

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	107.0469	107.015	1.909	1.73	
ZF	113.2969	113.095	2.649	3.83	
ZN	116.2656	116.085	3.295	5.77	
2y	100.319	100.1020	1.951	1.87	
5y	100.225	100.0720	2.824	4.55	
10y	97.328	97.1050	3.823	8.30	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	97.033	2.968	19	0.051	MAR	White Pack	
EDAM08	97.420	2.580	110	0.301	JUN		
EDAU08	97.575	2.425	201	0.550	SEP		
EDAZ08	97.515	2.485	292	0.799	DEC	Red Pack	
EDAH09	97.365	2.635	383	1.049	MAR		
EDAM09	97.145	2.855	474	1.298	JUN		
EDAU09	96.910	3.090	565	1.547	SEP	Green Pack	
EDAZ09	96.685	3.315	656	1.797	DEC		
EDAH10	96.495	3.505	747	2.046	MAR		
EDAM10	96.285	3.715	838	2.295	JUN	Blue Pack	
EDAU10	96.100	3.900	929	2.545	SEP		
EDAZ10	95.905	4.095	1020	2.794	DEC		
EDAH11	95.760	4.240	1111	3.043	MAR	Gold Pack	
EDAM11	95.530	4.470	1202	3.293	JUN		
EDAU11	95.375	4.625	1300	3.561	SEP		
EDAZ11	95.255	4.745	1391	3.810	DEC	Gold Pack	
EDAH12	95.085	4.915	1482	4.060	MAR		
EDAM12	94.975	5.025	1573	4.309	JUN		
EDAU12	94.870	5.130	1664	4.558	SEP		
EDAU12	94.870	5.130	1664	4.558	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	2.668	4.438	9738.563	Pack Prices
Q.ED.Red	3.038	7.375	9702.625	
Q.ED.Green	3.894	7.500	9619.625	
Q.ED.Blue		1.750	9547.500	
Q.ED.Gold		0.000	9495.875	

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

2/27/2008 5:39

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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

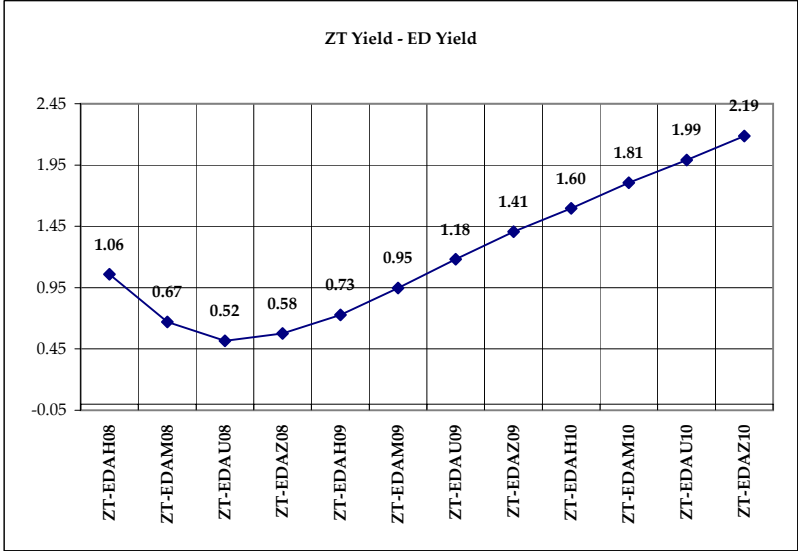
Eurodollar Color Codes for Individual Year Strips:

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

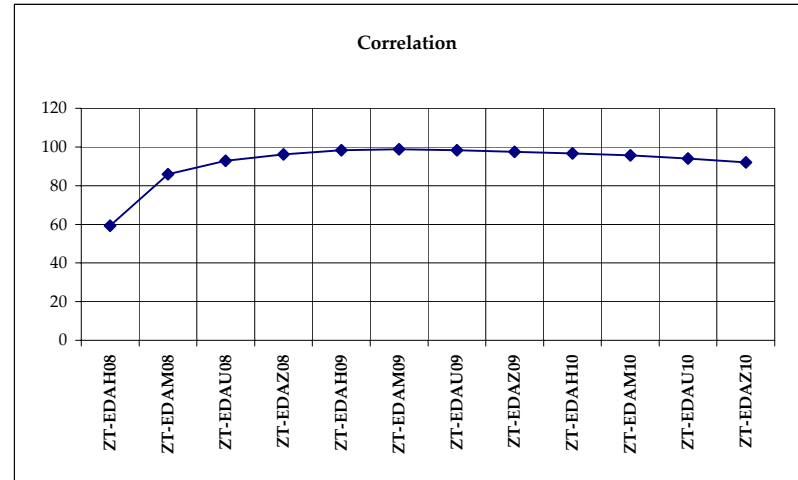
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	10.014	1.06	ZT-EDAH08	59.220
EDAM08	9.627	0.67	ZT-EDAM08	85.939
EDAU08	9.472	0.52	ZT-EDAU08	92.902
EDAZ08	9.532	0.58	ZT-EDAZ08	96.217
EDAH09	9.682	0.73	ZT-EDAH09	98.291
EDAM09	9.902	0.95	ZT-EDAM09	98.736
EDAU09	10.137	1.18	ZT-EDAU09	98.286
EDAZ09	10.362	1.41	ZT-EDAZ09	97.555
EDAH10	10.552	1.60	ZT-EDAH10	96.636
EDAM10	10.762	1.81	ZT-EDAM10	95.705
EDAU10	10.947	1.99	ZT-EDAU10	93.983
EDAZ10	11.142	2.19	ZT-EDAZ10	92.083

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	0.051	1.73	1.68	ZT-EDAH08
EDAM08	0.301	1.73	1.43	ZT-EDAM08
EDAU08	0.550	1.73	1.18	ZT-EDAU08
EDAZ08	0.799	1.73	0.93	ZT-EDAZ08
EDAH09	1.049	1.73	0.68	ZT-EDAH09
EDAM09	1.298	1.73	0.43	ZT-EDAM09
EDAU09	1.547	1.73	0.18	ZT-EDAU09
EDAZ09	1.797	1.73	(0.07)	ZT-EDAZ09
EDAH10	2.046	1.73	(0.32)	ZT-EDAH10
EDAM10	2.295	1.73	(0.57)	ZT-EDAM10
EDAU10	2.545	1.73	(0.82)	ZT-EDAU10
EDAZ10	2.794	1.73	(1.07)	ZT-EDAZ10

