

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		

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	103.3750	103.120	4.043	1.90
ZF	107.1250	107.040	4.158	3.99
ZN	109.8594	109.275	4.259	5.91
2y	99.897	99.2870	4.050	1.85
5y	99.772	99.2470	4.174	4.43
10y	102.359	102.1150	4.449	7.84

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.395	5.605	0	-0.001	SEP	White Pack
EDAZ07	95.120	4.880	91	0.249	DEC	
EDAH08	95.475	4.525	182	0.498	MAR	
EDAM08	95.595	4.405	273	0.747	JUN	Red Pack
EDAU08	95.630	4.370	364	0.997	SEP	
EDAZ08	95.615	4.385	455	1.246	DEC	
EDAH09	95.560	4.440	546	1.495	MAR	
EDAM09	95.480	4.520	637	1.745	JUN	Green Pack
EDAU09	95.415	4.585	728	1.994	SEP	
EDAZ09	95.335	4.665	819	2.243	DEC	
EDAH10	95.280	4.720	910	2.492	MAR	
EDAM10	95.230	4.770	1001	2.742	JUN	Blue Pack
EDAU10	95.185	4.815	1092	2.991	SEP	
EDAZ10	95.105	4.895	1183	3.240	DEC	
EDAH11	95.060	4.940	1274	3.490	MAR	
EDAM11	95.010	4.990	1365	3.739	JUN	Gold Pack
EDAU11	94.960	5.040	1463	4.008	SEP	
EDAZ11	94.860	5.140	1554	4.257	DEC	
EDAH12	94.810	5.190	1645	4.506	MAR	
EDAM12	#VALUE!	#VALUE!	1736	4.755	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	4.982	-0.250	9514.625	Pack Prices
Q.ED.Red	4.540	-0.625	9557.125	
Q.ED.Green	4.806	0.000	9531.500	
Q.ED.Blue	5.040	0.625	9509.000	
Q.ED.Gold		0.250	9486.500	
Q.ED.Purple		0.250	9486.500	

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

9/17/2007 5:59

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

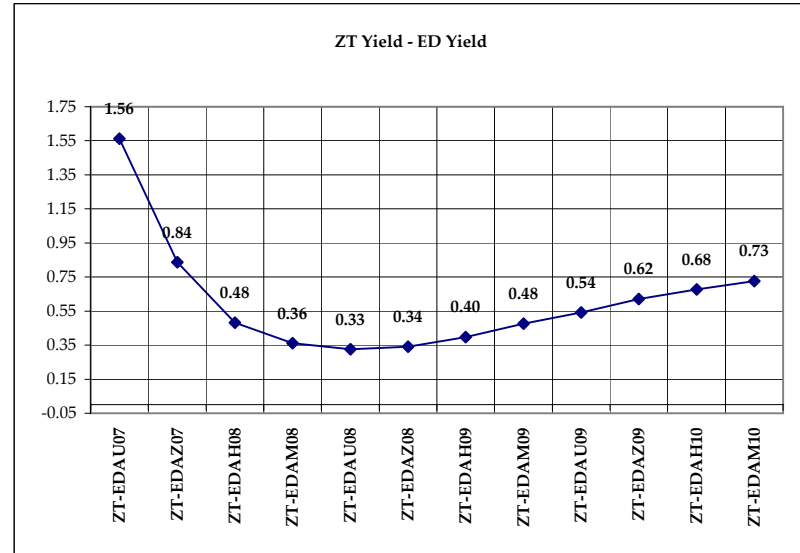
Eurodollar Color Codes for Individual Year Strips:

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

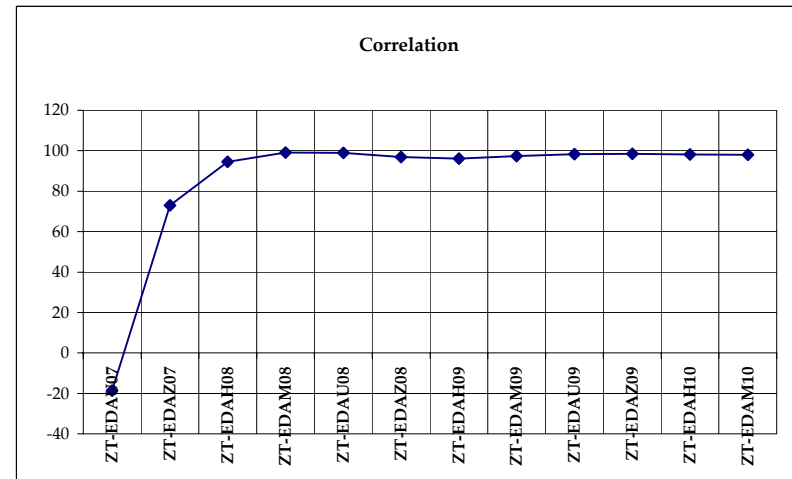
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	8.980	1.56	ZT-EDAU07	-18.568
EDAZ07	8.255	0.84	ZT-EDAZ07	72.965
EDAH08	7.900	0.48	ZT-EDAH08	94.516
EDAM08	7.780	0.36	ZT-EDAM08	99.100
EDAU08	7.745	0.33	ZT-EDAU08	98.874
EDAZ08	7.760	0.34	ZT-EDAZ08	96.944
EDAH09	7.815	0.40	ZT-EDAH09	96.092
EDAM09	7.895	0.48	ZT-EDAM09	97.394
EDAU09	7.960	0.54	ZT-EDAU09	98.279
EDAZ09	8.040	0.62	ZT-EDAZ09	98.412
EDAH10	8.095	0.68	ZT-EDAH10	98.155
EDAM10	8.145	0.73	ZT-EDAM10	97.963

