

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	106.8969	106.287	1.980	1.79	
ZF	113.3906	113.125	2.619	3.89	
ZN	116.9531	116.305	3.192	5.84	
2y	100.188	100.0600	2.029	1.93	
5y	100.594	100.1900	2.747	4.61	
10y	104.984	104.3150	3.637	7.93	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	96.970	3.030	41	0.112	MAR	White Pack	
EDAM08	97.435	2.565	132	0.361	JUN		
EDAU08	97.560	2.440	223	0.610	SEP		
EDAZ08	97.530	2.470	314	0.860	DEC	Red Pack	
EDAH09	97.435	2.565	405	1.109	MAR		
EDAM09	97.265	2.735	496	1.358	JUN		
EDAU09	97.080	2.920	587	1.608	SEP	Green Pack	
EDAZ09	96.885	3.115	678	1.857	DEC		
EDAH10	96.710	3.290	769	2.106	MAR		
EDAM10	96.525	3.475	860	2.355	JUN	Blue Pack	
EDAU10	96.360	3.640	951	2.605	SEP		
EDAZ10	96.200	3.800	1042	2.854	DEC		
EDAH11	96.075	3.925	1133	3.103	MAR	Gold Pack	
EDAM11	95.925	4.075	1224	3.353	JUN		
EDAU11	95.805	4.195	1322	3.621	SEP		
EDAZ11	95.675	4.325	1413	3.871	DEC		
EDAH12	95.560	4.440	1504	4.120	MAR		
EDAM12	95.440	4.560	1595	4.369	JUN		
EDAU12	95.320	4.680	1686	4.619	SEP		
EDAU12	95.320	4.680	1686	4.619	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	2.680	1.250	9737.375	Pack Prices
Q.ED.Red	2.894	4.125	9716.625	
Q.ED.Green	3.633	2.000	9644.875	
Q.ED.Blue		0.375	9587.125	
Q.ED.Gold		0.000	9539.875	

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

2/5/2008 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

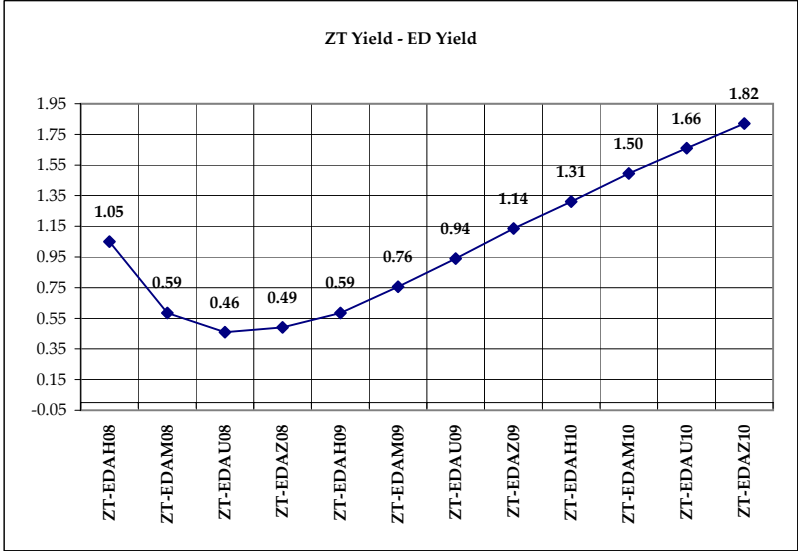
Eurodollar Color Codes for Individual Year Strips:

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

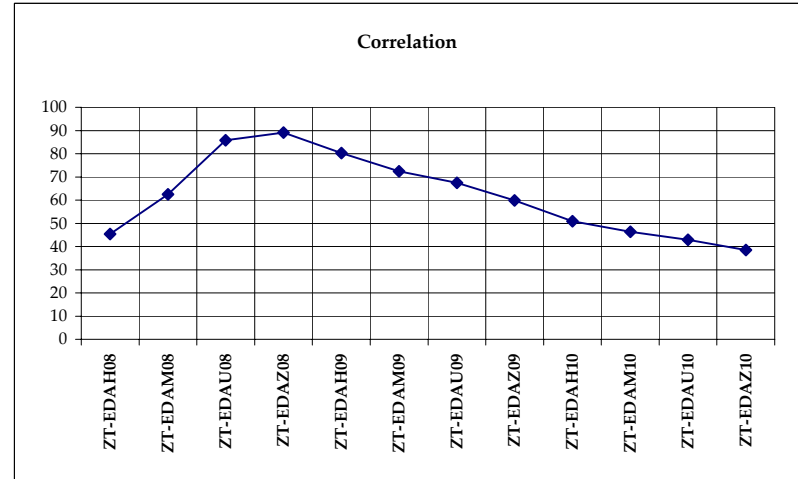
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	9.927	1.05	ZT-EDAH08	45.437
EDAM08	9.462	0.59	ZT-EDAM08	62.513
EDAU08	9.337	0.46	ZT-EDAU08	85.822
EDAZ08	9.367	0.49	ZT-EDAZ08	89.118
EDAH09	9.462	0.59	ZT-EDAH09	80.252
EDAM09	9.632	0.76	ZT-EDAM09	72.398
EDAU09	9.817	0.94	ZT-EDAU09	67.489
EDAZ09	10.012	1.14	ZT-EDAZ09	59.833
EDAH10	10.187	1.31	ZT-EDAH10	50.885
EDAM10	10.372	1.50	ZT-EDAM10	46.360
EDAU10	10.537	1.66	ZT-EDAU10	42.831
EDAZ10	10.697	1.82	ZT-EDAZ10	38.489

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	0.112	1.79	1.68	ZT-EDAH08
EDAM08	0.361	1.79	1.43	ZT-EDAM08
EDAU08	0.610	1.79	1.18	ZT-EDAU08
EDAZ08	0.860	1.79	0.93	ZT-EDAZ08
EDAH09	1.109	1.79	0.68	ZT-EDAH09
EDAM09	1.358	1.79	0.43	ZT-EDAM09
EDAU09	1.608	1.79	0.18	ZT-EDAU09
EDAZ09	1.857	1.79	(0.07)	ZT-EDAZ09
EDAH10	2.106	1.79	(0.32)	ZT-EDAH10
EDAM10	2.355	1.79	(0.57)	ZT-EDAM10
EDAU10	2.605	1.79	(0.82)	ZT-EDAU10
EDAZ10	2.854	1.79	(1.07)	ZT-EDAZ10

