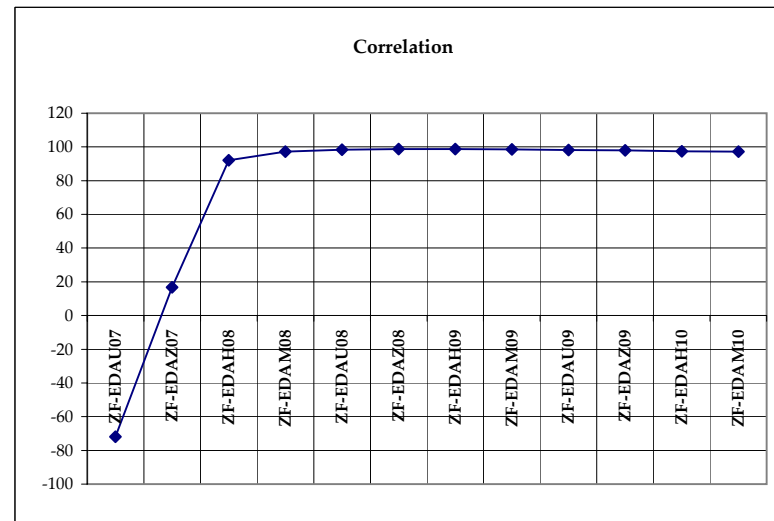
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.029	4.02	3.99
EDAZ07	0.279	4.02	3.74
EDAH08	0.528	4.02	3.49
EDAM08	0.777	4.02	3.24
EDAU08	1.027	4.02	2.99
EDAZ08	1.276	4.02	2.74
EDAH09	1.525	4.02	2.49
EDAM09	1.775	4.02	2.24
EDAU09	2.024	4.02	1.99
EDAZ09	2.273	4.02	1.74
EDAH10	2.523	4.02	1.49
EDAM10	2.772	4.02	1.24

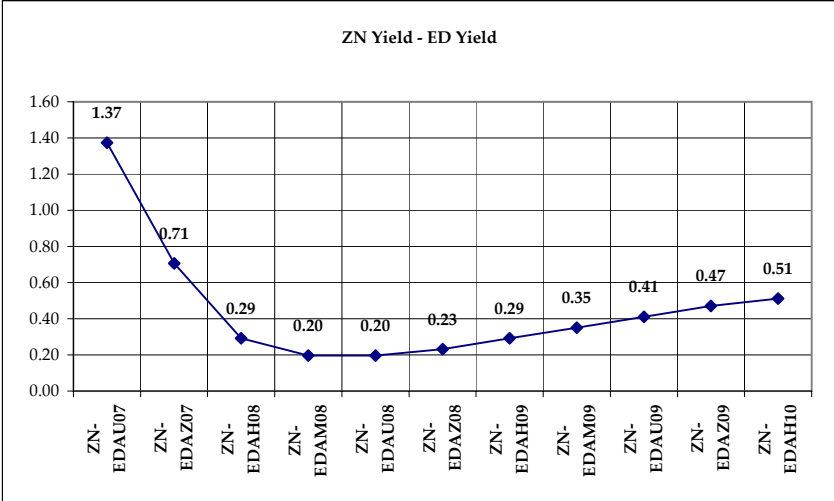
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

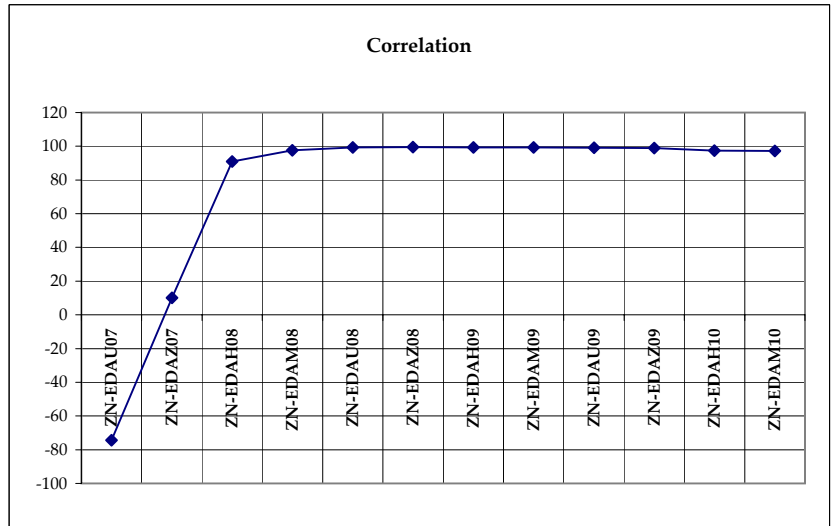
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	15.27	1.37	ZN-EDAU07	-74.34
EDAZ07	14.61	0.71	ZN-EDAZ07	10.11
EDAH08	14.19	0.29	ZN-EDAH08	91.03
EDAM08	14.10	0.20	ZN-EDAM08	97.59
EDAU08	14.10	0.20	ZN-EDAU08	99.23
EDAZ08	14.13	0.23	ZN-EDAZ08	99.41
EDAH09	14.19	0.29	ZN-EDAH09	99.28
EDAM09	14.25	0.35	ZN-EDAM09	99.33
EDAU09	14.31	0.41	ZN-EDAU09	99.08
EDAZ09	14.37	0.47	ZN-EDAZ09	98.95
EDAH10	14.41	0.51	ZN-EDAH10	97.51
EDAM10	14.51	0.61	ZN-EDAM10	97.30

