

The Morning Email: TERM TEDS & Dirty TEDS

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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	103.2563	103.082	4.082	1.89
ZF	107.0469	107.015	4.166	4.01
ZN	109.5938	109.190	4.269	5.93
2y	99.875	99.2800	4.063	1.88
5y	99.741	99.2370	4.183	4.45
10y	102.125	102.0400	4.482	7.85

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.388	5.613	10	0.027	SEP	White Pack
EDAZ07	95.040	4.960	101	0.276	DEC	
EDAH08	95.445	4.555	192	0.525	MAR	
EDAM08	95.550	4.450	283	0.775	JUN	Red Pack
EDAU08	95.550	4.450	374	1.024	SEP	
EDAZ08	95.510	4.490	465	1.273	DEC	
EDAH09	95.450	4.550	556	1.523	MAR	
EDAM09	95.380	4.620	647	1.772	JUN	Green Pack
EDAU09	95.330	4.670	738	2.021	SEP	
EDAZ09	95.270	4.730	829	2.271	DEC	
EDAH10	95.235	4.765	920	2.520	MAR	
EDAM10	95.185	4.815	1011	2.769	JUN	Blue Pack
EDAU10	95.120	4.880	1102	3.019	SEP	
EDAZ10	95.055	4.945	1193	3.268	DEC	
EDAH11	95.025	4.975	1284	3.517	MAR	
EDAM11	94.955	5.045	1375	3.766	JUN	Gold Pack
EDAU11	94.925	5.075	1473	4.035	SEP	
EDAZ11	94.865	5.135	1564	4.284	DEC	
EDAH12	94.815	5.185	1655	4.534	MAR	
EDAM12	94.780	5.220	1746	4.783	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	5.024	-0.563	9510.563	Pack Prices
Q.ED.Red	4.643	0.375	9547.250	
Q.ED.Green	4.869	0.000	9525.500	
Q.ED.Blue		0.000	9505.375	
Q.ED.Gold		0.000	9484.500	
Q.ED.Purple		0.000	9484.500	

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

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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

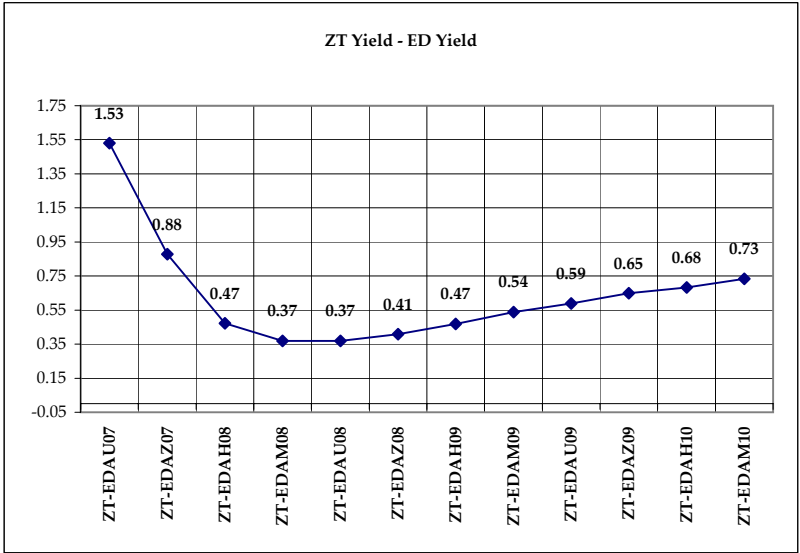
Eurodollar Color Codes for Individual Year Strips:

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

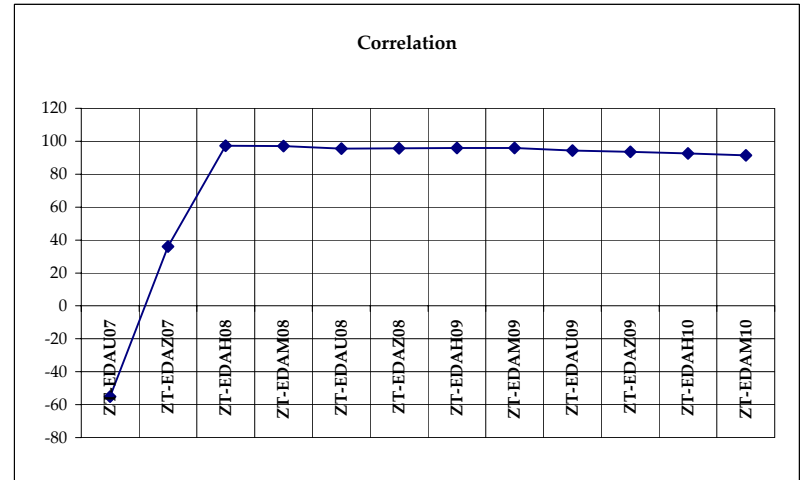
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	8.869	1.53	ZT-EDAU07	-55.057
EDAZ07	8.216	0.88	ZT-EDAZ07	36.092
EDAH08	7.811	0.47	ZT-EDAH08	97.170
EDAM08	7.706	0.37	ZT-EDAM08	97.085
EDAU08	7.706	0.37	ZT-EDAU08	95.556
EDAZ08	7.746	0.41	ZT-EDAZ08	95.671
EDAH09	7.806	0.47	ZT-EDAH09	95.941
EDAM09	7.876	0.54	ZT-EDAM09	95.943
EDAU09	7.926	0.59	ZT-EDAU09	94.328
EDAZ09	7.986	0.65	ZT-EDAZ09	93.565
EDAH10	8.021	0.68	ZT-EDAH10	92.550
EDAM10	8.071	0.73	ZT-EDAM10	91.403