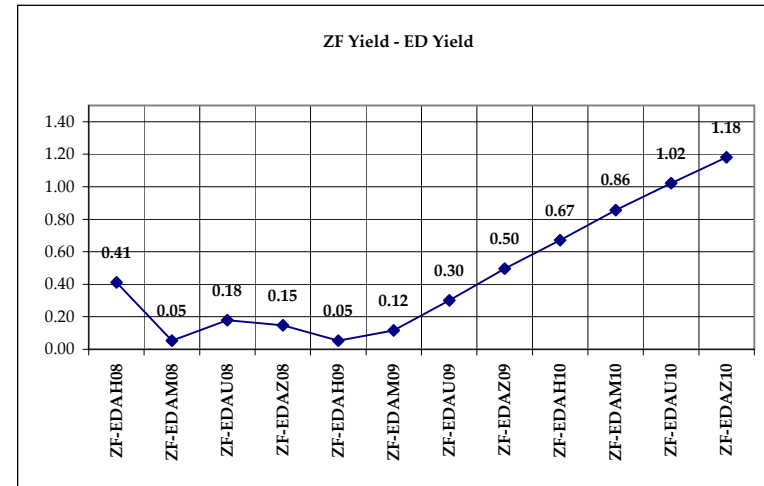
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	16.42	0.41	ZF-EDAH08	33.739
EDAM08	15.96	0.05	ZF-EDAM08	62.714
EDAU08	15.83	0.18	ZF-EDAU08	83.449
EDAZ08	15.86	0.15	ZF-EDAZ08	95.373
EDAH09	15.96	0.05	ZF-EDAH09	96.133
EDAM09	16.13	0.12	ZF-EDAM09	94.884
EDAU09	16.31	0.30	ZF-EDAU09	94.293
EDAZ09	16.51	0.50	ZF-EDAZ09	92.723
EDAH10	16.68	0.67	ZF-EDAH10	89.563
EDAM10	16.87	0.86	ZF-EDAM10	87.682
EDAU10	17.03	1.02	ZF-EDAU10	86.054
EDAZ10	17.19	1.18	ZF-EDAZ10	83.892

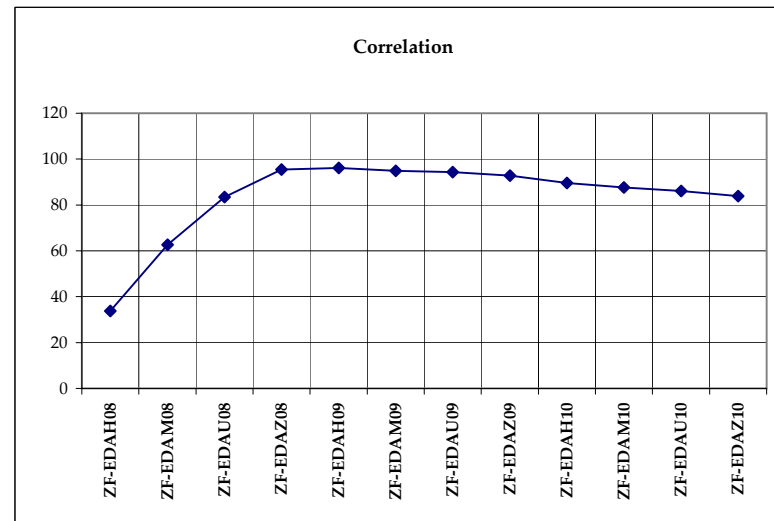
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.112	3.89	3.78	ZF-EDAH08
EDAM08	0.361	3.89	3.53	ZF-EDAM08
EDAU08	0.610	3.89	3.28	ZF-EDAU08
EDAZ08	0.860	3.89	3.03	ZF-EDAZ08
EDAH09	1.109	3.89	2.78	ZF-EDAH09
EDAM09	1.358	3.89	2.53	ZF-EDAM09
EDAU09	1.608	3.89	2.28	ZF-EDAU09
EDAZ09	1.857	3.89	2.03	ZF-EDAZ09
EDAH10	2.106	3.89	1.78	ZF-EDAH10
EDAM10	2.355	3.89	1.53	ZF-EDAM10
EDAU10	2.605	3.89	1.28	ZF-EDAU10
EDAZ10	2.854	3.89	1.03	ZF-EDAZ10

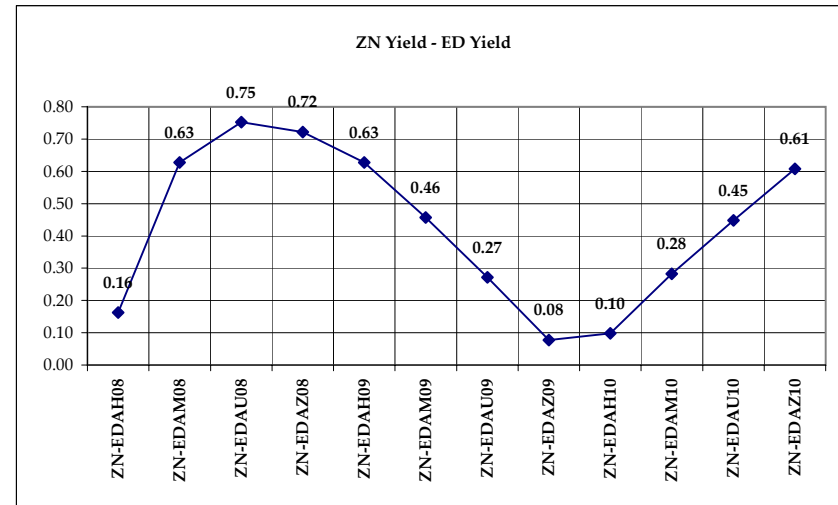
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Dirty TED: ZN vs Eurodollar Contracts