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	
EDAU07	0.029	5.94	5.91	ZN-EDAU07
EDAZ07	0.279	5.94	5.66	ZN-EDAZ07
EDAH08	0.528	5.94	5.41	ZN-EDAH08
EDAM08	0.777	5.94	5.16	ZN-EDAM08
EDAU08	1.027	5.94	4.91	ZN-EDAU08
EDAZ08	1.276	5.94	4.66	ZN-EDAZ08
EDAH09	1.525	5.94	4.41	ZN-EDAH09
EDAM09	1.775	5.94	4.16	ZN-EDAM09
EDAU09	2.024	5.94	3.91	ZN-EDAU09
EDAZ09	2.273	5.94	3.67	ZN-EDAZ09
EDAH10	2.523	5.94	3.42	ZN-EDAH10
EDAM10	2.772	5.94	3.17	ZN-EDAM10

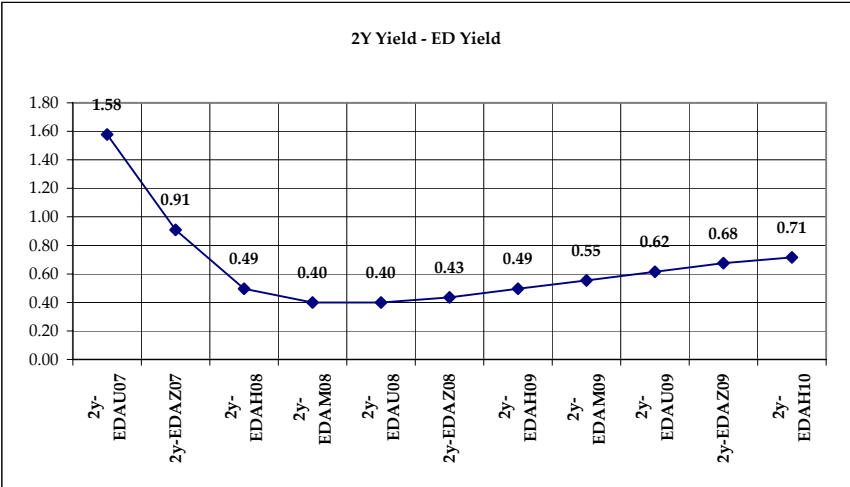
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.55	1.58	2y-EDAU07	69.340
EDAZ07	4.88	0.91	2y-EDAZ07	-15.675
EDAH08	4.46	0.49	2y-EDAH08	-90.636
EDAM08	4.37	0.40	2y-EDAM08	-94.112
EDAU08	4.37	0.40	2y-EDAU08	-95.399
EDAZ08	4.40	0.43	2y-EDAZ08	-94.112
EDAH09	4.46	0.49	2y-EDAH09	-96.445
EDAM09	4.52	0.55	2y-EDAM09	-96.757
EDAU09	4.58	0.62	2y-EDAU09	-96.166
EDAZ09	4.64	0.68	2y-EDAZ09	-96.223
EDAH10	4.68	0.71	2y-EDAH10	-96.490
EDAM10	4.78	0.81	2y-EDAM10	-96.950

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.

