

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	103.4375	103.140	4.005	1.91	
ZF	107.2188	107.070	4.131	3.99	
ZN	109.9531	109.305	4.238	5.91	
2y	99.984	99.3150	4.004	1.86	
5y	99.881	99.2820	4.150	4.43	
10y	102.375	102.1200	4.449	7.84	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAU07	94.393	5.608	3	0.008	SEP	White Pack	
EDAZ07	95.100	4.900	94	0.257	DEC		
EDAH08	95.490	4.510	185	0.506	MAR		
EDAM08	95.620	4.380	276	0.755	JUN	Red Pack	
EDAU08	95.650	4.350	367	1.005	SEP		
EDAZ08	95.630	4.370	458	1.254	DEC		
EDAH09	95.575	4.425	549	1.503	MAR		
EDAM09	95.500	4.500	640	1.753	JUN	Green Pack	
EDAU09	95.420	4.580	731	2.002	SEP		
EDAZ09	95.350	4.650	822	2.251	DEC		
EDAH10	95.300	4.700	913	2.501	MAR		
EDAM10	95.245	4.755	1004	2.750	JUN	Blue Pack	
EDAU10	95.185	4.815	1095	2.999	SEP		
EDAZ10	95.095	4.905	1186	3.249	DEC		
EDAH11	95.050	4.950	1277	3.498	MAR		
EDAM11	95.010	4.990	1368	3.747	JUN	Gold Pack	
EDAU11	94.965	5.035	1466	4.016	SEP		
EDAZ11	94.950	5.050	1557	4.265	DEC		
EDAH12	94.825	5.175	1648	4.514	MAR		
EDAM12	94.770	5.230	1739	4.764	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	4.978	3.750	9515.063	Pack Prices
Q.ED.Red	4.522	4.750	9558.875	
Q.ED.Green	4.792	3.125	9532.875	
Q.ED.Blue		0.000	9508.000	
Q.ED.Gold		0.000	9486.250	
Q.ED.Purple		0.000	9486.250	

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

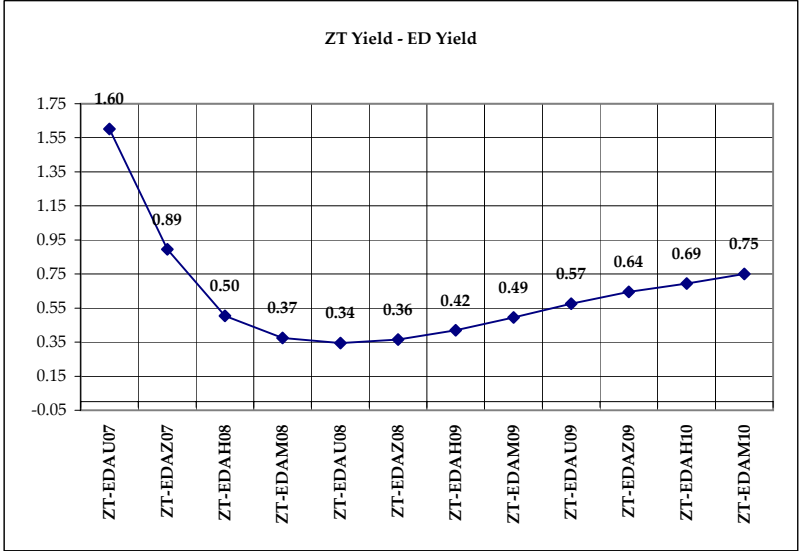
Eurodollar Color Codes for Individual Year Strips:

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

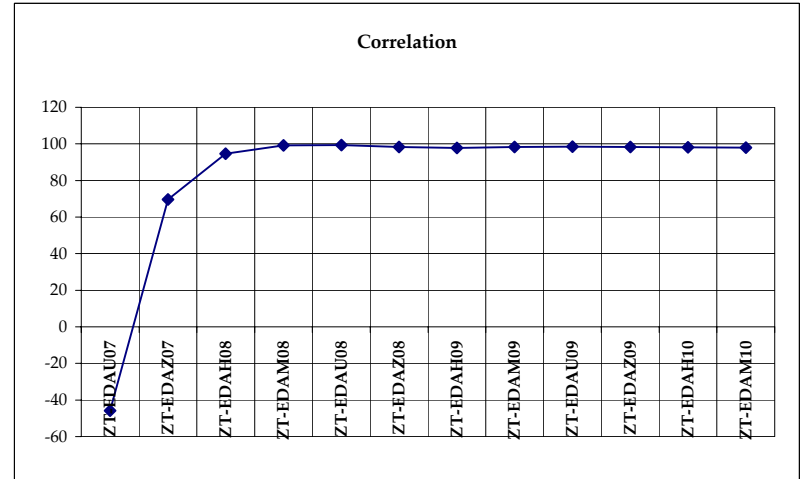
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.045	1.60	ZT-EDAU07	-45.918
EDAZ07	8.337	0.89	ZT-EDAZ07	69.605
EDAH08	7.947	0.50	ZT-EDAH08	94.663
EDAM08	7.818	0.37	ZT-EDAM08	99.125
EDAU08	7.787	0.34	ZT-EDAU08	99.356
EDAZ08	7.808	0.36	ZT-EDAZ08	98.378
EDAH09	7.863	0.42	ZT-EDAH09	97.778
EDAM09	7.938	0.49	ZT-EDAM09	98.308
EDAU09	8.018	0.57	ZT-EDAU09	98.476
EDAZ09	8.087	0.64	ZT-EDAZ09	98.342
EDAH10	8.138	0.69	ZT-EDAH10	98.115
EDAM10	8.193	0.75	ZT-EDAM10	97.885

