

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	103.3188	103.102	4.053	1.90	
ZF	107.0000	107.000	4.183	3.98	
ZN	109.7344	109.235	4.283	5.90	
2y	99.859	99.2750	4.076	1.85	
5y	99.625	99.2000	4.213	4.42	
10y	102.172	102.0550	4.474	7.83	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAZ07	95.080	4.920	90	0.246	DEC	} White Pack	
EDAH08	95.410	4.590	181	0.495	MAR		
EDAM08	95.545	4.455	272	0.745	JUN		
EDAU08	95.585	4.415	363	0.994	SEP	} Red Pack	
EDAZ08	95.575	4.425	454	1.243	DEC		
EDAH09	95.515	4.485	545	1.492	MAR		
EDAM09	95.435	4.565	636	1.742	JUN	} Green Pack	
EDAU09	95.350	4.650	727	1.991	SEP		
EDAZ09	95.290	4.710	818	2.240	DEC		
EDAH10	95.230	4.770	909	2.490	MAR	} Blue Pack	
EDAM10	95.180	4.820	1000	2.739	JUN		
EDAU10	95.125	4.875	1091	2.988	SEP		
EDAZ10	95.055	4.945	1182	3.238	DEC	} Gold Pack	
EDAH11	95.025	4.975	1273	3.487	MAR		
EDAM11	94.965	5.035	1364	3.736	JUN		
EDAU11	94.915	5.085	1462	4.005	SEP	} Gold Pack	
EDAZ11	94.855	5.145	1553	4.254	DEC		
EDAH12	94.805	5.195	1644	4.503	MAR		
EDAM12	94.750	5.250	1735	4.753	JUN	} Gold Pack	
EDAU12	94.700	5.300	1826	5.002	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	4.713	-2.000	9540.500	} Pack Prices
Q.ED.Red	4.647	-2.125	9546.875	
Q.ED.Green	4.919	-1.250	9520.625	
Q.ED.Blue		0.000	9499.375	
Q.ED.Gold		0.000	9477.375	
Q.ED.Purple		0.000	9477.375	

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

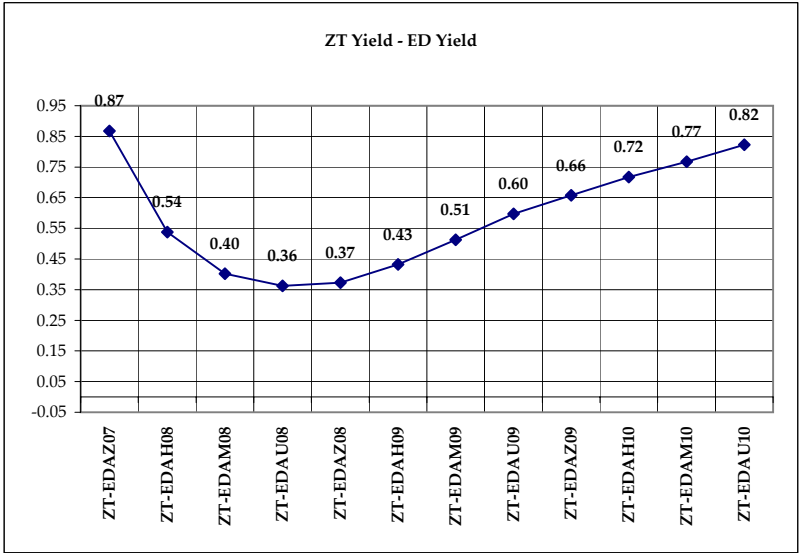
Eurodollar Color Codes for Individual Year Strips:

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

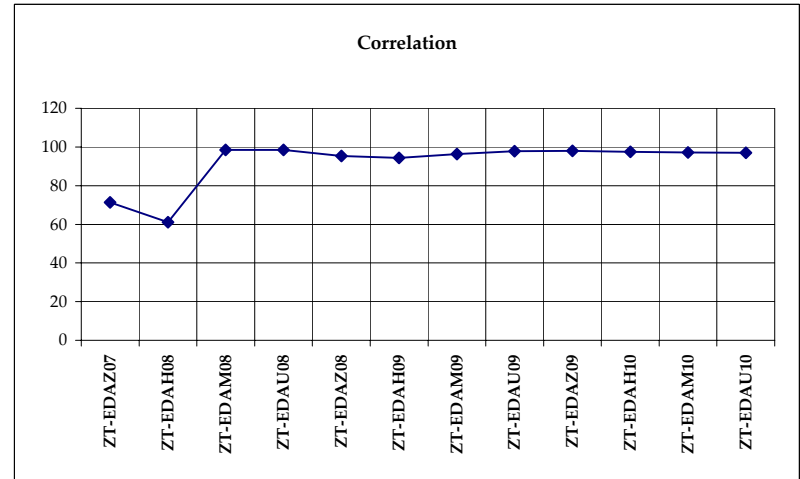
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	8.239	0.87	ZT-EDAZ07	71.256
EDAH08	7.909	0.54	ZT-EDAH08	61.116
EDAM08	7.774	0.40	ZT-EDAM08	98.554
EDAU08	7.734	0.36	ZT-EDAU08	98.508
EDAZ08	7.744	0.37	ZT-EDAZ08	95.375
EDAH09	7.804	0.43	ZT-EDAH09	94.265
EDAM09	7.884	0.51	ZT-EDAM09	96.298
EDAU09	7.969	0.60	ZT-EDAU09	97.766
EDAZ09	8.029	0.66	ZT-EDAZ09	97.961
EDAH10	8.089	0.72	ZT-EDAH10	97.498
EDAM10	8.139	0.77	ZT-EDAM10	97.234
EDAU10	8.194	0.82	ZT-EDAU10	96.963

