

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	107.2813	107.090	1.604	1.88	
ZF	113.9750	113.312	2.422	4.03	
ZN	118.5000	118.160	3.211	6.62	
2y	100.178	100.0570	1.655	1.95	
5y	99.891	99.2850	2.522	4.58	
10y	100.219	100.0700	3.471	8.25	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAM08	97.690	2.310	76	0.208	JUN	White Pack	
EDAU08	97.865	2.135	167	0.457	SEP		
EDAZ08	97.805	2.195	258	0.706	DEC		
EDAH09	97.775	2.225	349	0.956	MAR	Red Pack	
EDAM09	97.585	2.415	440	1.205	JUN		
EDAU09	97.370	2.630	531	1.454	SEP		
EDAZ09	97.085	2.915	622	1.703	DEC	Green Pack	
EDAH10	96.875	3.125	713	1.953	MAR		
EDAM10	96.650	3.350	804	2.202	JUN		
EDAU10	96.425	3.575	895	2.451	SEP	Blue Pack	
EDAZ10	96.215	3.785	986	2.701	DEC		
EDAH11	96.060	3.940	1077	2.950	MAR		
EDAM11	95.945	4.055	1168	3.199	JUN	Gold Pack	
EDAU11	95.910	4.090	1266	3.468	SEP		
EDAZ11	95.790	4.210	1357	3.717	DEC		
EDAH12	95.615	4.385	1448	3.966	MAR		
EDAM12	95.620	4.380	1539	4.216	JUN		
EDAU12	95.530	4.470	1630	4.465	SEP		
EDAZ12	95.420	4.580	1721	4.714	DEC		
EDAH13	95.360	4.640	1812	4.964	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	2.260	-3.875	9778.375	Pack Prices
Q.ED.Red	2.830	-5.750	9722.875	
Q.ED.Green	3.748	-8.875	9633.750	
Q.ED.Blue	4.288	-4.375	9581.500	
Q.ED.Gold	4.633	-0.125	9548.250	

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

4/1/2008 5:43

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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

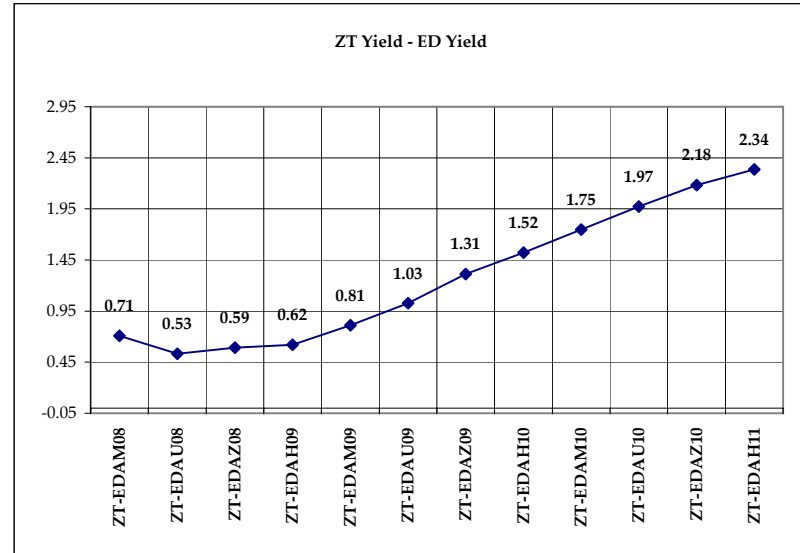
Eurodollar Color Codes for Individual Year Strips:

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	9.591	0.71	ZT-EDAM08	78.658
EDAU08	9.416	0.53	ZT-EDAU08	90.875
EDAZ08	9.476	0.59	ZT-EDAZ08	90.350
EDAH09	9.506	0.62	ZT-EDAH09	89.631
EDAM09	9.696	0.81	ZT-EDAM09	88.916
EDAU09	9.911	1.03	ZT-EDAU09	91.889
EDAZ09	10.196	1.31	ZT-EDAZ09	88.705
EDAH10	10.406	1.52	ZT-EDAH10	87.996
EDAM10	10.631	1.75	ZT-EDAM10	83.374
EDAU10	10.856	1.97	ZT-EDAU10	76.670
EDAZ10	11.066	2.18	ZT-EDAZ10	69.411
EDAH11	11.221	2.34	ZT-EDAH11	65.056

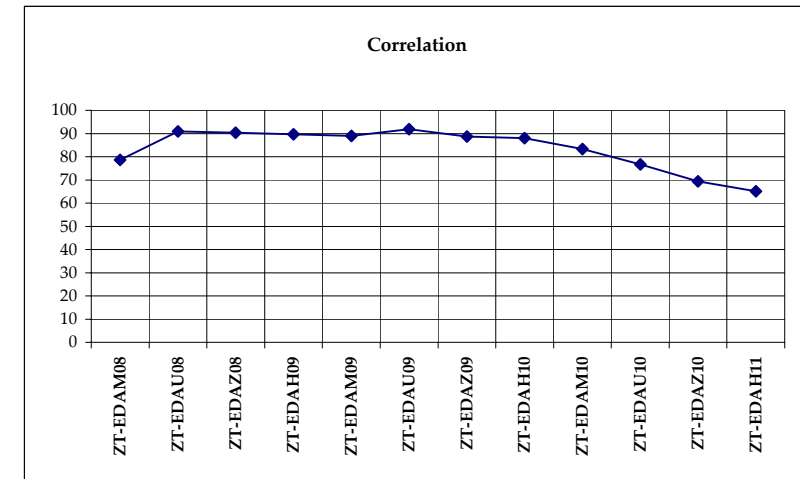
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZT Duration	Spread Duration	
EDAM08	0.208	1.88	1.67
EDAU08	0.457	1.88	1.42
EDAZ08	0.706	1.88	1.17
EDAH09	0.956	1.88	0.92
EDAM09	1.205	1.88	0.67
EDAU09	1.454	1.88	0.43
EDAZ09	1.703	1.88	0.18
EDAH10	1.953	1.88	(0.07)
EDAM10	2.202	1.88	(0.32)
EDAU10	2.451	1.88	(0.57)
EDAZ10	2.701	1.88	(0.82)
EDAH11	2.950	1.88	(1.07)