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	0.008	1.91	1.90	ZT-EDAU07
EDAZ07	0.257	1.91	1.65	ZT-EDAZ07
EDAH08	0.506	1.91	1.40	ZT-EDAH08
EDAM08	0.755	1.91	1.15	ZT-EDAM08
EDAU08	1.005	1.91	0.90	ZT-EDAU08
EDAZ08	1.254	1.91	0.65	ZT-EDAZ08
EDAH09	1.503	1.91	0.40	ZT-EDAH09
EDAM09	1.753	1.91	0.15	ZT-EDAM09
EDAU09	2.002	1.91	(0.10)	ZT-EDAU09
EDAZ09	2.251	1.91	(0.34)	ZT-EDAZ09
EDAH10	2.501	1.91	(0.59)	ZT-EDAH10
EDAM10	2.750	1.91	(0.84)	ZT-EDAM10

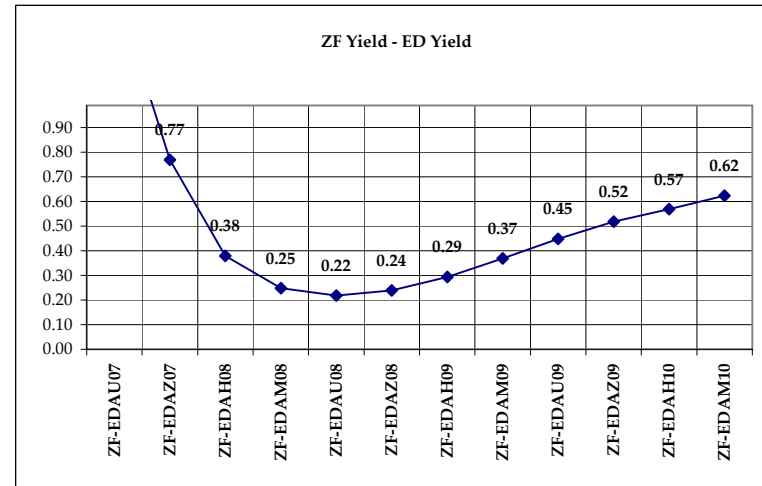
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	12.83	1.48	ZF-EDAU07	-37.632
EDAZ07	12.12	0.77	ZF-EDAZ07	74.407
EDAH08	11.73	0.38	ZF-EDAH08	96.757
EDAM08	11.60	0.25	ZF-EDAM08	98.551
EDAU08	11.57	0.22	ZF-EDAU08	96.912
EDAZ08	11.59	0.24	ZF-EDAZ08	94.897
EDAH09	11.64	0.29	ZF-EDAH09	94.005
EDAM09	11.72	0.37	ZF-EDAM09	95.200
EDAU09	11.80	0.45	ZF-EDAU09	96.756
EDAZ09	11.87	0.52	ZF-EDAZ09	97.291
EDAH10	11.92	0.57	ZF-EDAH10	97.637
EDAM10	11.97	0.62	ZF-EDAM10	97.565

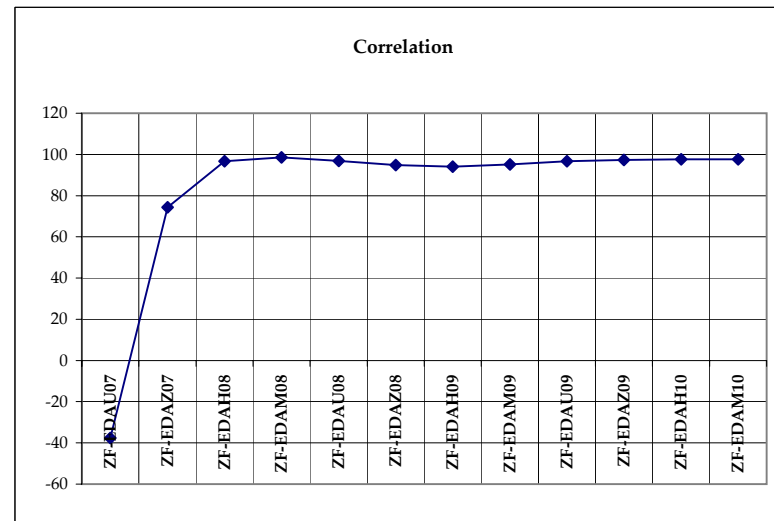
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAU07	0.008	3.99	3.98
EDAZ07	0.257	3.99	3.73
EDAH08	0.506	3.99	3.48
EDAM08	0.755	3.99	3.23
EDAU08	1.005	3.99	2.98
EDAZ08	1.254	3.99	2.74
EDAH09	1.503	3.99	2.49
EDAM09	1.753	3.99	2.24
EDAU09	2.002	3.99	1.99
EDAZ09	2.251	3.99	1.74
EDAH10	2.501	3.99	1.49
EDAM10	2.750	3.99	1.24

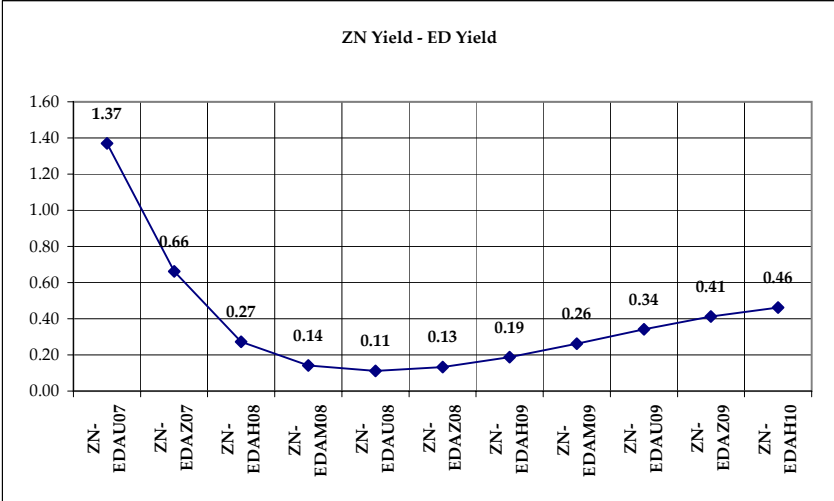
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