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	-0.001	1.90	1.90	ZT-EDAU07
EDAZ07	0.249	1.90	1.66	ZT-EDAZ07
EDAH08	0.498	1.90	1.41	ZT-EDAH08
EDAM08	0.747	1.90	1.16	ZT-EDAM08
EDAU08	0.997	1.90	0.91	ZT-EDAU08
EDAZ08	1.246	1.90	0.66	ZT-EDAZ08
EDAH09	1.495	1.90	0.41	ZT-EDAH09
EDAM09	1.745	1.90	0.16	ZT-EDAM09
EDAU09	1.994	1.90	(0.09)	ZT-EDAU09
EDAZ09	2.243	1.90	(0.34)	ZT-EDAZ09
EDAH10	2.492	1.90	(0.59)	ZT-EDAH10
EDAM10	2.742	1.90	(0.84)	ZT-EDAM10

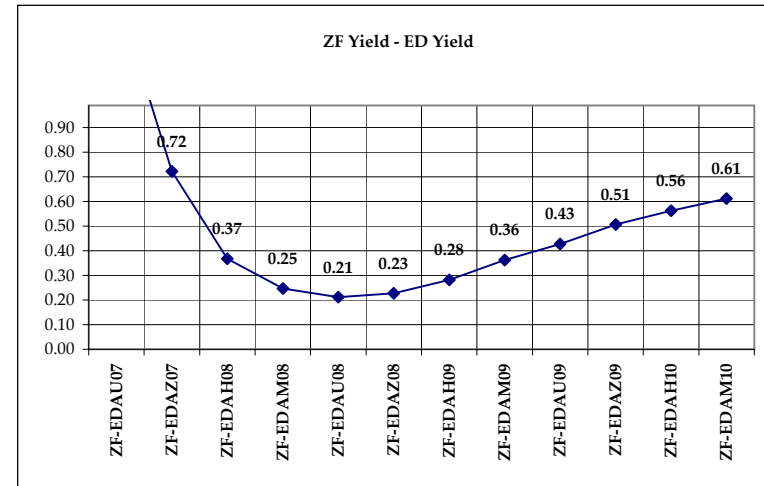
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	12.73	1.45	ZF-EDAU07	-12.766
EDAZ07	12.01	0.72	ZF-EDAZ07	73.975
EDAH08	11.65	0.37	ZF-EDAH08	96.014
EDAM08	11.53	0.25	ZF-EDAM08	97.756
EDAU08	11.50	0.21	ZF-EDAU08	94.448
EDAZ08	11.51	0.23	ZF-EDAZ08	90.964
EDAH09	11.57	0.28	ZF-EDAH09	89.786
EDAM09	11.65	0.36	ZF-EDAM09	92.253
EDAU09	11.71	0.43	ZF-EDAU09	94.634
EDAZ09	11.79	0.51	ZF-EDAZ09	96.112
EDAH10	11.85	0.56	ZF-EDAH10	96.902
EDAM10	11.90	0.61	ZF-EDAM10	96.856

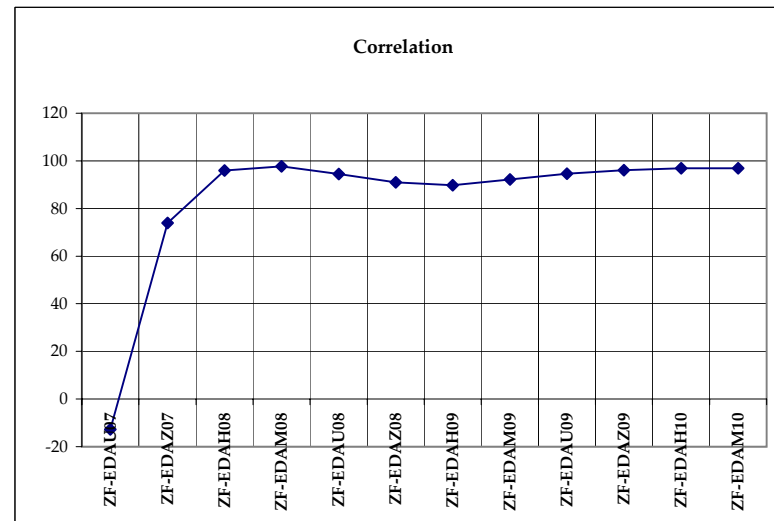
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as

	Fraction of year	ZF Duration	Spread Duration	
EDAU07	-0.001	3.99	3.99	ZF-EDAU07
EDAZ07	0.249	3.99	3.74	ZF-EDAZ07
EDAH08	0.498	3.99	3.49	ZF-EDAH08
EDAM08	0.747	3.99	3.24	ZF-EDAM08
EDAU08	0.997	3.99	2.99	ZF-EDAU08
EDAZ08	1.246	3.99	2.74	ZF-EDAZ08
EDAH09	1.495	3.99	2.49	ZF-EDAH09
EDAM09	1.745	3.99	2.24	ZF-EDAM09
EDAU09	1.994	3.99	1.99	ZF-EDAU09
EDAZ09	2.243	3.99	1.74	ZF-EDAZ09
EDAH10	2.492	3.99	1.49	ZF-EDAH10
EDAM10	2.742	3.99	1.24	ZF-EDAM10

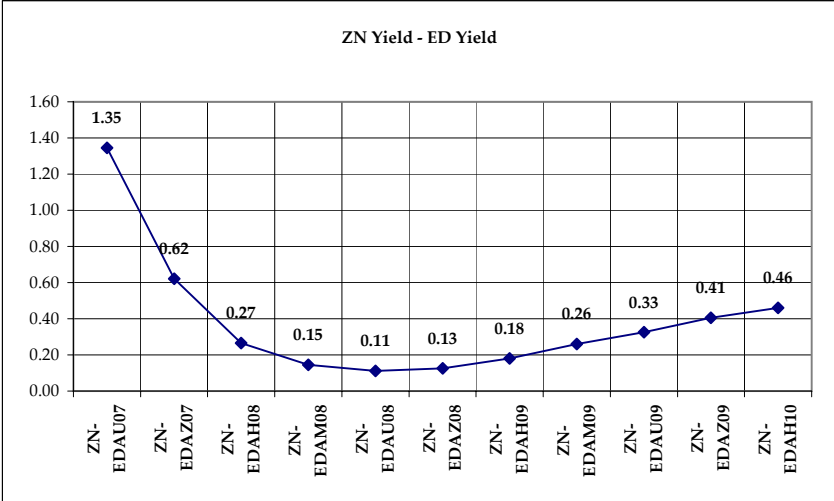
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