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		
EDAZ07	0.246	1.90	1.66	ZT-EDAZ07
EDAH08	0.495	1.90	1.41	ZT-EDAH08
EDAM08	0.745	1.90	1.16	ZT-EDAM08
EDAU08	0.994	1.90	0.91	ZT-EDAU08
EDAZ08	1.243	1.90	0.66	ZT-EDAZ08
EDAH09	1.492	1.90	0.41	ZT-EDAH09
EDAM09	1.742	1.90	0.16	ZT-EDAM09
EDAU09	1.991	1.90	(0.09)	ZT-EDAU09
EDAZ09	2.240	1.90	(0.34)	ZT-EDAZ09
EDAH10	2.490	1.90	(0.59)	ZT-EDAH10
EDAM10	2.739	1.90	(0.84)	ZT-EDAM10
EDAU10	2.988	1.90	(1.09)	ZT-EDAU10

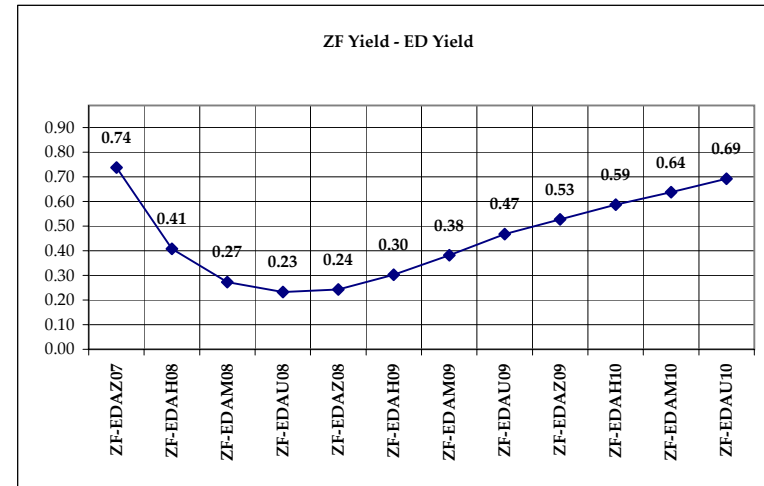
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	11.92	0.74	ZF-EDAZ07	71.274
EDAH08	11.59	0.41	ZF-EDAH08	95.452
EDAM08	11.46	0.27	ZF-EDAM08	97.870
EDAU08	11.42	0.23	ZF-EDAU08	94.008
EDAZ08	11.43	0.24	ZF-EDAZ08	88.711
EDAH09	11.49	0.30	ZF-EDAH09	87.276
EDAM09	11.57	0.38	ZF-EDAM09	90.676
EDAU09	11.65	0.47	ZF-EDAU09	94.347
EDAZ09	11.71	0.53	ZF-EDAZ09	95.552
EDAH10	11.77	0.59	ZF-EDAH10	96.386
EDAM10	11.82	0.64	ZF-EDAM10	96.347
EDAU10	11.88	0.69	ZF-EDAU10	96.522

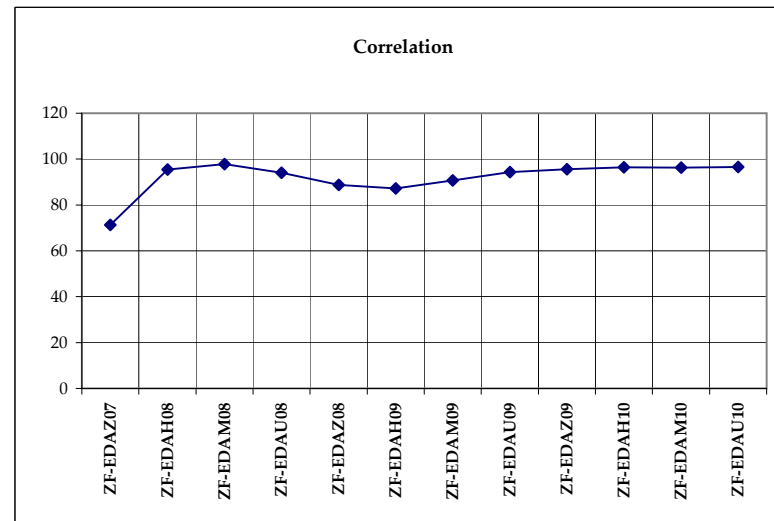
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAZ07	0.246	3.98	3.74	ZF-EDAZ07
EDAH08	0.495	3.98	3.49	ZF-EDAH08
EDAM08	0.745	3.98	3.24	ZF-EDAM08
EDAU08	0.994	3.98	2.99	ZF-EDAU08
EDAZ08	1.243	3.98	2.74	ZF-EDAZ08
EDAH09	1.492	3.98	2.49	ZF-EDAH09
EDAM09	1.742	3.98	2.24	ZF-EDAM09
EDAU09	1.991	3.98	1.99	ZF-EDAU09
EDAZ09	2.240	3.98	1.74	ZF-EDAZ09
EDAH10	2.490	3.98	1.49	ZF-EDAH10
EDAM10	2.739	3.98	1.24	ZF-EDAM10
EDAU10	2.988	3.98	0.99	ZF-EDAU10

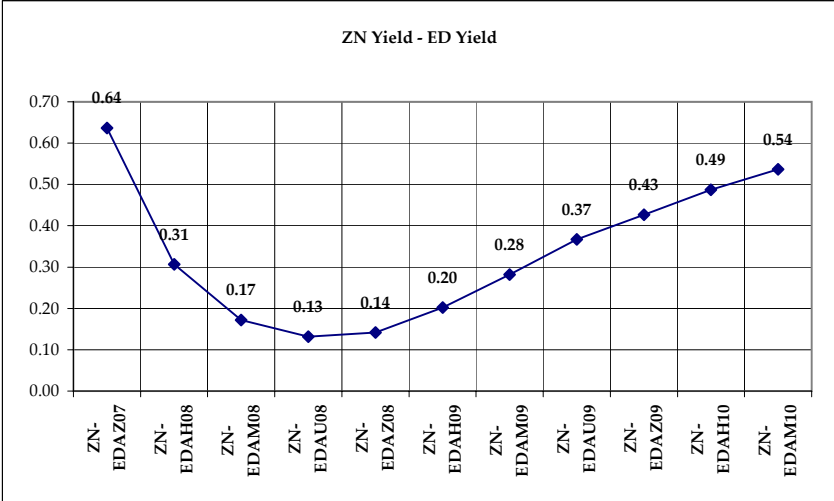
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

