

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	106.9281	106.297	1.943	1.77	
ZF	113.3281	113.105	2.649	3.87	
ZN	116.6875	116.220	3.215	5.82	
2y	100.250	100.0800	1.996	1.92	
5y	100.531	100.1700	2.758	4.60	
10y	98.375	98.1200	3.694	8.22	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	97.130	2.870	38	0.103	MAR	White Pack	
EDAM08	97.550	2.450	129	0.353	JUN		
EDAU08	97.640	2.360	220	0.602	SEP		
EDAZ08	97.590	2.410	311	0.851	DEC	Red Pack	
EDAH09	97.445	2.555	402	1.101	MAR		
EDAM09	97.225	2.775	493	1.350	JUN		
EDAU09	97.005	2.995	584	1.599	SEP	Green Pack	
EDAZ09	96.800	3.200	675	1.849	DEC		
EDAH10	96.615	3.385	766	2.098	MAR		
EDAM10	96.435	3.565	857	2.347	JUN	Blue Pack	
EDAU10	96.265	3.735	948	2.597	SEP		
EDAZ10	96.110	3.890	1039	2.846	DEC		
EDAH11	95.970	4.030	1130	3.095	MAR	Gold Pack	
EDAM11	95.835	4.165	1221	3.345	JUN		
EDAU11	95.695	4.305	1319	3.613	SEP		
EDAZ11	95.560	4.440	1410	3.862	DEC		
EDAH12	95.460	4.540	1501	4.112	MAR		
EDAM12	95.320	4.680	1592	4.361	JUN		
EDAU12	95.205	4.795	1683	4.610	SEP		
EDAU12	95.205	4.795	1683	4.610	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	2.574	0.000	9747.750	Pack Prices
Q.ED.Red	2.943	0.000	9711.875	
Q.ED.Green	3.728	1.500	9635.625	
Q.ED.Blue	4.340	2.375	9576.500	
Q.ED.Gold	4.851	2.375	9527.250	

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

Overview of Hedging

2/8/2008 5:53

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

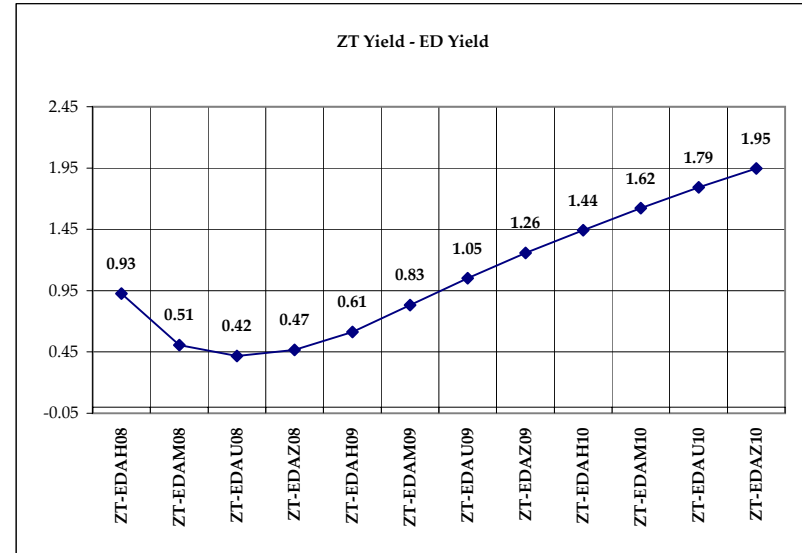
Eurodollar Color Codes for Individual Year Strips:

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)
EDAH08	9.798	0.93	ZT-EDAH08	70.717
EDAM08	9.378	0.51	ZT-EDAM08	78.780
EDAU08	9.288	0.42	ZT-EDAU08	92.507
EDAZ08	9.338	0.47	ZT-EDAZ08	95.305
EDAH09	9.483	0.61	ZT-EDAH09	92.009
EDAM09	9.703	0.83	ZT-EDAM09	84.611
EDAU09	9.923	1.05	ZT-EDAU09	79.038
EDAZ09	10.128	1.26	ZT-EDAZ09	63.964
EDAH10	10.313	1.44	ZT-EDAH10	44.251
EDAM10	10.493	1.62	ZT-EDAM10	30.529
EDAU10	10.663	1.79	ZT-EDAU10	17.235
EDAZ10	10.818	1.95	ZT-EDAZ10	2.398

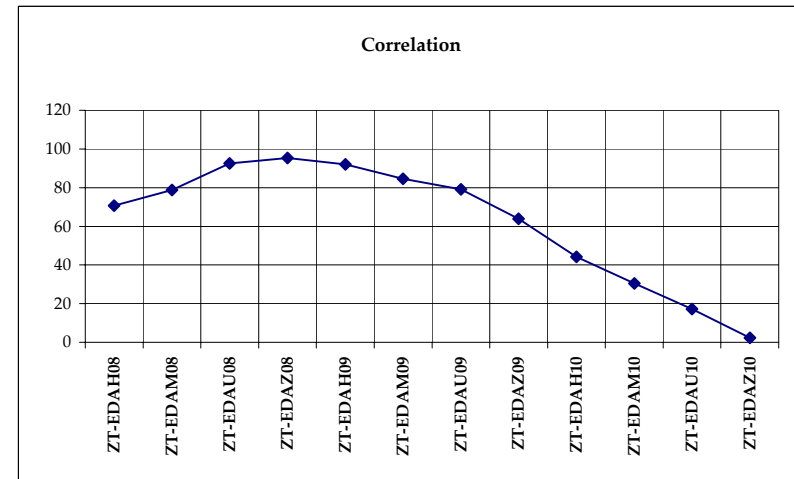
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZT Duration	Spread Duration	
EDAH08	0.103	1.67	ZT-EDAH08
EDAM08	0.353	1.42	ZT-EDAM08
EDAU08	0.602	1.17	ZT-EDAU08
EDAZ08	0.851	0.92	ZT-EDAZ08
EDAH09	1.101	0.67	ZT-EDAH09
EDAM09	1.350	0.42	ZT-EDAM09
EDAU09	1.599	0.17	ZT-EDAU09
EDAZ09	1.849	(0.07)	ZT-EDAZ09
EDAH10	2.098	(0.32)	ZT-EDAH10
EDAM10	2.347	(0.57)	ZT-EDAM10
EDAU10	2.597	(0.82)	ZT-EDAU10
EDAZ10	2.846	(1.07)	ZT-EDAZ10