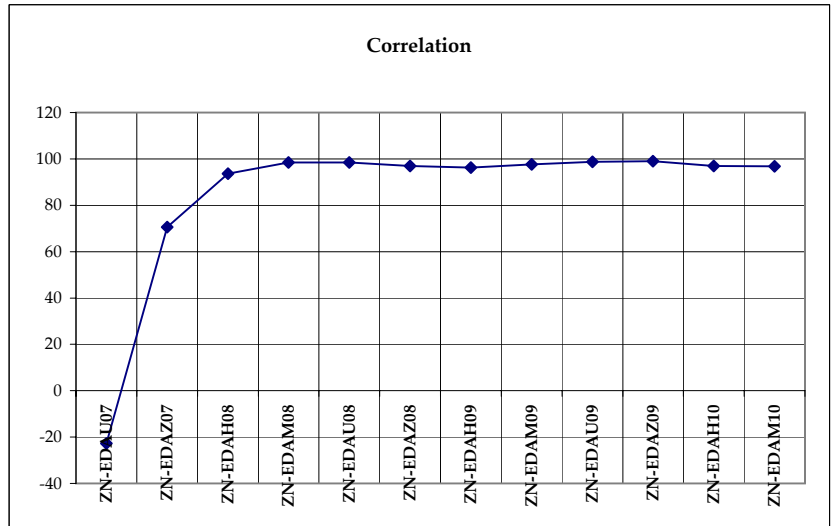
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	15.46	1.35	ZN-EDAU07	-22.72
EDAZ07	14.74	0.62	ZN-EDAZ07	70.57
EDAH08	14.38	0.27	ZN-EDAH08	93.65
EDAM08	14.26	0.15	ZN-EDAM08	98.42
EDAU08	14.23	0.11	ZN-EDAU08	98.44
EDAZ08	14.24	0.13	ZN-EDAZ08	96.95
EDAH09	14.30	0.18	ZN-EDAH09	96.26
EDAM09	14.38	0.26	ZN-EDAM09	97.60
EDAU09	14.44	0.33	ZN-EDAU09	98.72
EDAZ09	14.52	0.41	ZN-EDAZ09	99.04
EDAH10	14.58	0.46	ZN-EDAH10	96.90
EDAM10	14.63	0.51	ZN-EDAM10	96.86

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	
EDAU07	-0.001	5.91	5.91	ZN-EDAU07
EDAZ07	0.249	5.91	5.66	ZN-EDAZ07
EDAH08	0.498	5.91	5.41	ZN-EDAH08
EDAM08	0.747	5.91	5.16	ZN-EDAM08
EDAU08	0.997	5.91	4.91	ZN-EDAU08
EDAZ08	1.246	5.91	4.66	ZN-EDAZ08
EDAH09	1.495	5.91	4.41	ZN-EDAH09
EDAM09	1.745	5.91	4.16	ZN-EDAM09
EDAU09	1.994	5.91	3.91	ZN-EDAU09
EDAZ09	2.243	5.91	3.66	ZN-EDAZ09
EDAH10	2.492	5.91	3.42	ZN-EDAH10
EDAM10	2.742	5.91	3.17	ZN-EDAM10

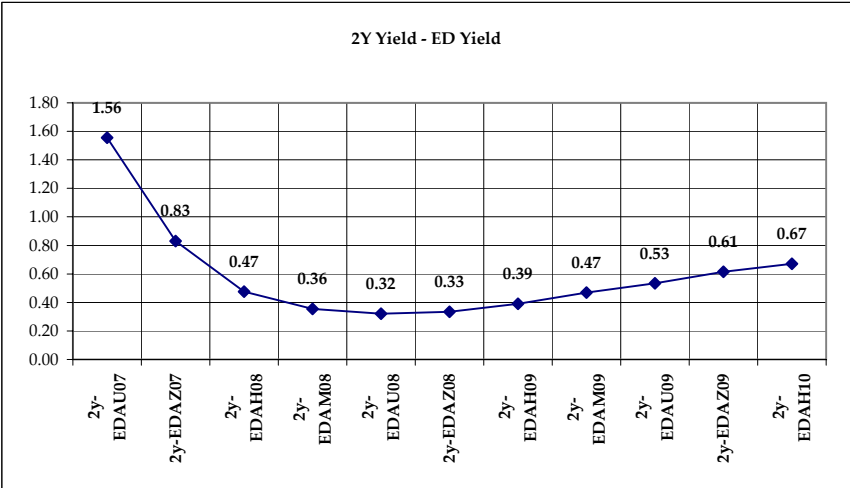
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.50	1.56	2y-EDAU07	20.004
EDAZ07	4.78	0.83	2y-EDAZ07	-68.201
EDAH08	4.42	0.47	2y-EDAH08	-93.325
EDAM08	4.30	0.36	2y-EDAM08	-96.790
EDAU08	4.27	0.32	2y-EDAU08	-94.469
EDAZ08	4.28	0.33	2y-EDAZ08	-96.790
EDAH09	4.34	0.39	2y-EDAH09	-91.146
EDAM09	4.42	0.47	2y-EDAM09	-93.350
EDAU09	4.48	0.53	2y-EDAU09	-94.831
EDAZ09	4.56	0.61	2y-EDAZ09	-96.048
EDAH10	4.62	0.67	2y-EDAH10	-96.597
EDAM10	4.67	0.72	2y-EDAM10	-96.423

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.