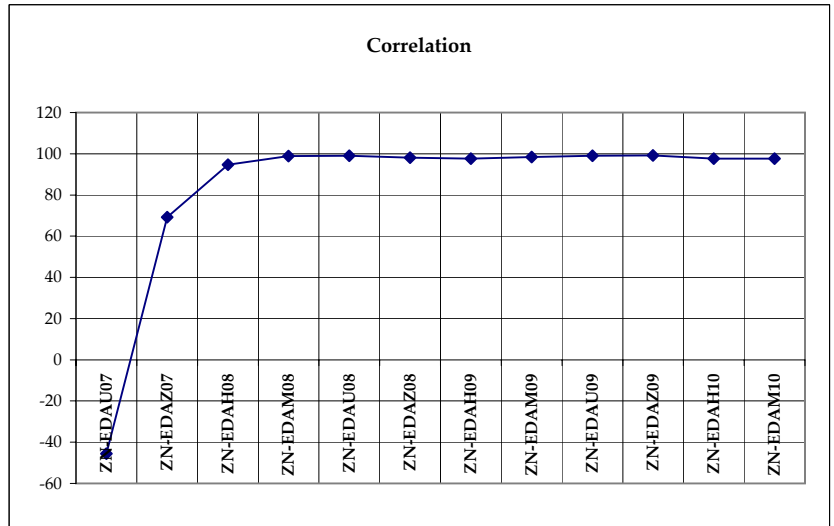
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	15.56	1.37	ZN-EDAU07	-45.51
EDAZ07	14.85	0.66	ZN-EDAZ07	69.25
EDAH08	14.46	0.27	ZN-EDAH08	94.66
EDAM08	14.33	0.14	ZN-EDAM08	98.81
EDAU08	14.30	0.11	ZN-EDAU08	99.02
EDAZ08	14.32	0.13	ZN-EDAZ08	98.16
EDAH09	14.38	0.19	ZN-EDAH09	97.64
EDAM09	14.45	0.26	ZN-EDAM09	98.36
EDAU09	14.53	0.34	ZN-EDAU09	99.07
EDAZ09	14.60	0.41	ZN-EDAZ09	99.21
EDAH10	14.65	0.46	ZN-EDAH10	97.64
EDAM10	14.71	0.52	ZN-EDAM10	97.56

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	0.008	5.91	5.90	ZN-EDAU07
EDAZ07	0.257	5.91	5.65	ZN-EDAZ07
EDAH08	0.506	5.91	5.41	ZN-EDAH08
EDAM08	0.755	5.91	5.16	ZN-EDAM08
EDAU08	1.005	5.91	4.91	ZN-EDAU08
EDAZ08	1.254	5.91	4.66	ZN-EDAZ08
EDAH09	1.503	5.91	4.41	ZN-EDAH09
EDAM09	1.753	5.91	4.16	ZN-EDAM09
EDAU09	2.002	5.91	3.91	ZN-EDAU09
EDAZ09	2.251	5.91	3.66	ZN-EDAZ09
EDAH10	2.501	5.91	3.41	ZN-EDAH10
EDAM10	2.750	5.91	3.16	ZN-EDAM10

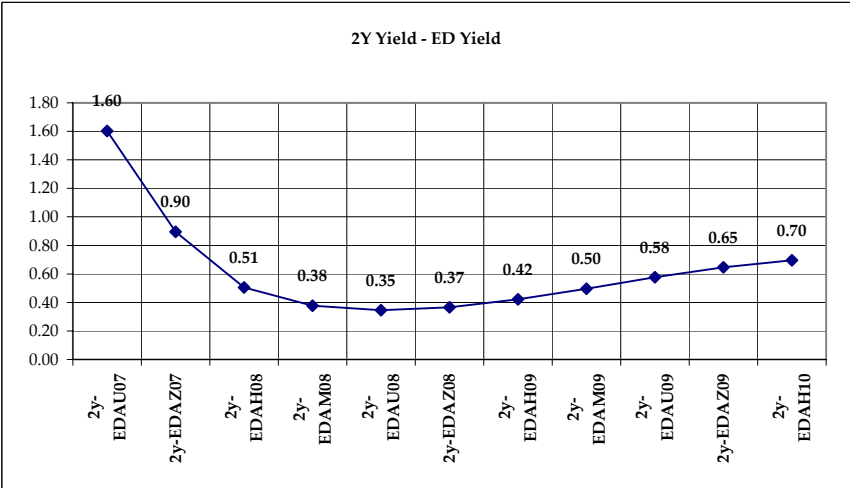
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.59	1.60	2y-EDAU07	42.944
EDAZ07	4.88	0.90	2y-EDAZ07	-70.551
EDAH08	4.49	0.51	2y-EDAH08	-94.921
EDAM08	4.36	0.38	2y-EDAM08	-98.464
EDAU08	4.33	0.35	2y-EDAU08	-98.036
EDAZ08	4.35	0.37	2y-EDAZ08	-98.464
EDAH09	4.41	0.42	2y-EDAH09	-96.411
EDAM09	4.48	0.50	2y-EDAM09	-97.204
EDAU09	4.56	0.58	2y-EDAU09	-97.880
EDAZ09	4.63	0.65	2y-EDAZ09	-97.883
EDAH10	4.68	0.70	2y-EDAH10	-97.756
EDAM10	4.74	0.75	2y-EDAM10	-97.586

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.