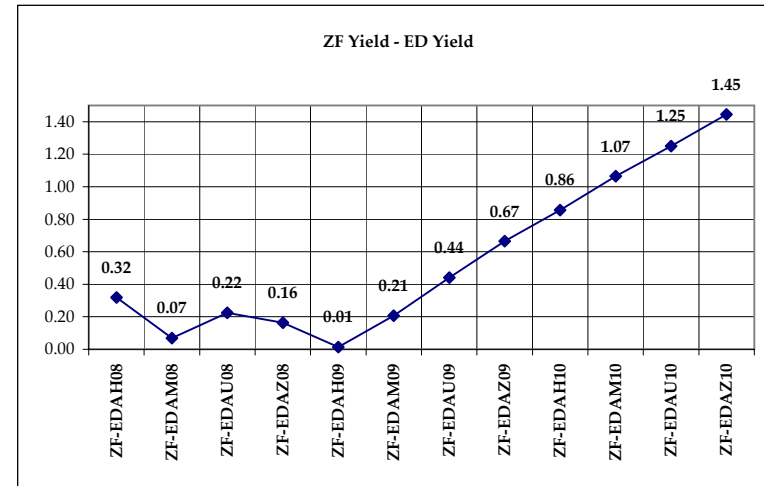
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	16.26	0.32	ZF-EDAH08	27.188
EDAM08	15.88	0.07	ZF-EDAM08	61.520
EDAU08	15.72	0.22	ZF-EDAU08	73.134
EDAZ08	15.78	0.16	ZF-EDAZ08	79.949
EDAH09	15.93	0.01	ZF-EDAH09	86.219
EDAM09	16.15	0.21	ZF-EDAM09	88.606
EDAU09	16.39	0.44	ZF-EDAU09	88.770
EDAZ09	16.61	0.67	ZF-EDAZ09	90.714
EDAH10	16.80	0.86	ZF-EDAH10	92.551
EDAM10	17.01	1.07	ZF-EDAM10	93.076
EDAU10	17.20	1.25	ZF-EDAU10	93.813
EDAZ10	17.39	1.45	ZF-EDAZ10	94.420

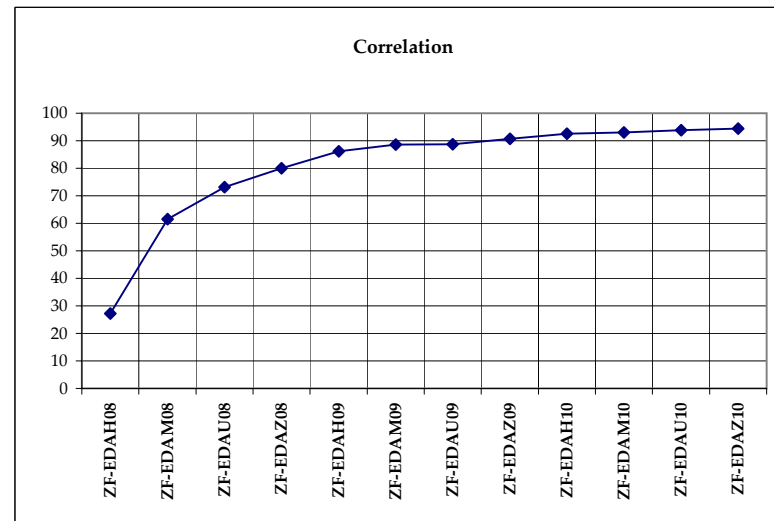
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.051	3.83	3.78	ZF-EDAH08
EDAM08	0.301	3.83	3.53	ZF-EDAM08
EDAU08	0.550	3.83	3.28	ZF-EDAU08
EDAZ08	0.799	3.83	3.03	ZF-EDAZ08
EDAH09	1.049	3.83	2.78	ZF-EDAH09
EDAM09	1.298	3.83	2.53	ZF-EDAM09
EDAU09	1.547	3.83	2.28	ZF-EDAU09
EDAZ09	1.797	3.83	2.03	ZF-EDAZ09
EDAH10	2.046	3.83	1.78	ZF-EDAH10
EDAM10	2.295	3.83	1.53	ZF-EDAM10
EDAU10	2.545	3.83	1.28	ZF-EDAU10
EDAZ10	2.794	3.83	1.03	ZF-EDAZ10

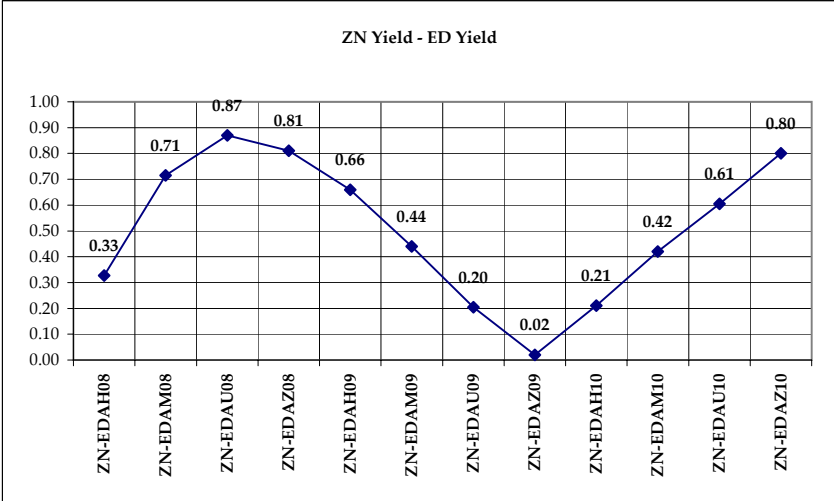
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