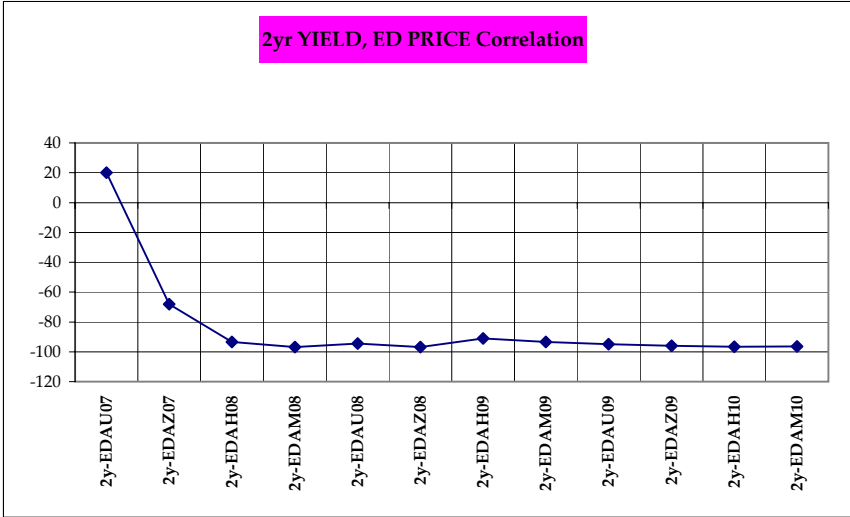


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAU07	-0.001	1.85	2y-EDAU07
EDAZ07	0.249	1.85	2y-EDAZ07
EDAH08	0.498	1.85	2y-EDAH08
EDAM08	0.747	1.85	2y-EDAM08
EDAU08	0.997	1.85	2y-EDAU08
EDAZ08	1.246	1.85	2y-EDAZ08
EDAH09	1.495	1.85	2y-EDAH09
EDAM09	1.745	1.85	2y-EDAM09
EDAU09	1.994	1.85	2y-EDAU09
EDAZ09	2.243	1.85	2y-EDAZ09
EDAH10	2.492	1.85	2y-EDAH10
EDAM10	2.742	1.85	2y-EDAM10

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

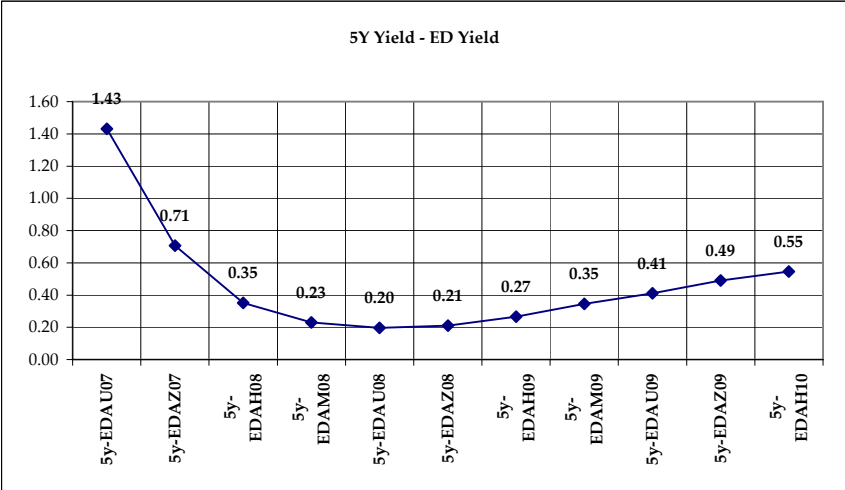
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.38	1.43	5y-EDAU07	16.965
EDAZ07	4.65	0.71	5y-EDAZ07	-72.130
EDAH08	4.30	0.35	5y-EDAH08	-95.280
EDAM08	4.18	0.23	5y-EDAM08	-97.569
EDAU08	4.14	0.20	5y-EDAU08	-94.828
EDAZ08	4.16	0.21	5y-EDAZ08	-97.569
EDAH09	4.21	0.27	5y-EDAH09	-91.138
EDAM09	4.29	0.35	5y-EDAM09	-93.469
EDAU09	4.36	0.41	5y-EDAU09	-95.371
EDAZ09	4.44	0.49	5y-EDAZ09	-96.616
EDAH10	4.49	0.55	5y-EDAH10	-97.226
EDAM10	4.54	0.60	5y-EDAM10	-97.203

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.

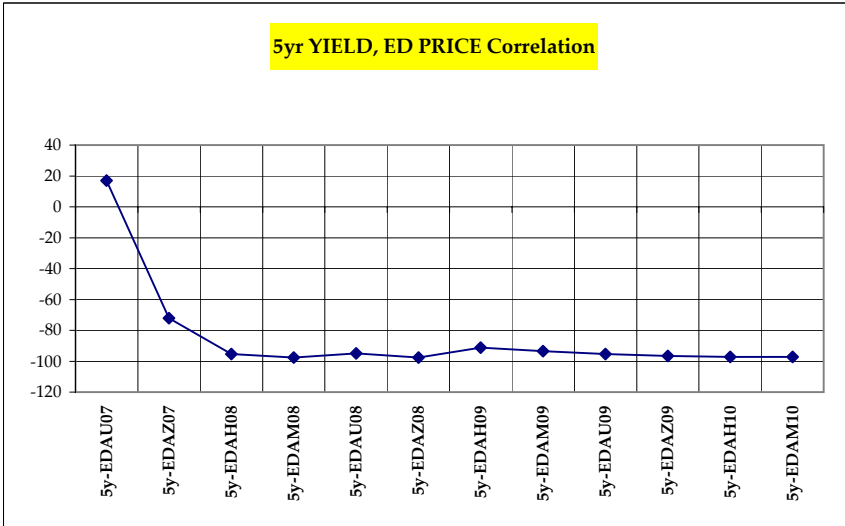


GE Duration as Fraction of year

	GE Duration as Fraction of year	5Y Duration	Spread Duration	
EDAU07	-0.001	4.43	4.43	5y-EDAU07
EDAZ07	0.249	4.43	4.18	5y-EDAZ07
EDAH08	0.498	4.43	3.93	5y-EDAH08
EDAM08	0.747	4.43	3.68	5y-EDAM08
EDAU08	0.997	4.43	3.43	5y-EDAU08
EDAZ08	1.246	4.43	3.18	5y-EDAZ08
EDAH09	1.495	4.43	2.93	5y-EDAH09
EDAM09	1.745	4.43	2.68	5y-EDAM09
EDAU09	1.994	4.43	2.43	5y-EDAU09
EDAZ09	2.243	4.43	2.18	5y-EDAZ09
EDAH10	2.492	4.43	1.93	5y-EDAH10
EDAM10	2.742	4.43	1.68	5y-EDAM10