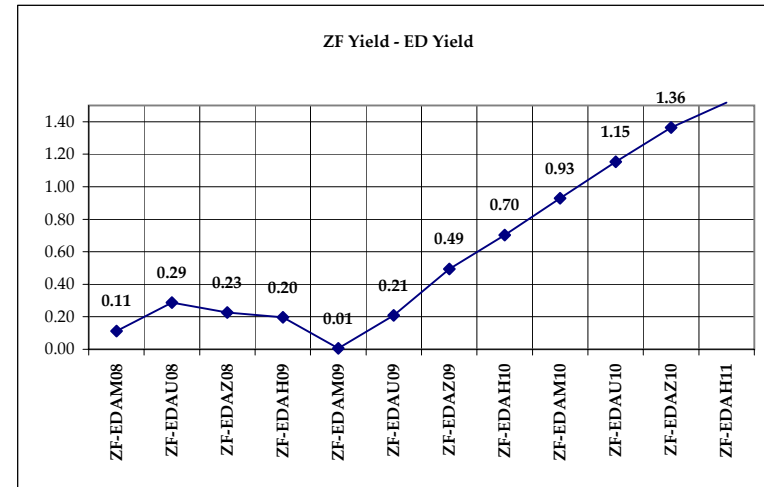
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	16.29	0.11	ZF-EDAM08	83.079
EDAU08	16.11	0.29	ZF-EDAU08	84.633
EDAZ08	16.17	0.23	ZF-EDAZ08	90.614
EDAH09	16.20	0.20	ZF-EDAH09	95.231
EDAM09	16.39	0.01	ZF-EDAM09	96.170
EDAU09	16.61	0.21	ZF-EDAU09	96.245
EDAZ09	16.89	0.49	ZF-EDAZ09	96.610
EDAH10	17.10	0.70	ZF-EDAH10	96.884
EDAM10	17.33	0.93	ZF-EDAM10	97.177
EDAU10	17.55	1.15	ZF-EDAU10	96.257
EDAZ10	17.76	1.36	ZF-EDAZ10	94.155
EDAH11	17.92	1.52	ZF-EDAH11	93.062

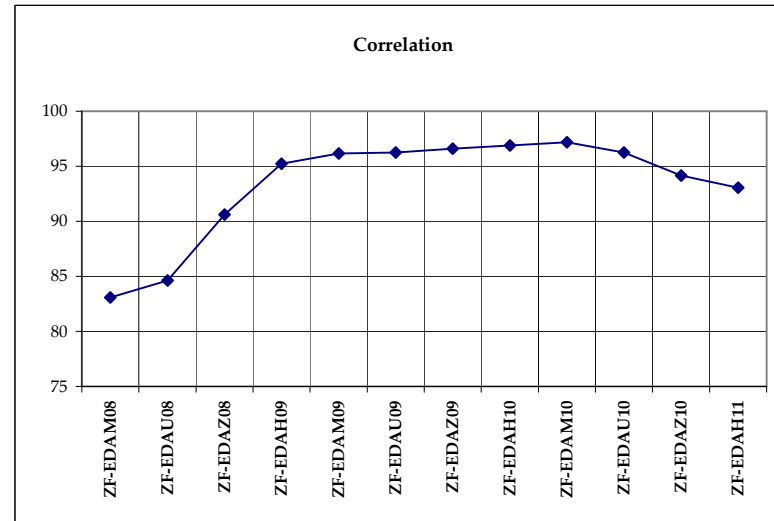
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	ZF Duration	Spread Duration	
EDAM08	0.208	4.03	ZF-EDAM08
EDAU08	0.457	4.03	ZF-EDAU08
EDAZ08	0.706	4.03	ZF-EDAZ08
EDAH09	0.956	4.03	ZF-EDAH09
EDAM09	1.205	4.03	ZF-EDAM09
EDAU09	1.454	4.03	ZF-EDAU09
EDAZ09	1.703	4.03	ZF-EDAZ09
EDAH10	1.953	4.03	ZF-EDAH10
EDAM10	2.202	4.03	ZF-EDAM10
EDAU10	2.451	4.03	ZF-EDAU10
EDAZ10	2.701	4.03	ZF-EDAZ10
EDAH11	2.950	4.03	ZF-EDAH11

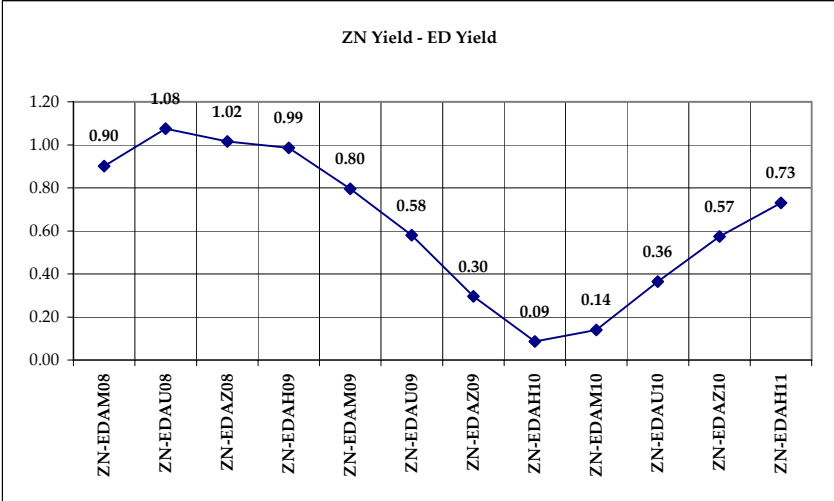
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