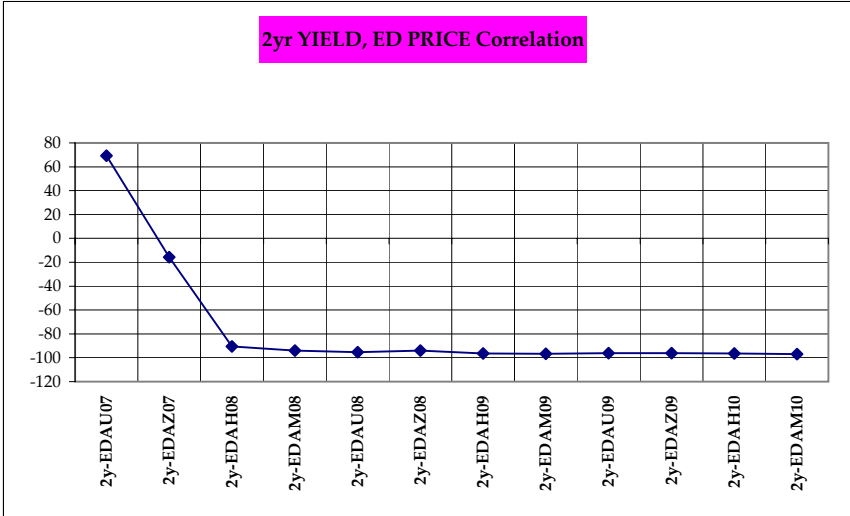


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.029	1.88	2y-EDAU07
EDAZ07	0.279	1.88	2y-EDAZ07
EDAH08	0.528	1.88	2y-EDAH08
EDAM08	0.777	1.88	2y-EDAM08
EDAU08	1.027	1.88	2y-EDAU08
EDAZ08	1.276	1.88	2y-EDAZ08
EDAH09	1.525	1.88	2y-EDAH09
EDAM09	1.775	1.88	2y-EDAM09
EDAU09	2.024	1.88	2y-EDAU09
EDAZ09	2.273	1.88	2y-EDAZ09
EDAH10	2.523	1.88	2y-EDAH10
EDAM10	2.772	1.88	2y-EDAM10

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

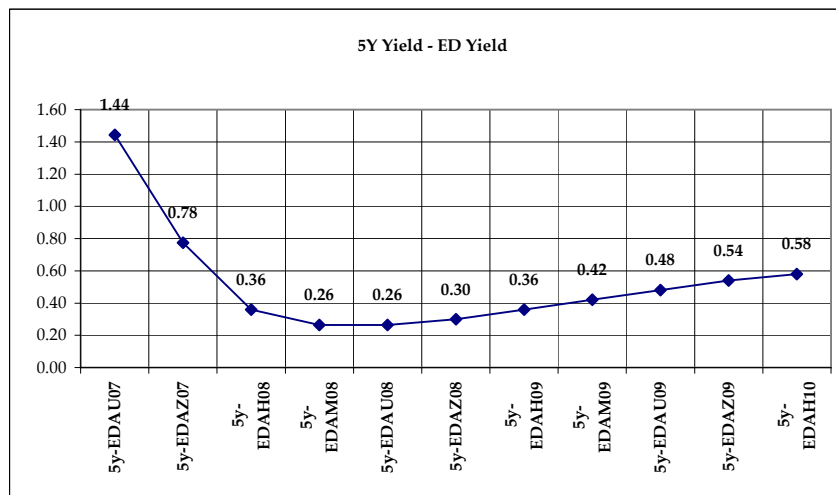
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.44	1.44	5y-EDAU07	73.019
EDAZ07	4.77	0.78	5y-EDAZ07	-7.779
EDAH08	4.35	0.36	5y-EDAH08	-85.947
EDAM08	4.26	0.26	5y-EDAM08	-91.384
EDAU08	4.26	0.26	5y-EDAU08	-94.218
EDAZ08	4.29	0.30	5y-EDAZ08	-91.384
EDAH09	4.35	0.36	5y-EDAH09	-95.852
EDAM09	4.41	0.42	5y-EDAM09	-96.501
EDAU09	4.47	0.48	5y-EDAU09	-96.548
EDAZ09	4.53	0.54	5y-EDAZ09	-96.645
EDAH10	4.57	0.58	5y-EDAH10	-97.051
EDAM10	4.67	0.67	5y-EDAM10	-97.768

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.

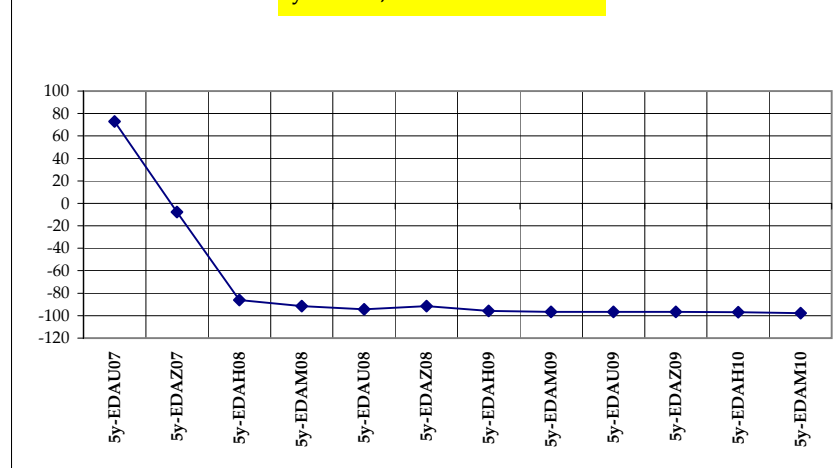


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.029	4.46	4.43	5y-EDAU07
EDAZ07	0.279	4.46	4.18	5y-EDAZ07
EDAH08	0.528	4.46	3.93	5y-EDAH08
EDAM08	0.777	4.46	3.68	5y-EDAM08
EDAU08	1.027	4.46	3.43	5y-EDAU08
EDAZ08	1.276	4.46	3.18	5y-EDAZ08
EDAH09	1.525	4.46	2.93	5y-EDAH09
EDAM09	1.775	4.46	2.68	5y-EDAM09
EDAU09	2.024	4.46	2.43	5y-EDAU09
EDAZ09	2.273	4.46	2.18	5y-EDAZ09
EDAH10	2.523	4.46	1.93	5y-EDAH10
EDAM10	2.772	4.46	1.68	5y-EDAM10

