

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.7094	102.227	4.508
ZF	106.4844	106.155	4.392
ZN	109.4688	109.150	4.421
Blank			
2y	100.209	100.0670	4.500
5y	100.172	100.0550	4.375
10y	101.175	101.0560	4.429

*Futures use CTD for Last Yield

**Mduration = Modified Macaulay Duration

Eurodollars (ED)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.653	5.348	13	0.035	DEC	White Pack
F.EDAH07	94.875	5.125	104	0.284	MAR	
F.EDAM07	95.175	4.825	195	0.534	JUN	
F.EDAU07	95.375	4.625	286	0.783	SEP	Red Pack
F.EDAZ07	95.485	4.515	377	1.032	DEC	
F.EDAH08	95.540	4.460	468	1.282	MAR	
F.EDAM08	95.555	4.445	559	1.531	JUN	Green Pack
F.EDAU08	95.550	4.450	650	1.780	SEP	
F.EDAZ08	95.520	4.480	741	2.030	DEC	
F.EDAH09	95.490	4.510	832	2.279	MAR	Green Pack
F.EDAM09	95.440	4.560	923	2.528	JUN	
F.EDAU09	95.395	4.605	1014	2.777	SEP	

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.

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Eurodollar Color Codes for Individual Year Strips:

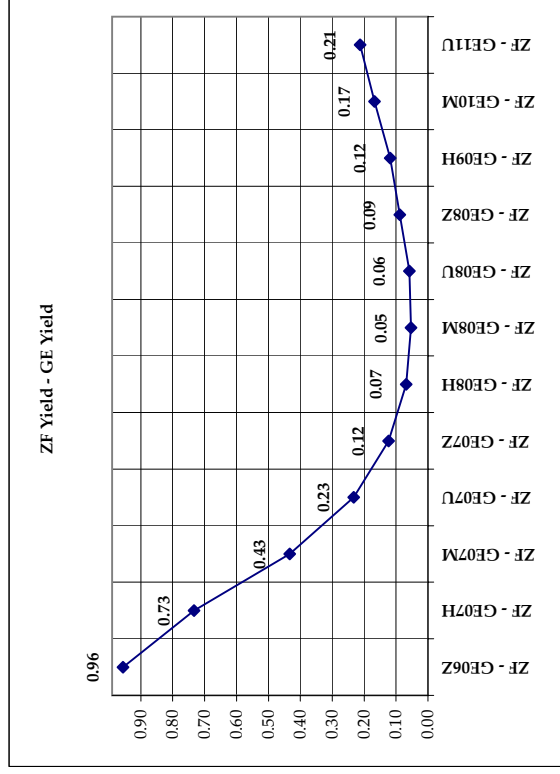
Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZF vs Eurodollar Contracts

	ZF	
	Spread Price	Spread Yield
	Price	Yield
	Name	Name
F.EDAZ06	11.83	0.96
F.EDAH07	11.61	0.73
F.EDAM07	11.31	0.43
F.EDAU07	11.11	0.23
F.EDAZ07	11.00	0.12
F.EDAH08	10.94	0.07
F.EDAM08	10.93	0.05
F.EDAU08	10.93	0.06
F.EDAZ08	10.96	0.09
F.EDAH09	10.99	0.12
F.EDAM09	11.04	0.17
F.EDAU09	11.09	0.21

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Proxy Yield - Implied Euro Contract yield)



GE Duration as Fraction of year	ZF	
	Duration	Spread Duration
F.EDAZ06	0.035	4.00
F.EDAH07	0.284	4.00
F.EDAM07	0.534	4.00
F.EDAU07	0.783	4.00
F.EDAZ07	1.032	4.00
F.EDAH08	1.282	4.00
F.EDAM08	1.531	4.00
F.EDAU08	1.780	4.00
F.EDAZ08	2.030	4.00
F.EDAH09	2.279	4.00
F.EDAM09	2.528	4.00
F.EDAU09	2.777	4.00