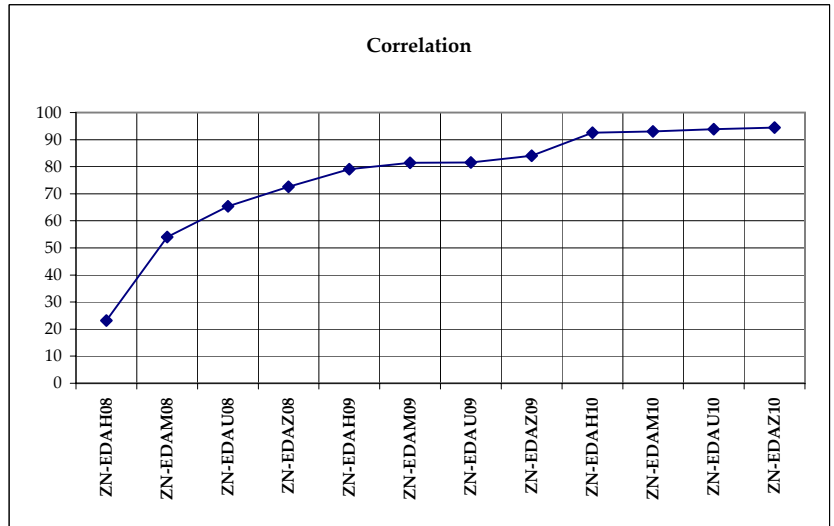
ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	19.23	0.33	ZN-EDAH08	23.13
EDAM08	18.85	0.71	ZN-EDAM08	53.99
EDAU08	18.69	0.87	ZN-EDAU08	65.37
EDAZ08	18.75	0.81	ZN-EDAZ08	72.58
EDAH09	18.90	0.66	ZN-EDAH09	79.11
EDAM09	19.12	0.44	ZN-EDAM09	81.42
EDAU09	19.36	0.20	ZN-EDAU09	81.50
EDAZ09	19.58	0.02	ZN-EDAZ09	84.09
EDAH10	19.77	0.21	ZN-EDAH10	92.55
EDAM10	19.98	0.42	ZN-EDAM10	93.08
EDAU10	20.17	0.61	ZN-EDAU10	93.81
EDAZ10	20.36	0.80	ZN-EDAZ10	94.42

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	0.051	5.77	5.72	ZN-EDAH08
EDAM08	0.301	5.77	5.47	ZN-EDAM08
EDAU08	0.550	5.77	5.22	ZN-EDAU08
EDAZ08	0.799	5.77	4.97	ZN-EDAZ08
EDAH09	1.049	5.77	4.73	ZN-EDAH09
EDAM09	1.298	5.77	4.48	ZN-EDAM09
EDAU09	1.547	5.77	4.23	ZN-EDAU09
EDAZ09	1.797	5.77	3.98	ZN-EDAZ09
EDAH10	2.046	5.77	3.73	ZN-EDAH10
EDAM10	2.295	5.77	3.48	ZN-EDAM10
EDAU10	2.545	5.77	3.23	ZN-EDAU10
EDAZ10	2.794	5.77	2.98	ZN-EDAZ10

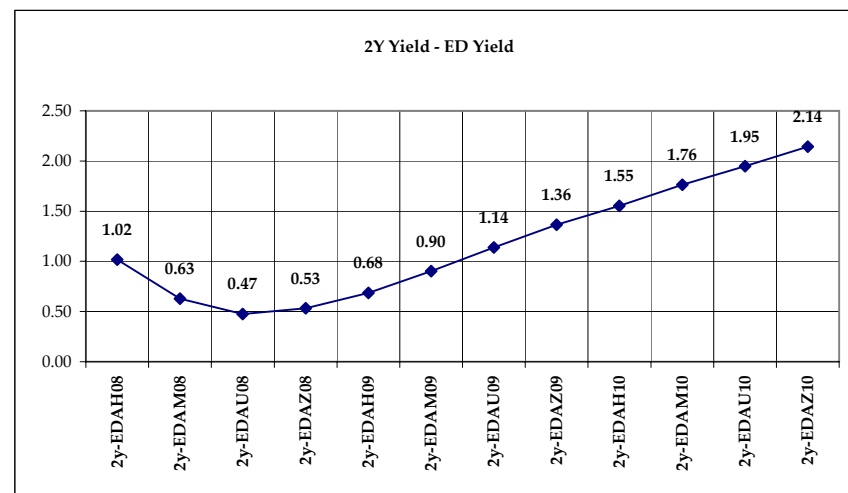
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.29	1.02	2y-EDAH08	-65.145
EDAM08	2.90	0.63	2y-EDAM08	-87.934
EDAU08	2.74	0.47	2y-EDAU08	-95.341
EDAZ08	2.80	0.53	2y-EDAZ08	-87.934
EDAH09	2.95	0.68	2y-EDAH09	-96.891
EDAM09	3.17	0.90	2y-EDAM09	-95.563
EDAU09	3.41	1.14	2y-EDAU09	-94.272
EDAZ09	3.63	1.36	2y-EDAZ09	-93.310
EDAH10	3.82	1.55	2y-EDAH10	-92.367
EDAM10	4.03	1.76	2y-EDAM10	-91.234
EDAU10	4.22	1.95	2y-EDAU10	-89.995
EDAZ10	4.41	2.14	2y-EDAZ10	-87.531

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.

