

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	107.0781	107.025	1.641	1.89	
ZF	113.7094	113.227	2.437	4.04	
ZN	118.5000	118.160	3.233	6.63	
2y	100.069	100.0220	1.711	1.95	
5y	100.906	100.2900	2.550	4.57	
10y	100.047	100.0150	3.494	8.26	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAM08	97.685	2.315	81	0.221	JUN	} White Pack	
EDAU08	97.820	2.180	172	0.471	SEP		
EDAZ08	97.730	2.270	263	0.720	DEC		
EDAH09	97.690	2.310	354	0.969	MAR	} Red Pack	
EDAM09	97.490	2.510	445	1.219	JUN		
EDAU09	97.265	2.735	536	1.468	SEP		
EDAZ09	97.000	3.000	627	1.717	DEC	} Green Pack	
EDAH10	96.800	3.200	718	1.966	MAR		
EDAM10	96.600	3.400	809	2.216	JUN		
EDAU10	96.400	3.600	900	2.465	SEP	} Blue Pack	
EDAZ10	96.180	3.820	991	2.714	DEC		
EDAH11	96.035	3.965	1082	2.964	MAR		
EDAM11	95.910	4.090	1173	3.213	JUN	} Gold Pack	
EDAU11	95.835	4.165	1271	3.482	SEP		
EDAZ11	95.720	4.280	1362	3.731	DEC		
EDAH12	95.580	4.420	1453	3.980	MAR	} Gold Pack	
EDAM12	95.510	4.490	1544	4.229	JUN		
EDAU12	95.425	4.575	1635	4.479	SEP		
EDAZ12	95.325	4.675	1726	4.728	DEC		
EDAH13	95.285	4.715	1817	4.977	MAR		

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	2.313	0.000	9773.125	} Pack Prices
Q.ED.Red	2.922	-0.625	9713.875	
Q.ED.Green	3.783	-1.125	9630.375	
Q.ED.Blue		-1.000	9574.750	
Q.ED.Gold		0.125	9537.750	

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

3/27/2008 5:50

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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

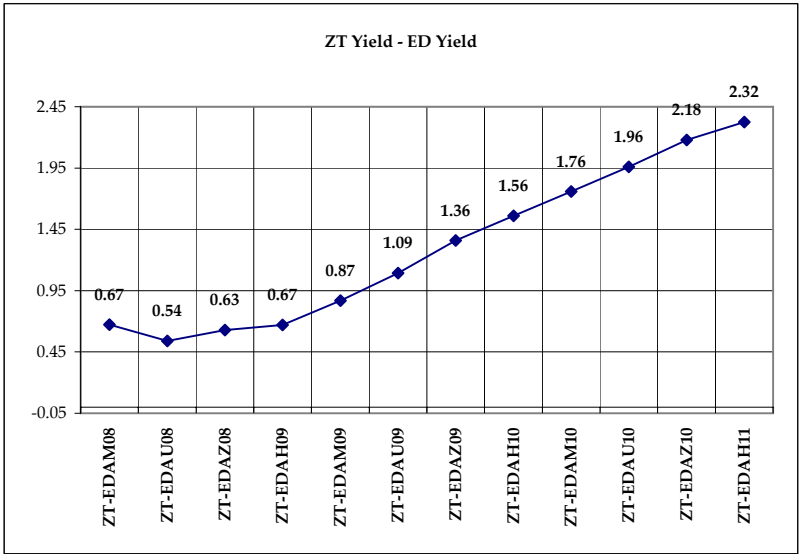
Eurodollar Color Codes for Individual Year Strips:

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

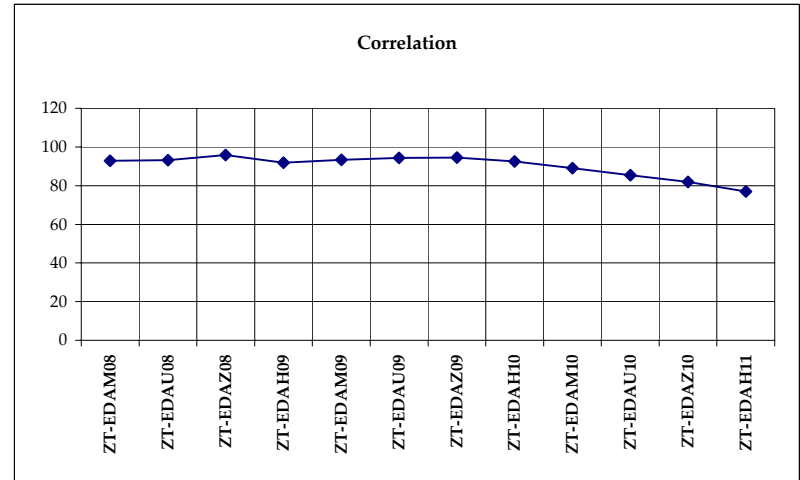
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	9.393	0.67	ZT-EDAM08	92.874
EDAU08	9.258	0.54	ZT-EDAU08	93.164
EDAZ08	9.348	0.63	ZT-EDAZ08	95.760
EDAH09	9.388	0.67	ZT-EDAH09	91.873
EDAM09	9.588	0.87	ZT-EDAM09	93.272
EDAU09	9.813	1.09	ZT-EDAU09	94.402
EDAZ09	10.078	1.36	ZT-EDAZ09	94.526
EDAH10	10.278	1.56	ZT-EDAH10	92.569
EDAM10	10.478	1.76	ZT-EDAM10	89.015
EDAU10	10.678	1.96	ZT-EDAU10	85.327
EDAZ10	10.898	2.18	ZT-EDAZ10	81.858
EDAH11	11.043	2.32	ZT-EDAH11	76.907