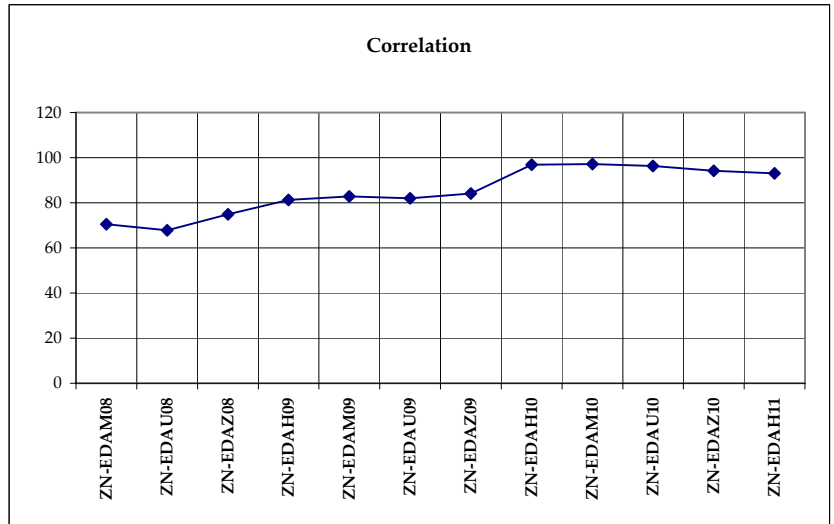
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	20.81	0.90	ZN-EDAM08	70.48
EDAU08	20.64	1.08	ZN-EDAU08	67.82
EDAZ08	20.70	1.02	ZN-EDAZ08	74.90
EDAH09	20.73	0.99	ZN-EDAH09	81.28
EDAM09	20.92	0.80	ZN-EDAM09	82.90
EDAU09	21.13	0.58	ZN-EDAU09	81.95
EDAZ09	21.42	0.30	ZN-EDAZ09	84.18
EDAH10	21.63	0.09	ZN-EDAH10	96.88
EDAM10	21.85	0.14	ZN-EDAM10	97.18
EDAU10	22.08	0.36	ZN-EDAU10	96.26
EDAZ10	22.29	0.57	ZN-EDAZ10	94.15
EDAH11	22.44	0.73	ZN-EDAH11	93.06

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	0.208	6.62	6.41	ZN-EDAM08
EDAU08	0.457	6.62	6.16	ZN-EDAU08
EDAZ08	0.706	6.62	5.92	ZN-EDAZ08
EDAH09	0.956	6.62	5.67	ZN-EDAH09
EDAM09	1.205	6.62	5.42	ZN-EDAM09
EDAU09	1.454	6.62	5.17	ZN-EDAU09
EDAZ09	1.703	6.62	4.92	ZN-EDAZ09
EDAH10	1.953	6.62	4.67	ZN-EDAH10
EDAM10	2.202	6.62	4.42	ZN-EDAM10
EDAU10	2.451	6.62	4.17	ZN-EDAU10
EDAZ10	2.701	6.62	3.92	ZN-EDAZ10
EDAH11	2.950	6.62	3.67	ZN-EDAH11

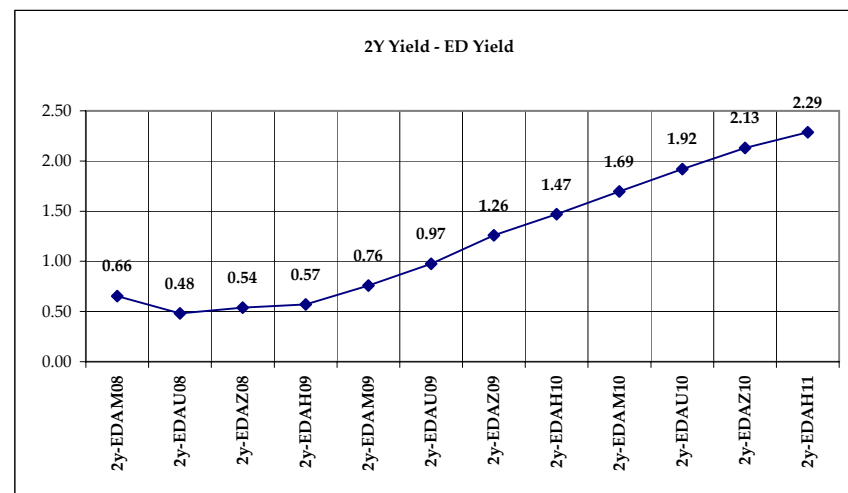
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	2.49	0.66	2y-EDAM08	-82.968
EDAU08	2.31	0.48	2y-EDAU08	-90.455
EDAZ08	2.37	0.54	2y-EDAZ08	-82.968
EDAH09	2.40	0.57	2y-EDAH09	-89.595
EDAM09	2.59	0.76	2y-EDAM09	-89.796
EDAU09	2.81	0.97	2y-EDAU09	-91.899
EDAZ09	3.09	1.26	2y-EDAZ09	-91.202
EDAH10	3.30	1.47	2y-EDAH10	-91.488
EDAM10	3.53	1.69	2y-EDAM10	-88.987
EDAU10	3.75	1.92	2y-EDAU10	-84.365
EDAZ10	3.96	2.13	2y-EDAZ10	-78.845
EDAH11	4.12	2.29	2y-EDAH11	-75.427

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.