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

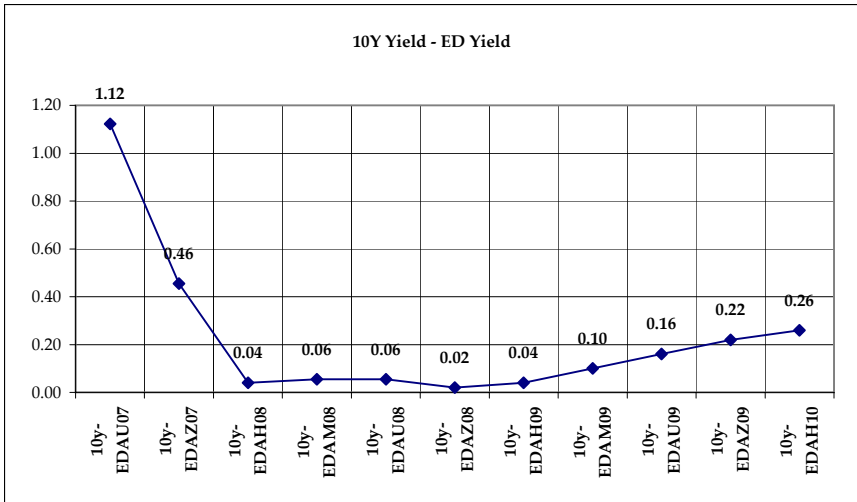
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

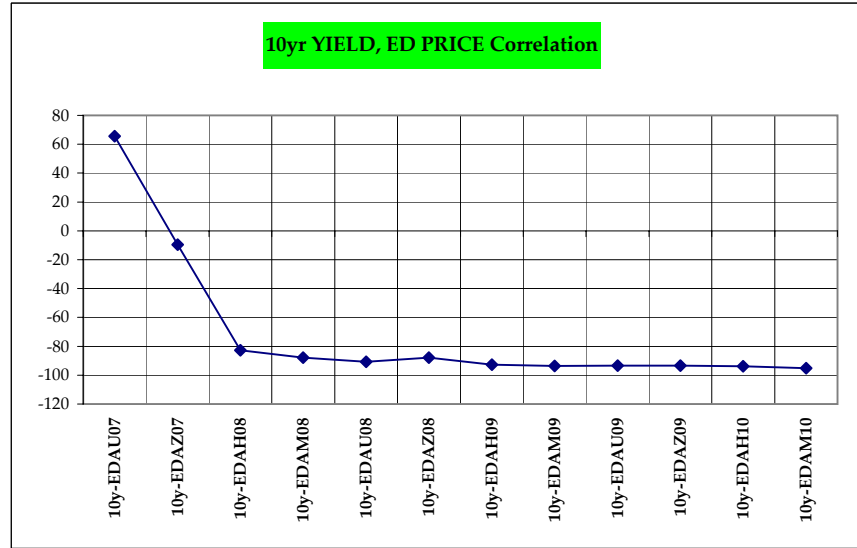
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.44	1.12	10y-EDAU07	65.581
EDAZ07	4.77	0.46	10y-EDAZ07	-9.488
EDAH08	4.35	0.04	10y-EDAH08	-82.781
EDAM08	4.26	0.06	10y-EDAM08	-87.855
EDAU08	4.26	0.06	10y-EDAU08	-90.766
EDAZ08	4.29	0.02	10y-EDAZ08	-87.855
EDAH09	4.35	0.04	10y-EDAH09	-92.730
EDAM09	4.41	0.10	10y-EDAM09	-93.519
EDAU09	4.47	0.16	10y-EDAU09	-93.489
EDAZ09	4.53	0.22	10y-EDAZ09	-93.302
EDAH10	4.57	0.26	10y-EDAH10	-93.797
EDAM10	4.67	0.35	10y-EDAM10	-95.263

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	
EDAU07	0.029	7.86	7.83	10y-EDAU07
EDAZ07	0.279	7.86	7.58	10y-EDAZ07
EDAH08	0.528	7.86	7.33	10y-EDAH08
EDAM08	0.777	7.86	7.08	10y-EDAM08
EDAU08	1.027	7.86	6.83	10y-EDAU08
EDAZ08	1.276	7.86	6.58	10y-EDAZ08
EDAH09	1.525	7.86	6.34	10y-EDAH09
EDAM09	1.775	7.86	6.09	10y-EDAM09
EDAU09	2.024	7.86	5.84	10y-EDAU09
EDAZ09	2.273	7.86	5.59	10y-EDAZ09
EDAH10	2.523	7.86	5.34	10y-EDAH10
EDAM10	2.772	7.86	5.09	10y-EDAM10