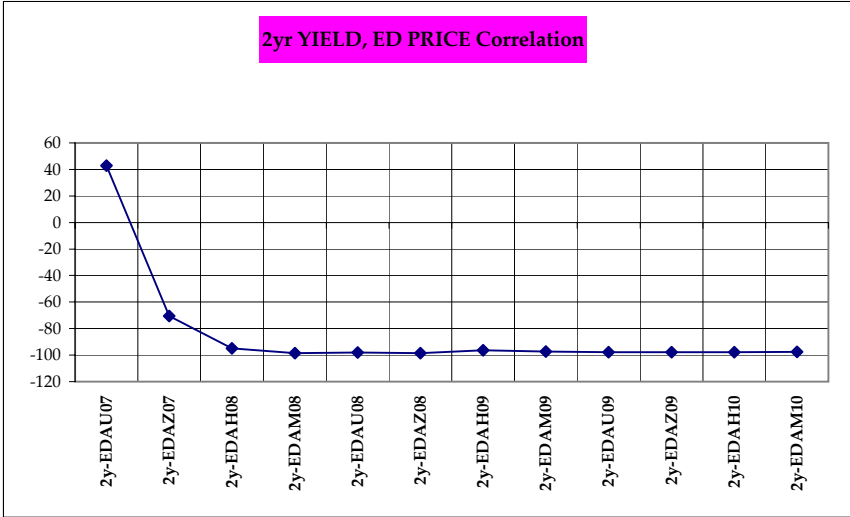


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	0.008	1.86	2y-EDAU07
EDAZ07	0.257	1.86	2y-EDAZ07
EDAH08	0.506	1.86	2y-EDAH08
EDAM08	0.755	1.86	2y-EDAM08
EDAU08	1.005	1.86	2y-EDAU08
EDAZ08	1.254	1.86	2y-EDAZ08
EDAH09	1.503	1.86	2y-EDAH09
EDAM09	1.753	1.86	2y-EDAM09
EDAU09	2.002	1.86	2y-EDAU09
EDAZ09	2.251	1.86	2y-EDAZ09
EDAH10	2.501	1.86	2y-EDAH10
EDAM10	2.750	1.86	2y-EDAM10

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

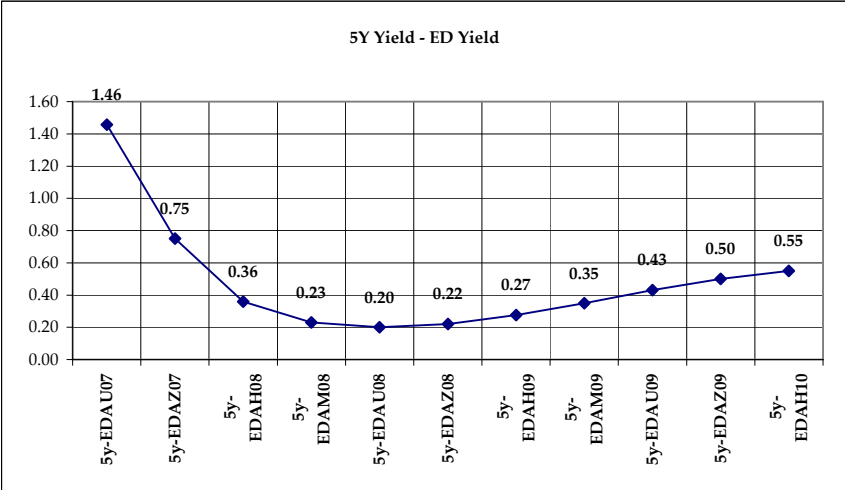
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.49	1.46	5y-EDAU07	36.138
EDAZ07	4.78	0.75	5y-EDAZ07	-74.804
EDAH08	4.39	0.36	5y-EDAH08	-96.248
EDAM08	4.26	0.23	5y-EDAM08	-97.960
EDAU08	4.23	0.20	5y-EDAU08	-96.483
EDAZ08	4.25	0.22	5y-EDAZ08	-97.960
EDAH09	4.31	0.27	5y-EDAH09	-94.109
EDAM09	4.38	0.35	5y-EDAM09	-95.397
EDAU09	4.46	0.43	5y-EDAU09	-97.023
EDAZ09	4.53	0.50	5y-EDAZ09	-97.440
EDAH10	4.58	0.55	5y-EDAH10	-97.644
EDAM10	4.64	0.60	5y-EDAM10	-97.643

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.

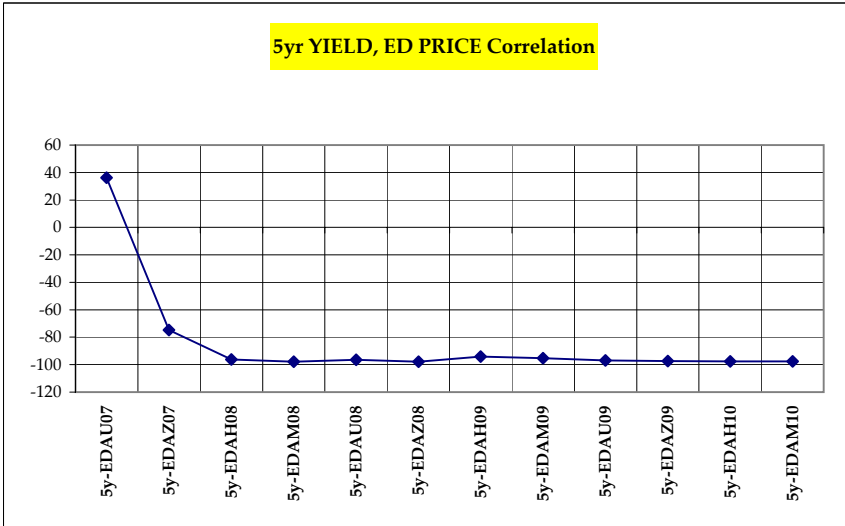


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAU07	0.008	4.43	5y-EDAU07
EDAZ07	0.257	4.43	5y-EDAZ07
EDAH08	0.506	4.43	5y-EDAH08
EDAM08	0.755	4.43	5y-EDAM08
EDAU08	1.005	4.43	5y-EDAU08
EDAZ08	1.254	4.43	5y-EDAZ08
EDAH09	1.503	4.43	5y-EDAH09
EDAM09	1.753	4.43	5y-EDAM09
EDAU09	2.002	4.43	5y-EDAU09
EDAZ09	2.251	4.43	5y-EDAZ09
EDAH10	2.501	4.43	5y-EDAH10
EDAM10	2.750	4.43	5y-EDAM10