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	
EDAM08	0.221	1.89	1.67	ZT-EDAM08
EDAU08	0.471	1.89	1.42	ZT-EDAU08
EDAZ08	0.720	1.89	1.17	ZT-EDAZ08
EDAH09	0.969	1.89	0.92	ZT-EDAH09
EDAM09	1.219	1.89	0.67	ZT-EDAM09
EDAU09	1.468	1.89	0.42	ZT-EDAU09
EDAZ09	1.717	1.89	0.18	ZT-EDAZ09
EDAH10	1.966	1.89	(0.07)	ZT-EDAH10
EDAM10	2.216	1.89	(0.32)	ZT-EDAM10
EDAU10	2.465	1.89	(0.57)	ZT-EDAU10
EDAZ10	2.714	1.89	(0.82)	ZT-EDAZ10
EDAH11	2.964	1.89	(1.07)	ZT-EDAH11

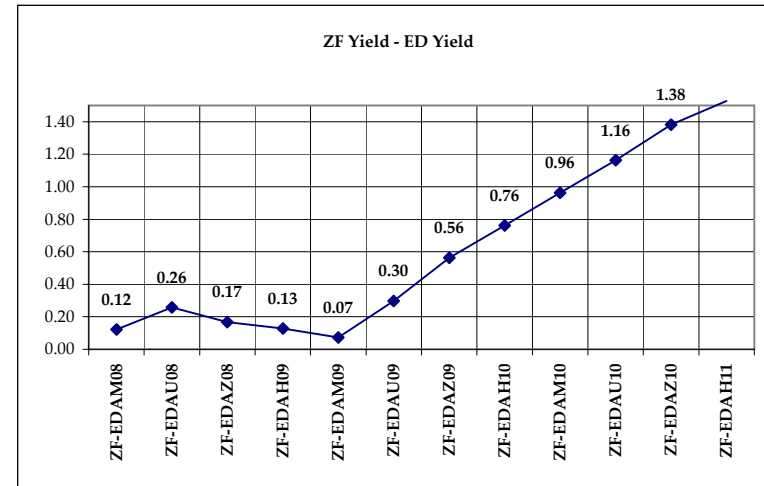
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	16.02	0.12	ZF-EDAM08	93.032
EDAU08	15.89	0.26	ZF-EDAU08	93.145
EDAZ08	15.98	0.17	ZF-EDAZ08	95.987
EDAH09	16.02	0.13	ZF-EDAH09	97.207
EDAM09	16.22	0.07	ZF-EDAM09	97.764
EDAU09	16.44	0.30	ZF-EDAU09	97.776
EDAZ09	16.71	0.56	ZF-EDAZ09	97.788
EDAH10	16.91	0.76	ZF-EDAH10	97.418
EDAM10	17.11	0.96	ZF-EDAM10	96.392
EDAU10	17.31	1.16	ZF-EDAU10	94.871
EDAZ10	17.53	1.38	ZF-EDAZ10	93.389
EDAH11	17.67	1.53	ZF-EDAH11	90.961

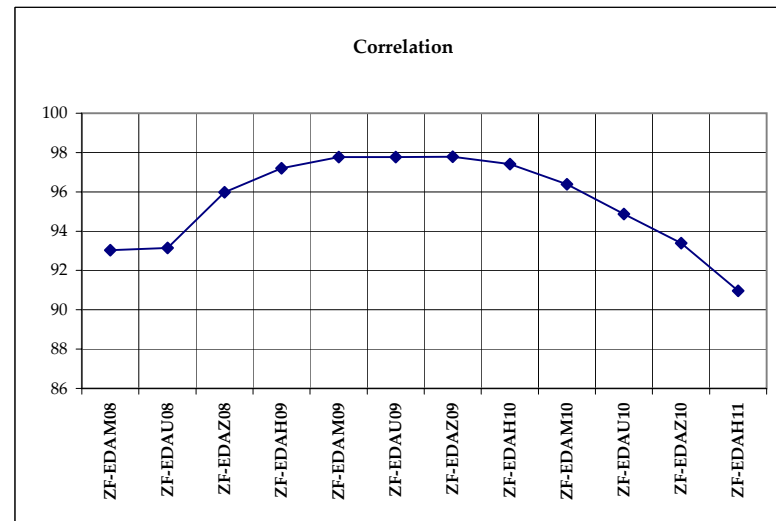
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAM08	0.221	4.04	3.82
EDAU08	0.471	4.04	3.57
EDAZ08	0.720	4.04	3.32
EDAH09	0.969	4.04	3.07
EDAM09	1.219	4.04	2.82
EDAU09	1.468	4.04	2.57
EDAZ09	1.717	4.04	2.32
EDAH10	1.966	4.04	2.08
EDAM10	2.216	4.04	1.83
EDAU10	2.465	4.04	1.58
EDAZ10	2.714	4.04	1.33
EDAH11	2.964	4.04	1.08

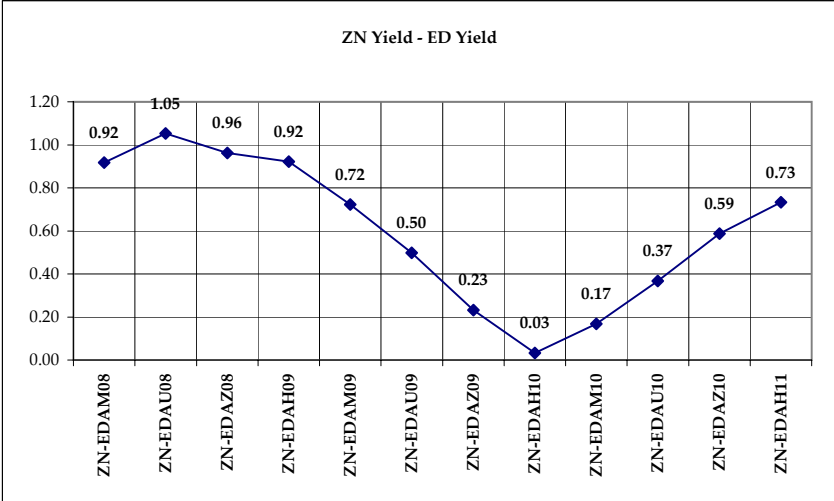
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