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

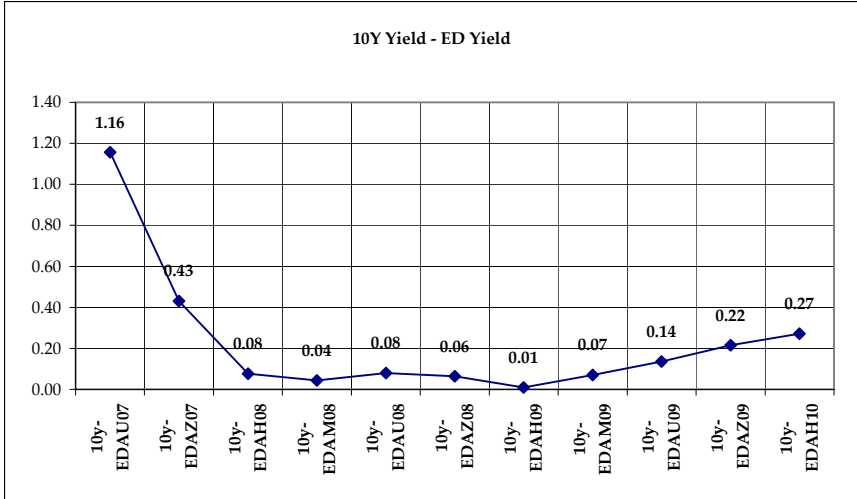
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

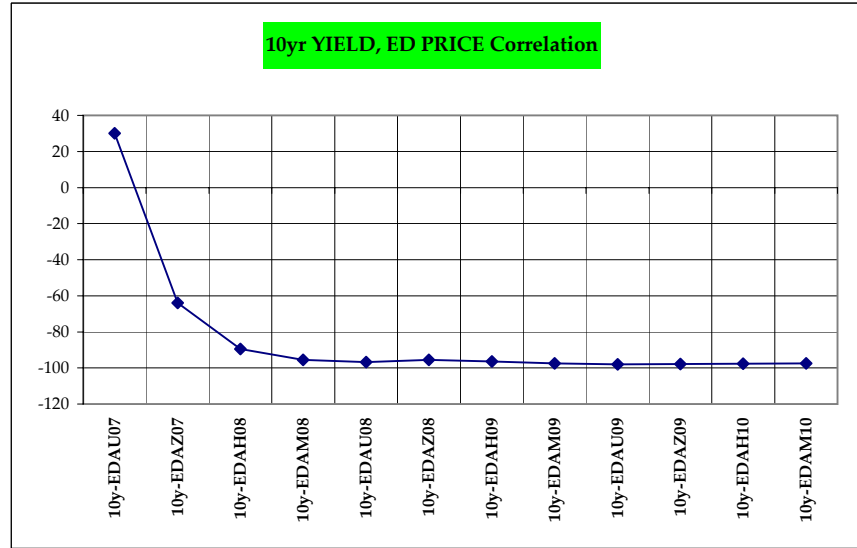
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.38	1.16	10y-EDAU07	30.142
EDAZ07	4.65	0.43	10y-EDAZ07	-63.888
EDAH08	4.30	0.08	10y-EDAH08	-89.534
EDAM08	4.18	0.04	10y-EDAM08	-95.452
EDAU08	4.14	0.08	10y-EDAU08	-96.700
EDAZ08	4.16	0.06	10y-EDAZ08	-95.452
EDAH09	4.21	0.01	10y-EDAH09	-96.358
EDAM09	4.29	0.07	10y-EDAM09	-97.499
EDAU09	4.36	0.14	10y-EDAU09	-97.925
EDAZ09	4.44	0.22	10y-EDAZ09	-97.833
EDAH10	4.49	0.27	10y-EDAH10	-97.643
EDAM10	4.54	0.32	10y-EDAM10	-97.558

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	-0.001	7.84	7.84	10y-EDAU07
EDAZ07	0.249	7.84	7.59	10y-EDAZ07
EDAH08	0.498	7.84	7.34	10y-EDAH08
EDAM08	0.747	7.84	7.09	10y-EDAM08
EDAU08	0.997	7.84	6.84	10y-EDAU08
EDAZ08	1.246	7.84	6.59	10y-EDAZ08
EDAH09	1.495	7.84	6.34	10y-EDAH09
EDAM09	1.745	7.84	6.09	10y-EDAM09
EDAU09	1.994	7.84	5.84	10y-EDAU09
EDAZ09	2.243	7.84	5.59	10y-EDAZ09
EDAH10	2.492	7.84	5.34	10y-EDAH10
EDAM10	2.742	7.84	5.09	10y-EDAM10