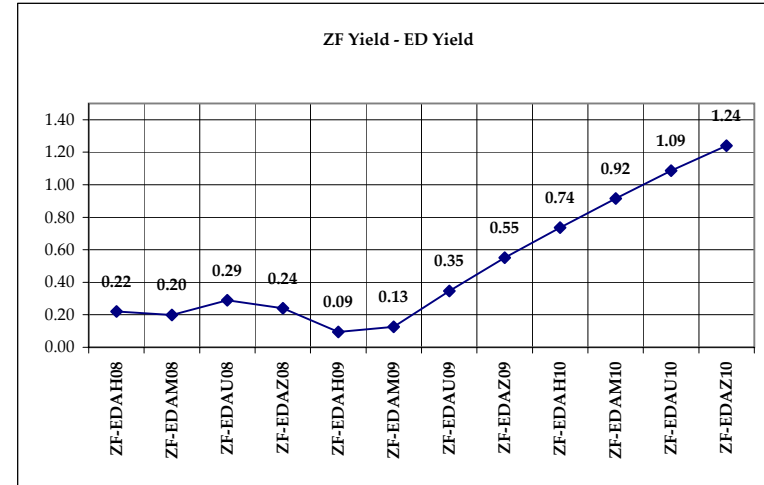
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	16.20	0.22	ZF-EDAH08	40.211
EDAM08	15.78	0.20	ZF-EDAM08	57.718
EDAU08	15.69	0.29	ZF-EDAU08	73.618
EDAZ08	15.74	0.24	ZF-EDAZ08	86.569
EDAH09	15.88	0.09	ZF-EDAH09	88.434
EDAM09	16.10	0.13	ZF-EDAM09	90.216
EDAU09	16.32	0.35	ZF-EDAU09	86.160
EDAZ09	16.53	0.55	ZF-EDAZ09	83.771
EDAH10	16.71	0.74	ZF-EDAH10	75.368
EDAM10	16.89	0.92	ZF-EDAM10	68.413
EDAU10	17.06	1.09	ZF-EDAU10	60.544
EDAZ10	17.22	1.24	ZF-EDAZ10	50.786

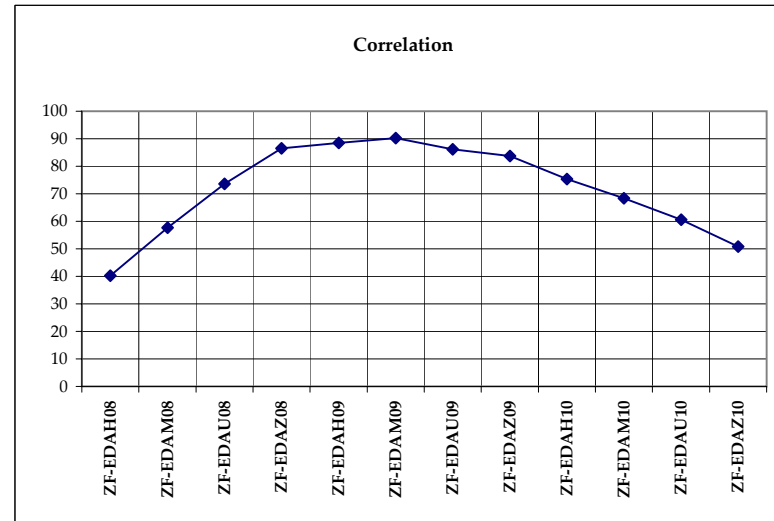
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.103	3.87	3.77	ZF-EDAH08
EDAM08	0.353	3.87	3.52	ZF-EDAM08
EDAU08	0.602	3.87	3.27	ZF-EDAU08
EDAZ08	0.851	3.87	3.02	ZF-EDAZ08
EDAH09	1.101	3.87	2.77	ZF-EDAH09
EDAM09	1.350	3.87	2.52	ZF-EDAM09
EDAU09	1.599	3.87	2.27	ZF-EDAU09
EDAZ09	1.849	3.87	2.02	ZF-EDAZ09
EDAH10	2.098	3.87	1.78	ZF-EDAH10
EDAM10	2.347	3.87	1.53	ZF-EDAM10
EDAU10	2.597	3.87	1.28	ZF-EDAU10
EDAZ10	2.846	3.87	1.03	ZF-EDAZ10

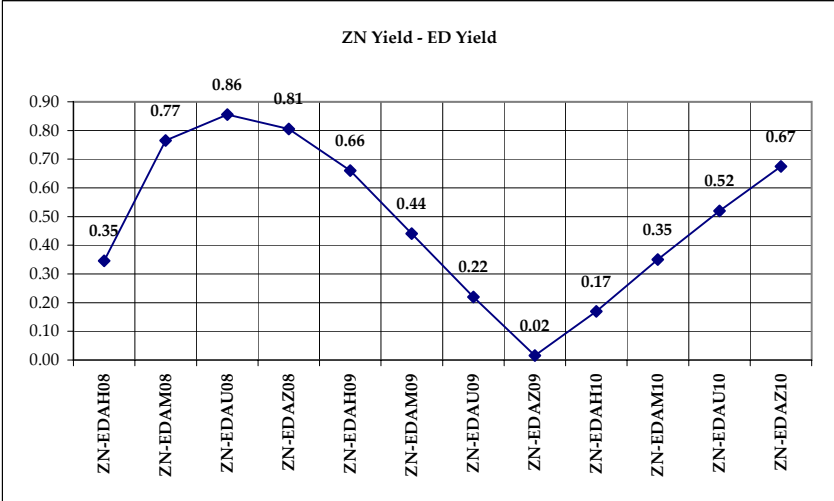
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