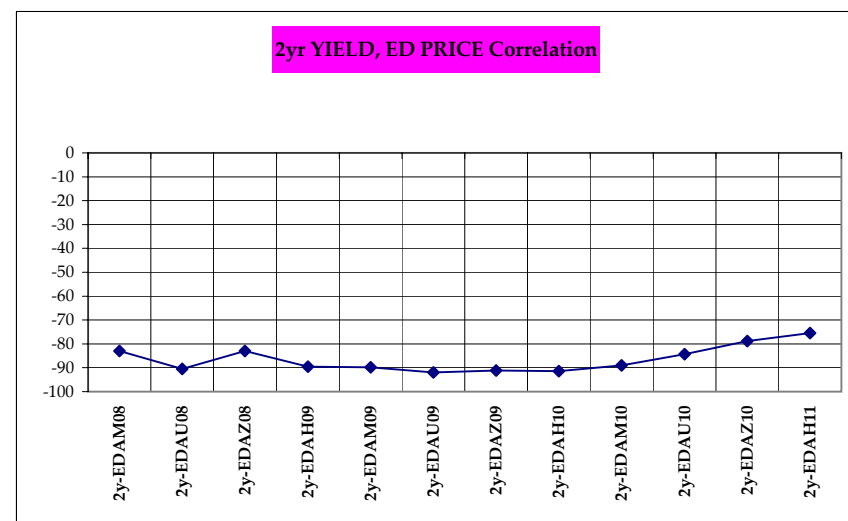


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAM08	0.208	1.74	2y-EDAM08
EDAU08	0.457	1.50	2y-EDAU08
EDAZ08	0.706	1.25	2y-EDAZ08
EDAH09	0.956	1.00	2y-EDAH09
EDAM09	1.205	0.75	2y-EDAM09
EDAU09	1.454	0.50	2y-EDAU09
EDAZ09	1.703	0.25	2y-EDAZ09
EDAH10	1.953	(0.00)	2y-EDAH10
EDAM10	2.202	(0.25)	2y-EDAM10
EDAU10	2.451	(0.50)	2y-EDAU10
EDAZ10	2.701	(0.75)	2y-EDAZ10
EDAH11	2.950	(1.00)	2y-EDAH11

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

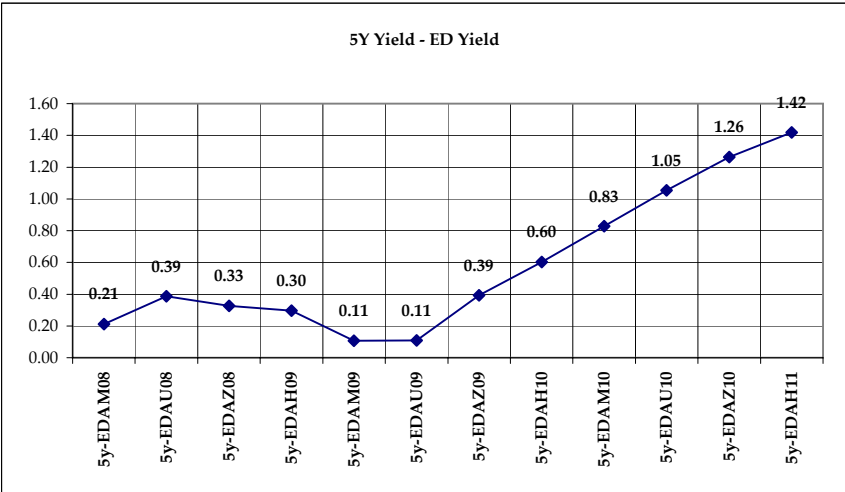
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	2.20	0.21	5y-EDAM08	-80.274
EDAU08	2.03	0.39	5y-EDAU08	-84.141
EDAZ08	2.09	0.33	5y-EDAZ08	-80.274
EDAH09	2.12	0.30	5y-EDAH09	-90.299
EDAM09	2.31	0.11	5y-EDAM09	-91.262
EDAU09	2.52	0.11	5y-EDAU09	-92.269
EDAZ09	2.81	0.39	5y-EDAZ09	-93.086
EDAH10	3.02	0.60	5y-EDAH10	-94.014
EDAM10	3.24	0.83	5y-EDAM10	-94.037
EDAU10	3.47	1.05	5y-EDAU10	-92.331
EDAZ10	3.68	1.26	5y-EDAZ10	-89.430
EDAH11	3.83	1.42	5y-EDAH11	-88.111

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

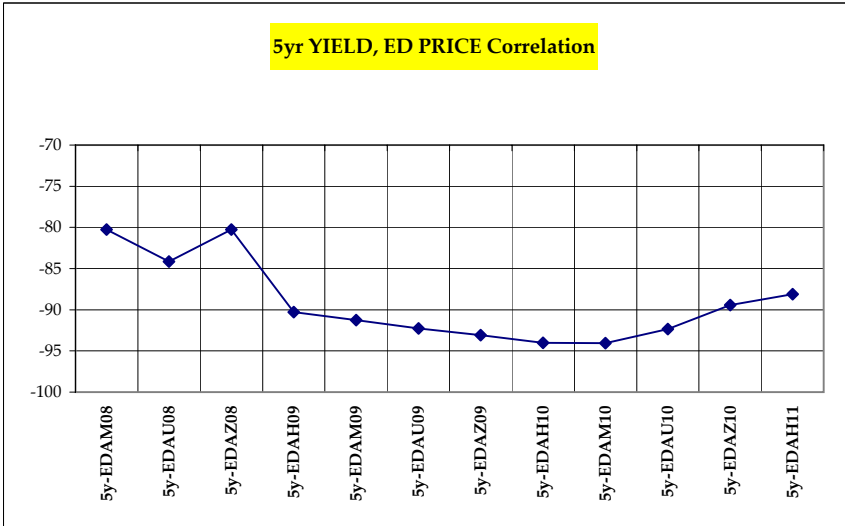


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAM08	0.208	4.58	5y-EDAM08
EDAU08	0.457	4.58	5y-EDAU08
EDAZ08	0.706	4.58	5y-EDAZ08
EDAH09	0.956	4.58	5y-EDAH09
EDAM09	1.205	4.58	5y-EDAM09
EDAU09	1.454	4.58	5y-EDAU09
EDAZ09	1.703	4.58	5y-EDAZ09
EDAH10	1.953	4.58	5y-EDAH10
EDAM10	2.202	4.58	5y-EDAM10
EDAU10	2.451	4.58	5y-EDAU10
EDAZ10	2.701	4.58	5y-EDAZ10
EDAH11	2.950	4.58	5y-EDAH11