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

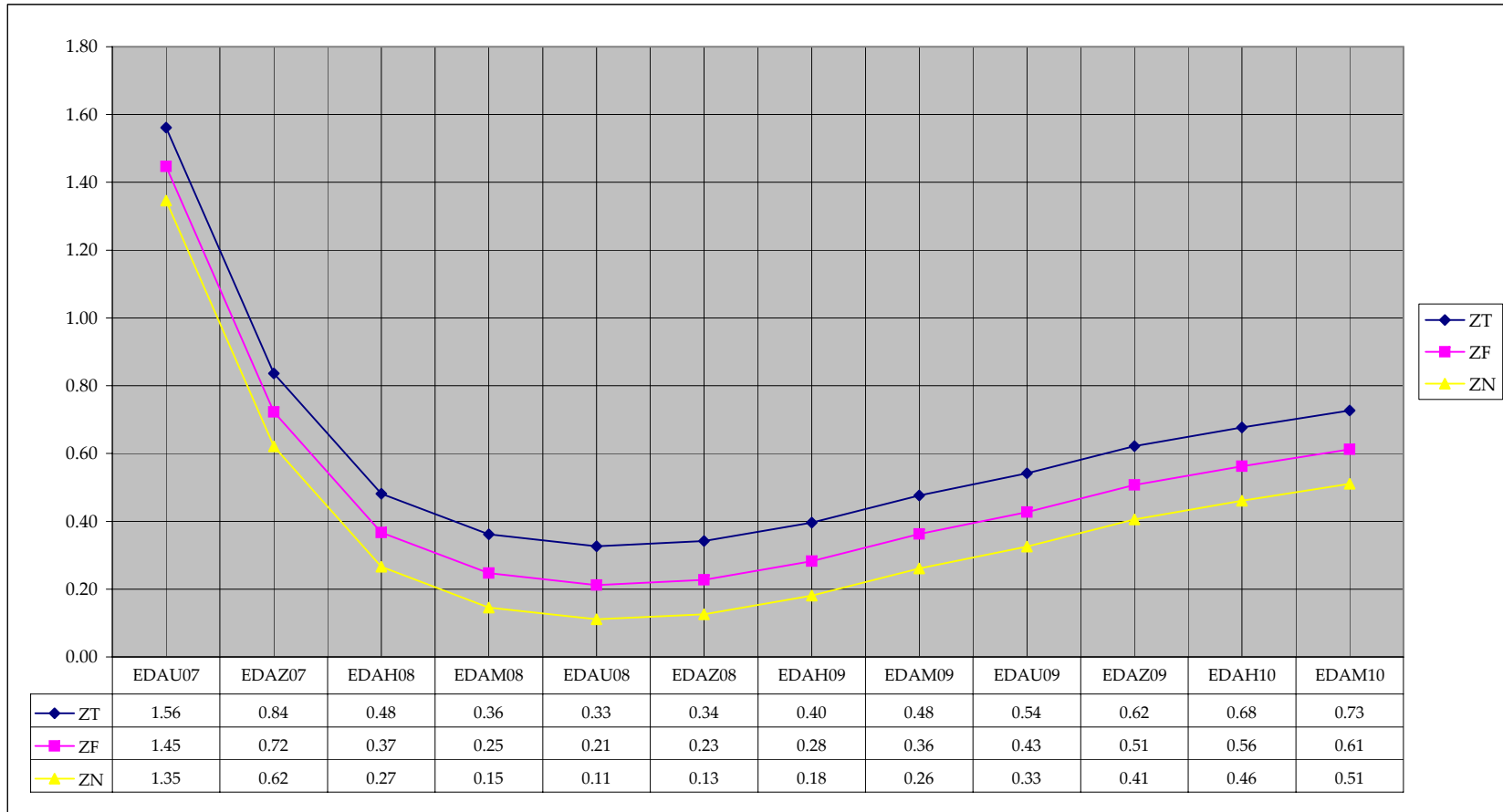


Dirty TED Curve

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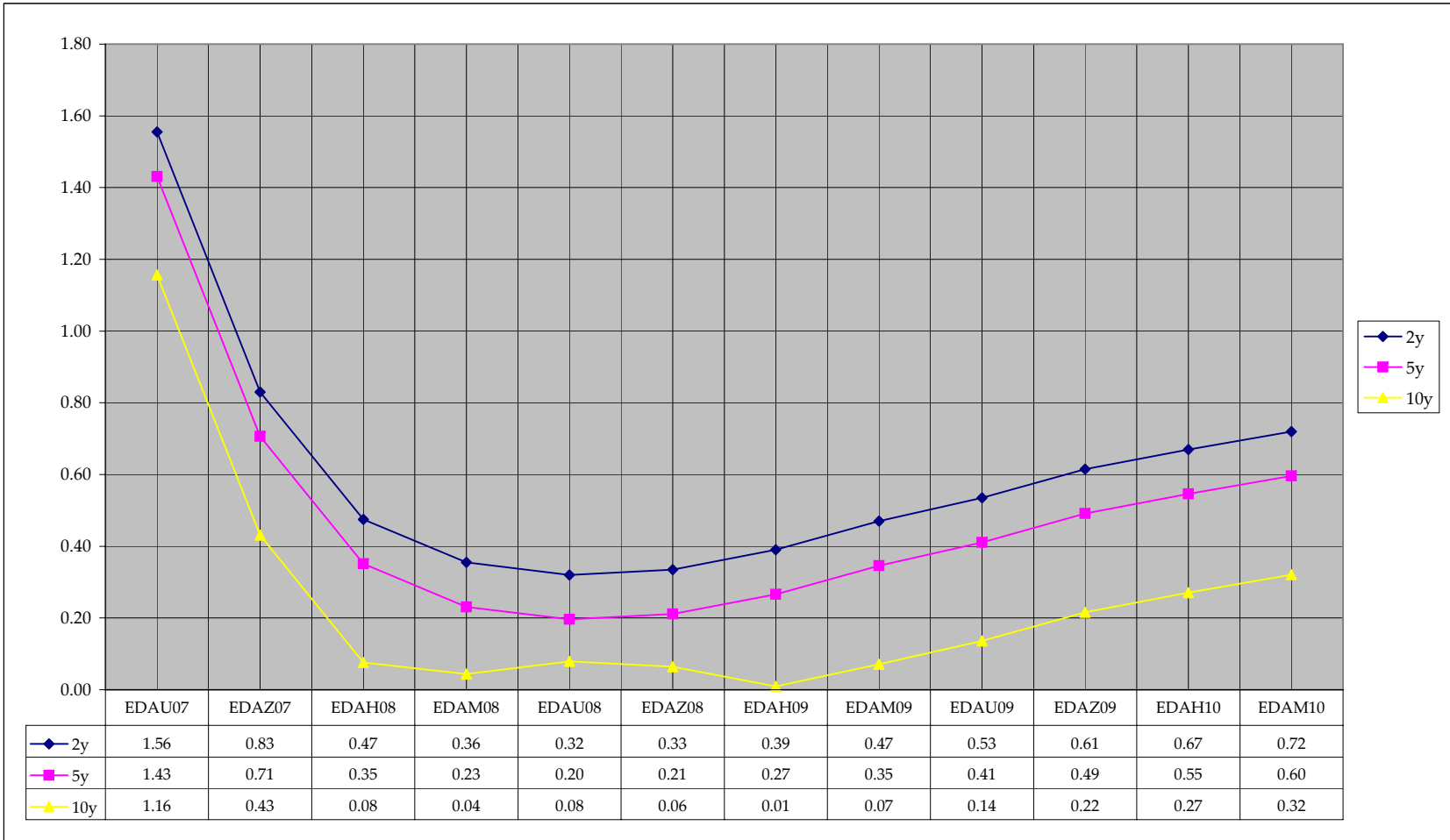
Page 7

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.