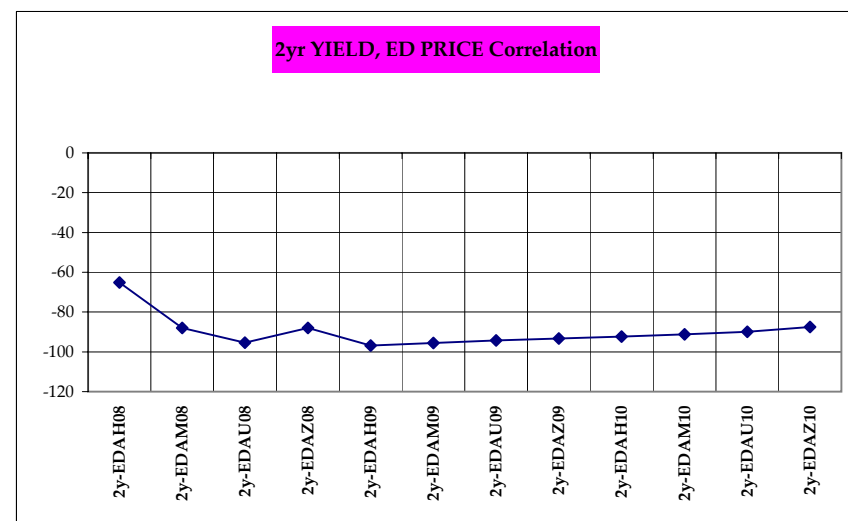


GE Duration as

	Fraction of year	2Y Duration	Spread Duration	
EDAH08	0.051	1.87	1.82	2y-EDAH08
EDAM08	0.301	1.87	1.57	2y-EDAM08
EDAU08	0.550	1.87	1.32	2y-EDAU08
EDAZ08	0.799	1.87	1.07	2y-EDAZ08
EDAH09	1.049	1.87	0.82	2y-EDAH09
EDAM09	1.298	1.87	0.58	2y-EDAM09
EDAU09	1.547	1.87	0.33	2y-EDAU09
EDAZ09	1.797	1.87	0.08	2y-EDAZ09
EDAH10	2.046	1.87	(0.17)	2y-EDAH10
EDAM10	2.295	1.87	(0.42)	2y-EDAM10
EDAU10	2.545	1.87	(0.67)	2y-EDAU10
EDAZ10	2.794	1.87	(0.92)	2y-EDAZ10

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

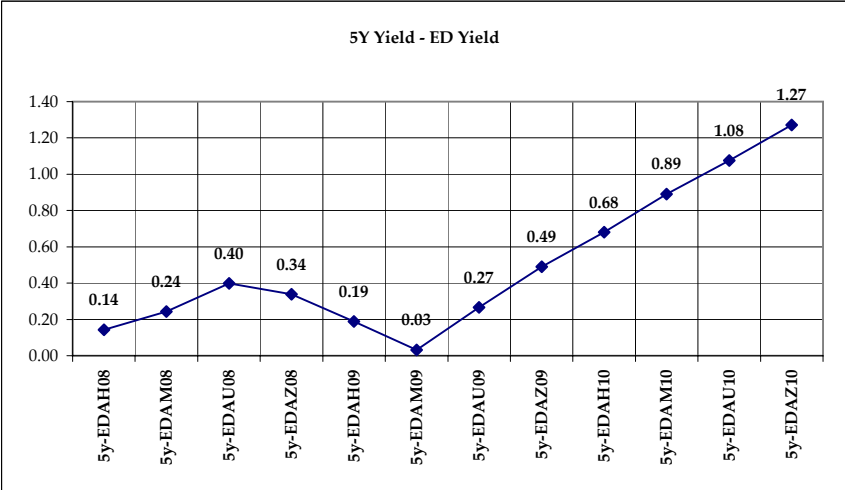
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

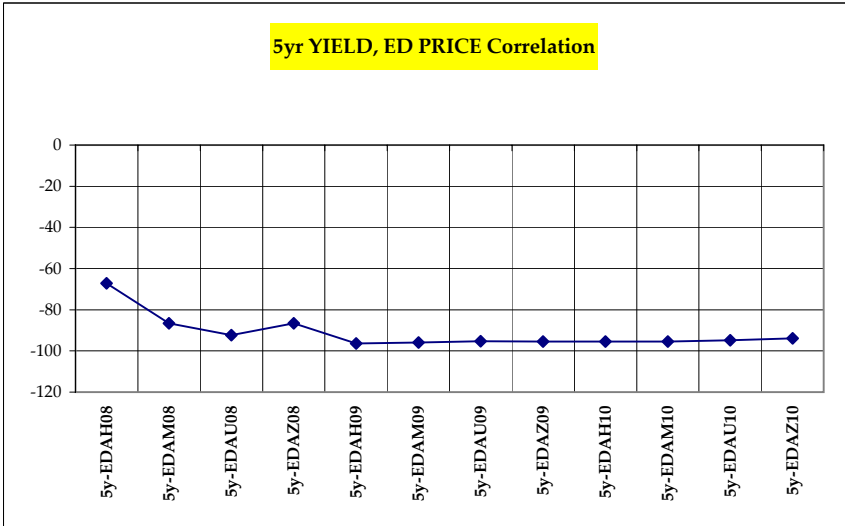
5y				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.19	0.14	5y-EDAH08	-67.136
EDAM08	2.81	0.24	5y-EDAM08	-86.533
EDAU08	2.65	0.40	5y-EDAU08	-92.394
EDAZ08	2.71	0.34	5y-EDAZ08	-86.533
EDAH09	2.86	0.19	5y-EDAH09	-96.327
EDAM09	3.08	0.03	5y-EDAM09	-95.861
EDAU09	3.32	0.27	5y-EDAU09	-95.248
EDAZ09	3.54	0.49	5y-EDAZ09	-95.461
EDAH10	3.73	0.68	5y-EDAH10	-95.428
EDAM10	3.94	0.89	5y-EDAM10	-95.375
EDAU10	4.13	1.08	5y-EDAU10	-94.838
EDAZ10	4.32	1.27	5y-EDAZ10	-93.922

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	0.051	4.55	4.50	5y-EDAH08
EDAM08	0.301	4.55	4.25	5y-EDAM08
EDAU08	0.550	4.55	4.00	5y-EDAU08
EDAZ08	0.799	4.55	3.75	5y-EDAZ08
EDAH09	1.049	4.55	3.50	5y-EDAH09
EDAM09	1.298	4.55	3.25	5y-EDAM09
EDAU09	1.547	4.55	3.00	5y-EDAU09
EDAZ09	1.797	4.55	2.76	5y-EDAZ09
EDAH10	2.046	4.55	2.51	5y-EDAH10
EDAM10	2.295	4.55	2.26	5y-EDAM10
EDAU10	2.545	4.55	2.01	5y-EDAU10
EDAZ10	2.794	4.55	1.76	5y-EDAZ10