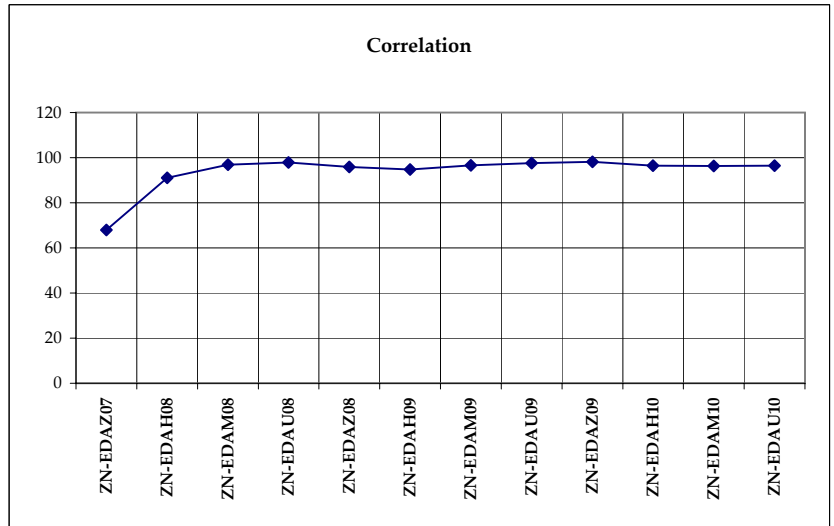
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	14.65	0.64	ZN-EDAZ07	67.98
EDAH08	14.32	0.31	ZN-EDAH08	91.00
EDAM08	14.19	0.17	ZN-EDAM08	96.89
EDAU08	14.15	0.13	ZN-EDAU08	97.83
EDAZ08	14.16	0.14	ZN-EDAZ08	95.85
EDAH09	14.22	0.20	ZN-EDAH09	94.77
EDAM09	14.30	0.28	ZN-EDAM09	96.56
EDAU09	14.38	0.37	ZN-EDAU09	97.60
EDAZ09	14.44	0.43	ZN-EDAZ09	98.19
EDAH10	14.50	0.49	ZN-EDAH10	96.39
EDAM10	14.55	0.54	ZN-EDAM10	96.35
EDAU10	14.61	0.59	ZN-EDAU10	96.52

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	0.246	5.90	5.66	ZN-EDAZ07
EDAH08	0.495	5.90	5.41	ZN-EDAH08
EDAM08	0.745	5.90	5.16	ZN-EDAM08
EDAU08	0.994	5.90	4.91	ZN-EDAU08
EDAZ08	1.243	5.90	4.66	ZN-EDAZ08
EDAH09	1.492	5.90	4.41	ZN-EDAH09
EDAM09	1.742	5.90	4.16	ZN-EDAM09
EDAU09	1.991	5.90	3.91	ZN-EDAU09
EDAZ09	2.240	5.90	3.66	ZN-EDAZ09
EDAH10	2.490	5.90	3.41	ZN-EDAH10
EDAM10	2.739	5.90	3.16	ZN-EDAM10
EDAU10	2.988	5.90	2.92	ZN-EDAU10

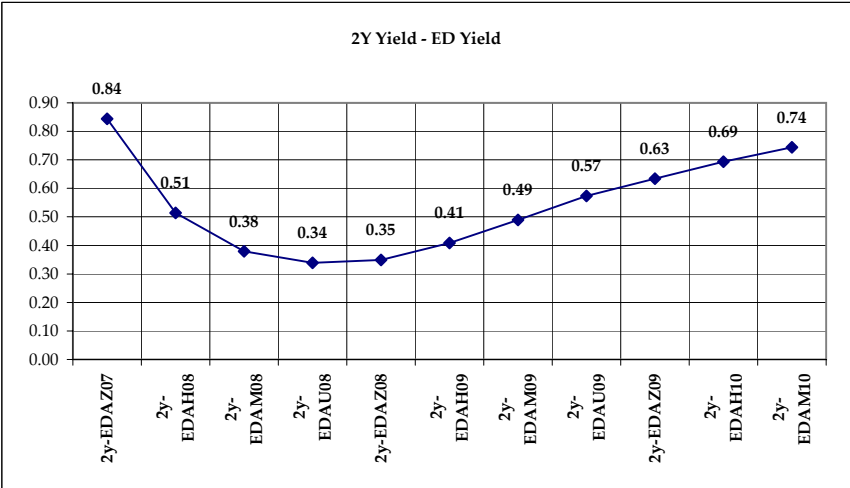
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.78	0.84	2y-EDAZ07	-64.918
EDAH08	4.45	0.51	2y-EDAH08	-93.038
EDAM08	4.31	0.38	2y-EDAM08	-97.087
EDAU08	4.27	0.34	2y-EDAU08	-94.232
EDAZ08	4.28	0.35	2y-EDAZ08	-97.087
EDAH09	4.34	0.41	2y-EDAH09	-89.400
EDAM09	4.42	0.49	2y-EDAM09	-92.374
EDAU09	4.51	0.57	2y-EDAU09	-95.309
EDAZ09	4.57	0.63	2y-EDAZ09	-95.825
EDAH10	4.63	0.69	2y-EDAH10	-96.396
EDAM10	4.68	0.74	2y-EDAM10	-96.347
EDAU10	4.73	0.80	2y-EDAU10	-96.192

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.