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

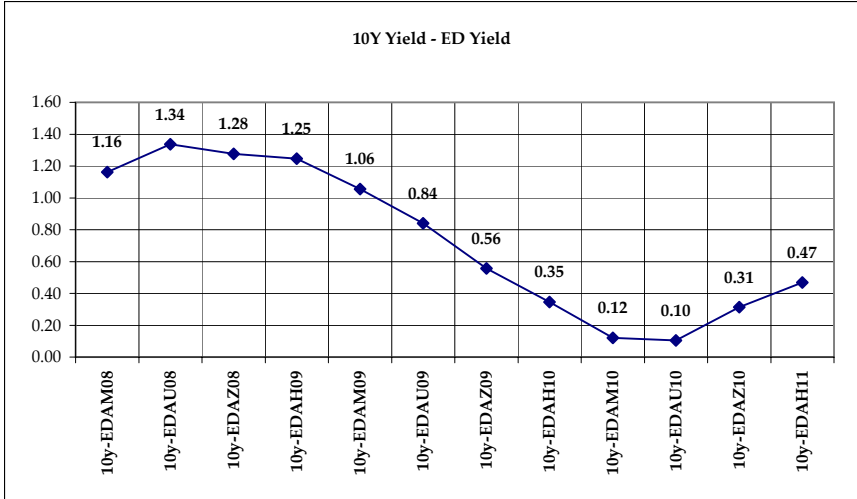
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

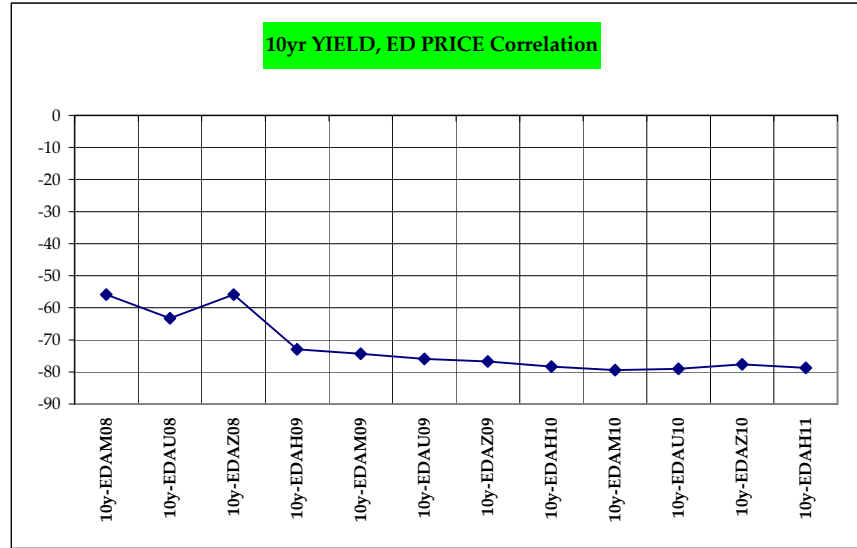
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAM08	2.20	1.16	10y-EDAM08	-55.833
EDAU08	2.03	1.34	10y-EDAU08	-63.254
EDAZ08	2.09	1.28	10y-EDAZ08	-55.833
EDAH09	2.12	1.25	10y-EDAH09	-72.935
EDAM09	2.31	1.06	10y-EDAM09	-74.314
EDAU09	2.52	0.84	10y-EDAU09	-75.943
EDAZ09	2.81	0.56	10y-EDAZ09	-76.705
EDAH10	3.02	0.35	10y-EDAH10	-78.279
EDAM10	3.24	0.12	10y-EDAM10	-79.456
EDAU10	3.47	0.10	10y-EDAU10	-79.028
EDAZ10	3.68	0.31	10y-EDAZ10	-77.609
EDAH11	3.83	0.47	10y-EDAH11	-78.677

Price = Outright Decimal Price - Euro Contract Price
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 These are measuring YIELD correlations.



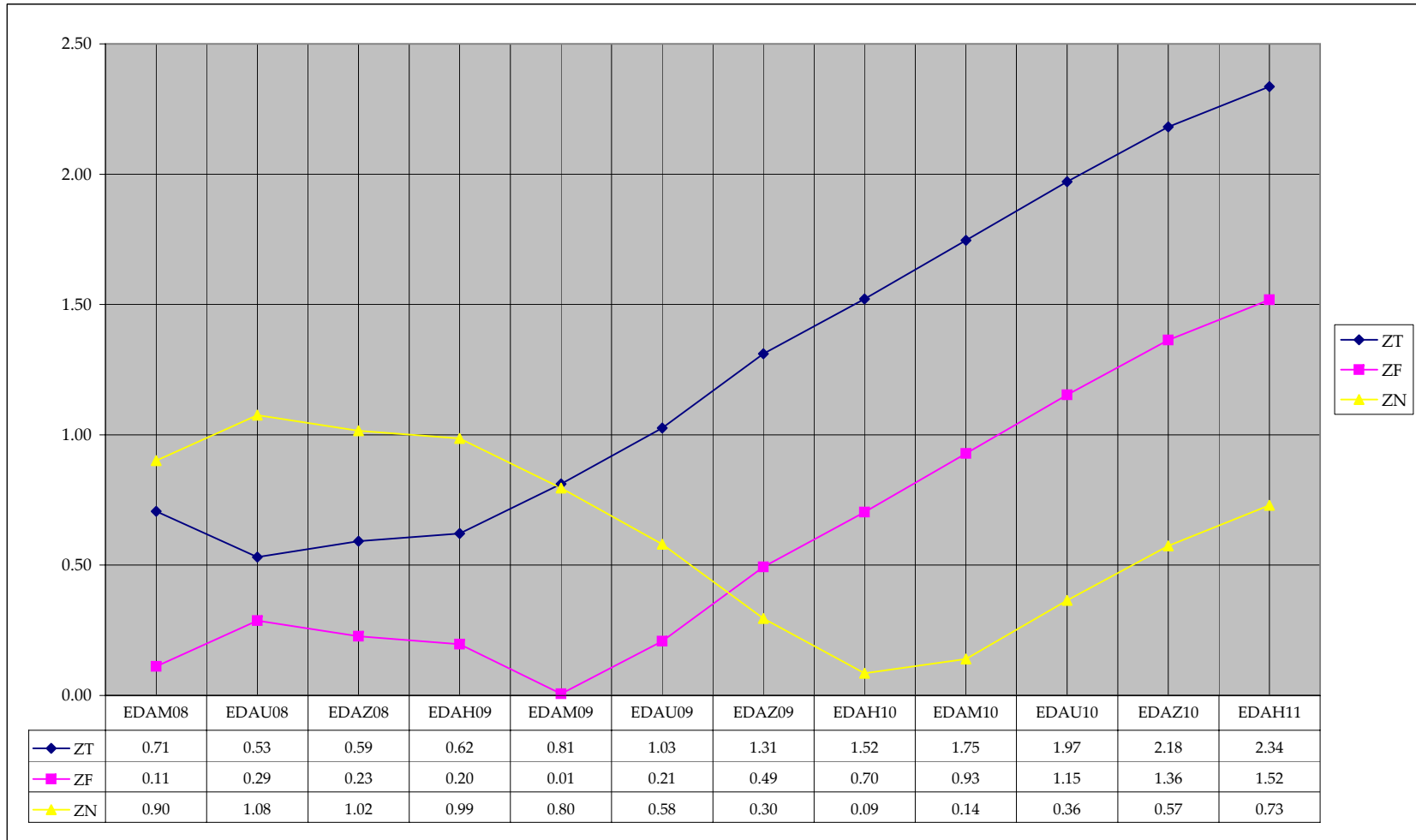
	GE Duration as Fraction of year	10Y Duration	Spread Duration	
EDAM08	0.208	8.25	8.05	10y-EDAM08
EDAU08	0.457	8.25	7.80	10y-EDAU08
EDAZ08	0.706	8.25	7.55	10y-EDAZ08
EDAH09	0.956	8.25	7.30	10y-EDAH09
EDAM09	1.205	8.25	7.05	10y-EDAM09
EDAU09	1.454	8.25	6.80	10y-EDAU09
EDAZ09	1.703	8.25	6.55	10y-EDAZ09
EDAH10	1.953	8.25	6.30	10y-EDAH10
EDAM10	2.202	8.25	6.05	10y-EDAM10
EDAU10	2.451	8.25	5.80	10y-EDAU10
EDAZ10	2.701	8.25	5.55	10y-EDAZ10
EDAH11	2.950	8.25	5.30	10y-EDAH11