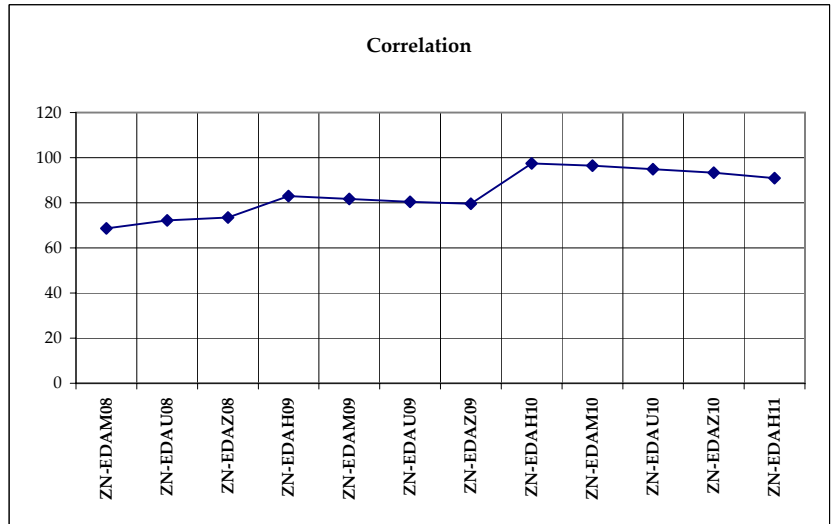
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	20.82	0.92	ZN-EDAM08	68.71
EDAU08	20.68	1.05	ZN-EDAU08	72.15
EDAZ08	20.77	0.96	ZN-EDAZ08	73.53
EDAH09	20.81	0.92	ZN-EDAH09	82.92
EDAM09	21.01	0.72	ZN-EDAM09	81.72
EDAU09	21.24	0.50	ZN-EDAU09	80.38
EDAZ09	21.50	0.23	ZN-EDAZ09	79.64
EDAH10	21.70	0.03	ZN-EDAH10	97.42
EDAM10	21.90	0.17	ZN-EDAM10	96.39
EDAU10	22.10	0.37	ZN-EDAU10	94.87
EDAZ10	22.32	0.59	ZN-EDAZ10	93.39
EDAH11	22.47	0.73	ZN-EDAH11	90.96

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	
EDAM08	0.221	6.63	6.41	ZN-EDAM08
EDAU08	0.471	6.63	6.16	ZN-EDAU08
EDAZ08	0.720	6.63	5.91	ZN-EDAZ08
EDAH09	0.969	6.63	5.66	ZN-EDAH09
EDAM09	1.219	6.63	5.41	ZN-EDAM09
EDAU09	1.468	6.63	5.17	ZN-EDAU09
EDAZ09	1.717	6.63	4.92	ZN-EDAZ09
EDAH10	1.966	6.63	4.67	ZN-EDAH10
EDAM10	2.216	6.63	4.42	ZN-EDAM10
EDAU10	2.465	6.63	4.17	ZN-EDAU10
EDAZ10	2.714	6.63	3.92	ZN-EDAZ10
EDAH11	2.964	6.63	3.67	ZN-EDAH11

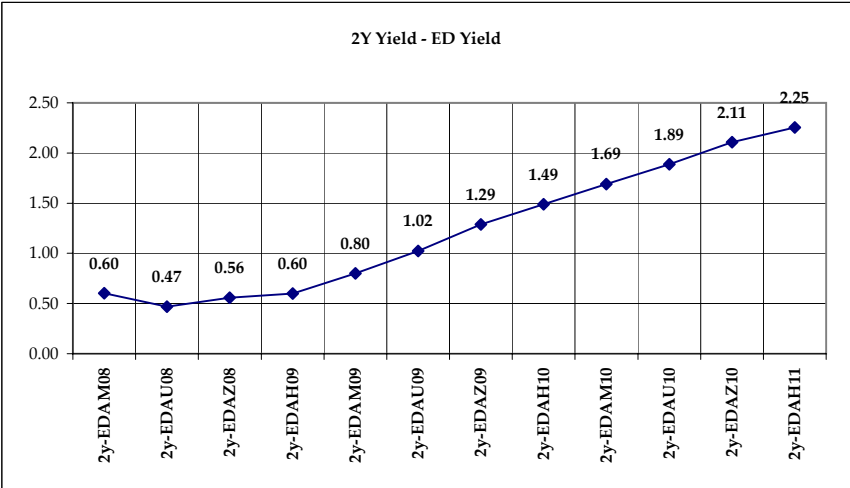
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	2.38	0.60	2y-EDAM08	-92.807
EDAU08	2.25	0.47	2y-EDAU08	-94.428
EDAZ08	2.34	0.56	2y-EDAZ08	-92.807
EDAH09	2.38	0.60	2y-EDAH09	-93.360
EDAM09	2.58	0.80	2y-EDAM09	-94.036
EDAU09	2.80	1.02	2y-EDAU09	-95.105
EDAZ09	3.07	1.29	2y-EDAZ09	-95.188
EDAH10	3.27	1.49	2y-EDAH10	-94.673
EDAM10	3.47	1.69	2y-EDAM10	-92.334
EDAU10	3.67	1.89	2y-EDAU10	-89.244
EDAZ10	3.89	2.11	2y-EDAZ10	-86.195
EDAH11	4.03	2.25	2y-EDAH11	-82.266

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.