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

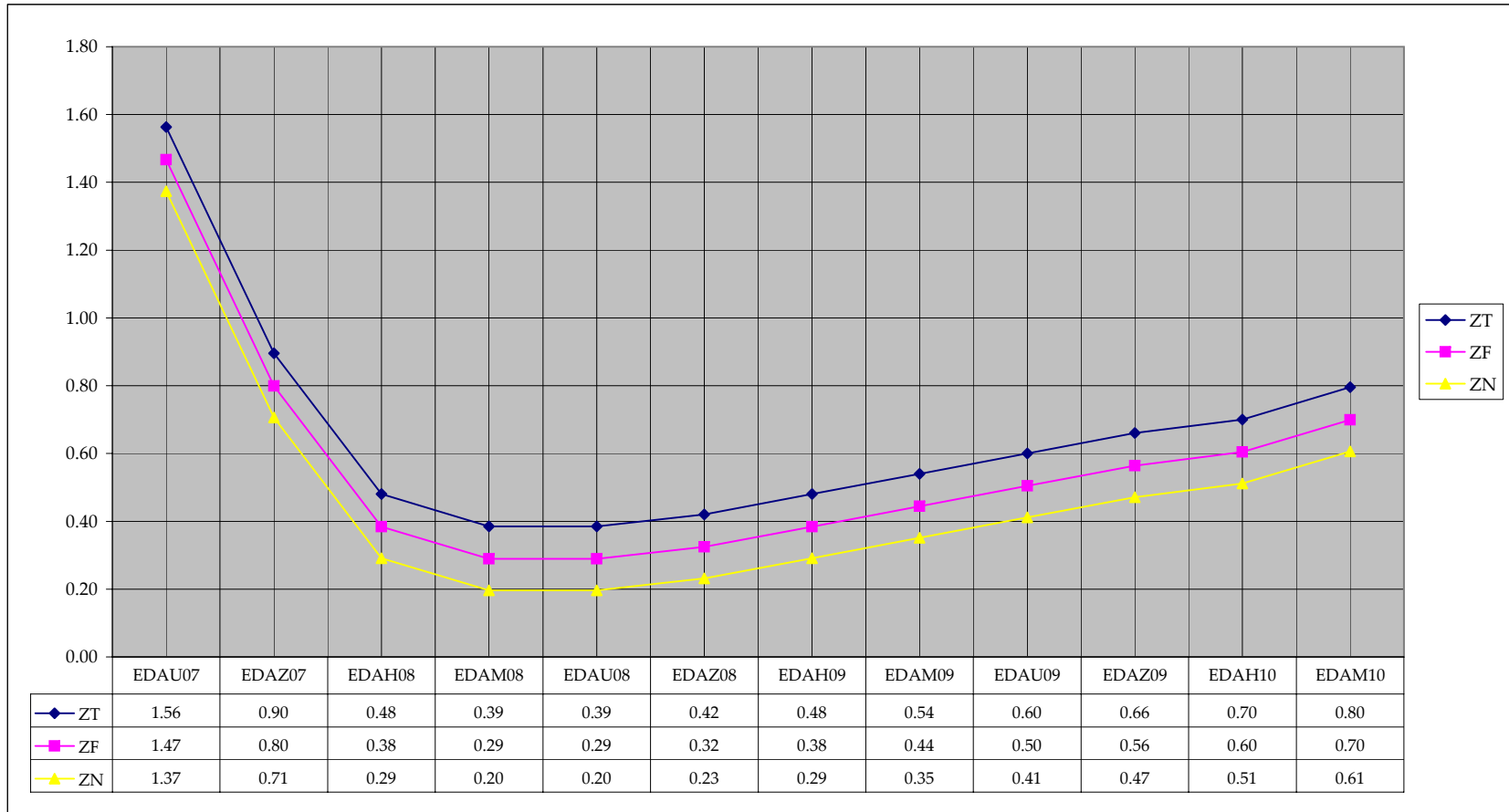


Dirty TED Curve