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

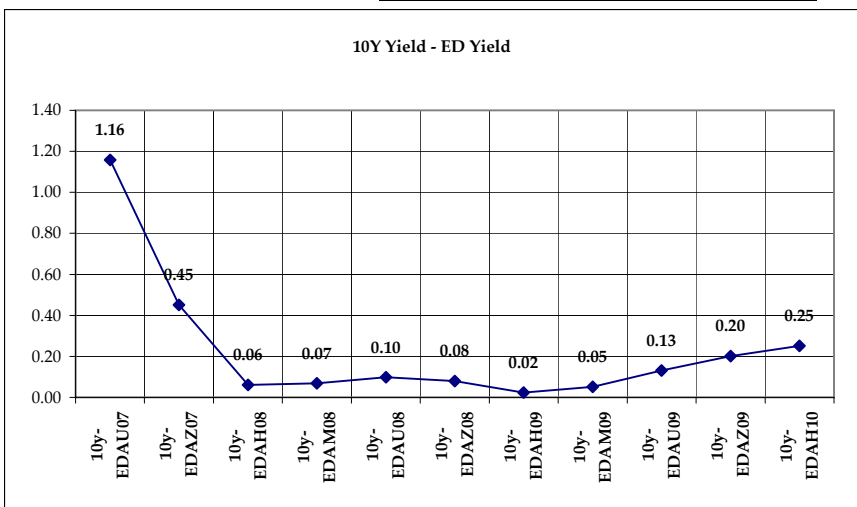
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

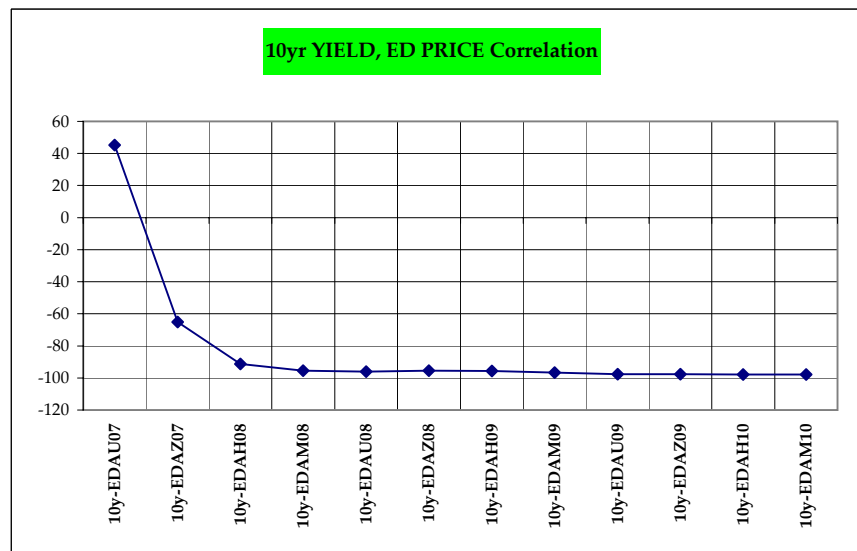
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.49	1.16	10y-EDAU07	45.263
EDAZ07	4.78	0.45	10y-EDAZ07	-65.084
EDAH08	4.39	0.06	10y-EDAH08	-91.181
EDAM08	4.26	0.07	10y-EDAM08	-95.464
EDAU08	4.23	0.10	10y-EDAU08	-96.062
EDAZ08	4.25	0.08	10y-EDAZ08	-95.464
EDAH09	4.31	0.02	10y-EDAH09	-95.719
EDAM09	4.38	0.05	10y-EDAM09	-96.663
EDAU09	4.46	0.13	10y-EDAU09	-97.663
EDAZ09	4.53	0.20	10y-EDAZ09	-97.720
EDAH10	4.58	0.25	10y-EDAH10	-97.811
EDAM10	4.64	0.31	10y-EDAM10	-97.789

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	0.008	7.84	7.83	10y-EDAU07
EDAZ07	0.257	7.84	7.58	10y-EDAZ07
EDAH08	0.506	7.84	7.33	10y-EDAH08
EDAM08	0.755	7.84	7.08	10y-EDAM08
EDAU08	1.005	7.84	6.83	10y-EDAU08
EDAZ08	1.254	7.84	6.58	10y-EDAZ08
EDAH09	1.503	7.84	6.33	10y-EDAH09
EDAM09	1.753	7.84	6.09	10y-EDAM09
EDAU09	2.002	7.84	5.84	10y-EDAU09
EDAZ09	2.251	7.84	5.59	10y-EDAZ09
EDAH10	2.501	7.84	5.34	10y-EDAH10
EDAM10	2.750	7.84	5.09	10y-EDAM10