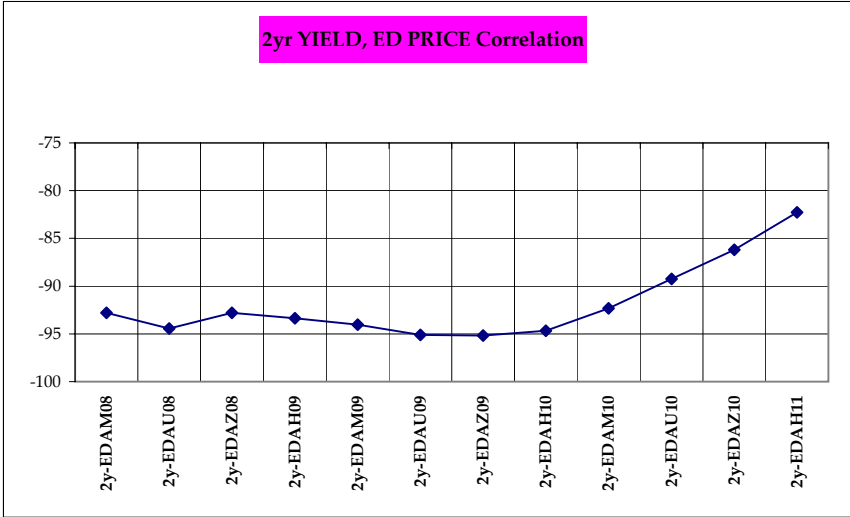


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAM08	0.221	1.95	2y-EDAM08
EDAU08	0.471	1.95	2y-EDAU08
EDAZ08	0.720	1.95	2y-EDAZ08
EDAH09	0.969	1.95	2y-EDAH09
EDAM09	1.219	1.95	2y-EDAM09
EDAU09	1.468	1.95	2y-EDAU09
EDAZ09	1.717	1.95	2y-EDAZ09
EDAH10	1.966	1.95	2y-EDAH10
EDAM10	2.216	1.95	2y-EDAM10
EDAU10	2.465	1.95	2y-EDAU10
EDAZ10	2.714	1.95	2y-EDAZ10
EDAH11	2.964	1.95	2y-EDAH11

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

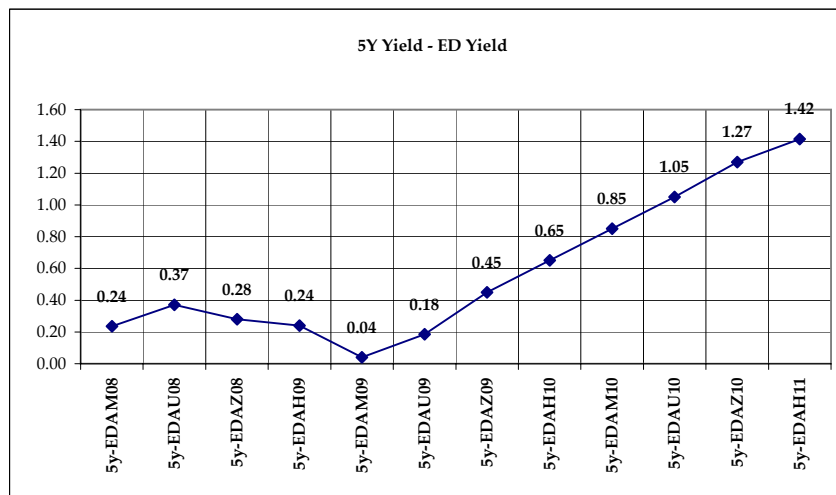
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	3.22	0.24	5y-EDAM08	-88.710
EDAU08	3.09	0.37	5y-EDAU08	-90.846
EDAZ08	3.18	0.28	5y-EDAZ08	-88.710
EDAH09	3.22	0.24	5y-EDAH09	-94.162
EDAM09	3.42	0.04	5y-EDAM09	-94.829
EDAU09	3.64	0.18	5y-EDAU09	-95.522
EDAZ09	3.91	0.45	5y-EDAZ09	-95.798
EDAH10	4.11	0.65	5y-EDAH10	-96.645
EDAM10	4.31	0.85	5y-EDAM10	-96.511
EDAU10	4.51	1.05	5y-EDAU10	-95.492
EDAZ10	4.73	1.27	5y-EDAZ10	-94.028
EDAH11	4.87	1.42	5y-EDAH11	-92.244

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
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 These are measuring YIELD correlations.

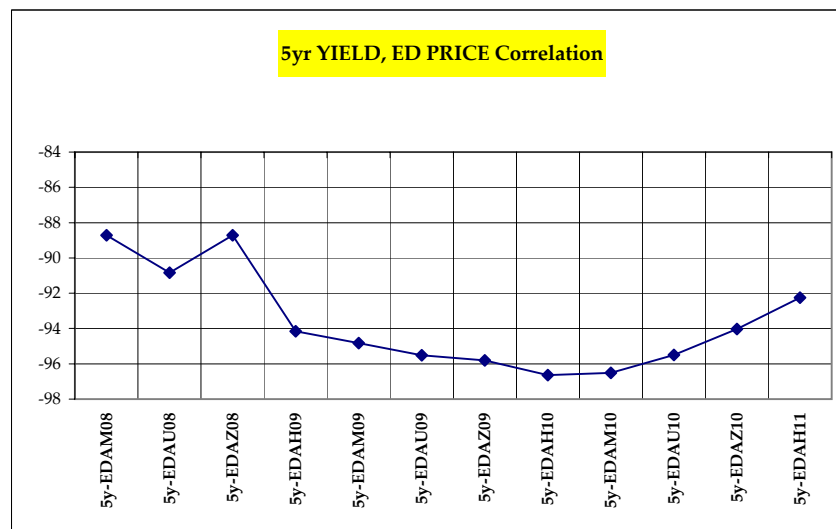


GE Duration as

	Fraction of year	5Y Duration	Spread Duration	
EDAM08	0.221	4.57	4.35	5y-EDAM08
EDAU08	0.471	4.57	4.10	5y-EDAU08
EDAZ08	0.720	4.57	3.85	5y-EDAZ08
EDAH09	0.969	4.57	3.60	5y-EDAH09
EDAM09	1.219	4.57	3.35	5y-EDAM09
EDAU09	1.468	4.57	3.10	5y-EDAU09
EDAZ09	1.717	4.57	2.86	5y-EDAZ09
EDAH10	1.966	4.57	2.61	5y-EDAH10
EDAM10	2.216	4.57	2.36	5y-EDAM10
EDAU10	2.465	4.57	2.11	5y-EDAU10
EDAZ10	2.714	4.57	1.86	5y-EDAZ10
EDAH11	2.964	4.57	1.61	5y-EDAH11