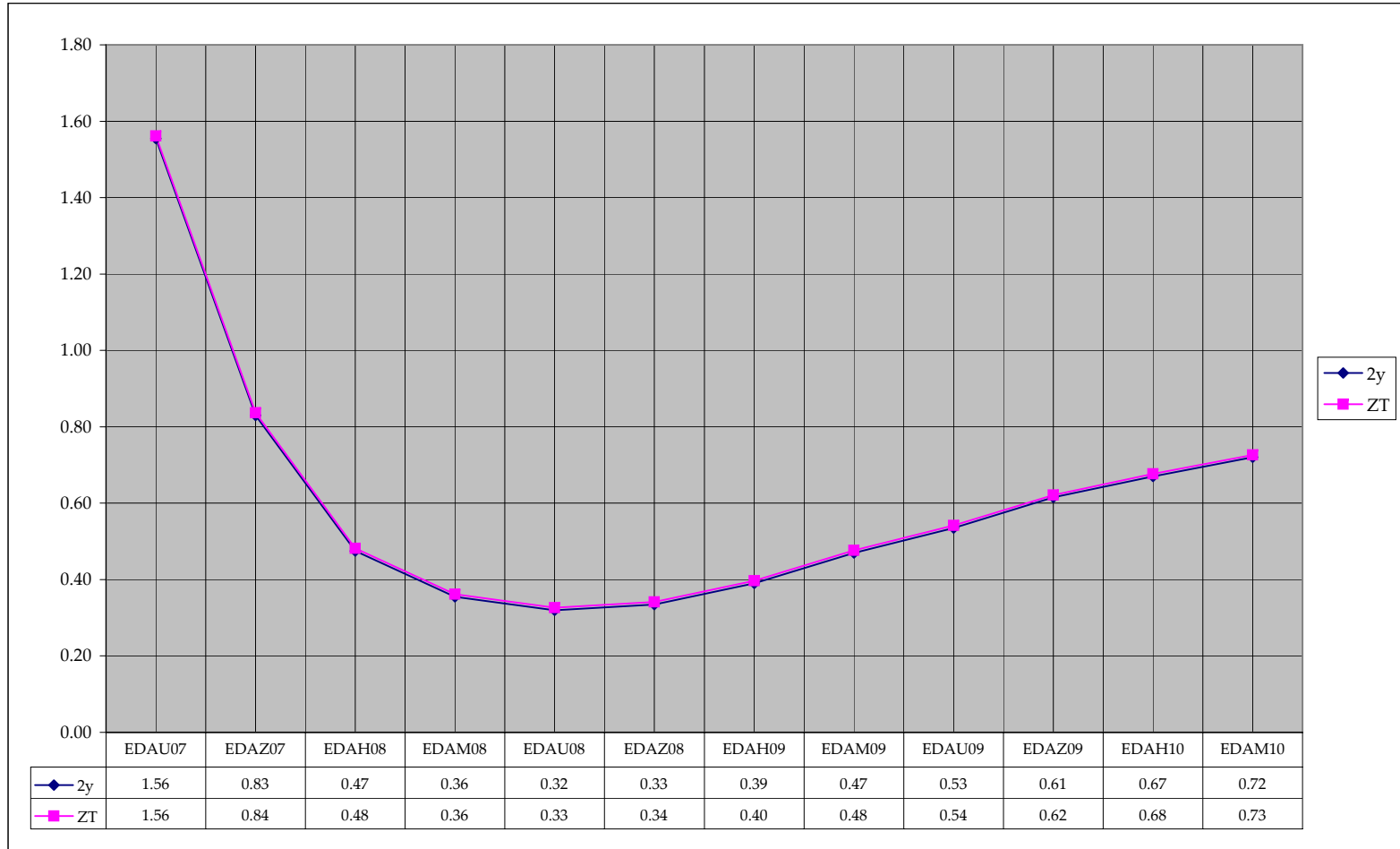


TED Curve

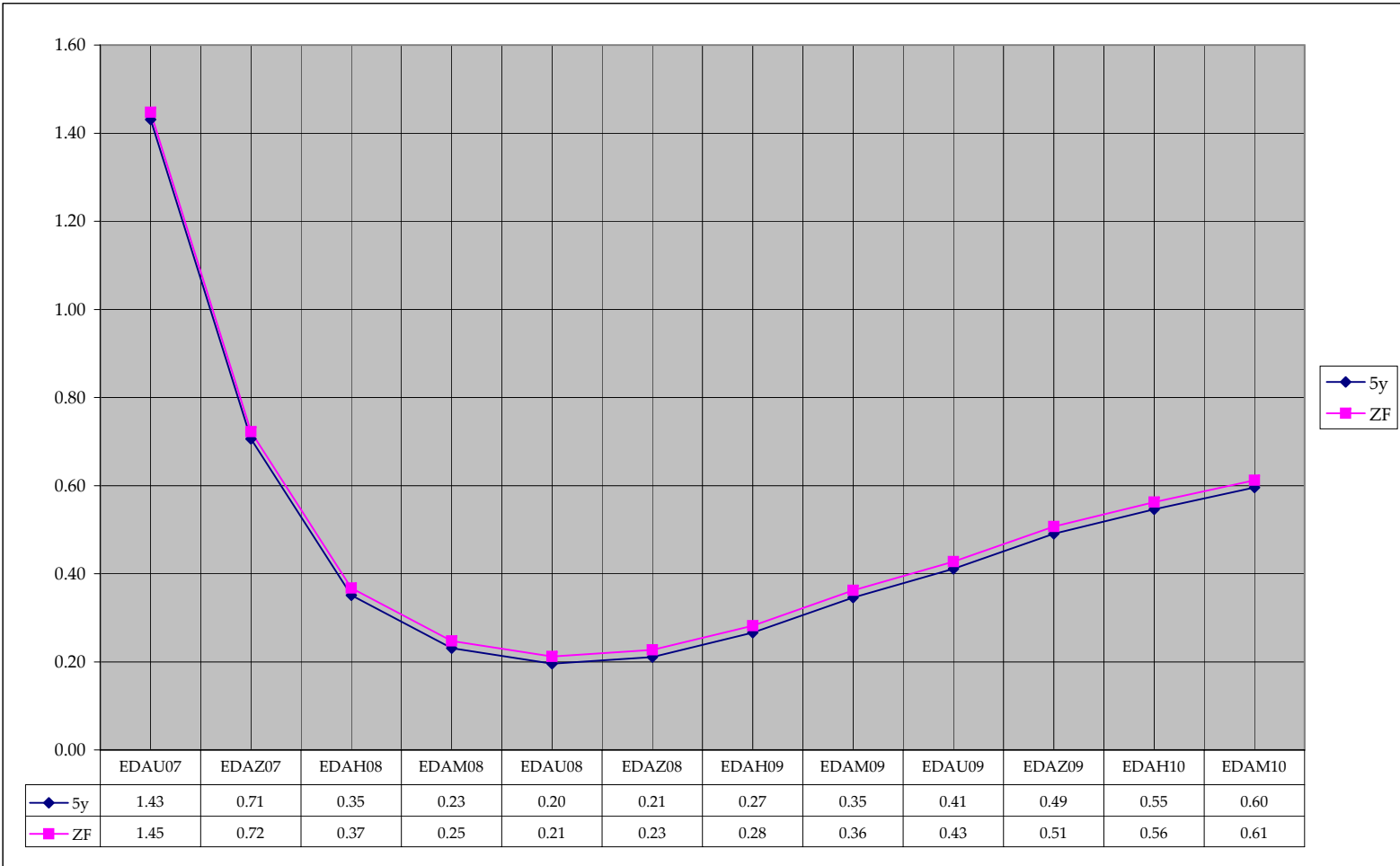
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