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

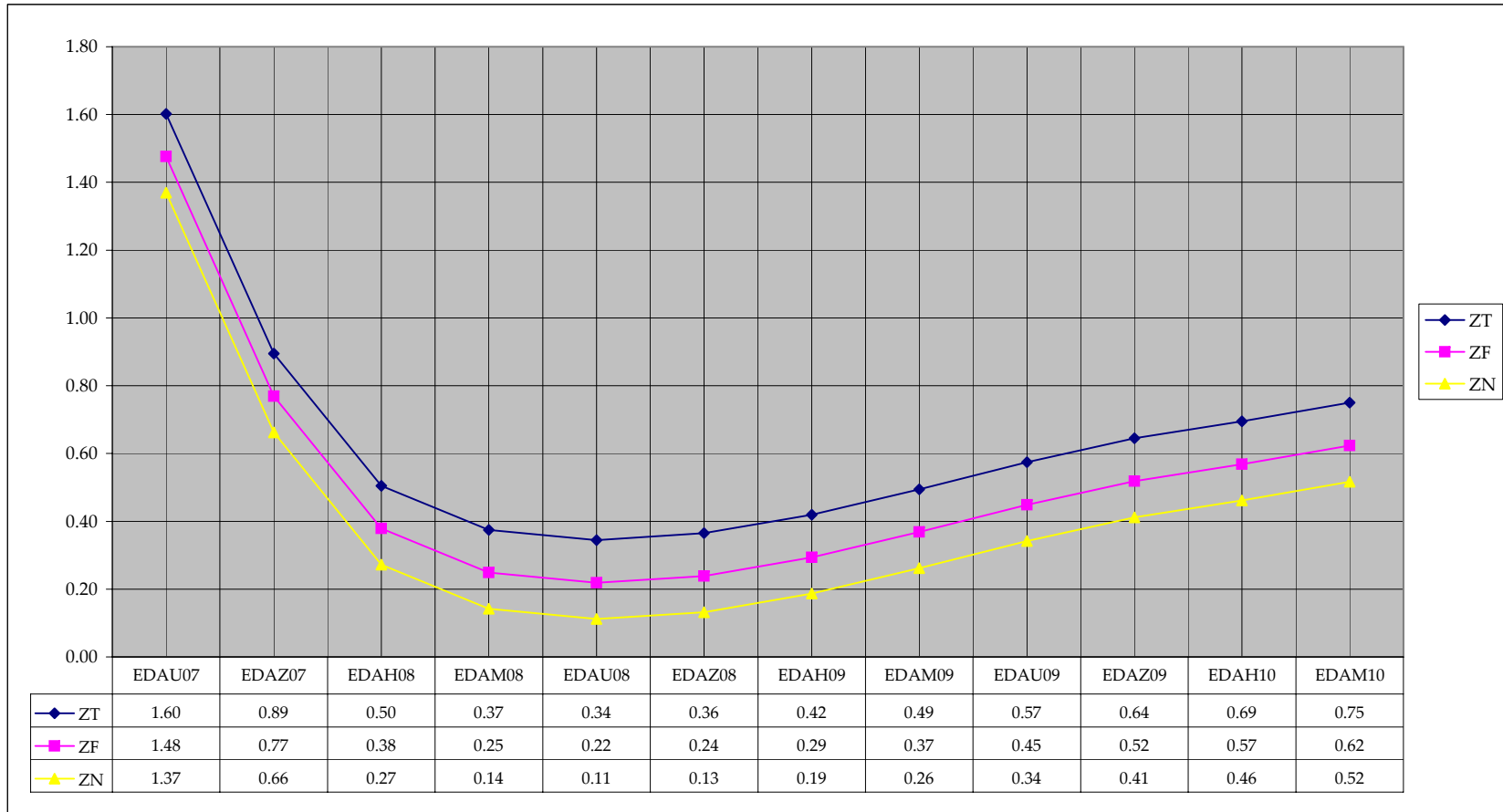


Dirty TED Curve

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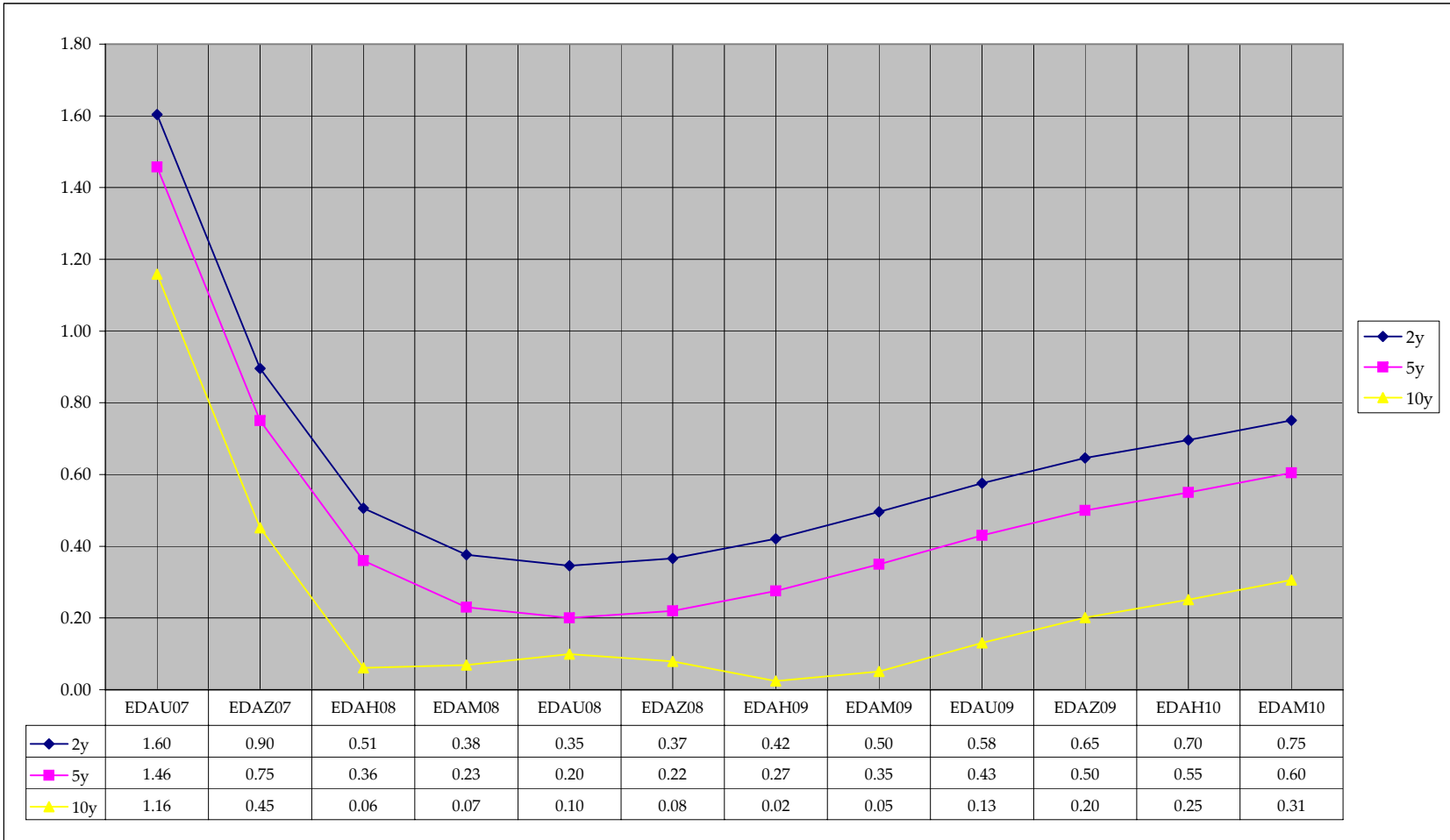
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