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

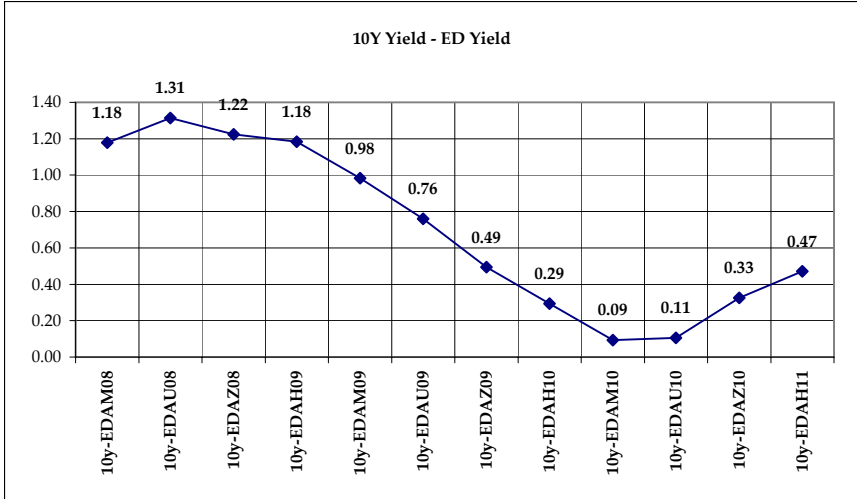
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

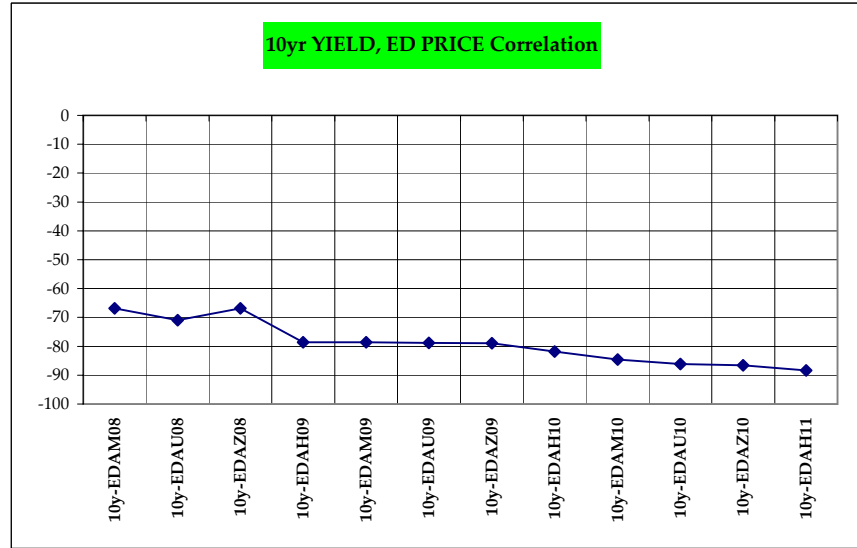
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	3.22	1.18	10y-EDAM08	-66.811
EDAU08	3.09	1.31	10y-EDAU08	-70.991
EDAZ08	3.18	1.22	10y-EDAZ08	-66.811
EDAH09	3.22	1.18	10y-EDAH09	-78.584
EDAM09	3.42	0.98	10y-EDAM09	-78.606
EDAU09	3.64	0.76	10y-EDAU09	-78.838
EDAZ09	3.91	0.49	10y-EDAZ09	-78.889
EDAH10	4.11	0.29	10y-EDAH10	-81.806
EDAM10	4.31	0.09	10y-EDAM10	-84.645
EDAU10	4.51	0.11	10y-EDAU10	-86.160
EDAZ10	4.73	0.33	10y-EDAZ10	-86.532
EDAH11	4.87	0.47	10y-EDAH11	-88.397

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.



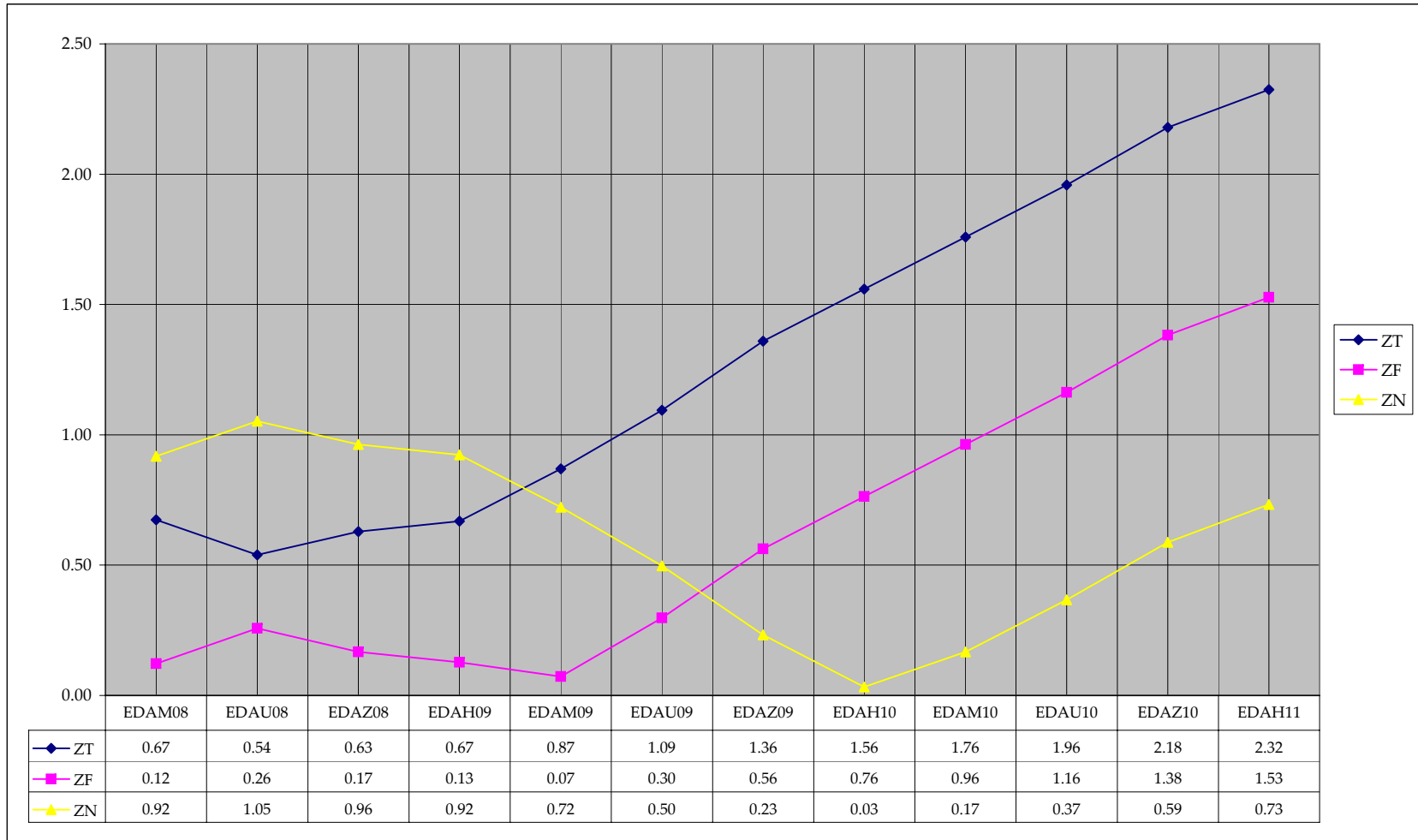
	GE Duration as Fraction of year		10Y Duration	Spread Duration	
EDAM08	0.221	8.26	8.04	10y-EDAM08	
EDAU08	0.471	8.26	7.79	10y-EDAU08	
EDAZ08	0.720	8.26	7.54	10y-EDAZ08	
EDAH09	0.969	8.26	7.29	10y-EDAH09	
EDAM09	1.219	8.26	7.05	10y-EDAM09	
EDAU09	1.468	8.26	6.80	10y-EDAU09	
EDAZ09	1.717	8.26	6.55	10y-EDAZ09	
EDAH10	1.966	8.26	6.30	10y-EDAH10	
EDAM10	2.216	8.26	6.05	10y-EDAM10	
EDAU10	2.465	8.26	5.80	10y-EDAU10	
EDAZ10	2.714	8.26	5.55	10y-EDAZ10	
EDAH11	2.964	8.26	5.30	10y-EDAH11	