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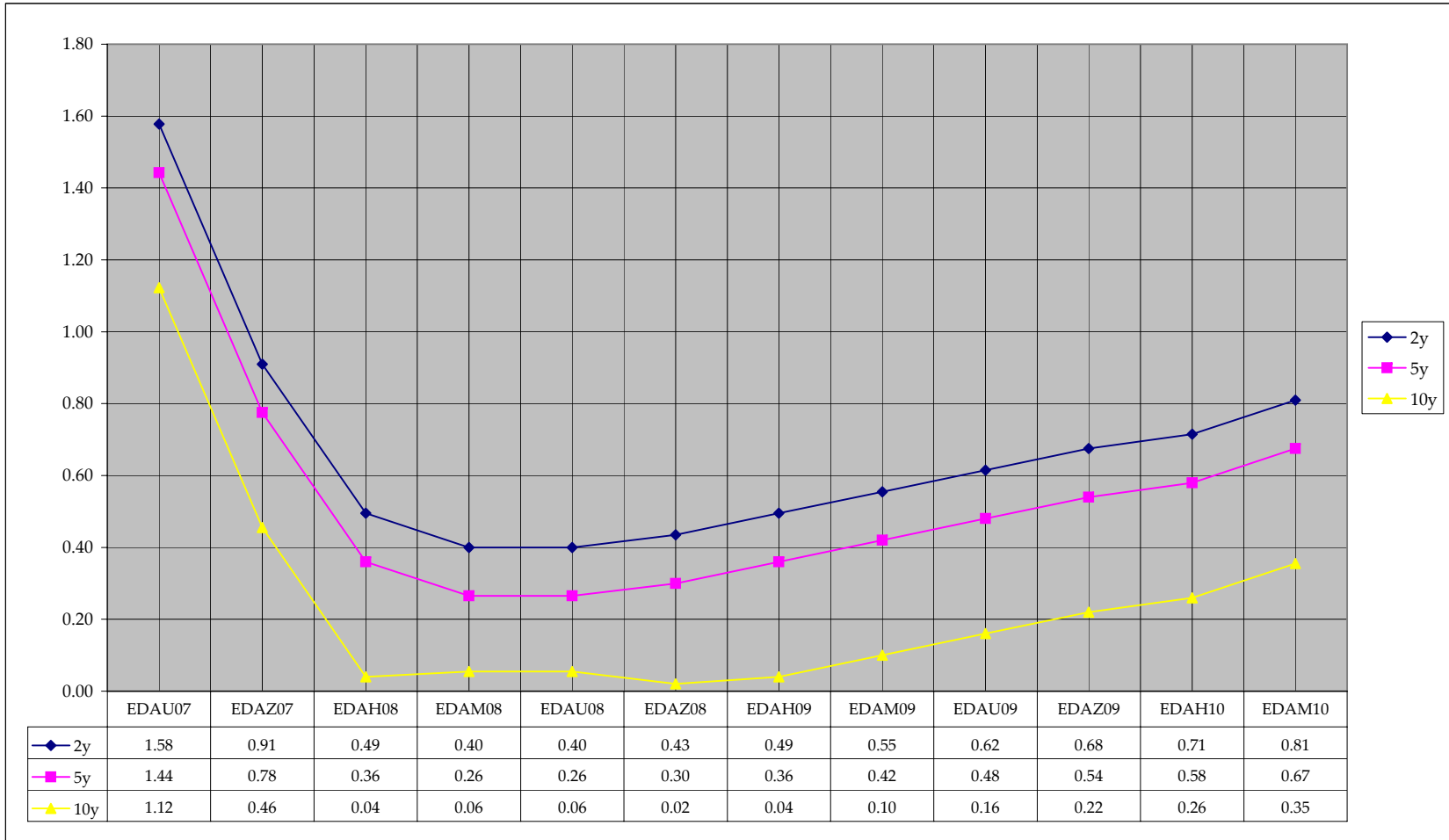
Page 7

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.