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	0.027	1.89	1.87	ZT-EDAU07
EDAZ07	0.276	1.89	1.62	ZT-EDAZ07
EDAH08	0.525	1.89	1.37	ZT-EDAH08
EDAM08	0.775	1.89	1.12	ZT-EDAM08
EDAU08	1.024	1.89	0.87	ZT-EDAU08
EDAZ08	1.273	1.89	0.62	ZT-EDAZ08
EDAH09	1.523	1.89	0.37	ZT-EDAH09
EDAM09	1.772	1.89	0.12	ZT-EDAM09
EDAU09	2.021	1.89	(0.13)	ZT-EDAU09
EDAZ09	2.271	1.89	(0.38)	ZT-EDAZ09
EDAH10	2.520	1.89	(0.63)	ZT-EDAH10
EDAM10	2.769	1.89	(0.88)	ZT-EDAM10

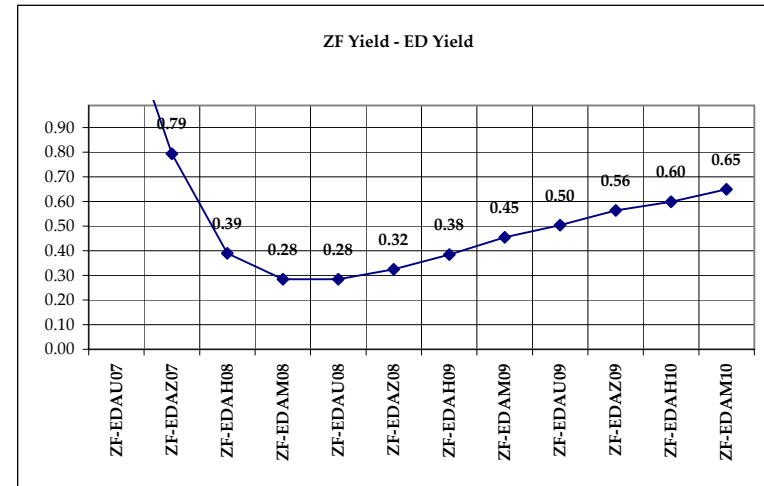
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	12.66	1.45	ZF-EDAU07	-66.366
EDAZ07	12.01	0.79	ZF-EDAZ07	25.087
EDAH08	11.60	0.39	ZF-EDAH08	95.005
EDAM08	11.50	0.28	ZF-EDAM08	97.821
EDAU08	11.50	0.28	ZF-EDAU08	97.855
EDAZ08	11.54	0.32	ZF-EDAZ08	98.259
EDAH09	11.60	0.38	ZF-EDAH09	98.376
EDAM09	11.67	0.45	ZF-EDAM09	98.582
EDAU09	11.72	0.50	ZF-EDAU09	97.942
EDAZ09	11.78	0.56	ZF-EDAZ09	97.507
EDAH10	11.81	0.60	ZF-EDAH10	96.557
EDAM10	11.86	0.65	ZF-EDAM10	95.419

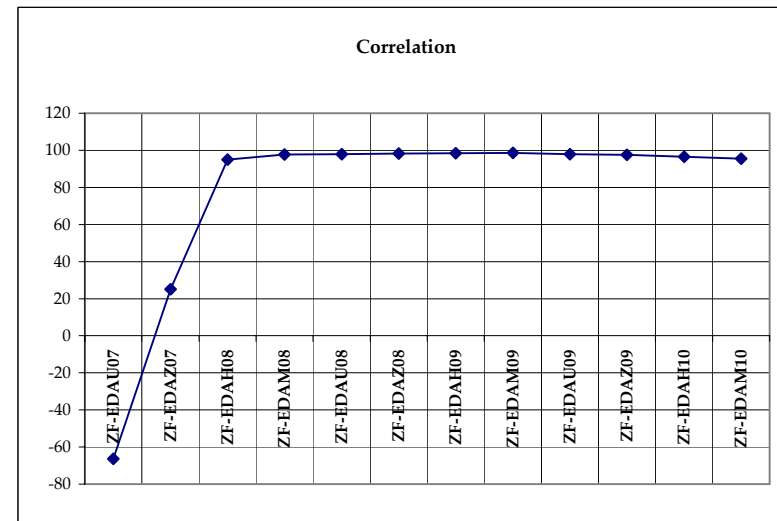
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.027	4.01	ZF-EDAU07
EDAZ07	0.276	4.01	ZF-EDAZ07
EDAH08	0.525	4.01	ZF-EDAH08
EDAM08	0.775	4.01	ZF-EDAM08
EDAU08	1.024	4.01	ZF-EDAU08
EDAZ08	1.273	4.01	ZF-EDAZ08
EDAH09	1.523	4.01	ZF-EDAH09
EDAM09	1.772	4.01	ZF-EDAM09
EDAU09	2.021	4.01	ZF-EDAU09
EDAZ09	2.271	4.01	ZF-EDAZ09
EDAH10	2.520	4.01	ZF-EDAH10
EDAM10	2.769	4.01	ZF-EDAM10

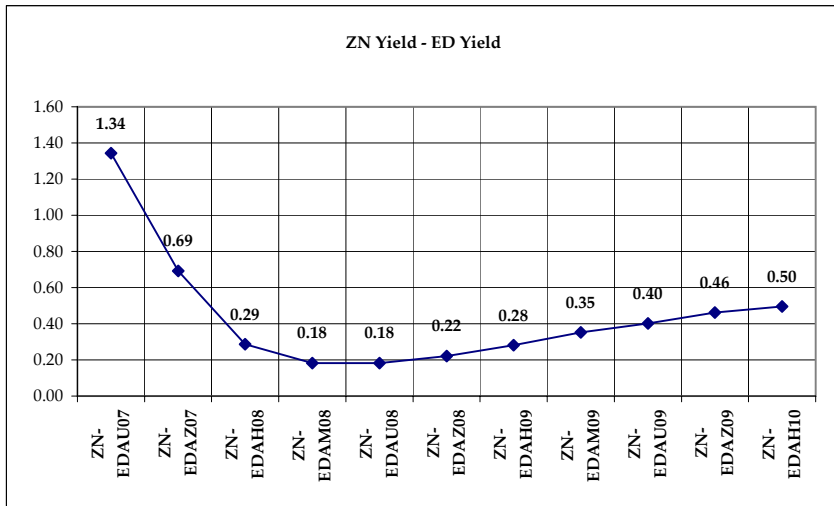
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