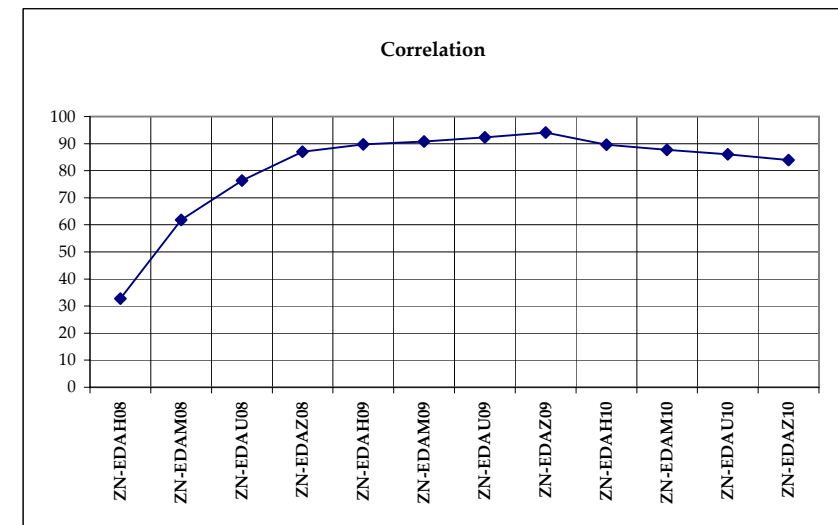
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	19.98	0.16	ZN-EDAH08	32.68
EDAM08	19.52	0.63	ZN-EDAM08	61.87
EDAU08	19.39	0.75	ZN-EDAU08	76.32
EDAZ08	19.42	0.72	ZN-EDAZ08	86.96
EDAH09	19.52	0.63	ZN-EDAH09	89.71
EDAM09	19.69	0.46	ZN-EDAM09	90.83
EDAU09	19.87	0.27	ZN-EDAU09	92.36
EDAZ09	20.07	0.08	ZN-EDAZ09	94.14
EDAH10	20.24	0.10	ZN-EDAH10	89.56
EDAM10	20.43	0.28	ZN-EDAM10	87.68
EDAU10	20.59	0.45	ZN-EDAU10	86.05
EDAZ10	20.75	0.61	ZN-EDAZ10	83.89

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	0.112	5.84	5.73	ZN-EDAH08
EDAM08	0.361	5.84	5.48	ZN-EDAM08
EDAU08	0.610	5.84	5.23	ZN-EDAU08
EDAZ08	0.860	5.84	4.98	ZN-EDAZ08
EDAH09	1.109	5.84	4.73	ZN-EDAH09
EDAM09	1.358	5.84	4.48	ZN-EDAM09
EDAU09	1.608	5.84	4.23	ZN-EDAU09
EDAZ09	1.857	5.84	3.98	ZN-EDAZ09
EDAH10	2.106	5.84	3.73	ZN-EDAH10
EDAM10	2.355	5.84	3.48	ZN-EDAM10
EDAU10	2.605	5.84	3.23	ZN-EDAU10
EDAZ10	2.854	5.84	2.99	ZN-EDAZ10

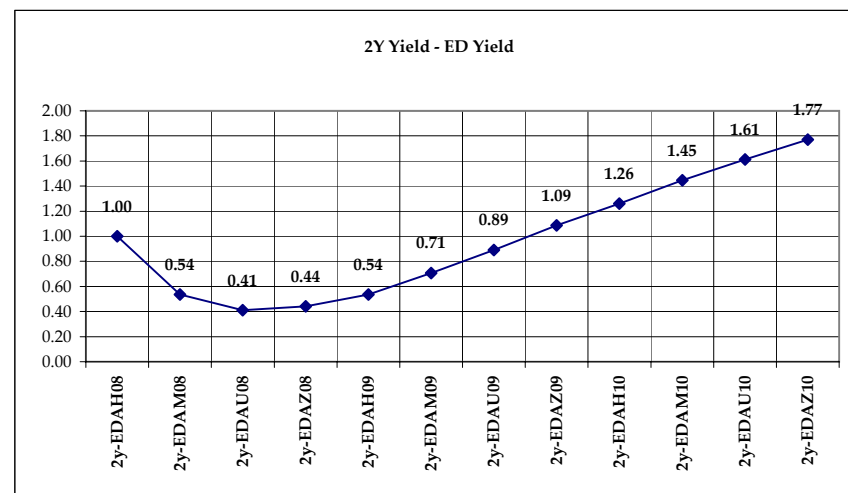
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.22	1.00	2y-EDAH08	-54.552
EDAM08	2.75	0.54	2y-EDAM08	-55.359
EDAU08	2.63	0.41	2y-EDAU08	-66.427
EDAZ08	2.66	0.44	2y-EDAZ08	-55.359
EDAH09	2.75	0.54	2y-EDAH09	-37.920
EDAM09	2.92	0.71	2y-EDAM09	-26.789
EDAU09	3.11	0.89	2y-EDAU09	-20.949
EDAZ09	3.30	1.09	2y-EDAZ09	-12.926
EDAH10	3.48	1.26	2y-EDAH10	-3.302
EDAM10	3.66	1.45	2y-EDAM10	0.802
EDAU10	3.83	1.61	2y-EDAU10	3.571
EDAZ10	3.99	1.77	2y-EDAZ10	6.999

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.