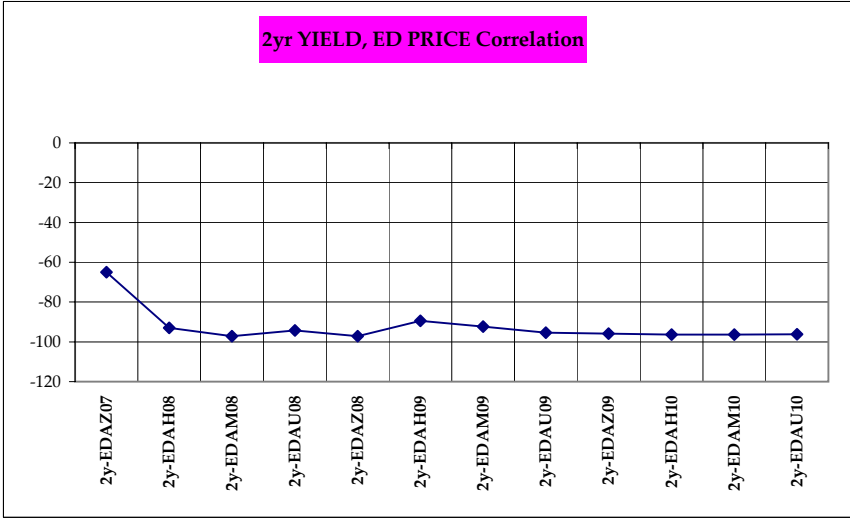


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAZ07	0.246	1.85	2y-EDAZ07
EDAH08	0.495	1.85	2y-EDAH08
EDAM08	0.745	1.85	2y-EDAM08
EDAU08	0.994	1.85	2y-EDAU08
EDAZ08	1.243	1.85	2y-EDAZ08
EDAH09	1.492	1.85	2y-EDAH09
EDAM09	1.742	1.85	2y-EDAM09
EDAU09	1.991	1.85	2y-EDAU09
EDAZ09	2.240	1.85	2y-EDAZ09
EDAH10	2.490	1.85	2y-EDAH10
EDAM10	2.739	1.85	2y-EDAM10
EDAU10	2.988	1.85	2y-EDAU10

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

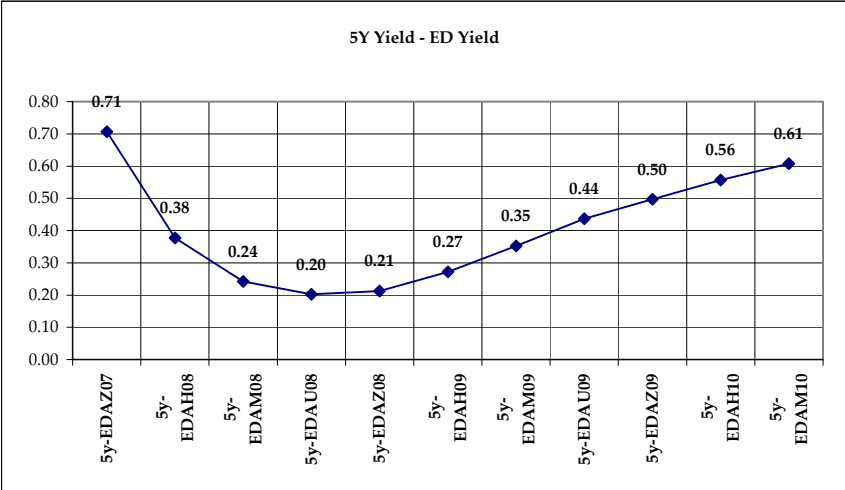
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.55	0.71	5y-EDAZ07	-68.088
EDAH08	4.22	0.38	5y-EDAH08	-94.841
EDAM08	4.08	0.24	5y-EDAM08	-97.759
EDAU08	4.04	0.20	5y-EDAU08	-94.326
EDAZ08	4.05	0.21	5y-EDAZ08	-97.759
EDAH09	4.11	0.27	5y-EDAH09	-88.813
EDAM09	4.19	0.35	5y-EDAM09	-92.030
EDAU09	4.28	0.44	5y-EDAU09	-95.348
EDAZ09	4.34	0.50	5y-EDAZ09	-96.146
EDAH10	4.40	0.56	5y-EDAH10	-96.933
EDAM10	4.45	0.61	5y-EDAM10	-96.997
EDAU10	4.50	0.66	5y-EDAU10	-97.004

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.

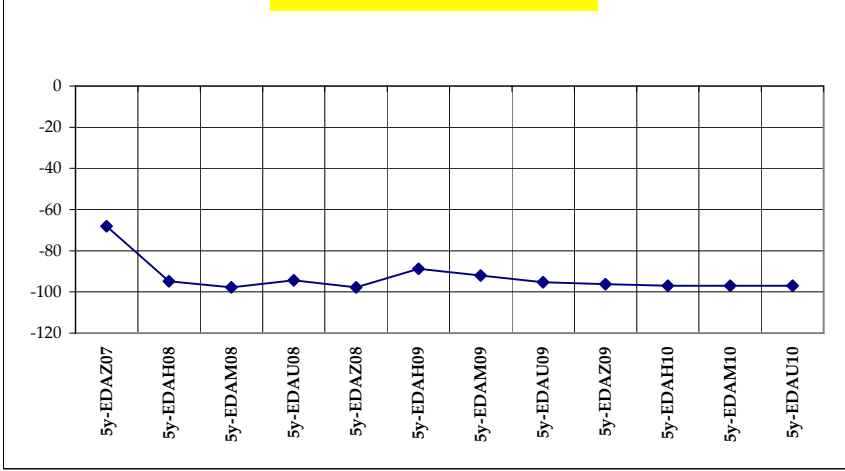


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAZ07	0.246	4.42	5y-EDAZ07
EDAH08	0.495	4.42	5y-EDAH08
EDAM08	0.745	4.42	5y-EDAM08
EDAU08	0.994	4.42	5y-EDAU08
EDAZ08	1.243	4.42	5y-EDAZ08
EDAH09	1.492	4.42	5y-EDAH09
EDAM09	1.742	4.42	5y-EDAM09
EDAU09	1.991	4.42	5y-EDAU09
EDAZ09	2.240	4.42	5y-EDAZ09
EDAH10	2.490	4.42	5y-EDAH10
EDAM10	2.739	4.42	5y-EDAM10
EDAU10	2.988	4.42	5y-EDAU10