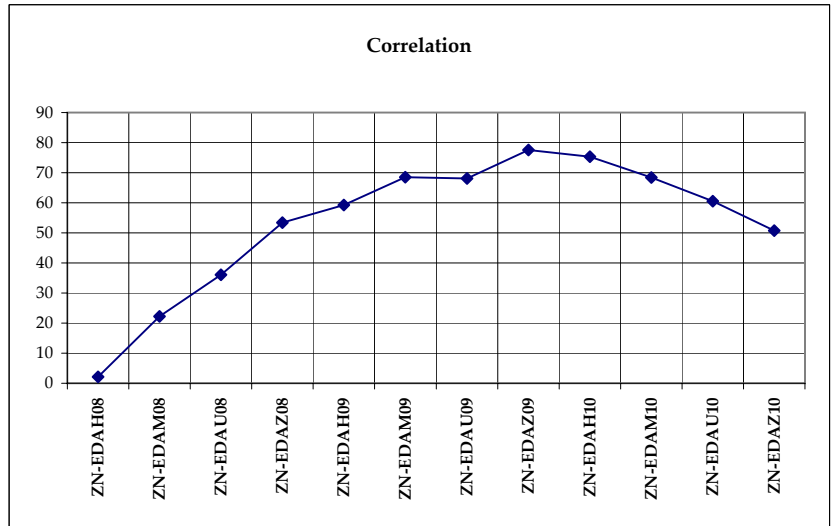
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	19.56	0.35	ZN-EDAH08	2.10
EDAM08	19.14	0.77	ZN-EDAM08	22.19
EDAU08	19.05	0.86	ZN-EDAU08	36.02
EDAZ08	19.10	0.81	ZN-EDAZ08	53.45
EDAH09	19.24	0.66	ZN-EDAH09	59.25
EDAM09	19.46	0.44	ZN-EDAM09	68.55
EDAU09	19.68	0.22	ZN-EDAU09	68.07
EDAZ09	19.89	0.02	ZN-EDAZ09	77.57
EDAH10	20.07	0.17	ZN-EDAH10	75.37
EDAM10	20.25	0.35	ZN-EDAM10	68.41
EDAU10	20.42	0.52	ZN-EDAU10	60.54
EDAZ10	20.58	0.67	ZN-EDAZ10	50.79

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	
EDAH08	0.103	5.82	5.72	ZN-EDAH08
EDAM08	0.353	5.82	5.47	ZN-EDAM08
EDAU08	0.602	5.82	5.22	ZN-EDAU08
EDAZ08	0.851	5.82	4.97	ZN-EDAZ08
EDAH09	1.101	5.82	4.72	ZN-EDAH09
EDAM09	1.350	5.82	4.47	ZN-EDAM09
EDAU09	1.599	5.82	4.23	ZN-EDAU09
EDAZ09	1.849	5.82	3.98	ZN-EDAZ09
EDAH10	2.098	5.82	3.73	ZN-EDAH10
EDAM10	2.347	5.82	3.48	ZN-EDAM10
EDAU10	2.597	5.82	3.23	ZN-EDAU10
EDAZ10	2.846	5.82	2.98	ZN-EDAZ10

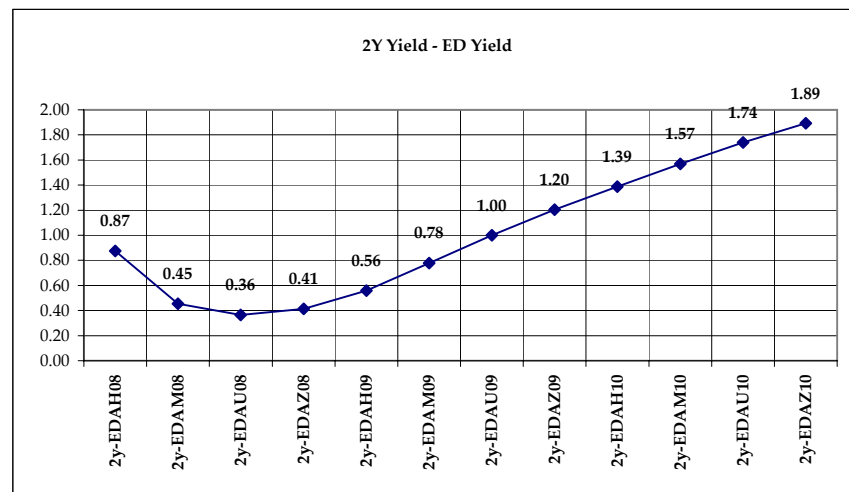
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.12	0.87	2y-EDAH08	-72.790
EDAM08	2.70	0.45	2y-EDAM08	-81.328
EDAU08	2.61	0.36	2y-EDAU08	-91.753
EDAZ08	2.66	0.41	2y-EDAZ08	-81.328
EDAH09	2.80	0.56	2y-EDAH09	-88.719
EDAM09	3.02	0.78	2y-EDAM09	-82.087
EDAU09	3.25	1.00	2y-EDAU09	-74.882
EDAZ09	3.45	1.20	2y-EDAZ09	-62.964
EDAH10	3.63	1.39	2y-EDAH10	-45.923
EDAM10	3.82	1.57	2y-EDAM10	-34.646
EDAU10	3.99	1.74	2y-EDAU10	-24.200
EDAZ10	4.14	1.89	2y-EDAZ10	-11.935

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.