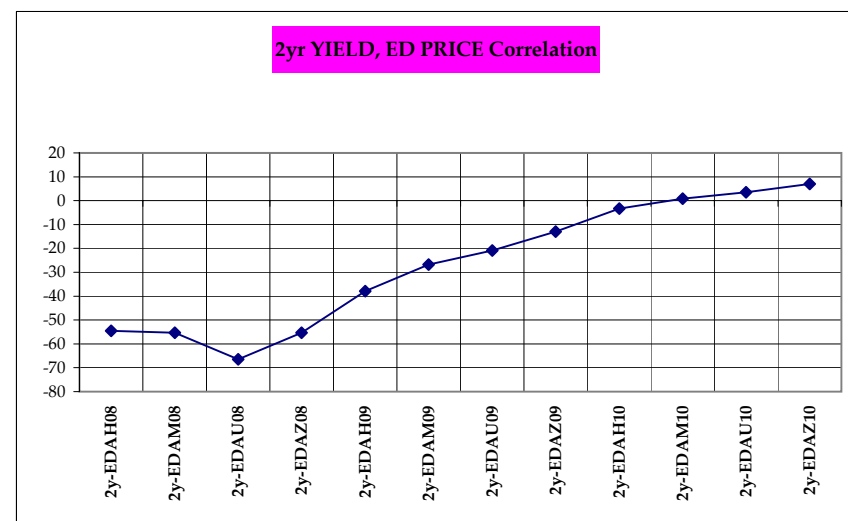


GE Duration as

	Fraction of year	2Y Duration	Spread Duration	
EDAH08	0.112	1.93	1.82	2y-EDAH08
EDAM08	0.361	1.93	1.57	2y-EDAM08
EDAU08	0.610	1.93	1.32	2y-EDAU08
EDAZ08	0.860	1.93	1.07	2y-EDAZ08
EDAH09	1.109	1.93	0.82	2y-EDAH09
EDAM09	1.358	1.93	0.57	2y-EDAM09
EDAU09	1.608	1.93	0.33	2y-EDAU09
EDAZ09	1.857	1.93	0.08	2y-EDAZ09
EDAH10	2.106	1.93	(0.17)	2y-EDAH10
EDAM10	2.355	1.93	(0.42)	2y-EDAM10
EDAU10	2.605	1.93	(0.67)	2y-EDAU10
EDAZ10	2.854	1.93	(0.92)	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

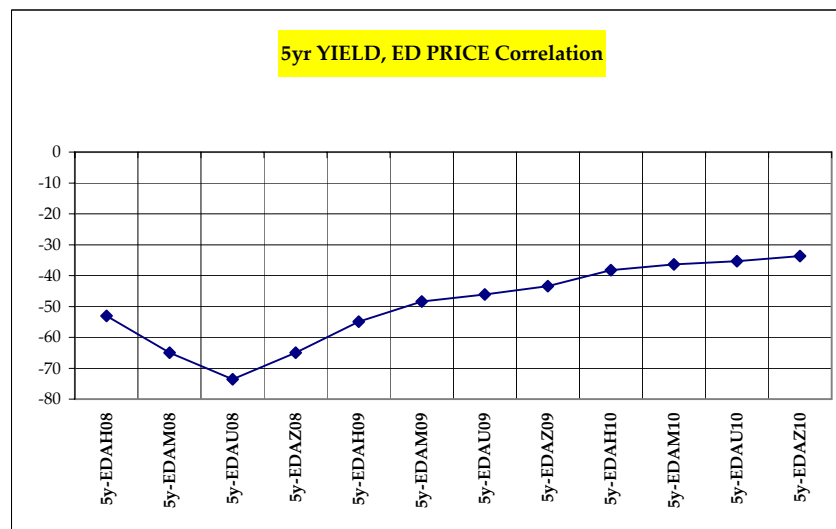
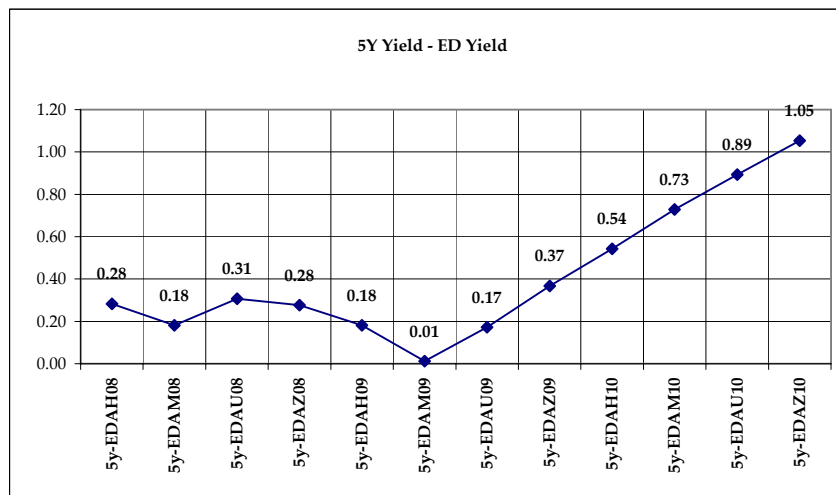
	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.62	0.28	5y-EDAH08	-53.053
EDAM08	3.16	0.18	5y-EDAM08	-64.985
EDAU08	3.03	0.31	5y-EDAU08	-73.614
EDAZ08	3.06	0.28	5y-EDAZ08	-64.985
EDAH09	3.16	0.18	5y-EDAH09	-54.901
EDAM09	3.33	0.01	5y-EDAM09	-48.363
EDAU09	3.51	0.17	5y-EDAU09	-46.082
EDAZ09	3.71	0.37	5y-EDAZ09	-43.446
EDAH10	3.88	0.54	5y-EDAH10	-38.187
EDAM10	4.07	0.73	5y-EDAM10	-36.374
EDAU10	4.23	0.89	5y-EDAU10	-35.342
EDAZ10	4.39	1.05	5y-EDAZ10	-33.711

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	0.112	4.61	5y-EDAH08
EDAM08	0.361	4.61	5y-EDAM08
EDAU08	0.610	4.61	5y-EDAU08
EDAZ08	0.860	4.61	5y-EDAZ08
EDAH09	1.109	4.61	5y-EDAH09
EDAM09	1.358	4.61	5y-EDAM09
EDAU09	1.608	4.61	5y-EDAU09
EDAZ09	1.857	4.61	5y-EDAZ09
EDAH10	2.106	4.61	5y-EDAH10
EDAM10	2.355	4.61	5y-EDAM10
EDAU10	2.605	4.61	5y-EDAU10
EDAZ10	2.854	4.61	5y-EDAZ10