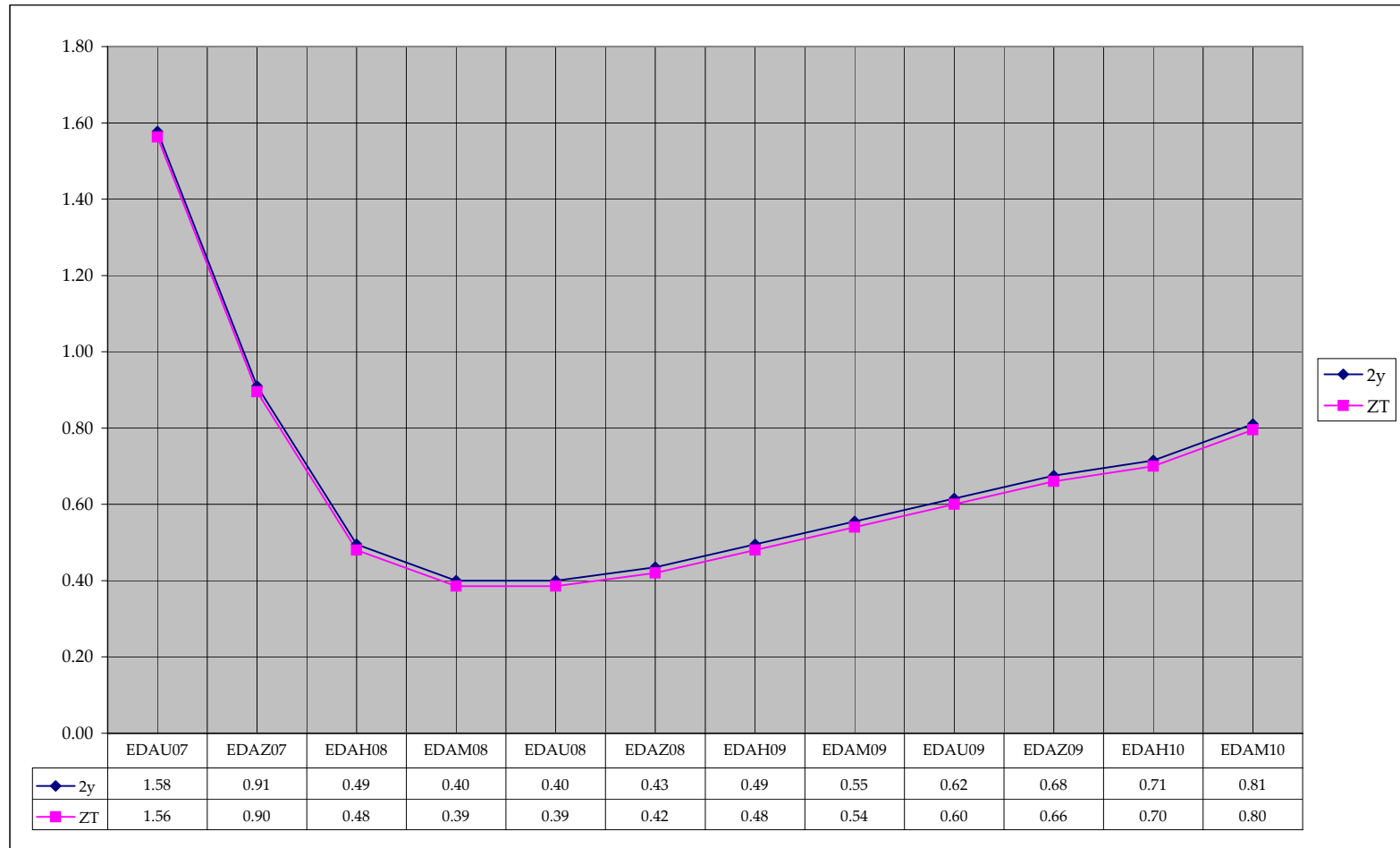


TED Curve

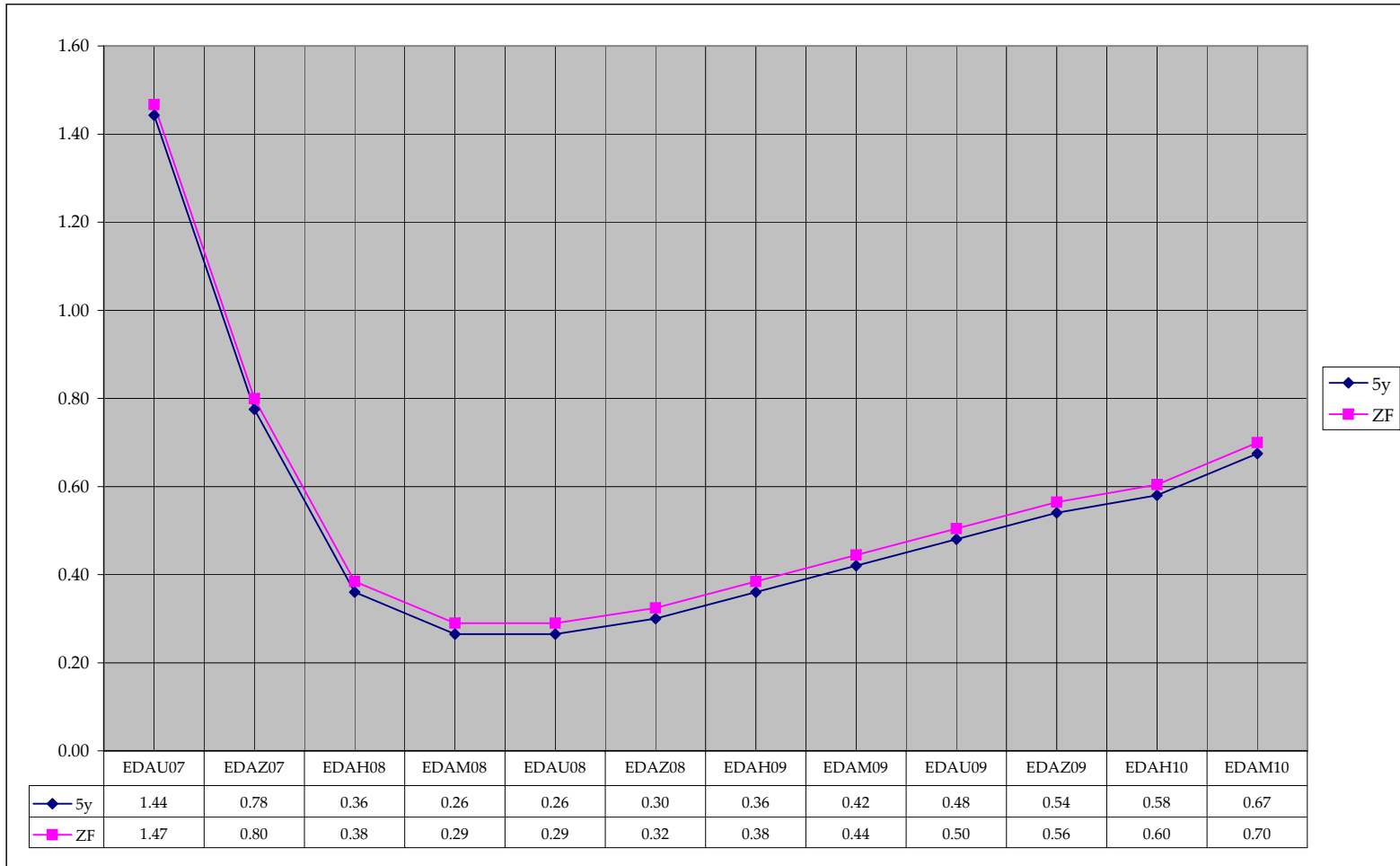
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