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



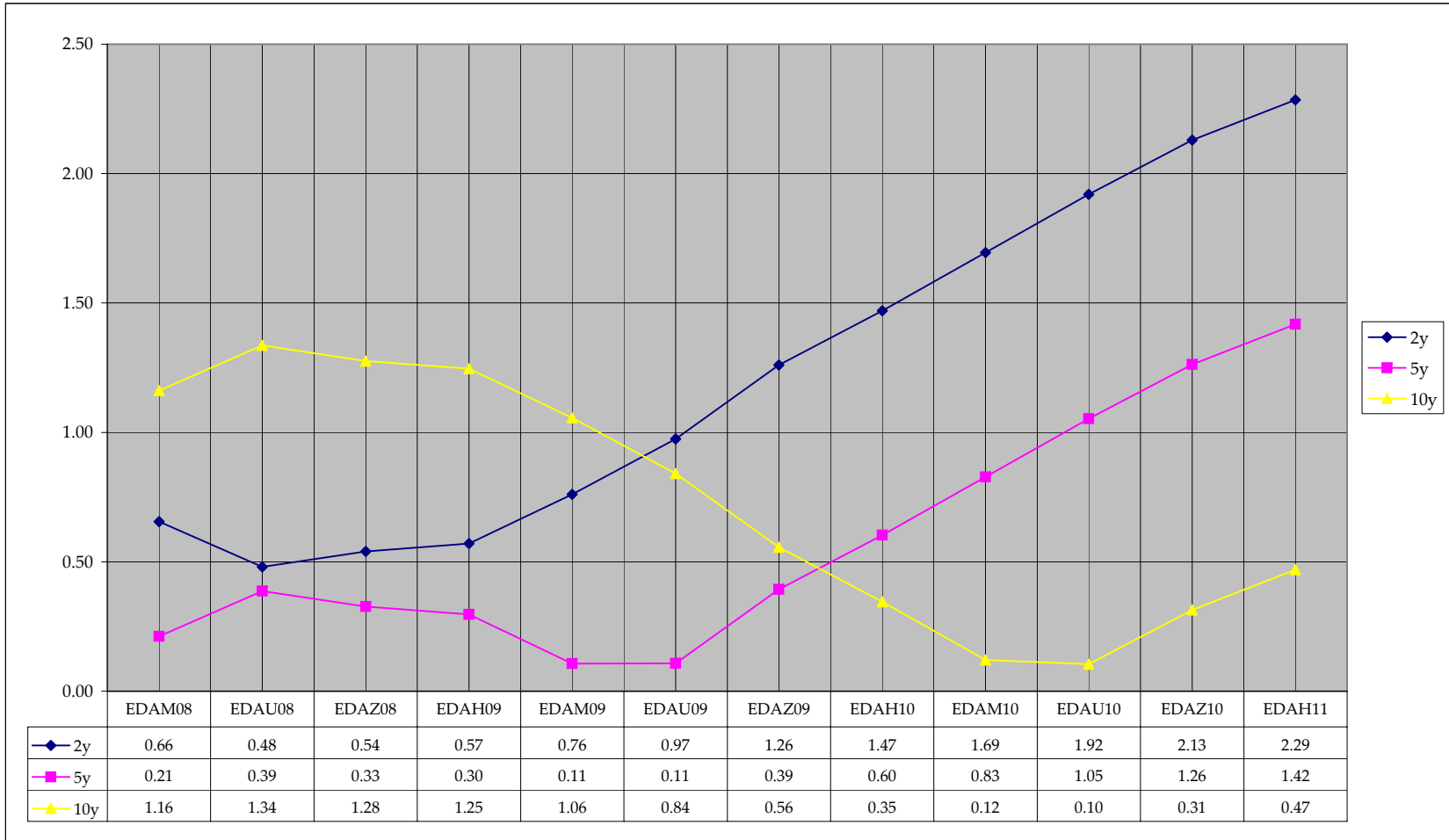
Dirty TED Curve

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.