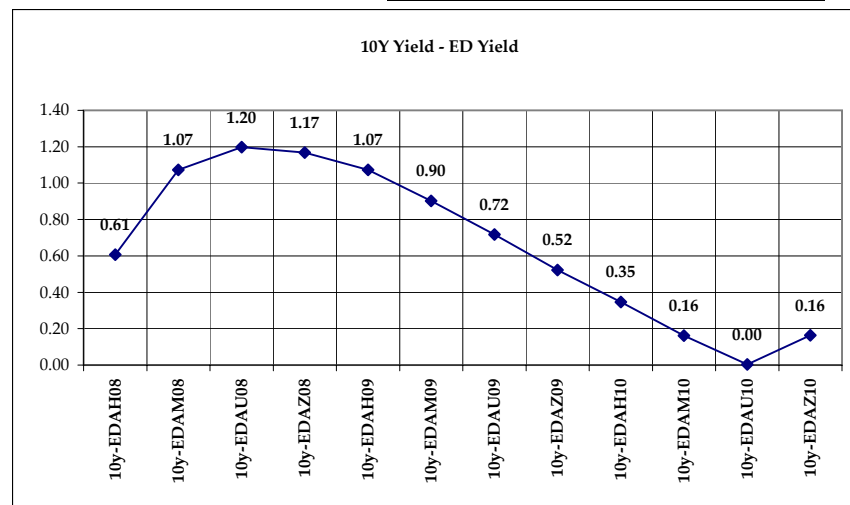
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.62	0.61	10y-EDAH08	-39.696
EDAM08	3.16	1.07	10y-EDAM08	-44.760
EDAU08	3.03	1.20	10y-EDAU08	-37.734
EDAZ08	3.06	1.17	10y-EDAZ08	-44.760
EDAH09	3.16	1.07	10y-EDAH09	-18.999
EDAM09	3.33	0.90	10y-EDAM09	-16.946
EDAU09	3.51	0.72	10y-EDAU09	-18.043
EDAZ09	3.71	0.52	10y-EDAZ09	-21.146
EDAH10	3.88	0.35	10y-EDAH10	-21.652
EDAM10	4.07	0.16	10y-EDAM10	-22.898
EDAU10	4.23	0.00	10y-EDAU10	-24.159
EDAZ10	4.39	0.16	10y-EDAZ10	-25.544

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.

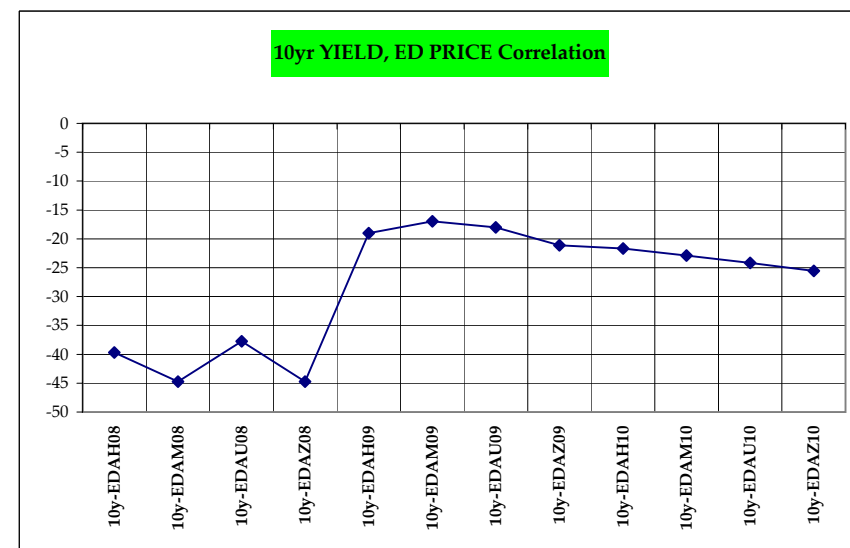


GE Duration as

	Fraction of year	10Y Duration	Spread Duration	
EDAH08	0.112	7.93	7.82	10y-EDAH08
EDAM08	0.361	7.93	7.57	10y-EDAM08
EDAU08	0.610	7.93	7.32	10y-EDAU08
EDAZ08	0.860	7.93	7.07	10y-EDAZ08
EDAH09	1.109	7.93	6.82	10y-EDAH09
EDAM09	1.358	7.93	6.57	10y-EDAM09
EDAU09	1.608	7.93	6.32	10y-EDAU09
EDAZ09	1.857	7.93	6.07	10y-EDAZ09
EDAH10	2.106	7.93	5.82	10y-EDAH10
EDAM10	2.355	7.93	5.57	10y-EDAM10
EDAU10	2.605	7.93	5.32	10y-EDAU10
EDAZ10	2.854	7.93	5.07	10y-EDAZ10