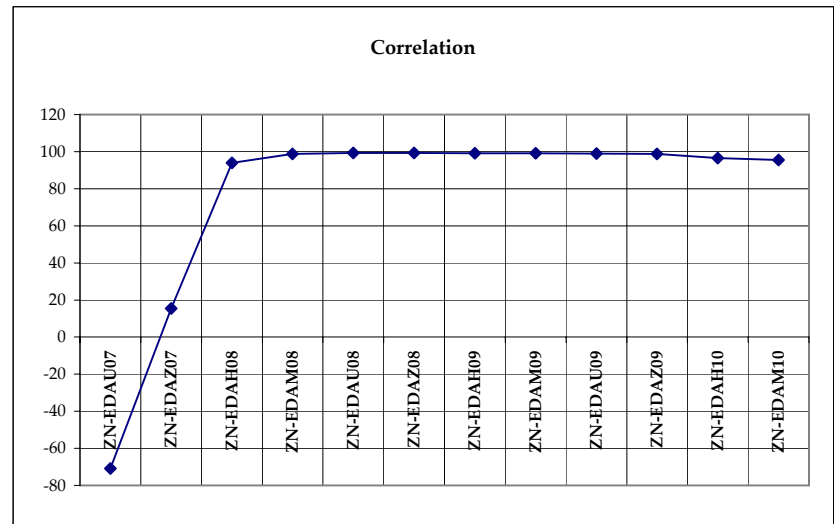
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	15.21	1.34	ZN-EDAU07	-70.92
EDAZ07	14.55	0.69	ZN-EDAZ07	15.37
EDAH08	14.15	0.29	ZN-EDAH08	93.86
EDAM08	14.04	0.18	ZN-EDAM08	98.74
EDAU08	14.04	0.18	ZN-EDAU08	99.22
EDAZ08	14.08	0.22	ZN-EDAZ08	99.24
EDAH09	14.14	0.28	ZN-EDAH09	99.07
EDAM09	14.21	0.35	ZN-EDAM09	99.13
EDAU09	14.26	0.40	ZN-EDAU09	98.95
EDAZ09	14.32	0.46	ZN-EDAZ09	98.85
EDAH10	14.36	0.50	ZN-EDAH10	96.56
EDAM10	14.41	0.55	ZN-EDAM10	95.42

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	0.027	5.93	5.90	ZN-EDAU07
EDAZ07	0.276	5.93	5.65	ZN-EDAZ07
EDAH08	0.525	5.93	5.40	ZN-EDAH08
EDAM08	0.775	5.93	5.15	ZN-EDAM08
EDAU08	1.024	5.93	4.90	ZN-EDAU08
EDAZ08	1.273	5.93	4.65	ZN-EDAZ08
EDAH09	1.523	5.93	4.40	ZN-EDAH09
EDAM09	1.772	5.93	4.15	ZN-EDAM09
EDAU09	2.021	5.93	3.90	ZN-EDAU09
EDAZ09	2.271	5.93	3.66	ZN-EDAZ09
EDAH10	2.520	5.93	3.41	ZN-EDAH10
EDAM10	2.769	5.93	3.16	ZN-EDAM10

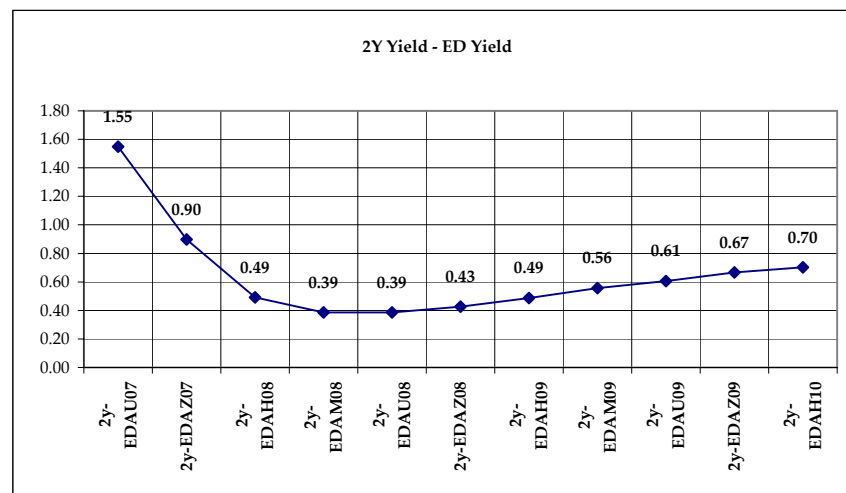
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.49	1.55	2y-EDAU07	58.608
EDAZ07	4.83	0.90	2y-EDAZ07	-32.017
EDAH08	4.43	0.49	2y-EDAH08	-95.975
EDAM08	4.33	0.39	2y-EDAM08	-94.992
EDAU08	4.33	0.39	2y-EDAU08	-93.491
EDAZ08	4.36	0.43	2y-EDAZ08	-94.992
EDAH09	4.43	0.49	2y-EDAH09	-94.087
EDAM09	4.50	0.56	2y-EDAM09	-94.512
EDAU09	4.55	0.61	2y-EDAU09	-93.245
EDAZ09	4.61	0.67	2y-EDAZ09	-92.873
EDAH10	4.64	0.70	2y-EDAH10	-92.410
EDAM10	4.69	0.75	2y-EDAM10	-91.528

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.