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



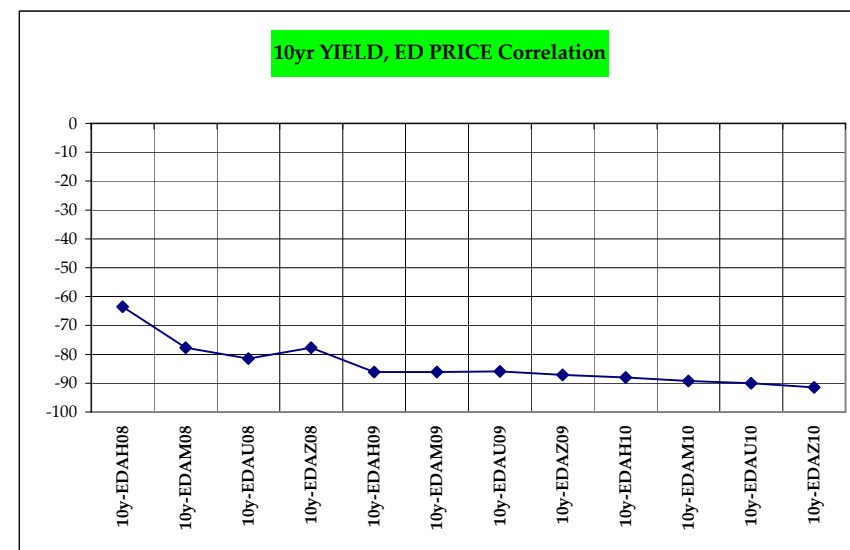
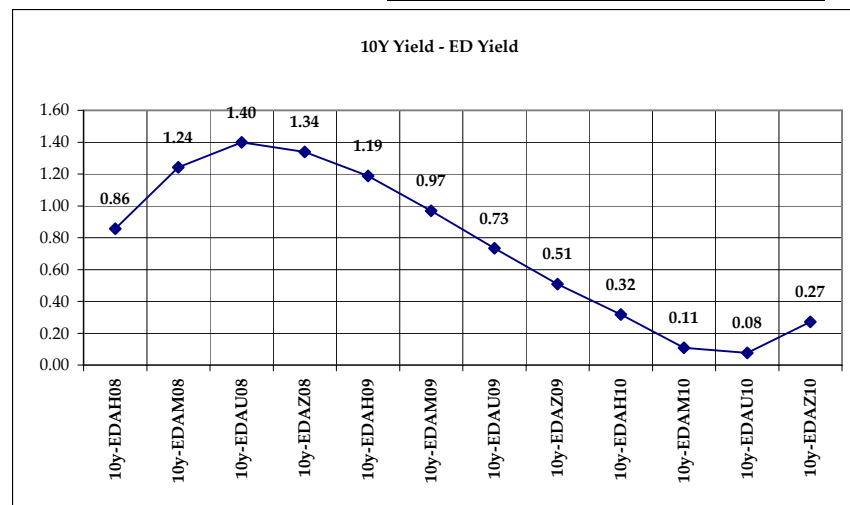
TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.19	0.86	10y-EDAH08	-63.549
EDAM08	2.81	1.24	10y-EDAM08	-77.716
EDAU08	2.65	1.40	10y-EDAU08	-81.447
EDAZ08	2.71	1.34	10y-EDAZ08	-77.716
EDAH09	2.86	1.19	10y-EDAH09	-86.117
EDAM09	3.08	0.97	10y-EDAM09	-86.190
EDAU09	3.32	0.73	10y-EDAU09	-85.944
EDAZ09	3.54	0.51	10y-EDAZ09	-87.163
EDAH10	3.73	0.32	10y-EDAH10	-87.991
EDAM10	3.94	0.11	10y-EDAM10	-89.285
EDAU10	4.13	0.08	10y-EDAU10	-90.068
EDAZ10	4.32	0.27	10y-EDAZ10	-91.471

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.