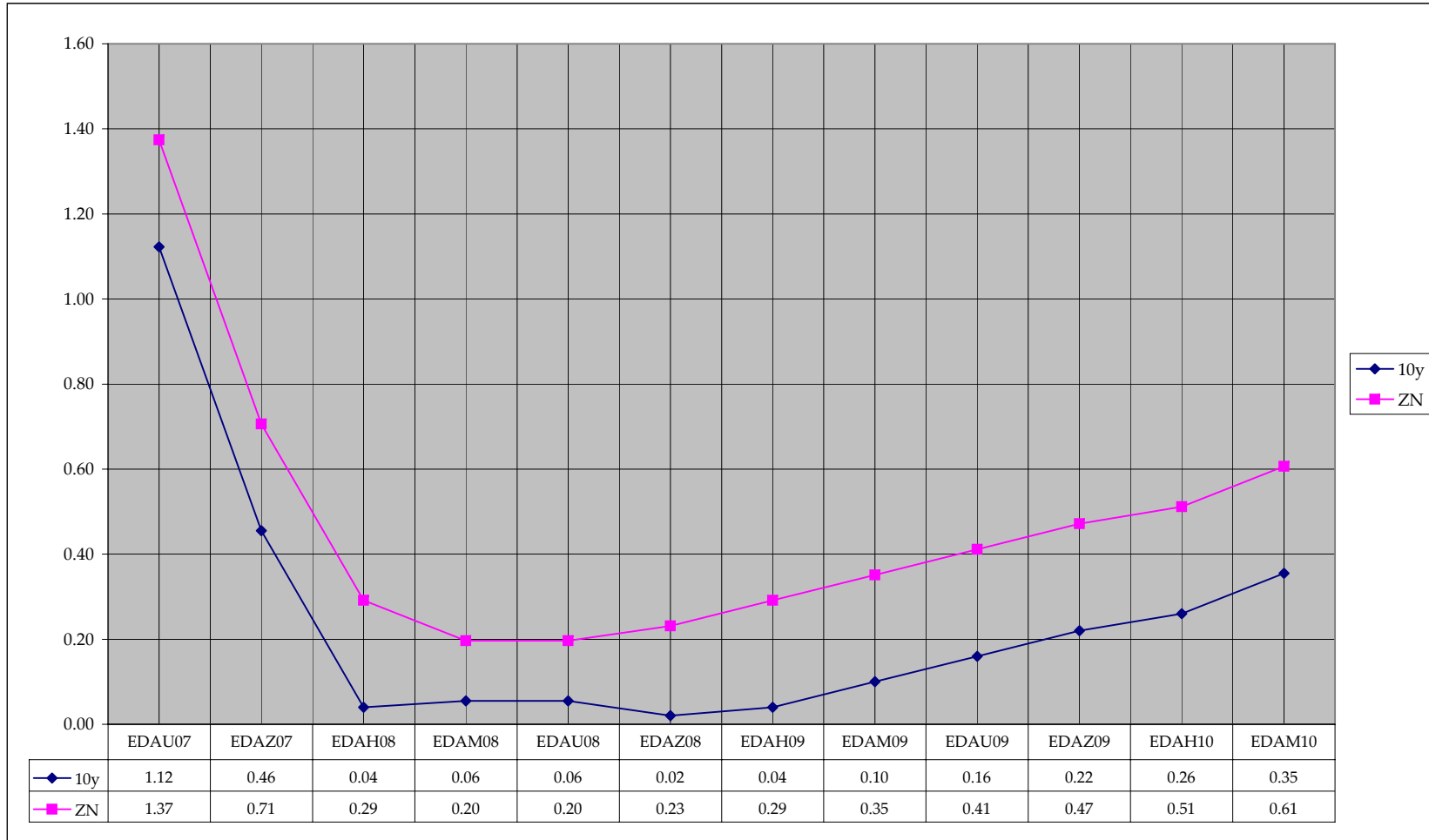
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	5.000	-2.375	9512.938
Q.ED.Red	4.611	0.000	9550.375
Q.ED.Green	4.852	-0.125	9527.125
Q.ED.Blue		-0.375	9505.000
Q.ED.Gold		0.000	9484.000
Q.ED.Purple		0.000	9484.000