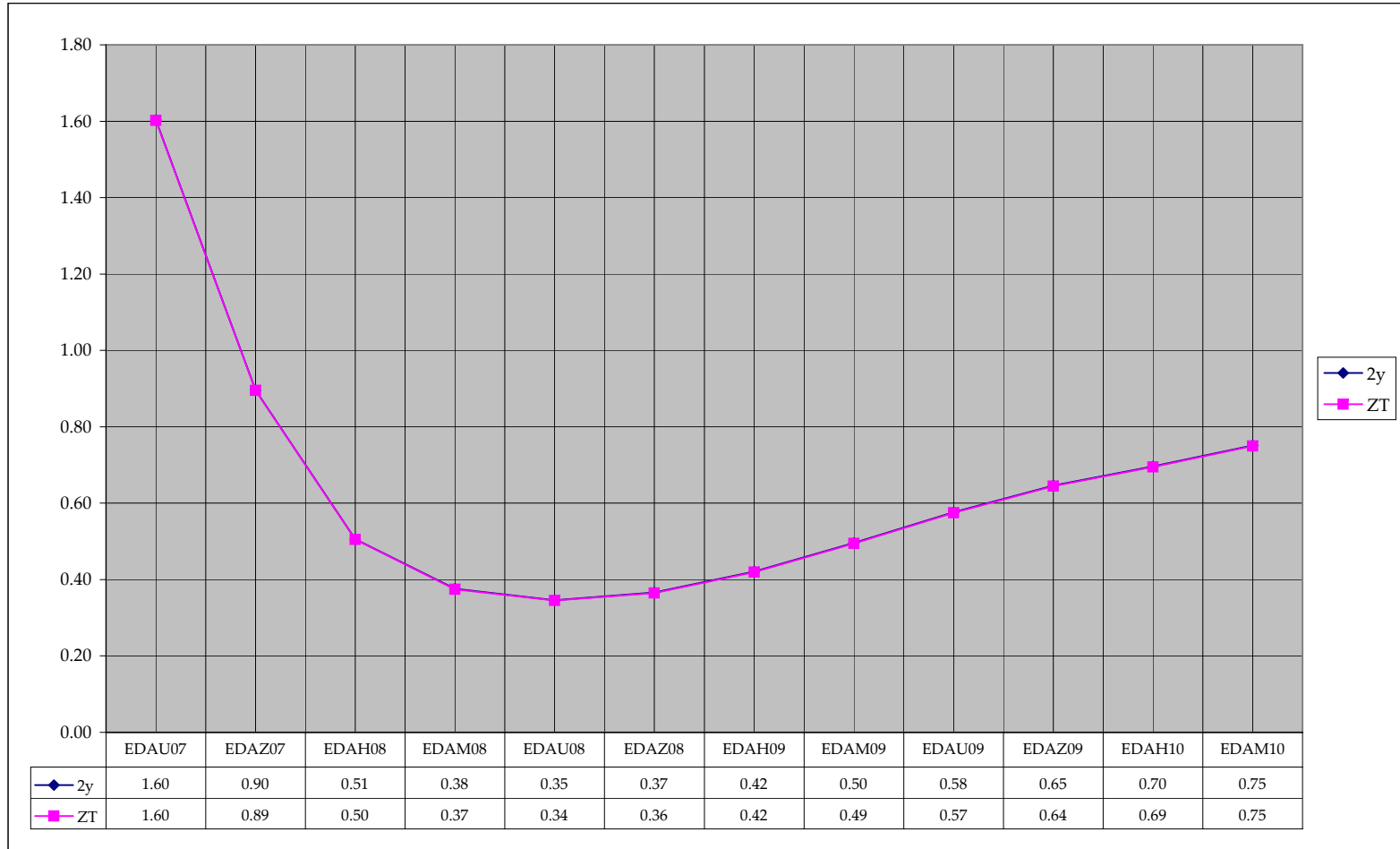


TED Curve

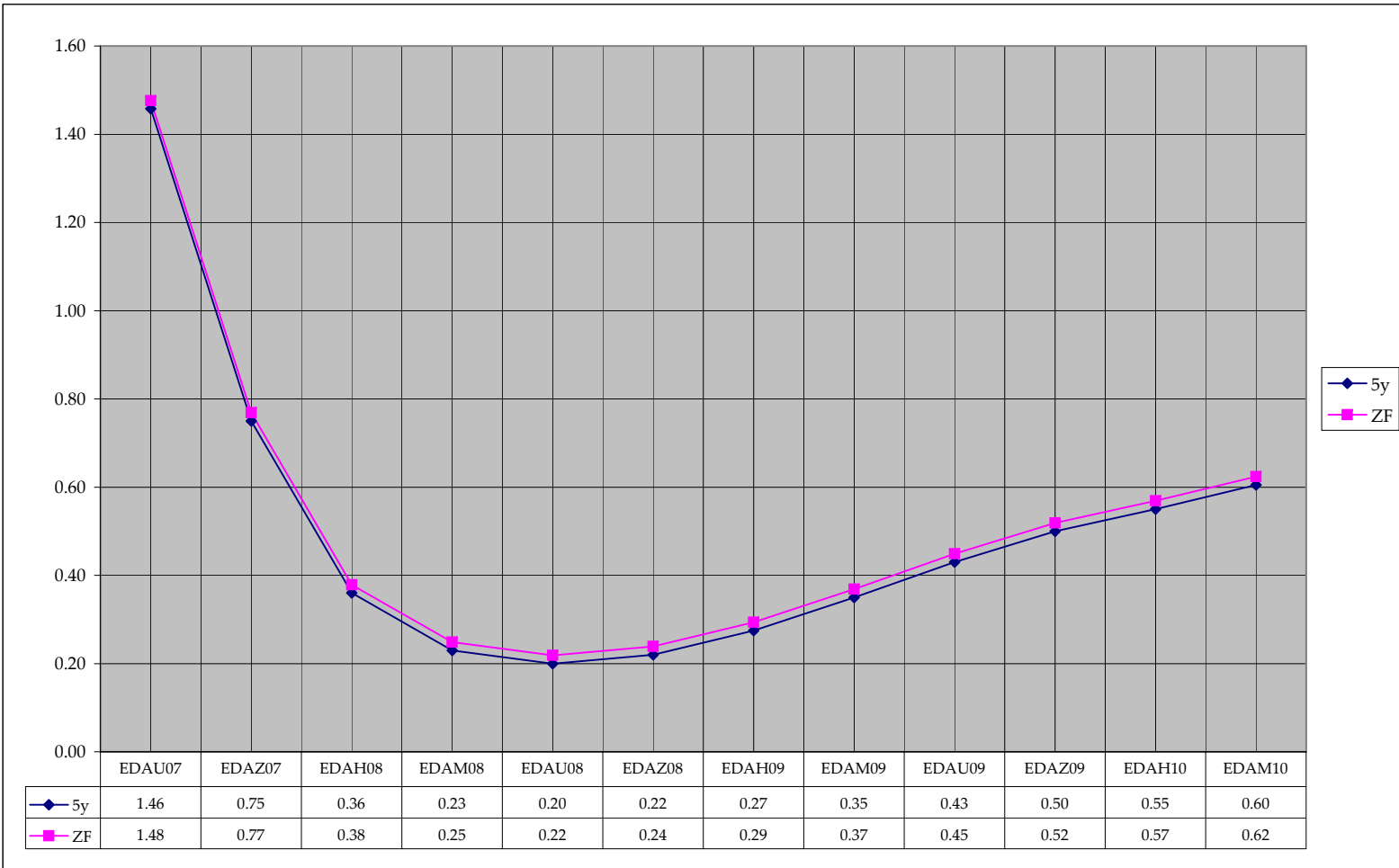
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