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

10yr YIELD, ED PRICE Correlation

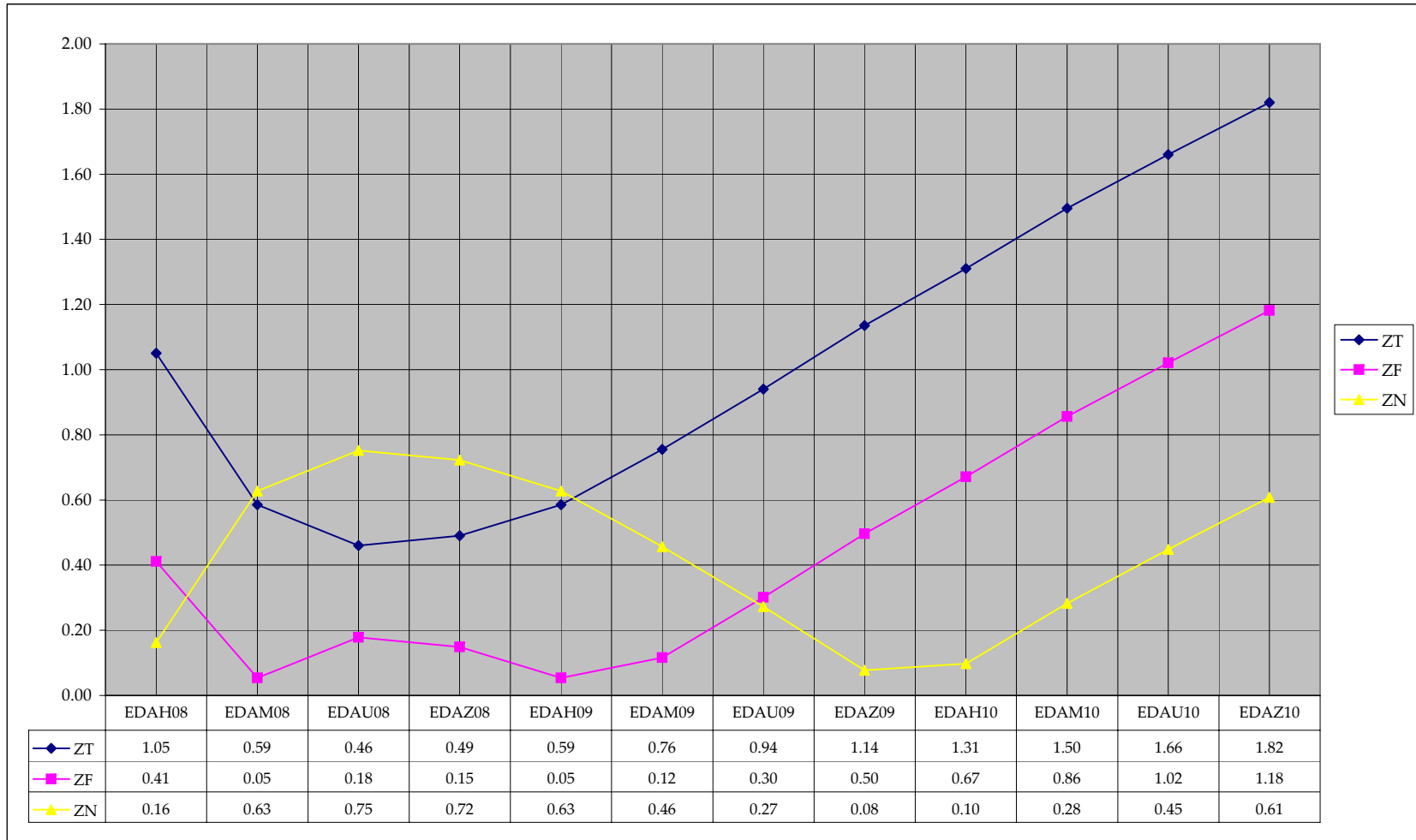


Dirty TED Curve

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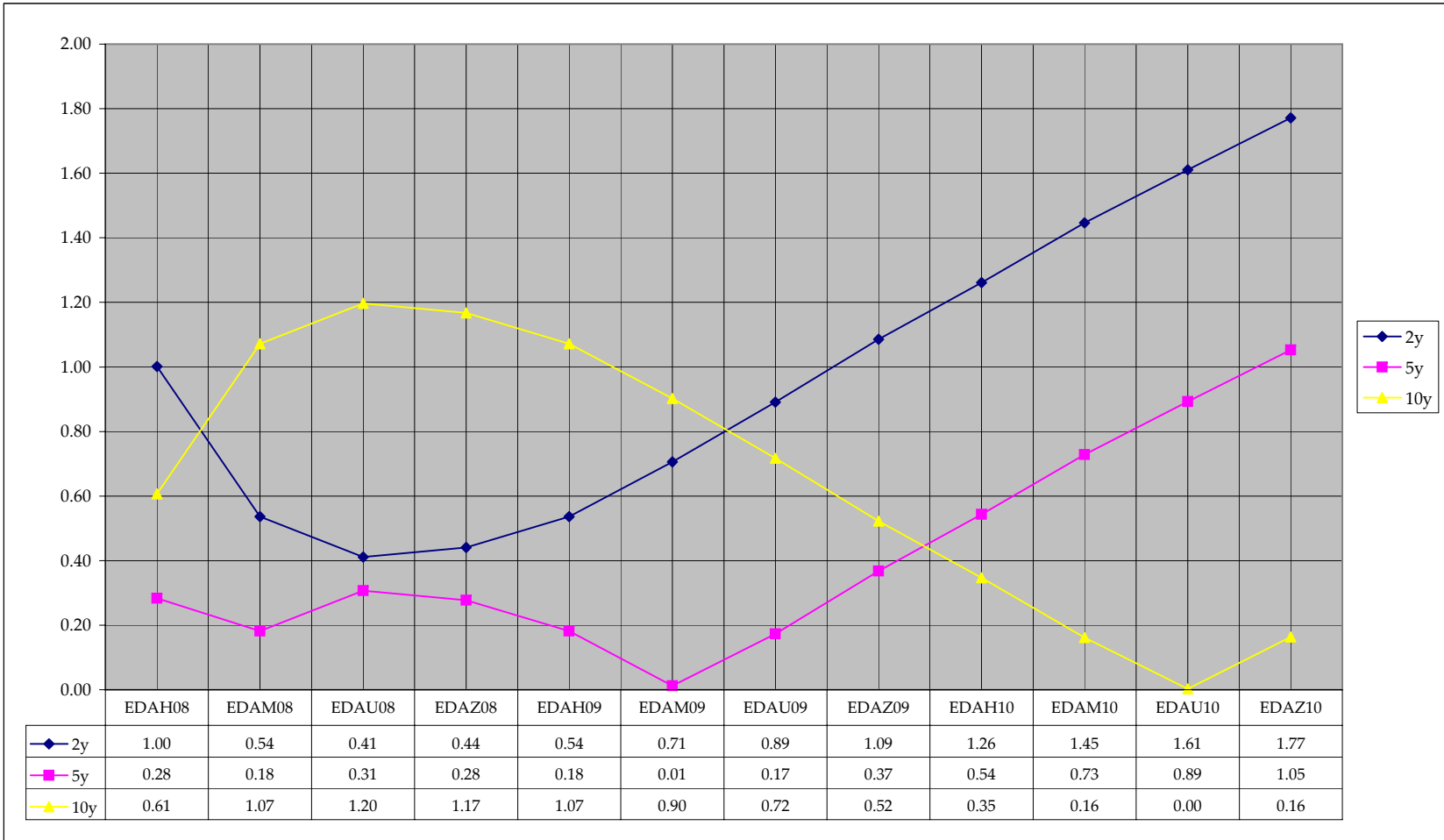
Page 7

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.