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



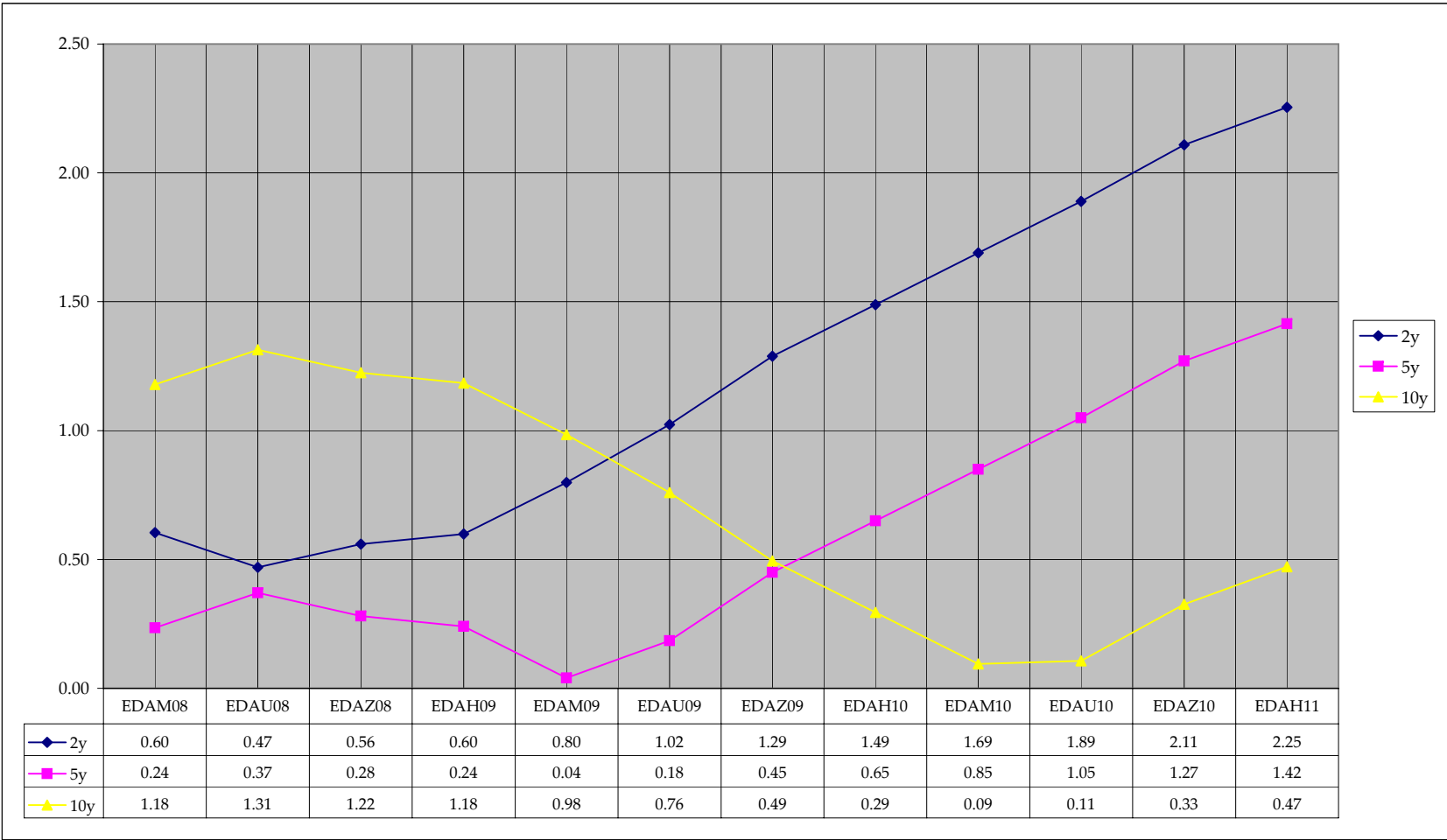
Dirty TED Curve

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.