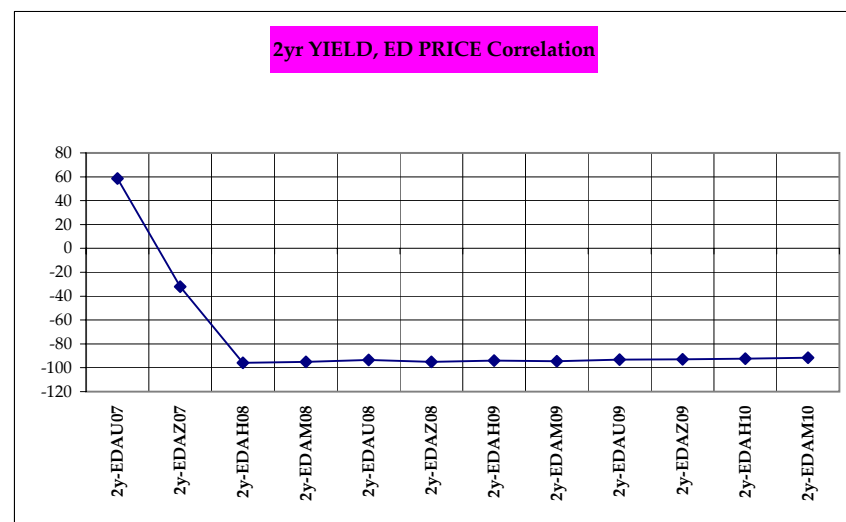


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.027	1.88	2y-EDAU07
EDAZ07	0.276	1.88	2y-EDAZ07
EDAH08	0.525	1.88	2y-EDAH08
EDAM08	0.775	1.88	2y-EDAM08
EDAU08	1.024	1.88	2y-EDAU08
EDAZ08	1.273	1.88	2y-EDAZ08
EDAH09	1.523	1.88	2y-EDAH09
EDAM09	1.772	1.88	2y-EDAM09
EDAU09	2.021	1.88	2y-EDAU09
EDAZ09	2.271	1.88	2y-EDAZ09
EDAH10	2.520	1.88	2y-EDAH10
EDAM10	2.769	1.88	2y-EDAM10

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

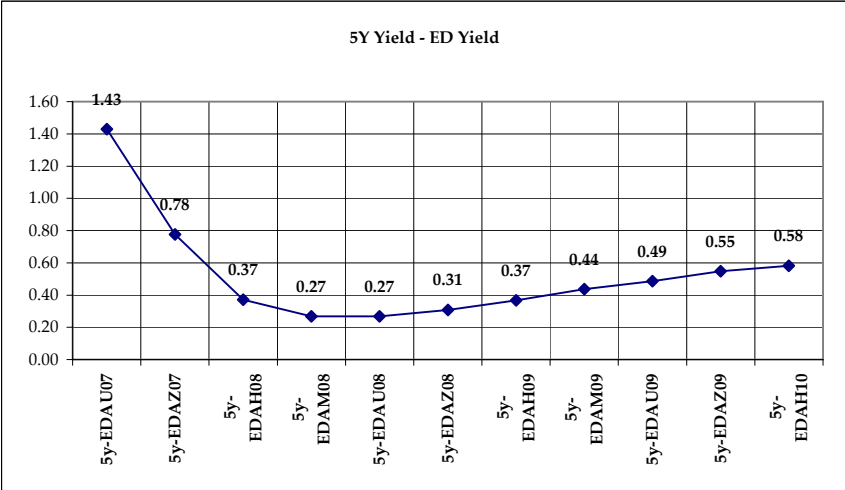
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.35	1.43	5y-EDAU07	64.519
EDAZ07	4.70	0.78	5y-EDAZ07	-24.623
EDAH08	4.30	0.37	5y-EDAH08	-94.461
EDAM08	4.19	0.27	5y-EDAM08	-95.122
EDAU08	4.19	0.27	5y-EDAU08	-94.459
EDAZ08	4.23	0.31	5y-EDAZ08	-95.122
EDAH09	4.29	0.37	5y-EDAH09	-94.787
EDAM09	4.36	0.44	5y-EDAM09	-95.310
EDAU09	4.41	0.49	5y-EDAU09	-94.915
EDAZ09	4.47	0.55	5y-EDAZ09	-94.805
EDAH10	4.51	0.58	5y-EDAH10	-94.702
EDAM10	4.56	0.63	5y-EDAM10	-94.037

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

	GE Duration as Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.027	4.45	4.42	5y-EDAU07
EDAZ07	0.276	4.45	4.17	5y-EDAZ07
EDAH08	0.525	4.45	3.92	5y-EDAH08
EDAM08	0.775	4.45	3.67	5y-EDAM08
EDAU08	1.024	4.45	3.42	5y-EDAU08
EDAZ08	1.273	4.45	3.17	5y-EDAZ08
EDAH09	1.523	4.45	2.93	5y-EDAH09
EDAM09	1.772	4.45	2.68	5y-EDAM09
EDAU09	2.021	4.45	2.43	5y-EDAU09
EDAZ09	2.271	4.45	2.18	5y-EDAZ09
EDAH10	2.520	4.45	1.93	5y-EDAH10
EDAM10	2.769	4.45	1.68	5y-EDAM10

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

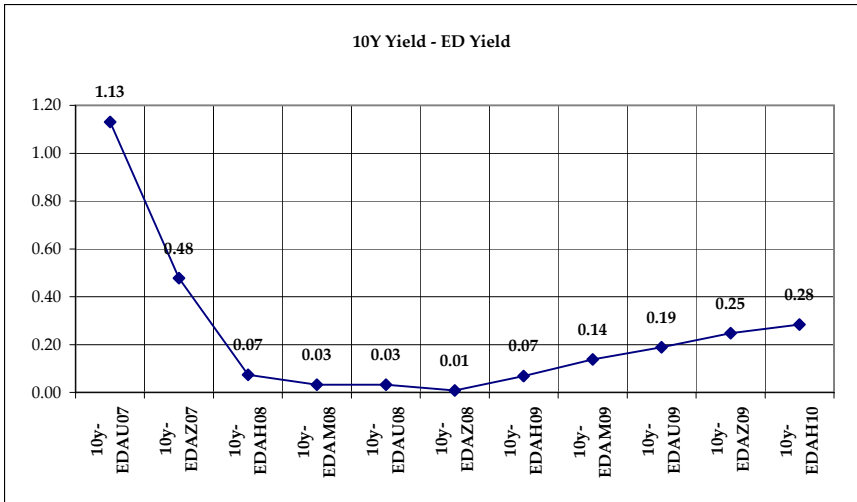
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