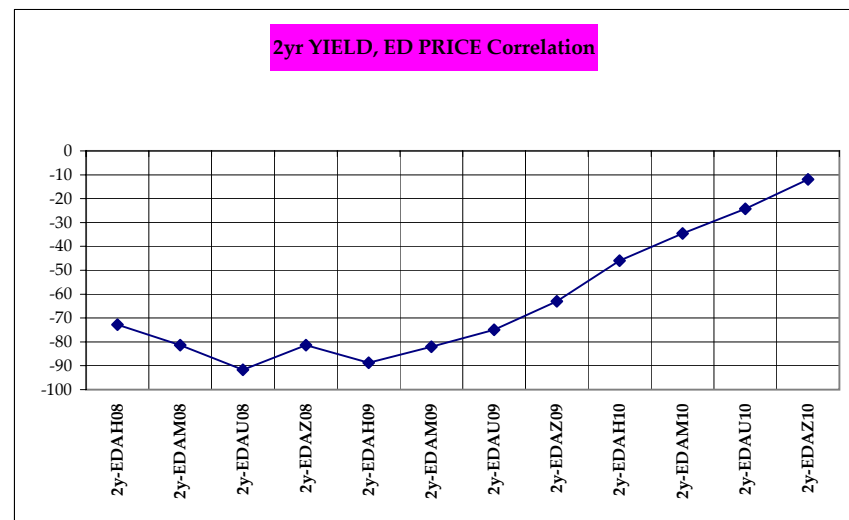


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAH08	0.103	1.92	2y-EDAH08
EDAM08	0.353	1.92	2y-EDAM08
EDAU08	0.602	1.92	2y-EDAU08
EDAZ08	0.851	1.92	2y-EDAZ08
EDAH09	1.101	1.92	2y-EDAH09
EDAM09	1.350	1.92	2y-EDAM09
EDAU09	1.599	1.92	2y-EDAU09
EDAZ09	1.849	1.92	2y-EDAZ09
EDAH10	2.098	1.92	2y-EDAH10
EDAM10	2.347	1.92	2y-EDAM10
EDAU10	2.597	1.92	2y-EDAU10
EDAZ10	2.846	1.92	2y-EDAZ10

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

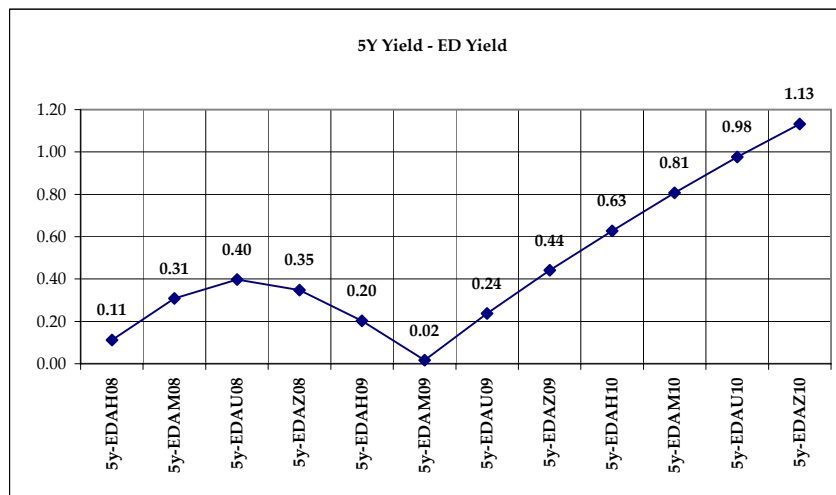
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.40	0.11	5y-EDAH08	-45.984
EDAM08	2.98	0.31	5y-EDAM08	-62.553
EDAU08	2.89	0.40	5y-EDAU08	-72.765
EDAZ08	2.94	0.35	5y-EDAZ08	-62.553
EDAH09	3.09	0.20	5y-EDAH09	-79.422
EDAM09	3.31	0.02	5y-EDAM09	-80.231
EDAU09	3.53	0.24	5y-EDAU09	-75.839
EDAZ09	3.73	0.44	5y-EDAZ09	-75.148
EDAH10	3.92	0.63	5y-EDAH10	-68.806
EDAM10	4.10	0.81	5y-EDAM10	-64.021
EDAU10	4.27	0.98	5y-EDAU10	-59.160
EDAZ10	4.42	1.13	5y-EDAZ10	-51.953

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.

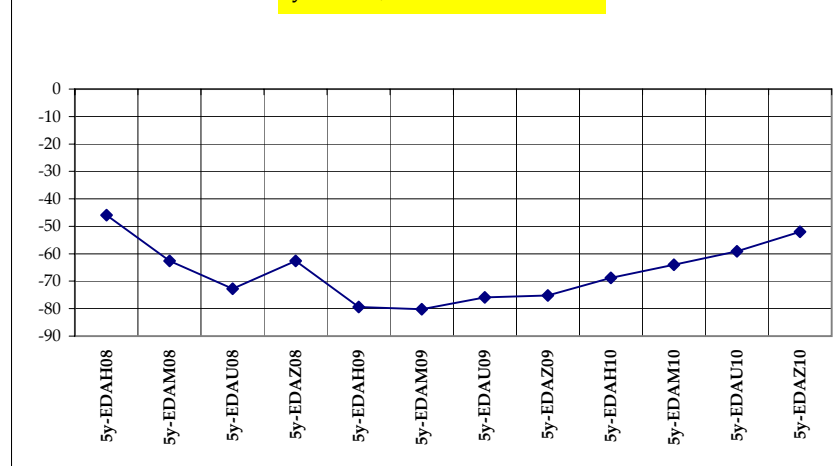


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAH08	0.103	4.60	4.50	5y-EDAH08
EDAM08	0.353	4.60	4.25	5y-EDAM08
EDAU08	0.602	4.60	4.00	5y-EDAU08
EDAZ08	0.851	4.60	3.75	5y-EDAZ08
EDAH09	1.101	4.60	3.50	5y-EDAH09
EDAM09	1.350	4.60	3.25	5y-EDAM09
EDAU09	1.599	4.60	3.00	5y-EDAU09
EDAZ09	1.849	4.60	2.75	5y-EDAZ09
EDAH10	2.098	4.60	2.50	5y-EDAH10
EDAM10	2.347	4.60	2.25	5y-EDAM10
EDAU10	2.597	4.60	2.00	5y-EDAU10
EDAZ10	2.846	4.60	1.75	5y-EDAZ10