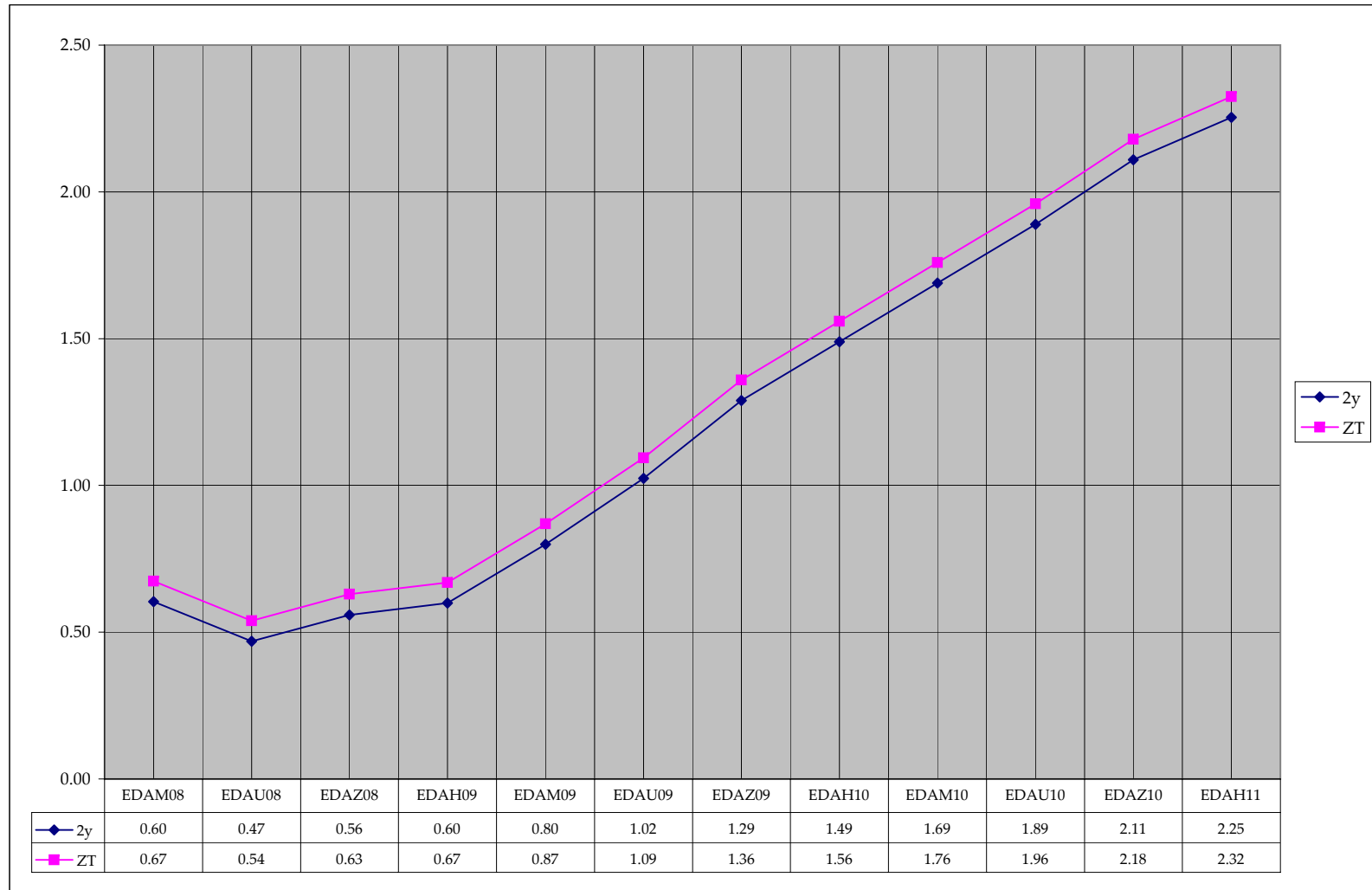


TED Curve

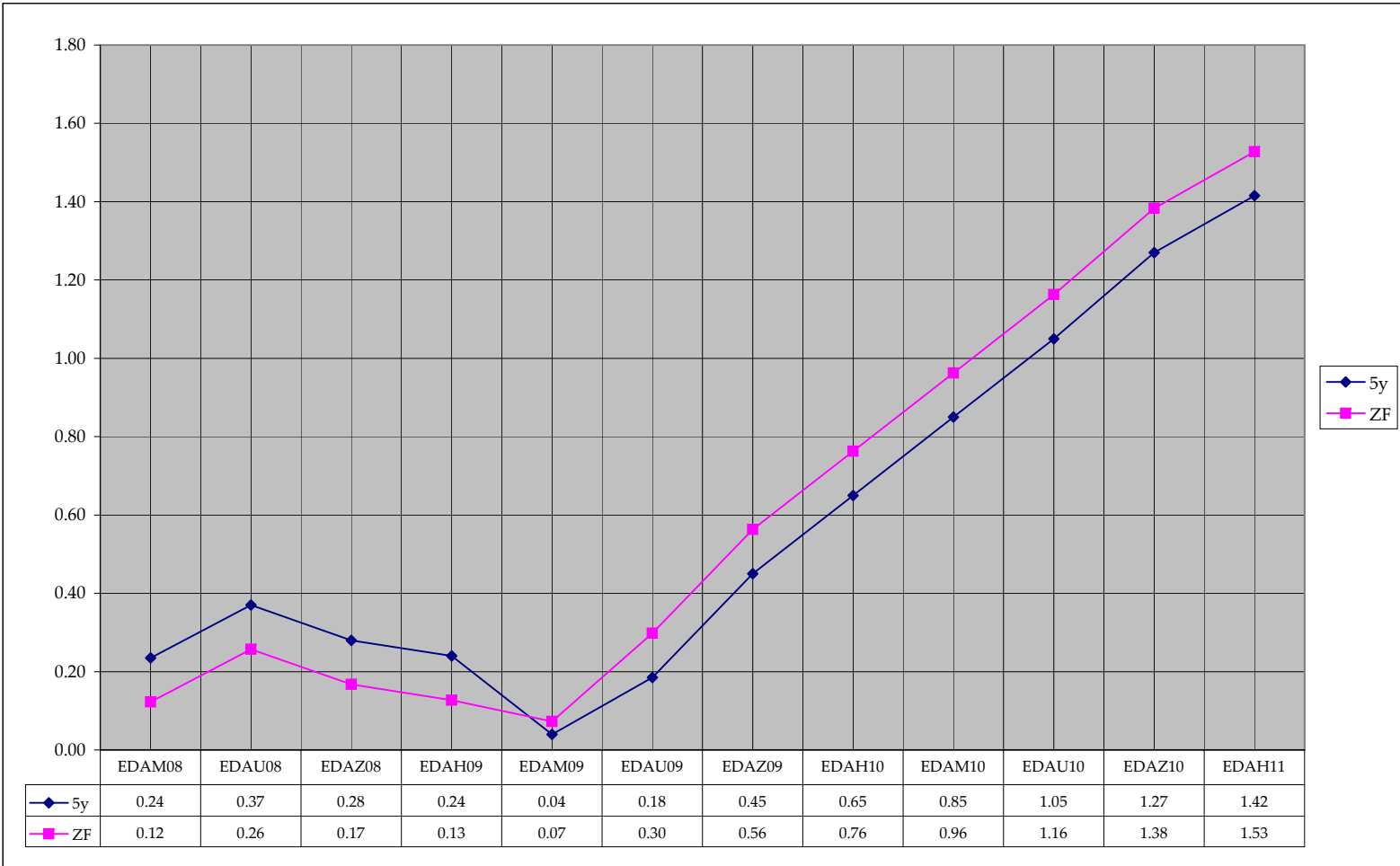
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