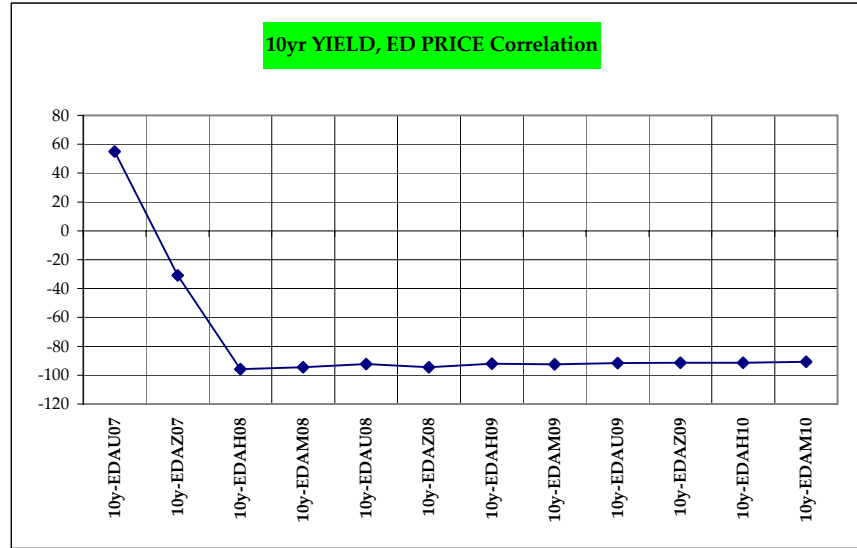
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.35	1.13	10y-EDAU07	54.970
EDAZ07	4.70	0.48	10y-EDAZ07	-30.849
EDAH08	4.30	0.07	10y-EDAH08	-95.790
EDAM08	4.19	0.03	10y-EDAM08	-94.481
EDAU08	4.19	0.03	10y-EDAU08	-92.355
EDAZ08	4.23	0.01	10y-EDAZ08	-94.481
EDAH09	4.29	0.07	10y-EDAH09	-92.027
EDAM09	4.36	0.14	10y-EDAM09	-92.461
EDAU09	4.41	0.19	10y-EDAU09	-91.726
EDAZ09	4.47	0.25	10y-EDAZ09	-91.351
EDAH10	4.51	0.28	10y-EDAH10	-91.389
EDAM10	4.56	0.33	10y-EDAM10	-90.784

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	0.027	7.85	7.83	10y-EDAU07
EDAZ07	0.276	7.85	7.58	10y-EDAZ07
EDAH08	0.525	7.85	7.33	10y-EDAH08
EDAM08	0.775	7.85	7.08	10y-EDAM08
EDAU08	1.024	7.85	6.83	10y-EDAU08
EDAZ08	1.273	7.85	6.58	10y-EDAZ08
EDAH09	1.523	7.85	6.33	10y-EDAH09
EDAM09	1.772	7.85	6.08	10y-EDAM09
EDAU09	2.021	7.85	5.83	10y-EDAU09
EDAZ09	2.271	7.85	5.58	10y-EDAZ09
EDAH10	2.520	7.85	5.33	10y-EDAH10
EDAM10	2.769	7.85	5.08	10y-EDAM10