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

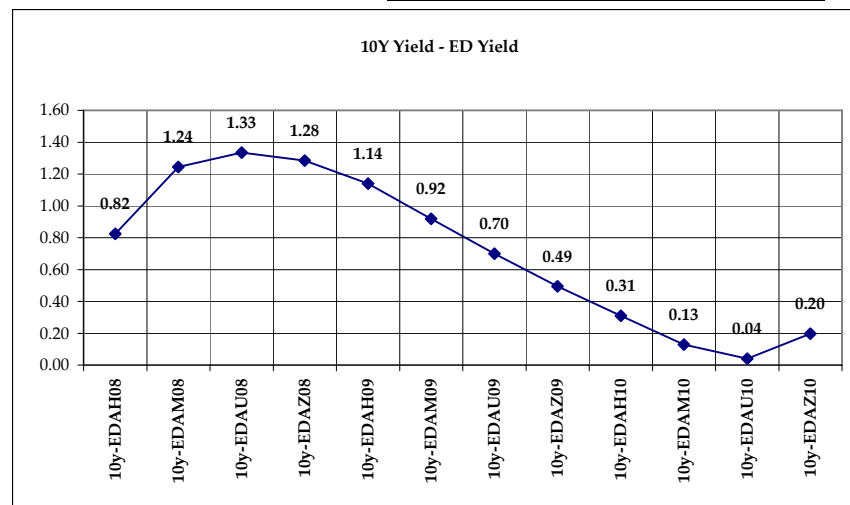
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.40	0.82	10y-EDAH08	21.793
EDAM08	2.98	1.24	10y-EDAM08	6.480
EDAU08	2.89	1.33	10y-EDAU08	3.086
EDAZ08	2.94	1.28	10y-EDAZ08	6.480
EDAH09	3.09	1.14	10y-EDAH09	-11.057
EDAM09	3.31	0.92	10y-EDAM09	-21.466
EDAU09	3.53	0.70	10y-EDAU09	-22.112
EDAZ09	3.73	0.49	10y-EDAZ09	-37.177
EDAH10	3.92	0.31	10y-EDAH10	-48.810
EDAM10	4.10	0.13	10y-EDAM10	-56.206
EDAU10	4.27	0.04	10y-EDAU10	-63.164
EDAZ10	4.42	0.20	10y-EDAZ10	-68.964

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.

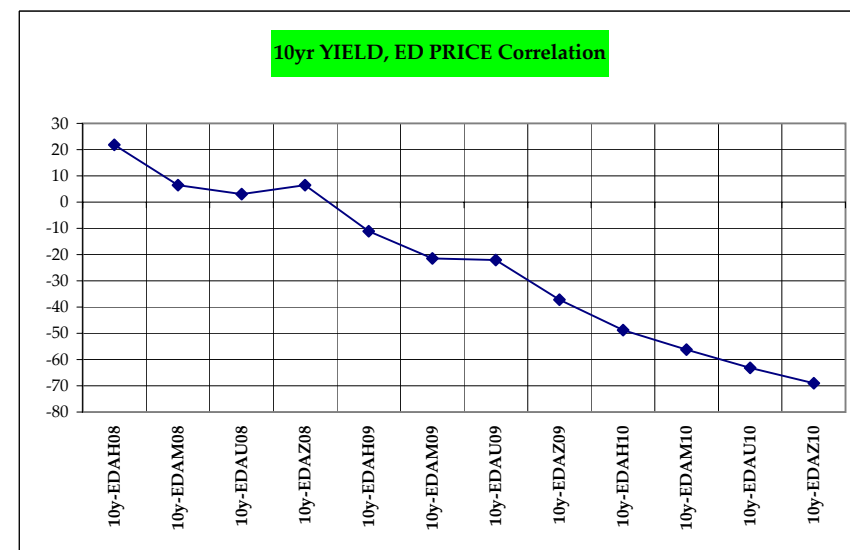


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAH08	0.103	8.22	8.11	10y-EDAH08
EDAM08	0.353	8.22	7.87	10y-EDAM08
EDAU08	0.602	8.22	7.62	10y-EDAU08
EDAZ08	0.851	8.22	7.37	10y-EDAZ08
EDAH09	1.101	8.22	7.12	10y-EDAH09
EDAM09	1.350	8.22	6.87	10y-EDAM09
EDAU09	1.599	8.22	6.62	10y-EDAU09
EDAZ09	1.849	8.22	6.37	10y-EDAZ09
EDAH10	2.098	8.22	6.12	10y-EDAH10
EDAM10	2.347	8.22	5.87	10y-EDAM10
EDAU10	2.597	8.22	5.62	10y-EDAU10
EDAZ10	2.846	8.22	5.37	10y-EDAZ10