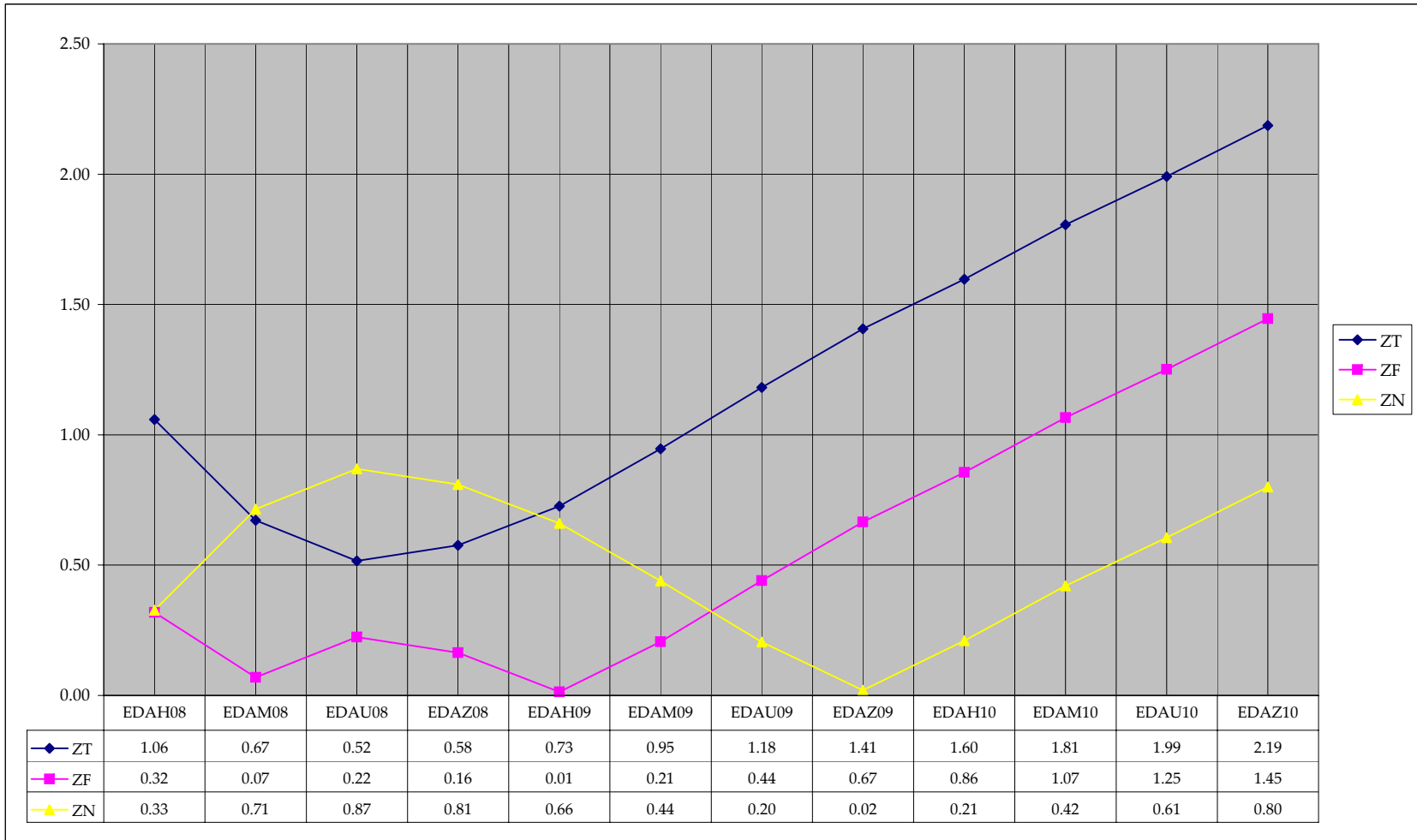
	GE Duration as Fraction of year	10Y Duration	Spread Duration	
EDAH08	0.051	8.30	8.25	10y-EDAH08
EDAM08	0.301	8.30	8.00	10y-EDAM08
EDAU08	0.550	8.30	7.75	10y-EDAU08
EDAZ08	0.799	8.30	7.50	10y-EDAZ08
EDAH09	1.049	8.30	7.25	10y-EDAH09
EDAM09	1.298	8.30	7.01	10y-EDAM09
EDAU09	1.547	8.30	6.76	10y-EDAU09
EDAZ09	1.797	8.30	6.51	10y-EDAZ09
EDAH10	2.046	8.30	6.26	10y-EDAH10
EDAM10	2.295	8.30	6.01	10y-EDAM10
EDAU10	2.545	8.30	5.76	10y-EDAU10
EDAZ10	2.794	8.30	5.51	10y-EDAZ10

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



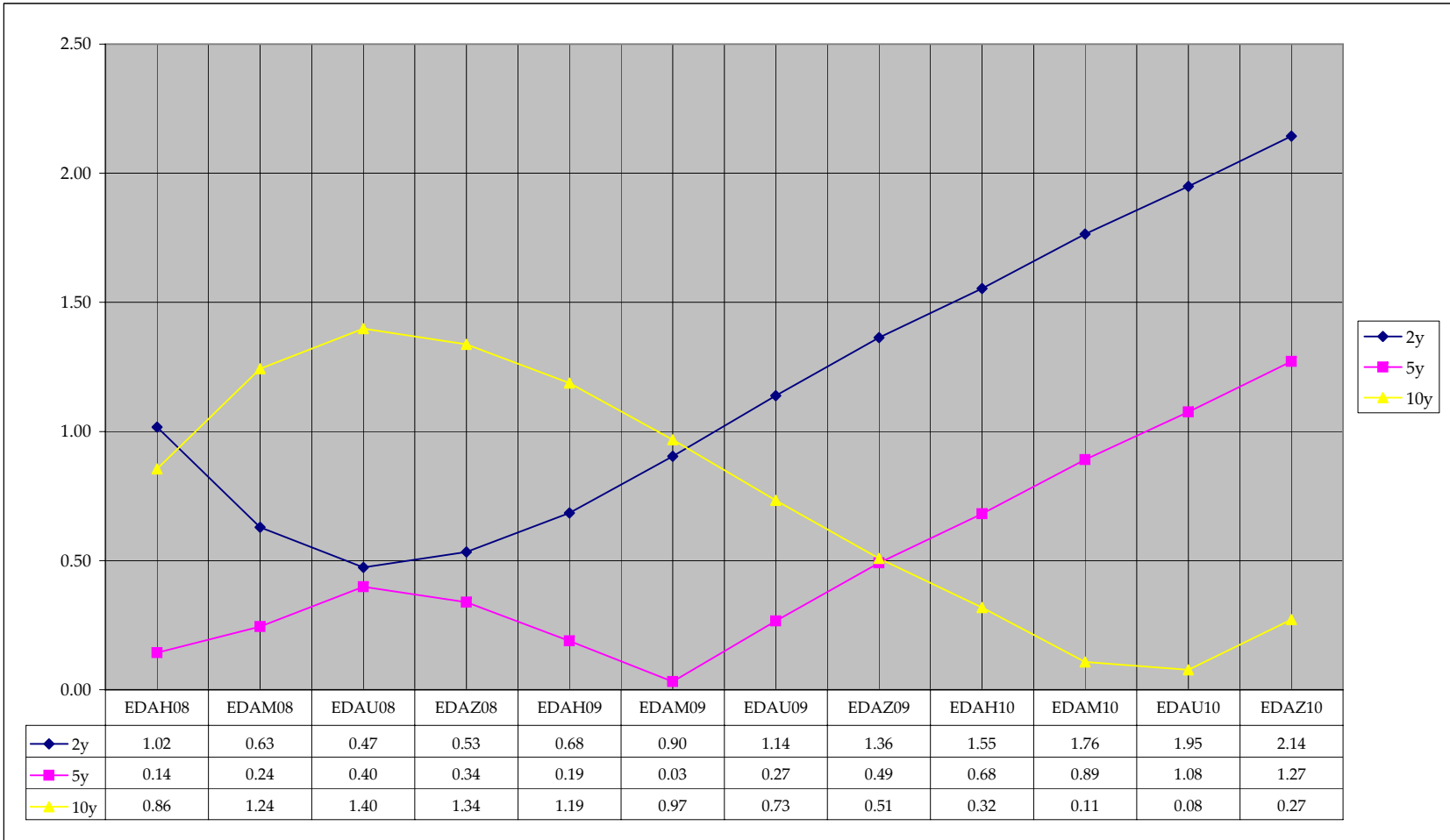
Dirty TED Curve

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.