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

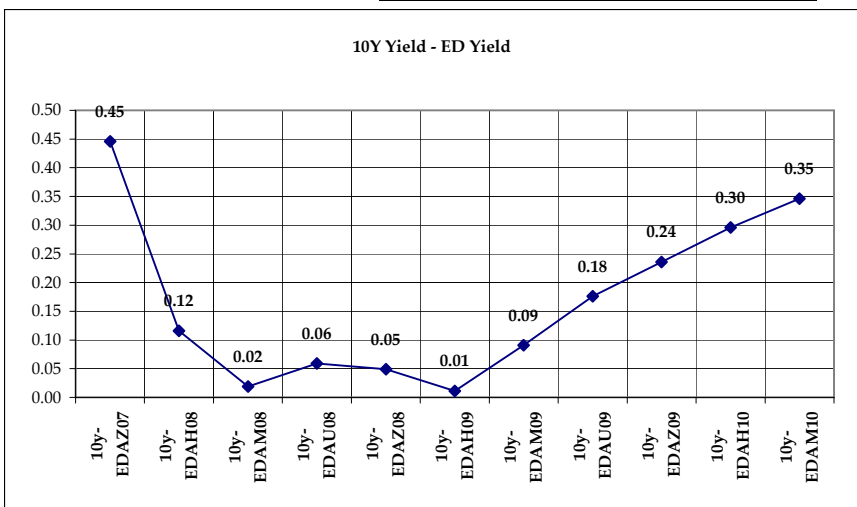
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAZ07	4.55	0.45	10y-EDAZ07	-59.249
EDAH08	4.22	0.12	10y-EDAH08	-86.370
EDAM08	4.08	0.02	10y-EDAM08	-93.508
EDAU08	4.04	0.06	10y-EDAU08	-96.013
EDAZ08	4.05	0.05	10y-EDAZ08	-93.508
EDAH09	4.11	0.01	10y-EDAH09	-95.528
EDAM09	4.19	0.09	10y-EDAM09	-96.915
EDAU09	4.28	0.18	10y-EDAU09	-97.033
EDAZ09	4.34	0.24	10y-EDAZ09	-96.811
EDAH10	4.40	0.30	10y-EDAH10	-96.297
EDAM10	4.45	0.35	10y-EDAM10	-96.033
EDAU10	4.50	0.40	10y-EDAU10	-95.729

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.

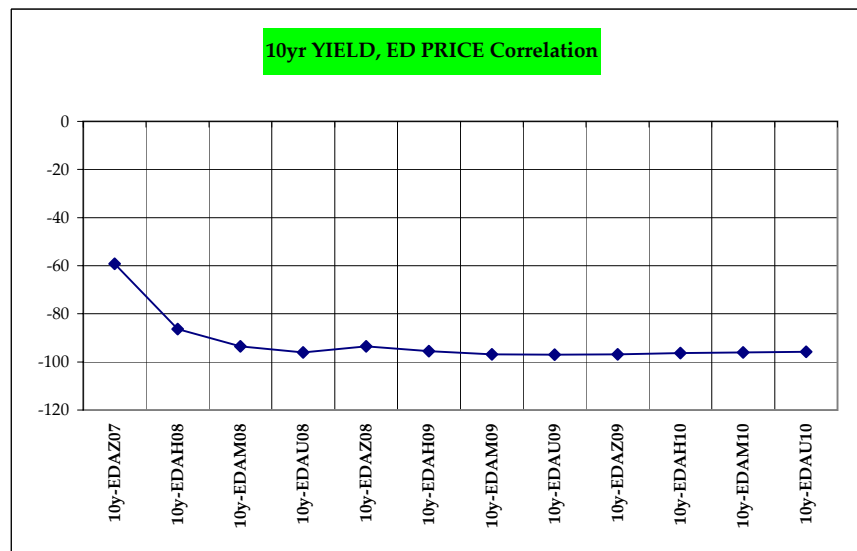


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAZ07	0.246	7.83	7.58	10y-EDAZ07
EDAH08	0.495	7.83	7.33	10y-EDAH08
EDAM08	0.745	7.83	7.08	10y-EDAM08
EDAU08	0.994	7.83	6.84	10y-EDAU08
EDAZ08	1.243	7.83	6.59	10y-EDAZ08
EDAH09	1.492	7.83	6.34	10y-EDAH09
EDAM09	1.742	7.83	6.09	10y-EDAM09
EDAU09	1.991	7.83	5.84	10y-EDAU09
EDAZ09	2.240	7.83	5.59	10y-EDAZ09
EDAH10	2.490	7.83	5.34	10y-EDAH10
EDAM10	2.739	7.83	5.09	10y-EDAM10
EDAU10	2.988	7.83	4.84	10y-EDAU10