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

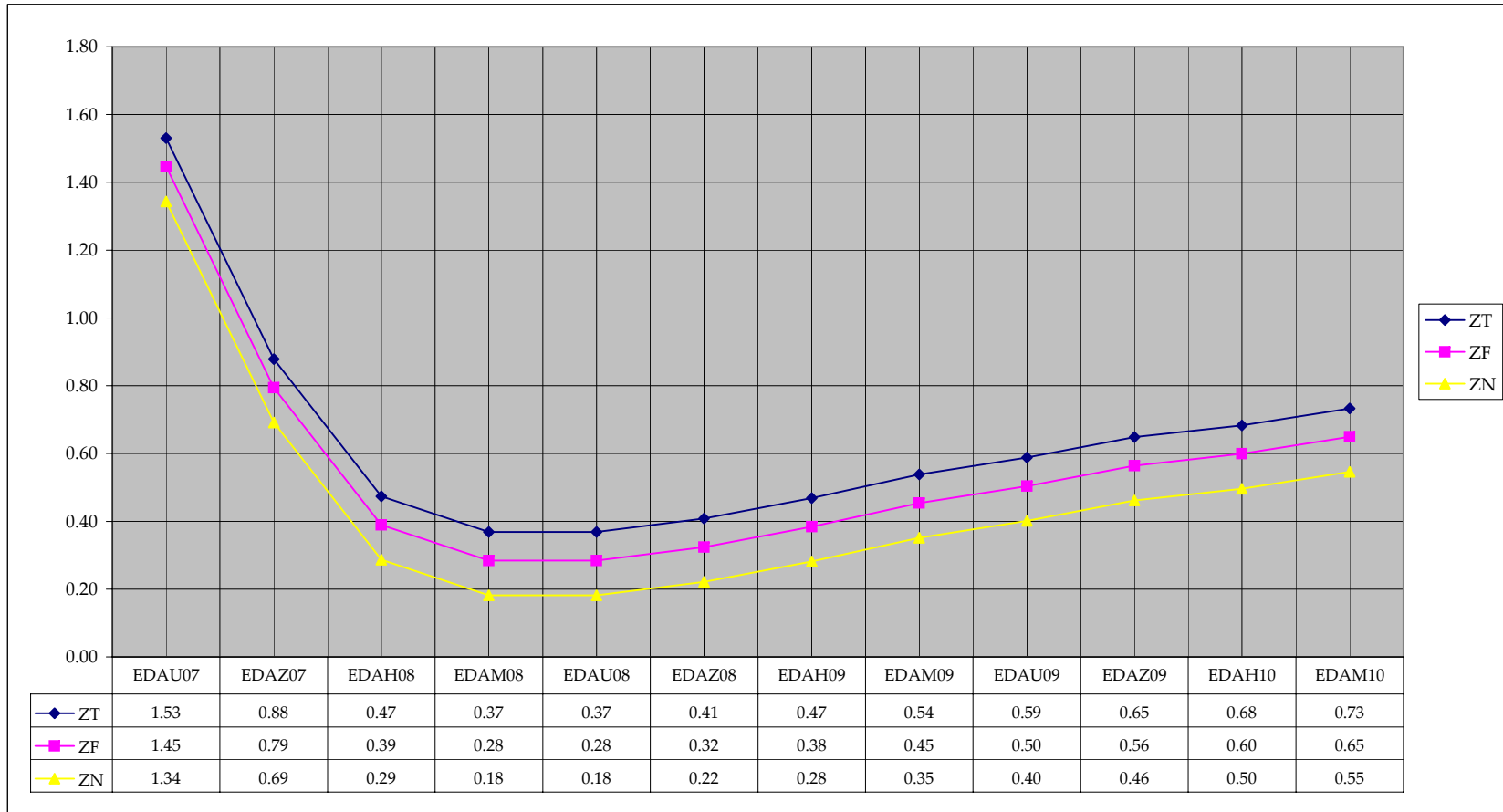


Dirty TED Curve

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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.