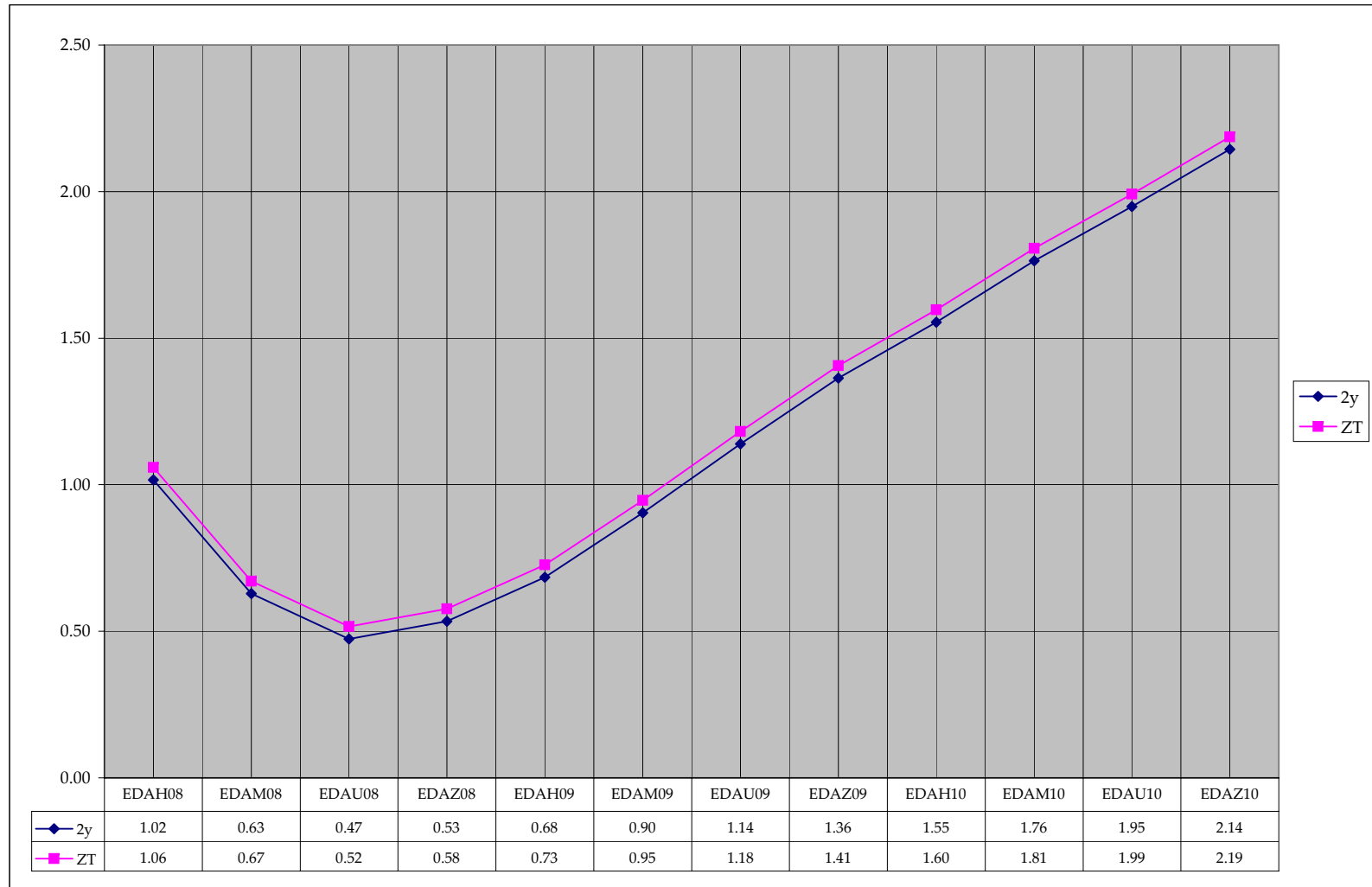


TED Curve

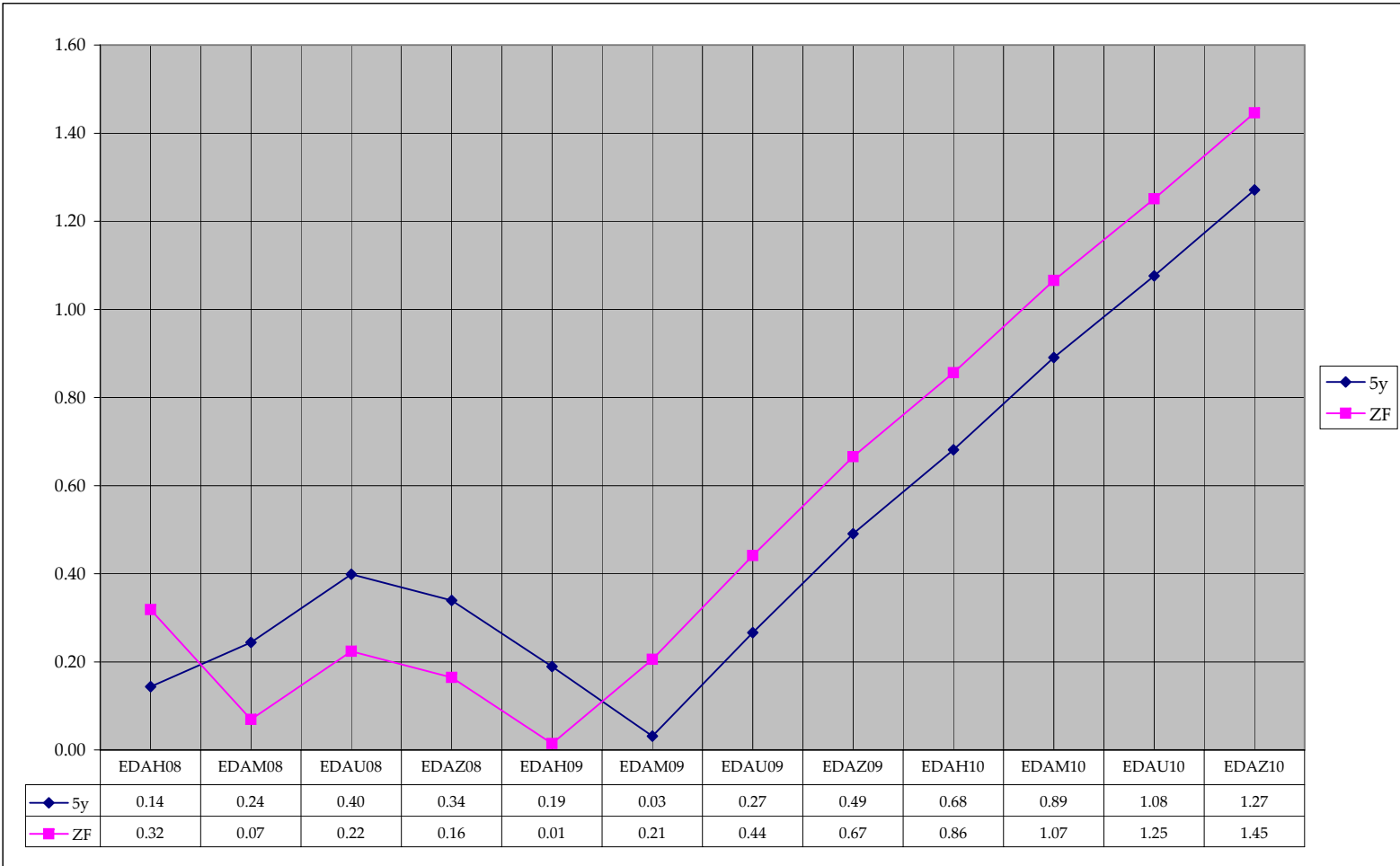
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