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

10yr YIELD, ED PRICE Correlation

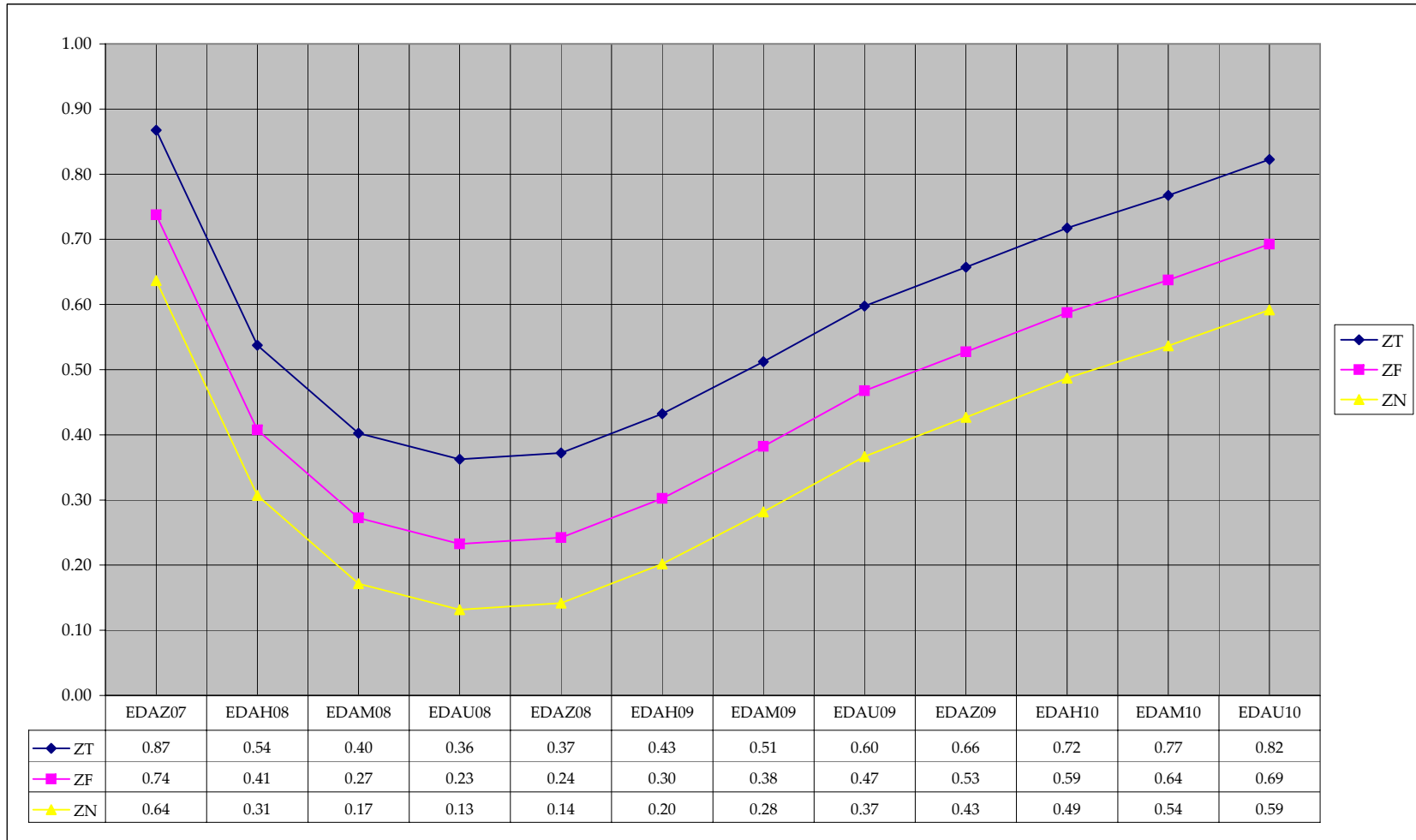


Dirty TED Curve

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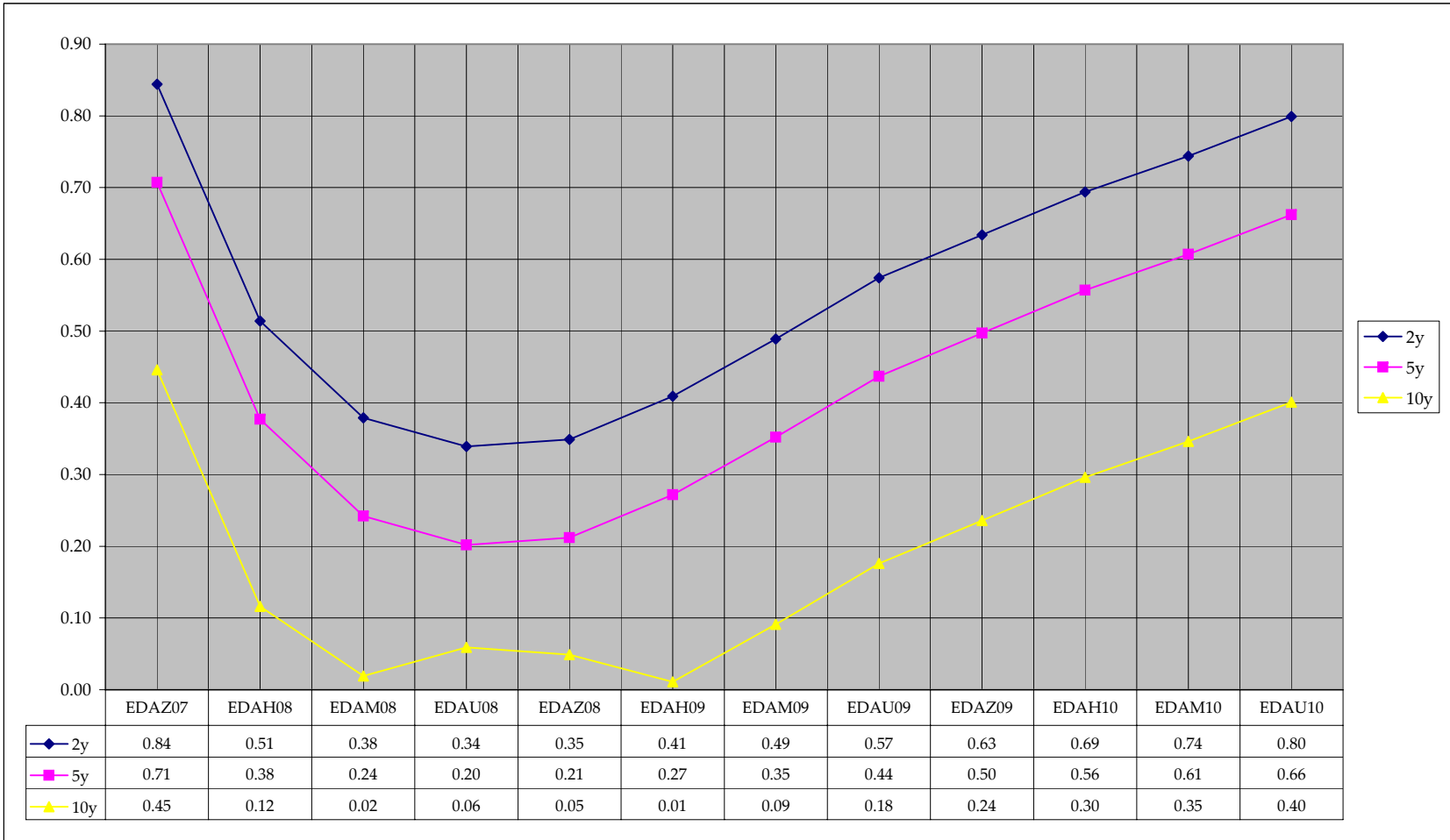
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