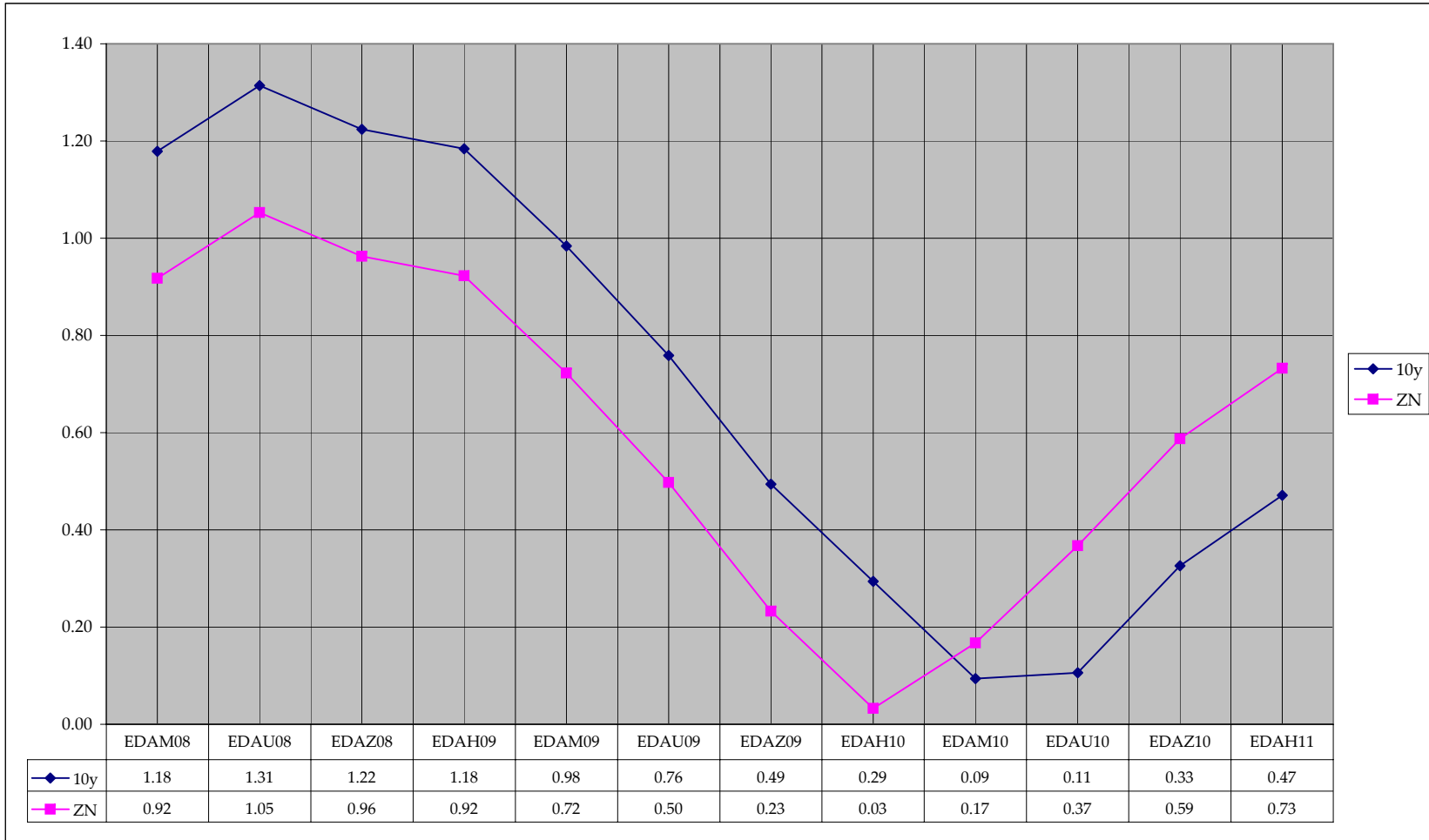
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	2.313	0.000	9773.125
Q.ED.Red	2.922	-0.625	9713.875
Q.ED.Green	3.783	-1.125	9630.375
Q.ED.Blue		-1.000	9574.750
Q.ED.Gold		0.125	9537.750