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

10yr YIELD, ED PRICE Correlation

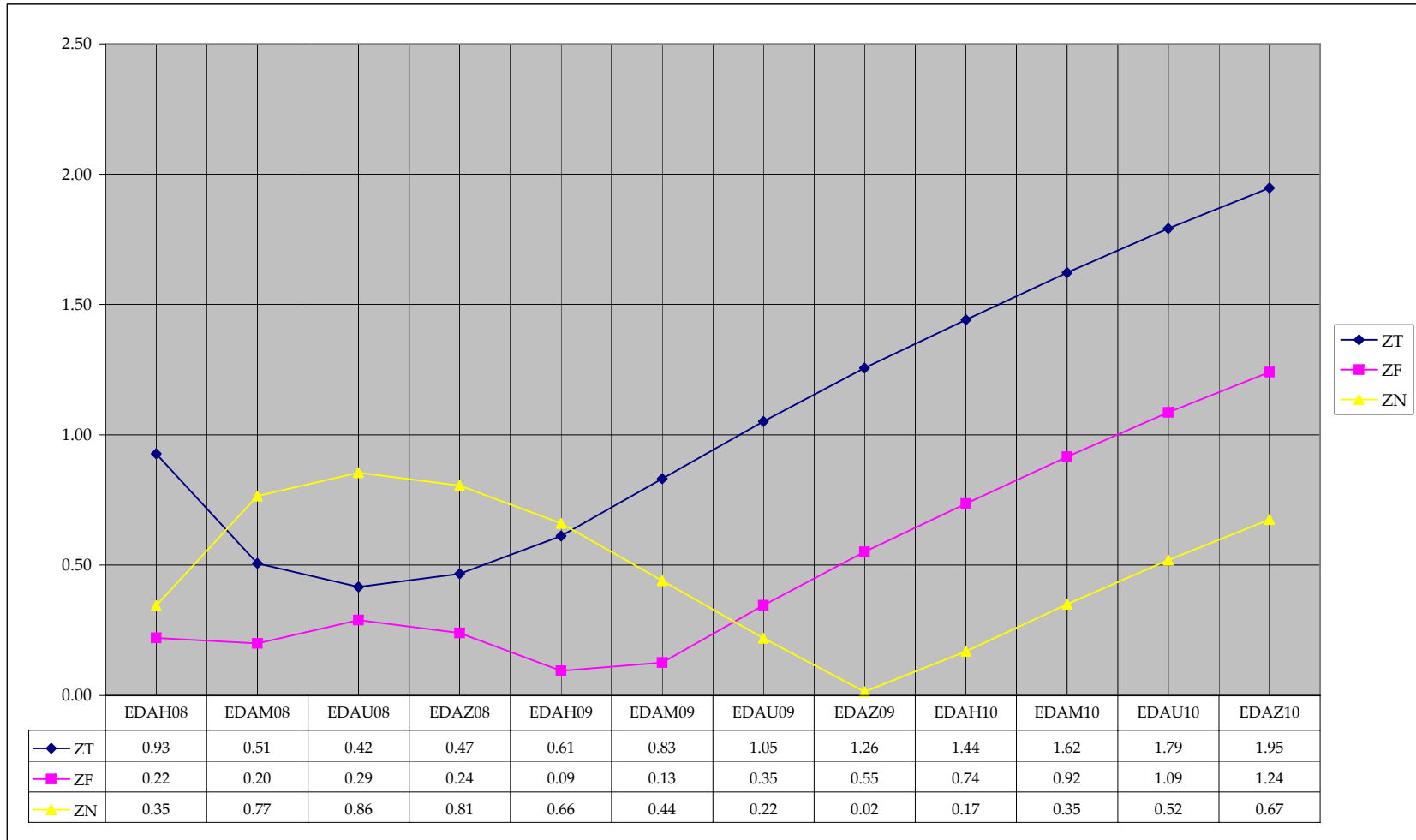


Dirty TED Curve

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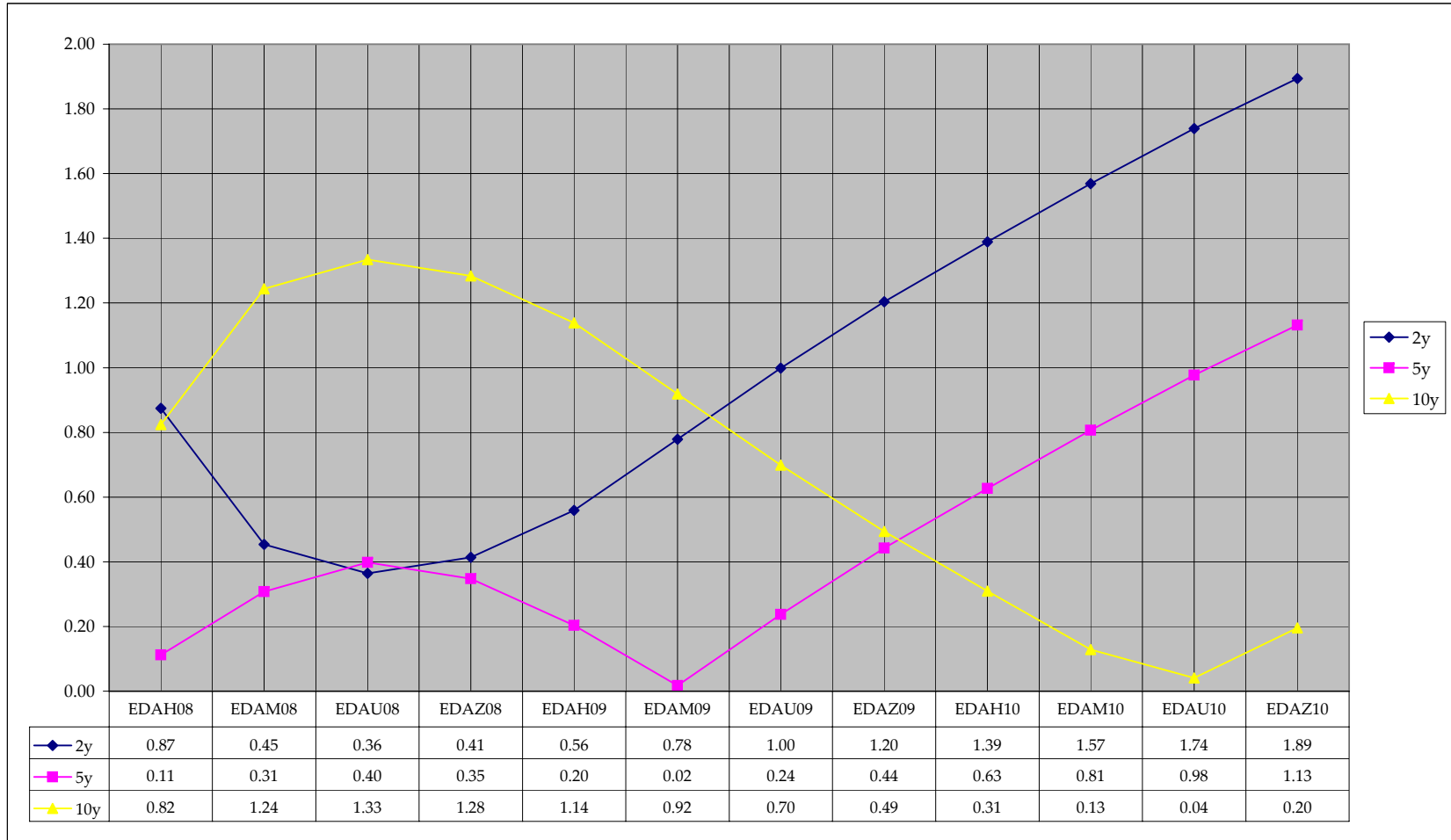
Page 7

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.