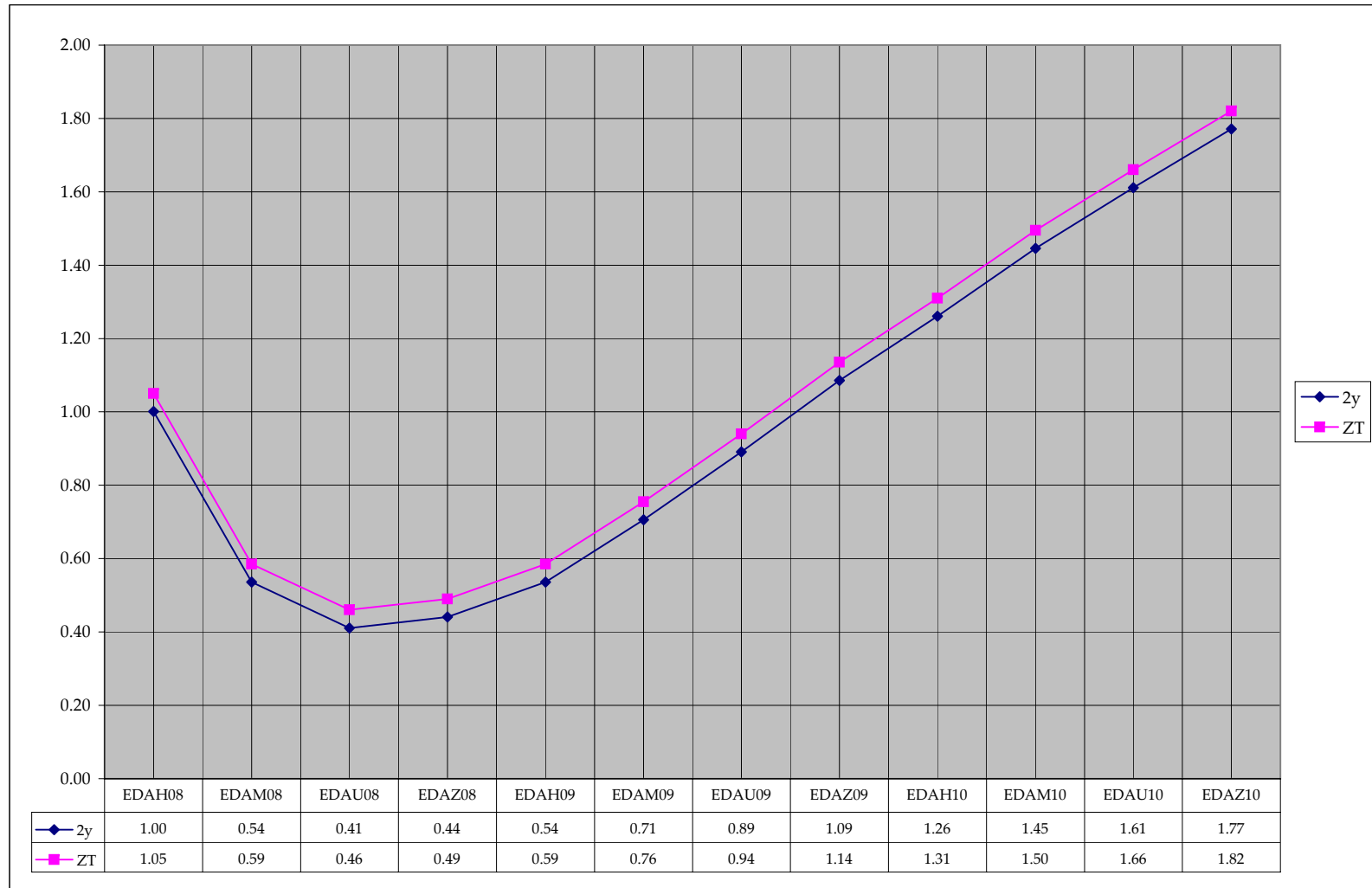


TED Curve

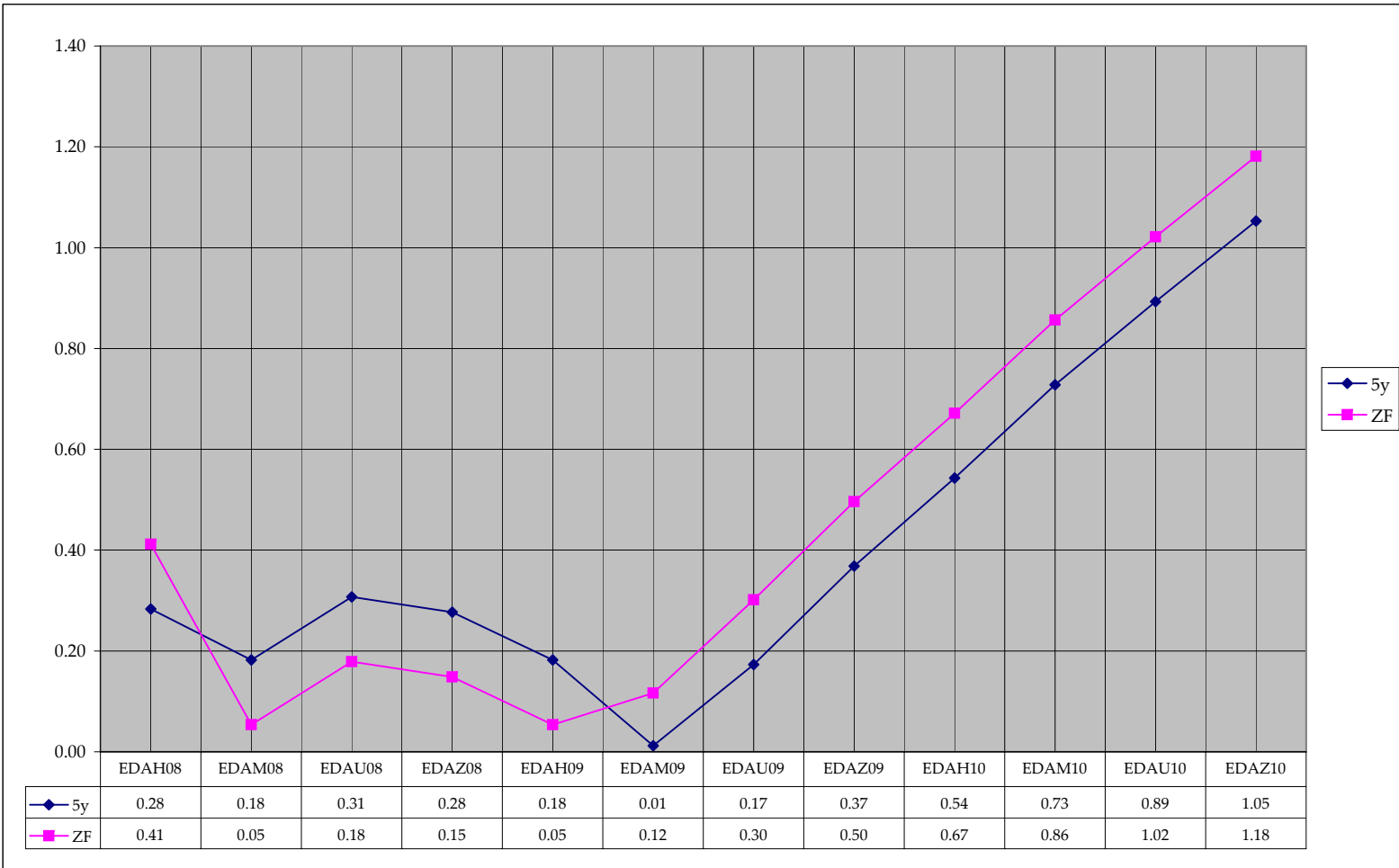
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



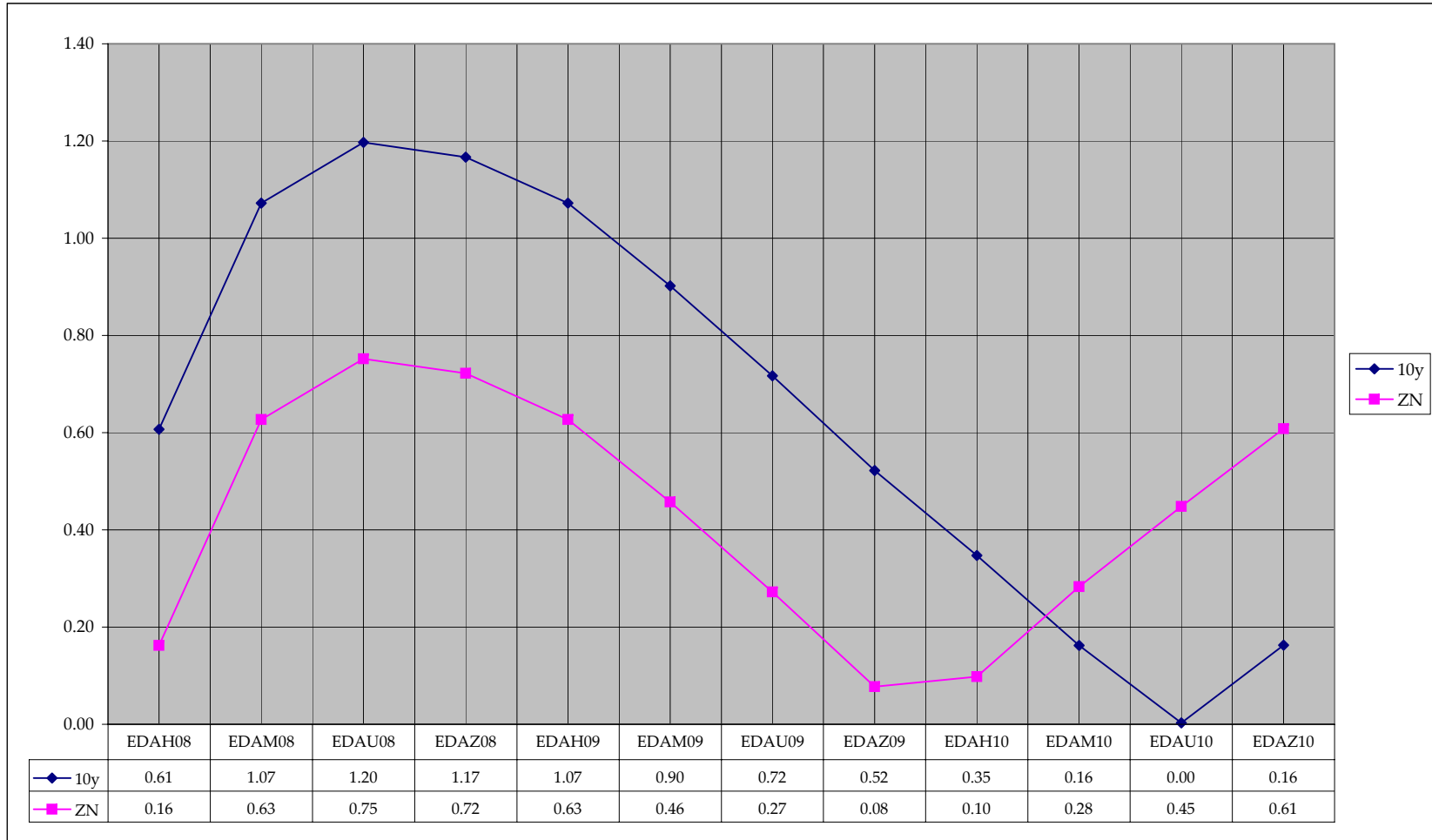
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	2.680	1.250	9737.375
Q.ED.Red	2.894	4.125	9716.625
Q.ED.Green	3.633	2.000	9644.875
Q.ED.Blue	0.375	0.375	9587.125
Q.ED.Gold		0.000	9539.875