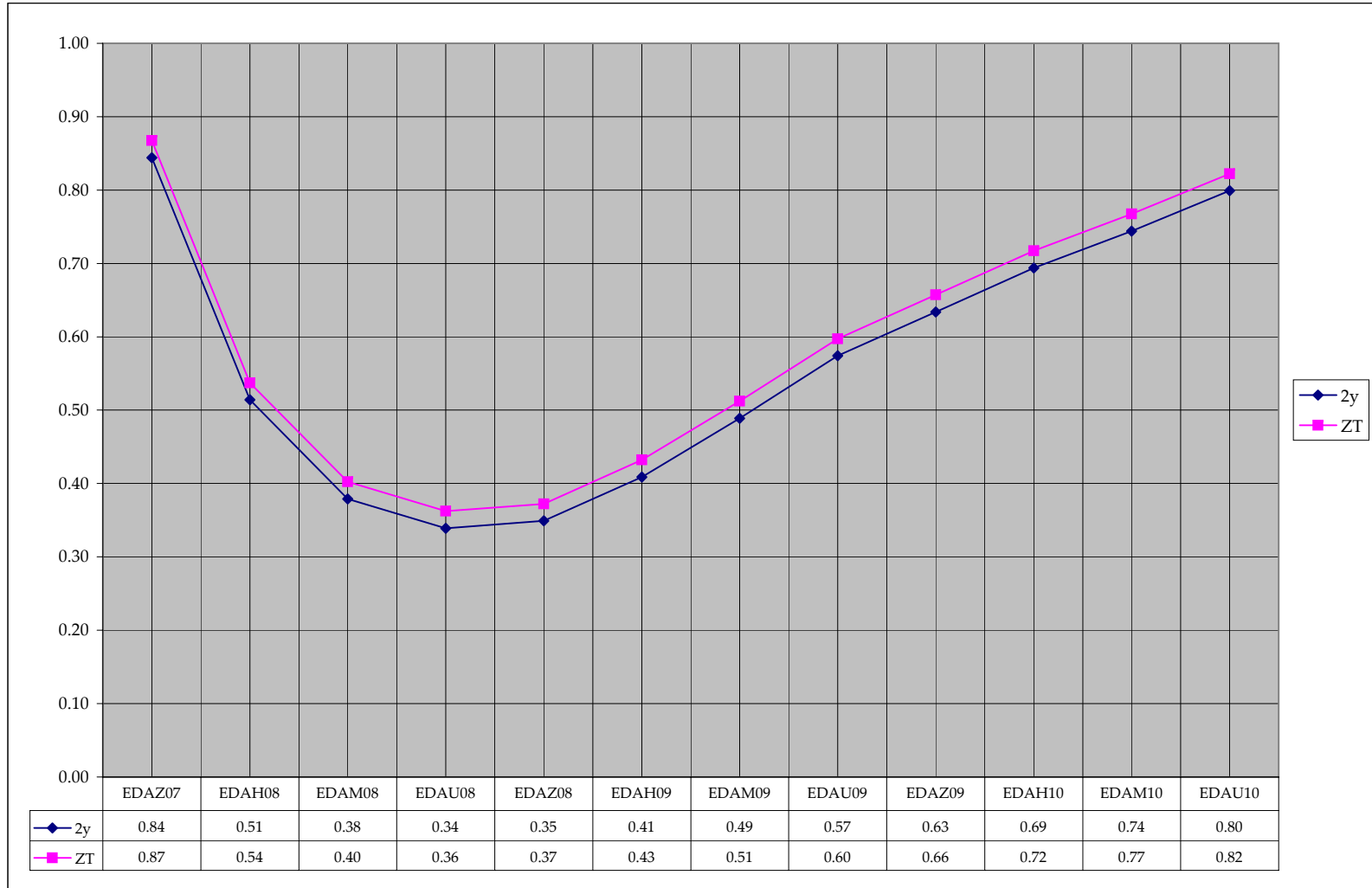


TED Curve

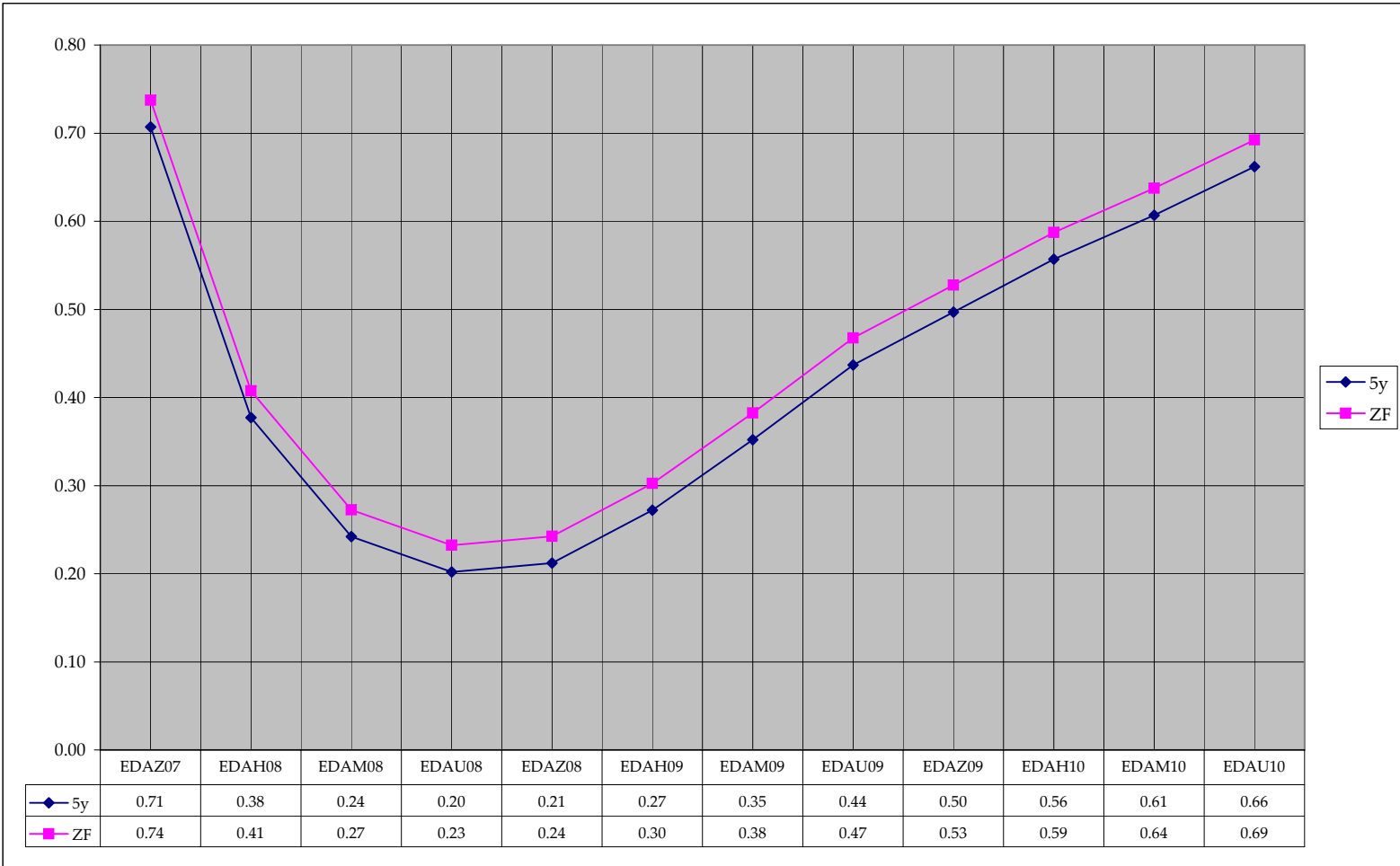
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