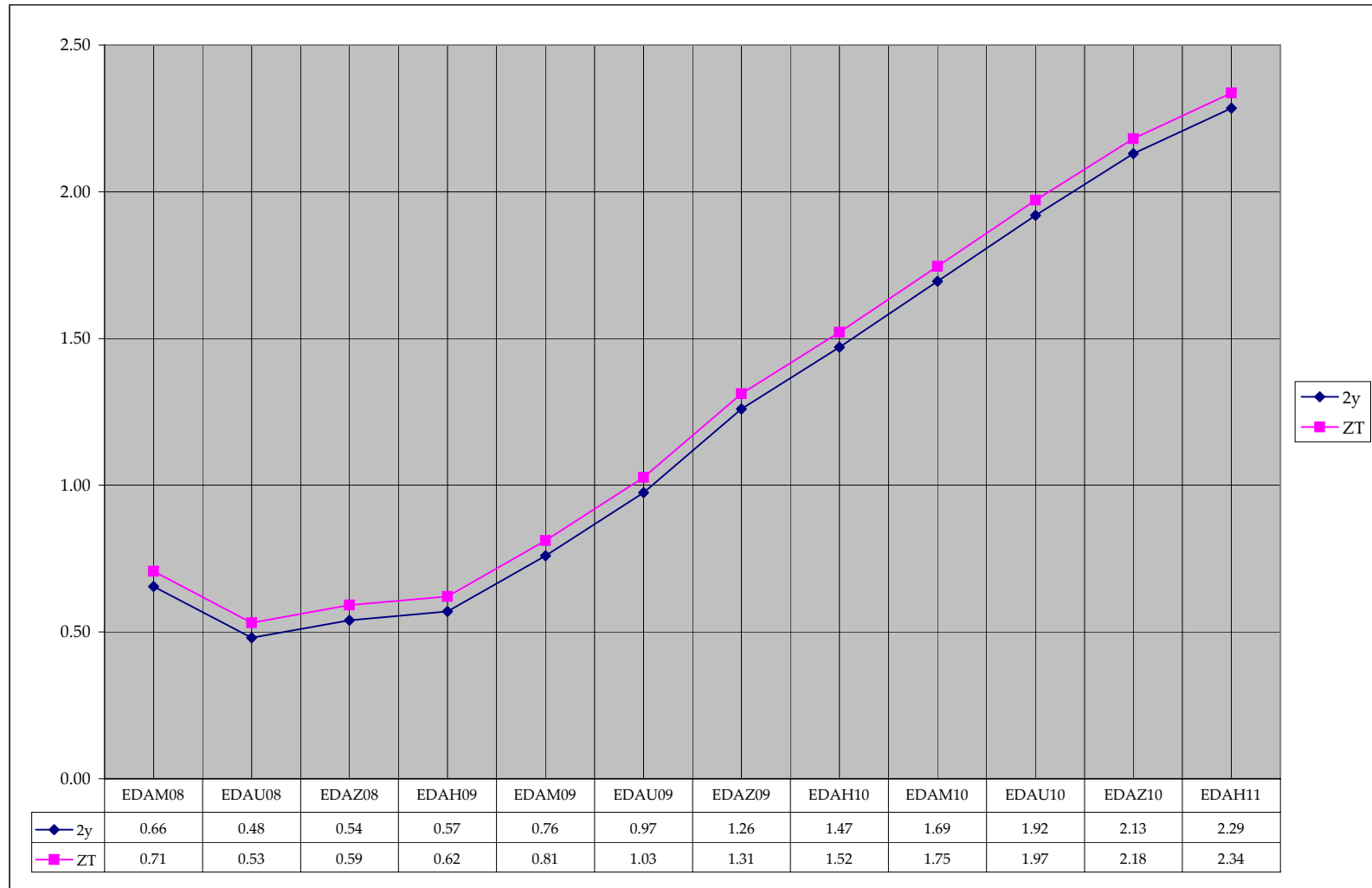


TED Curve

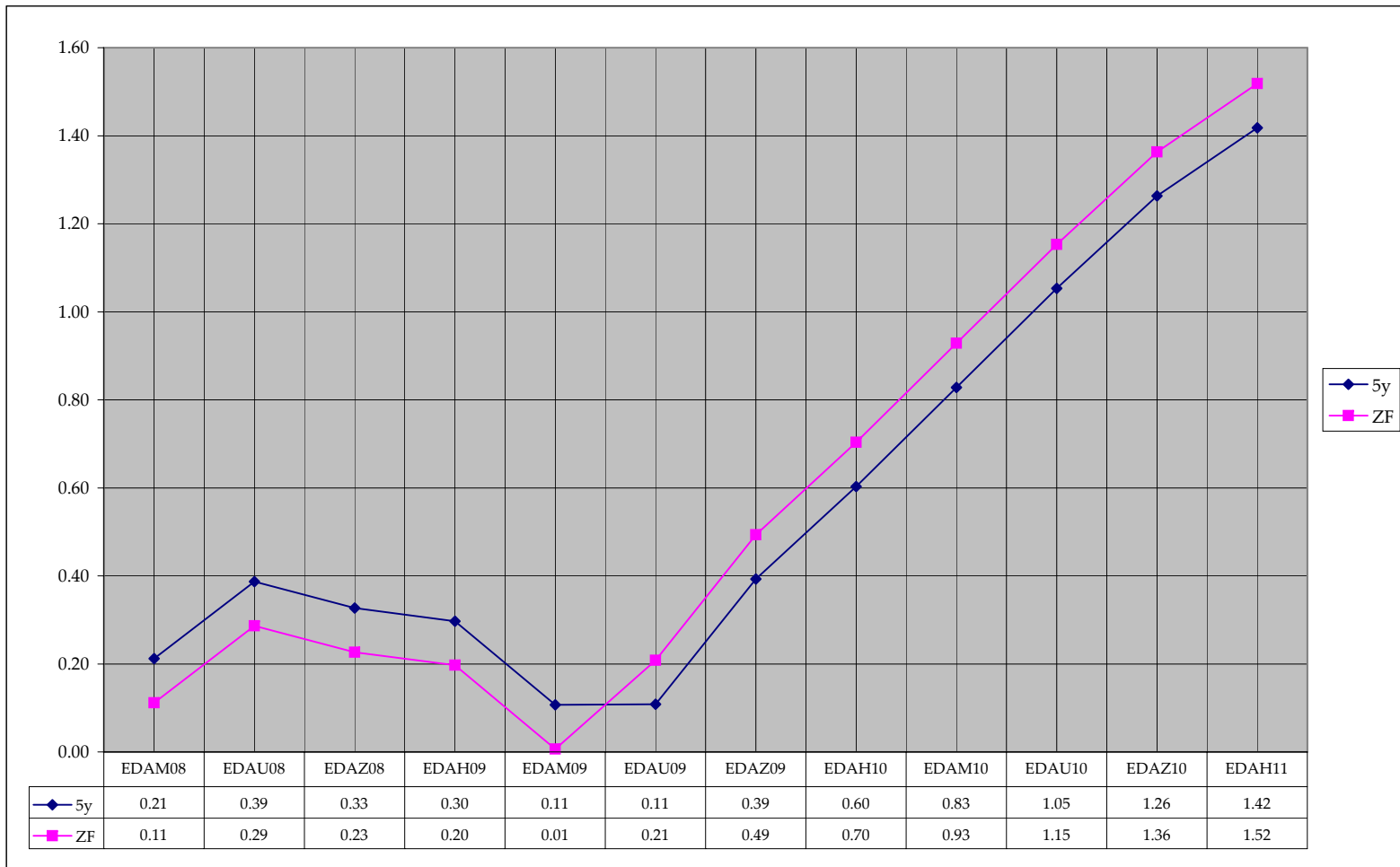
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