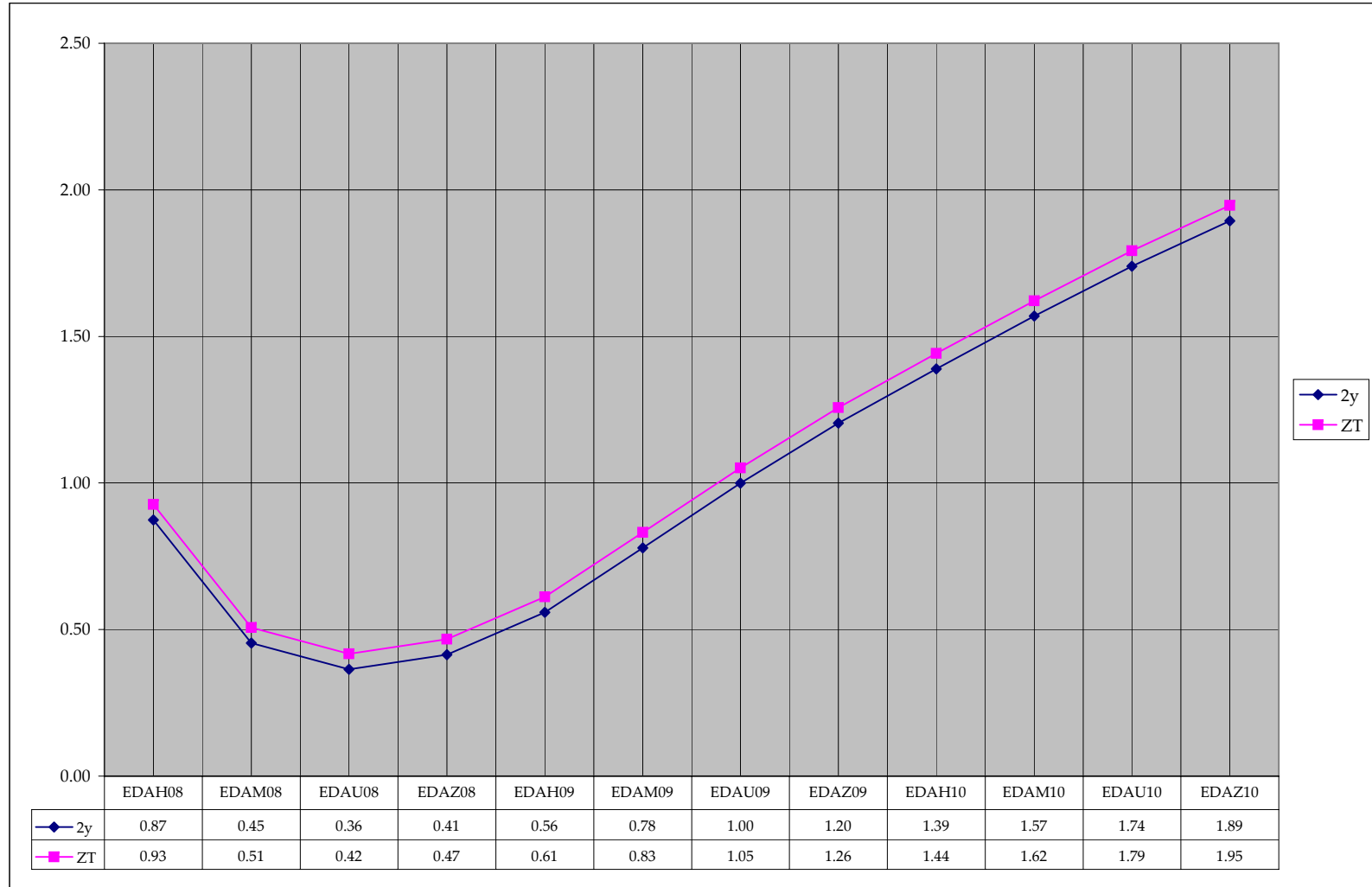


TED Curve

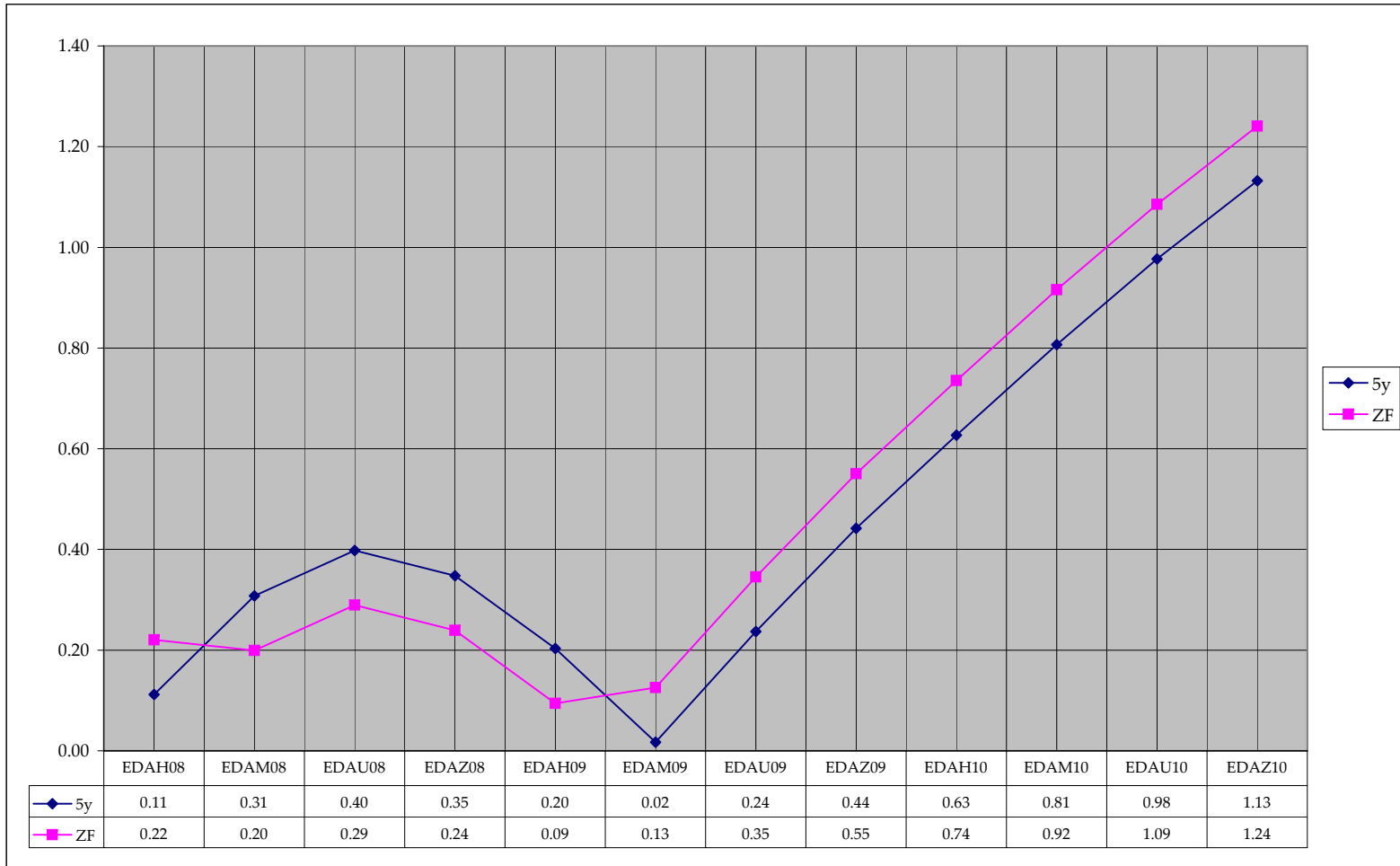
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