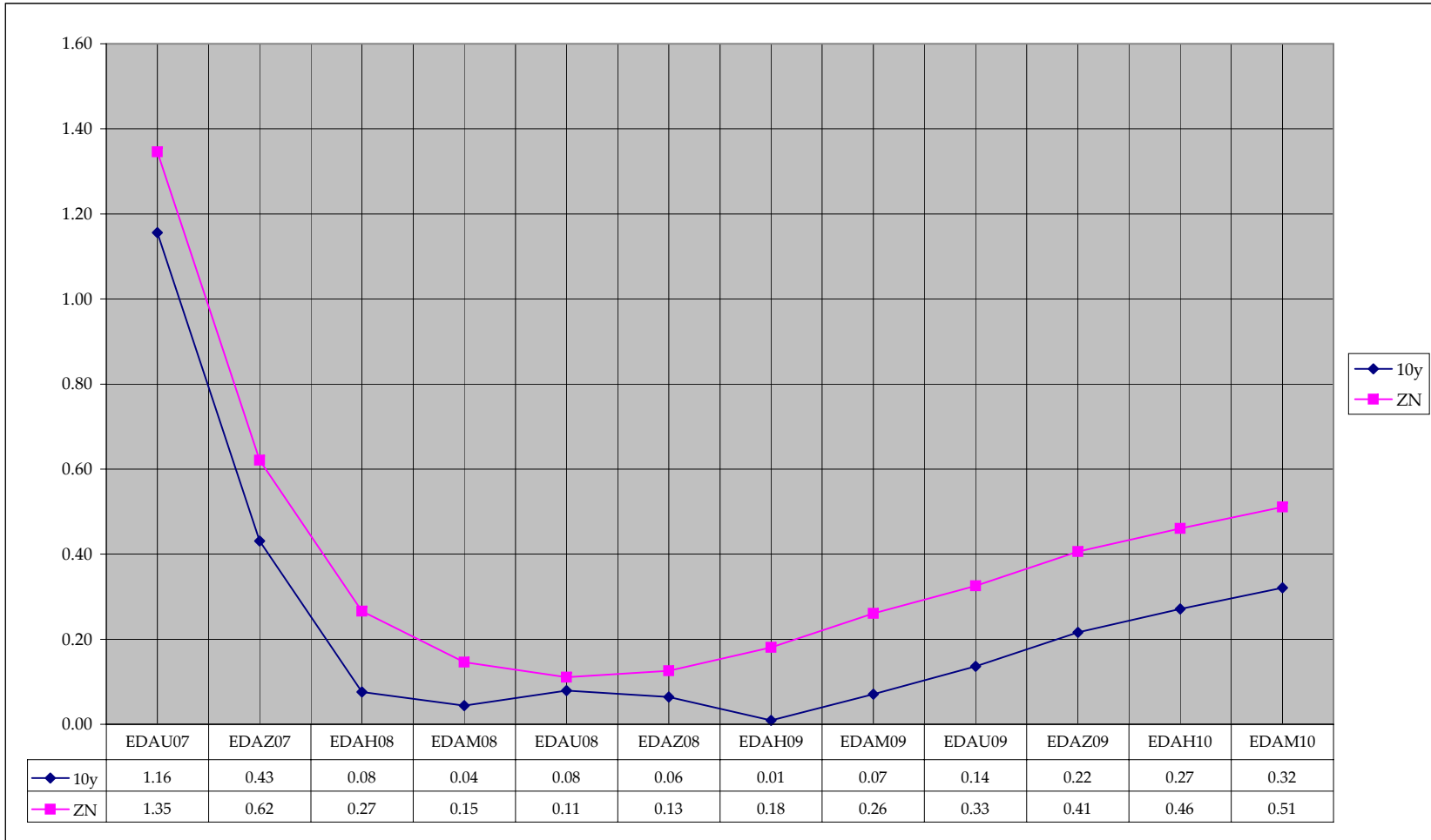
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.982	-0.250	9514.625
Q.ED.Red	4.540	-0.625	9557.125
Q.ED.Green	4.806	0.000	9531.500
Q.ED.Blue	5.040	0.625	9509.000
Q.ED.Gold		0.250	9486.500
Q.ED.Purple		0.250	9486.500