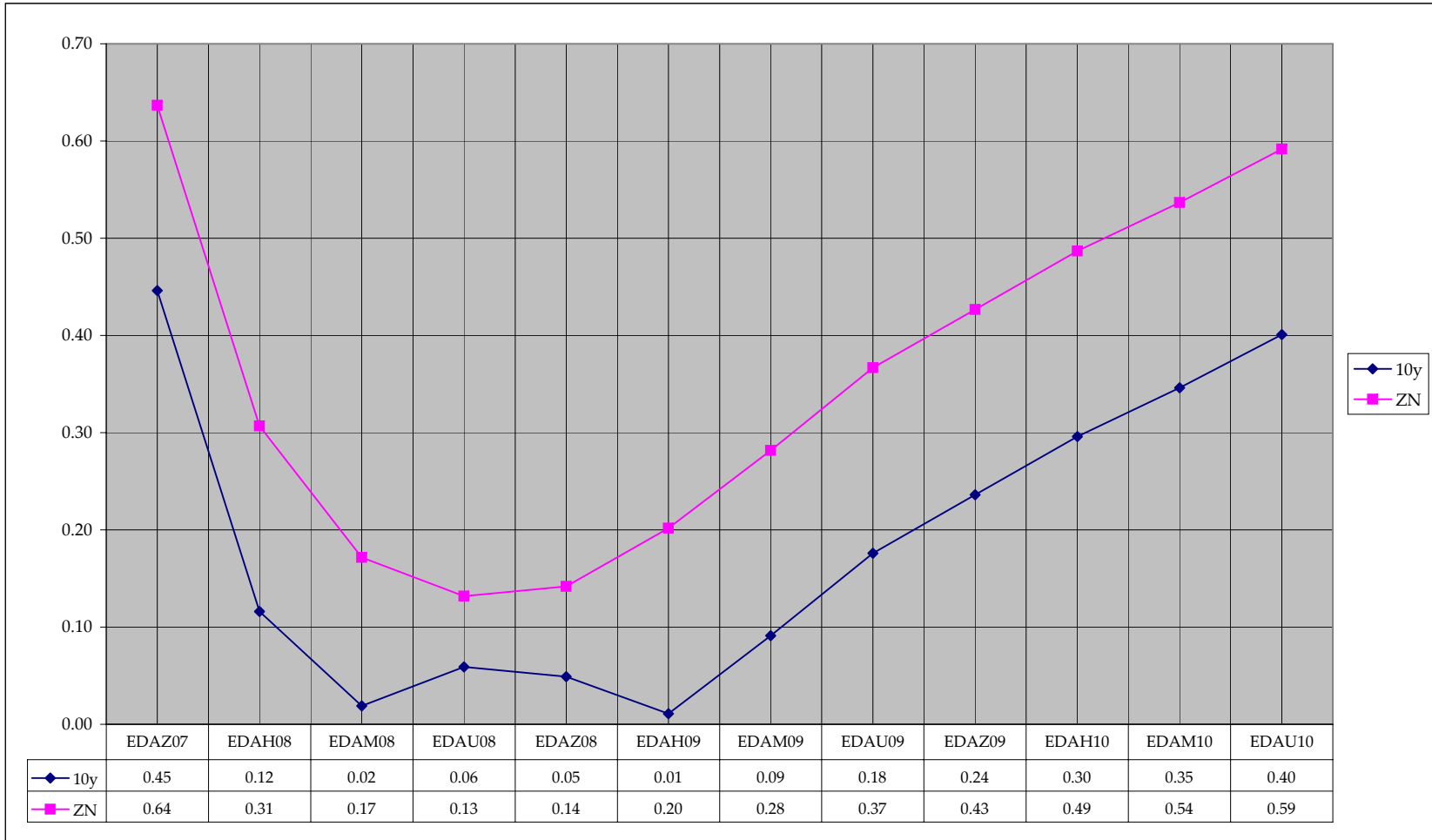
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	4.713	-2.000	9540.500
Q.ED.Red	4.647	-2.125	9546.875
Q.ED.Green	4.919	-1.250	9520.625
Q.ED.Blue	0.000	0.000	9499.375
Q.ED.Gold	0.000	0.000	9477.375
Q.ED.Purple	0.000	0.000	9477.375