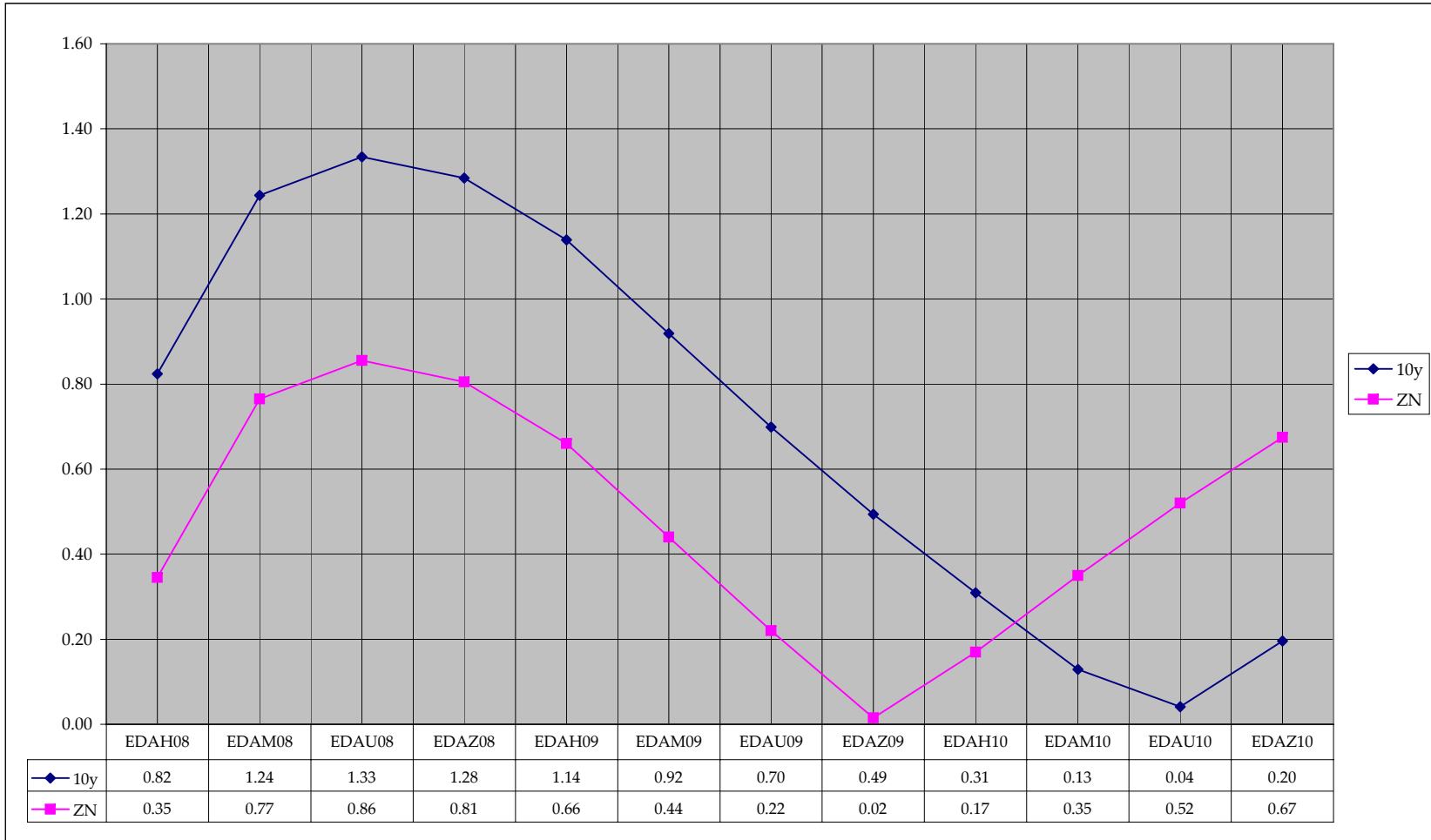
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

2/8/2008 5:53

Page 12

	last Yield	Net Last Yield	Last Price
Q.ED.White	2.574	0.000	9747.750
Q.ED.Red	2.943	0.000	9711.875
Q.ED.Green	3.728	1.500	9635.625
Q.ED.Blue	4.340	2.375	9576.500
Q.ED.Gold	4.851	2.375	9527.250