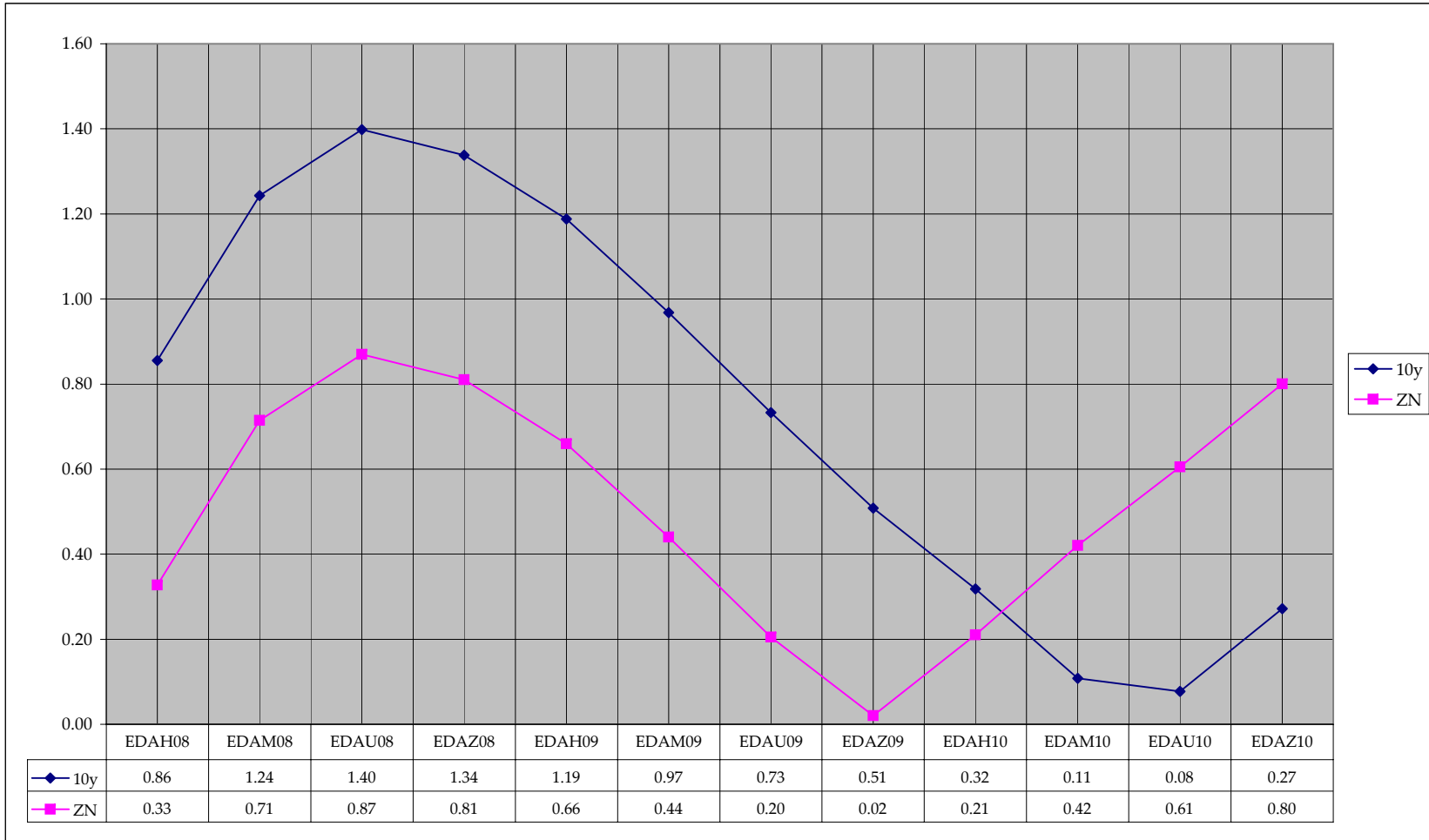
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

	last Yield	Net Last Yield	Last Price
Q.ED.White	2.668	4.438	9738.563
Q.ED.Red	3.038	7.375	9702.625
Q.ED.Green	3.894	7.500	9619.625
Q.ED.Blue	1.750		9547.500
Q.ED.Gold		0.000	9495.875