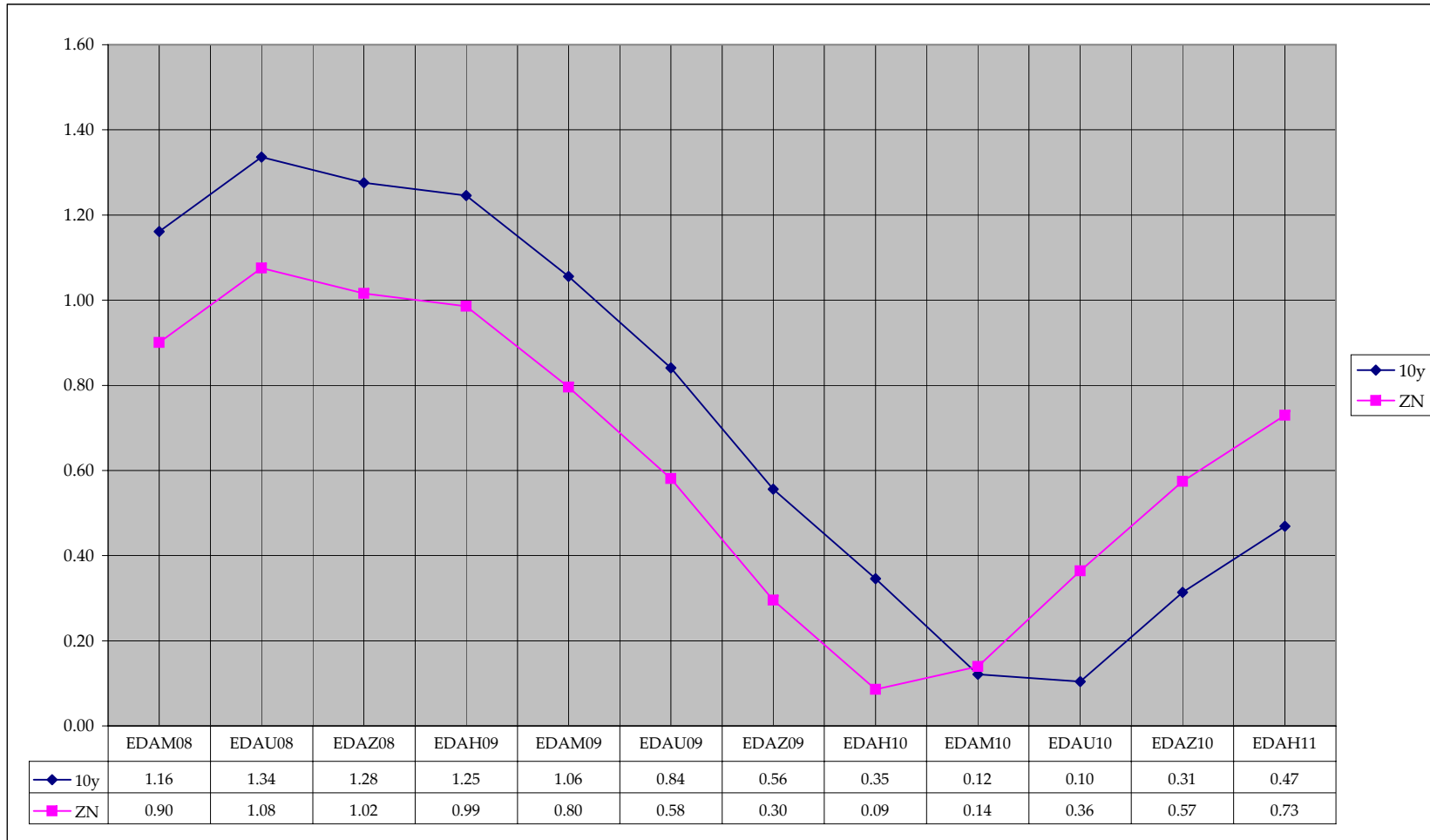
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	2.260	-3.875	9778.375
Q.ED.Red	2.830	-5.750	9722.875
Q.ED.Green	3.748	-8.875	9633.750
Q.ED.Blue	4.288	-4.375	9581.500
Q.ED.Gold	4.633	-0.125	9548.250