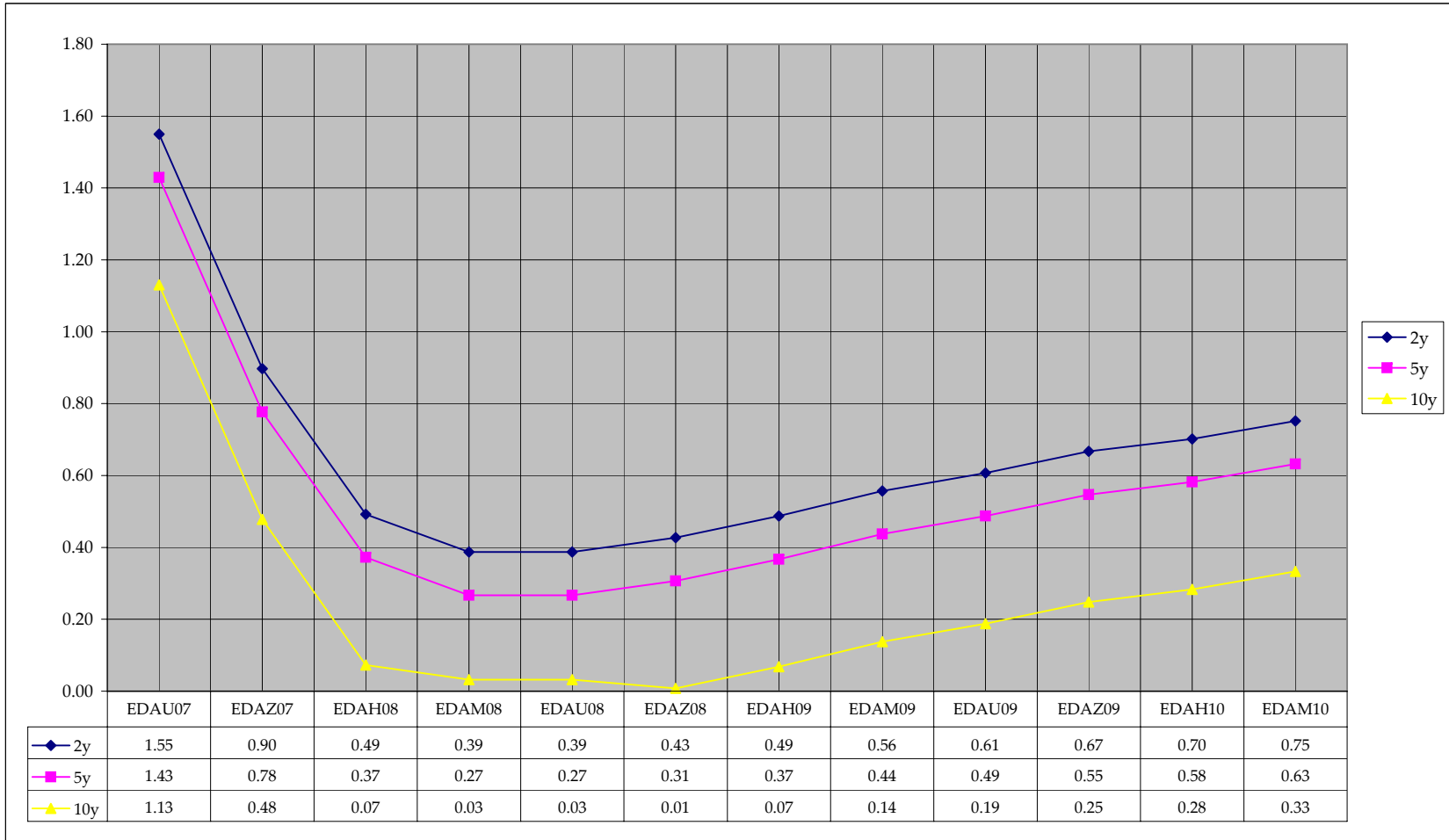


TED Curve

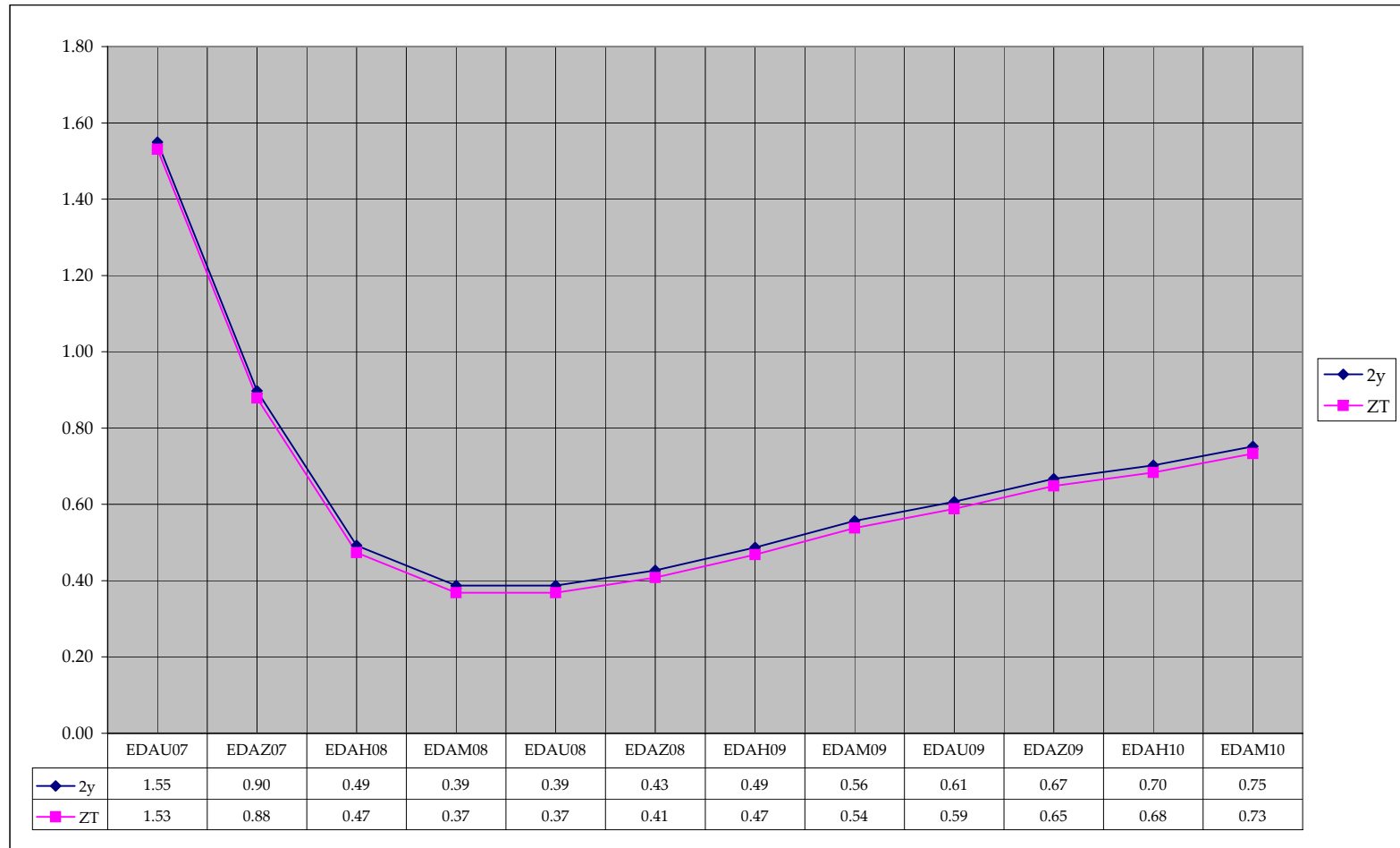
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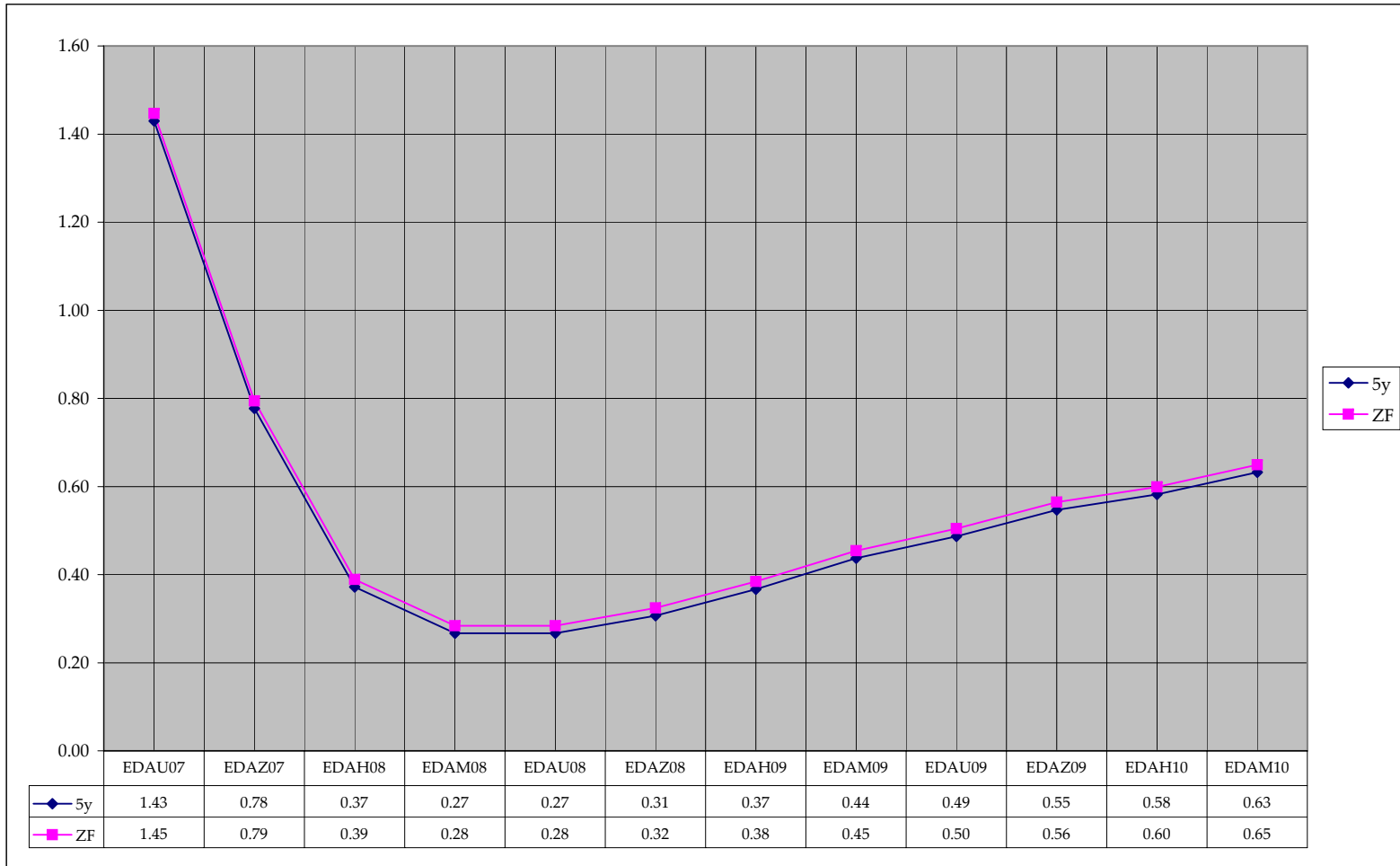
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