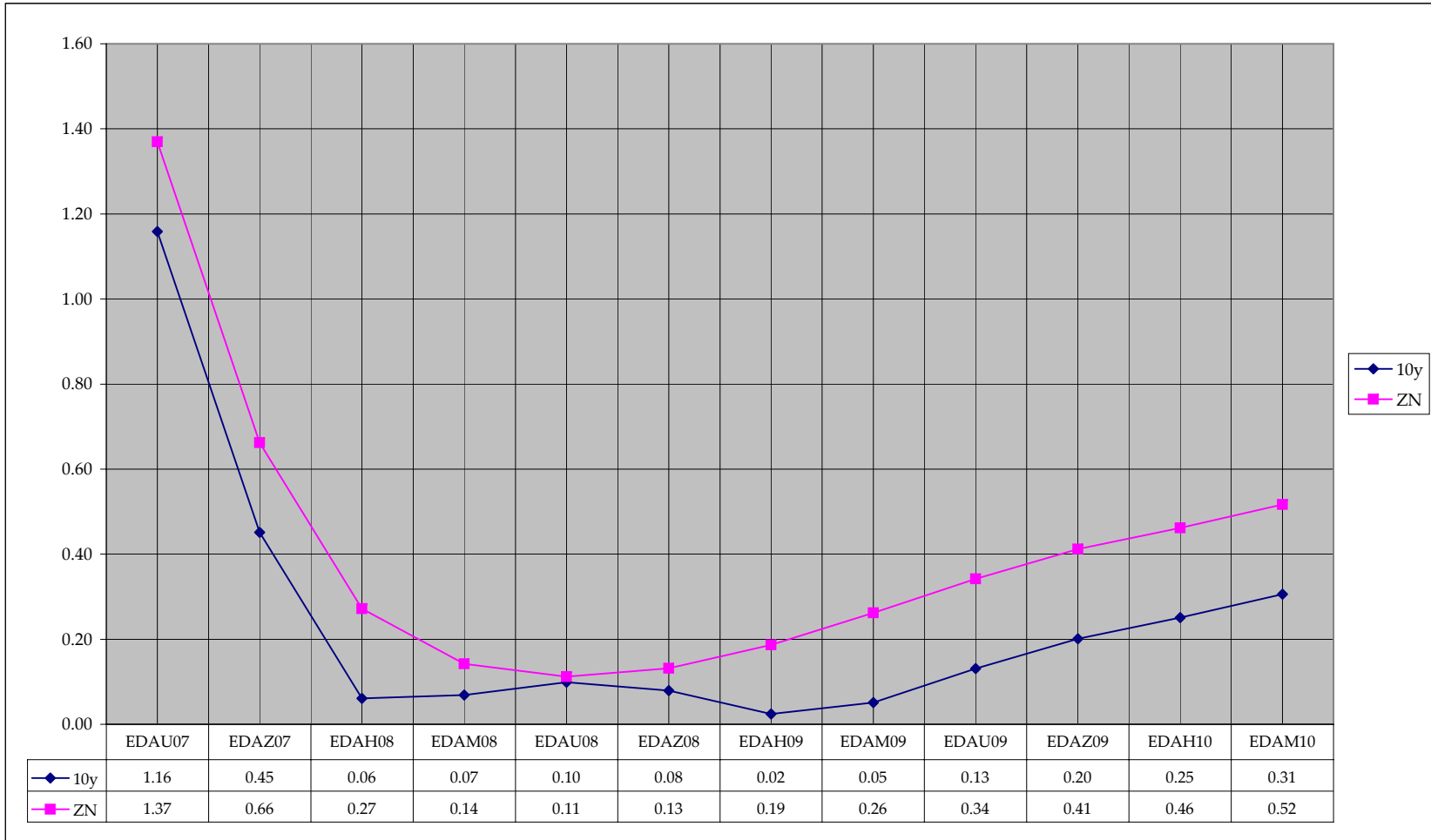
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.978	3.750	9515.063
Q.ED.Red	4.522	4.750	9558.875
Q.ED.Green	4.792	3.125	9532.875
Q.ED.Blue		0.000	9508.000
Q.ED.Gold		0.000	9486.250
Q.ED.Purple		0.000	9486.250