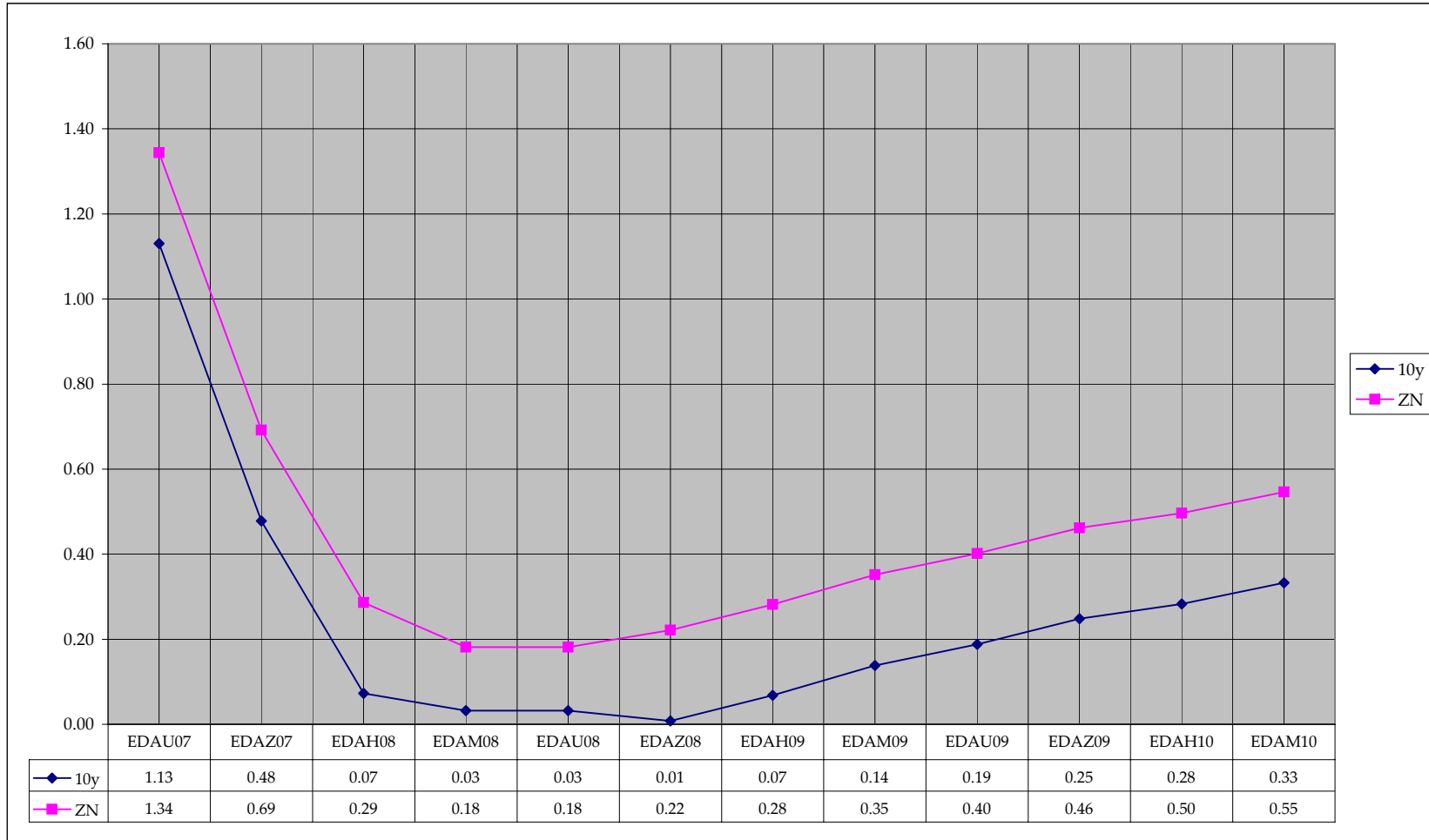
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

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	last Yield	Net Last Yield	Last Price
Q.ED.White	5.024	-0.563	9510.563
Q.ED.Red	4.643	0.375	9547.250
Q.ED.Green	4.869	0.000	9525.500
Q.ED.Blue		0.000	9505.375
Q.ED.Gold		0.000	9484.500
Q.ED.Purple		0.000	9484.500