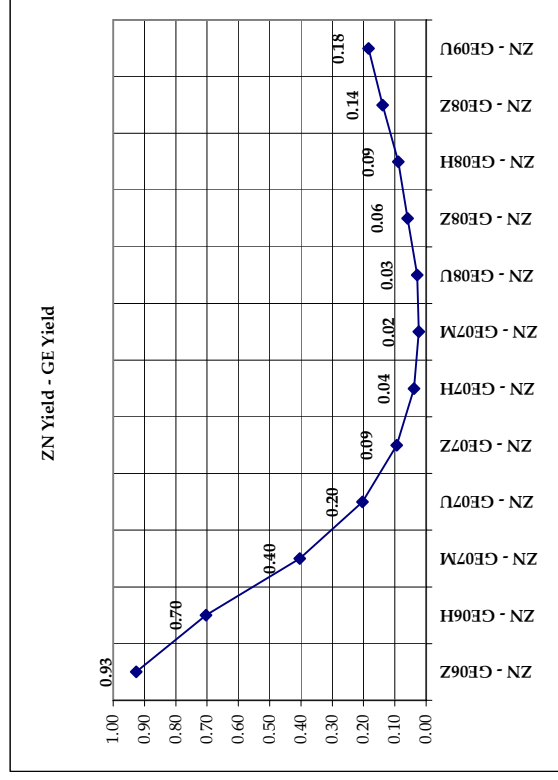
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	14.82	0.93	ZN - GE06Z
F.EDAH07	14.59	0.70	ZN - GE06H
F.EDAM07	14.29	0.40	ZN - GE07M
F.EDAU07	14.09	0.20	ZN - GE07U
F.EDAZ07	13.98	0.09	ZN - GE07Z
F.EDAH08	13.93	0.04	ZN - GE07H
F.EDAM08	13.91	0.02	ZN - GE07M
F.EDAU08	13.92	0.03	ZN - GE08U
F.EDAZ08	13.95	0.06	ZN - GE08Z
F.EDAH09	13.98	0.09	ZN - GE08H
F.EDAM09	14.03	0.14	ZN - GE08M
F.EDAU09	14.07	0.18	ZN - GE09U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Proxy Yield - Implied Euro Contract yield)



GE Duration as Fraction of year	ZN Duration	Spread Duration
F.EDAZ06	0.035	5.90
F.EDAH07	0.284	5.65
F.EDAM07	0.534	5.40
F.EDAU07	0.783	5.15
F.EDAZ07	1.032	4.90
F.EDAH08	1.282	4.65
F.EDAM08	1.531	4.40
F.EDAU08	1.780	4.15
F.EDAZ08	2.030	3.90
F.EDAH09	2.279	3.65
F.EDAM09	2.528	3.40
F.EDAU09	2.777	3.16

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

TERM TED: 2y vs Eurodollar Contracts

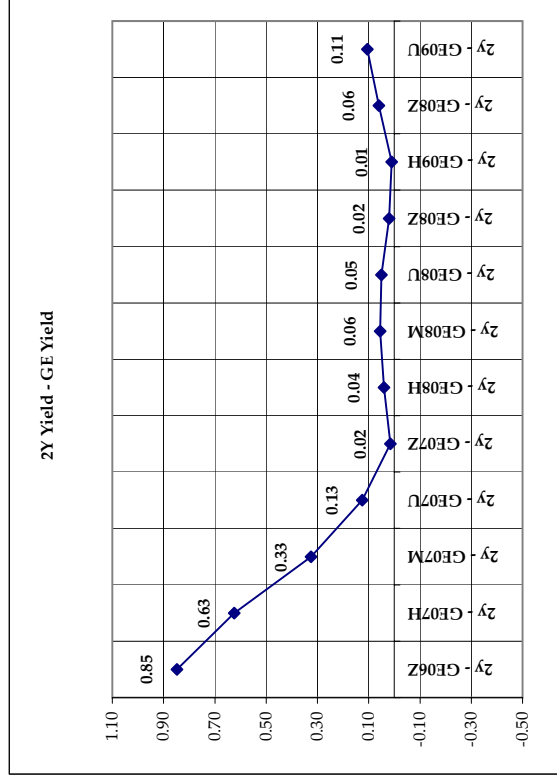
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	5.56	0.85	2y - GE06Z
F.EDAH07	5.33	0.63	2y - GE07H
F.EDAM07	5.03	0.33	2y - GE07M
F.EDAU07	4.83	0.13	2y - GE07U
F.EDAZ07	4.72	0.02	2y - GE07Z
F.EDAH08	4.67	0.04	2y - GE08H
F.EDAM08	4.65	0.06	2y - GE08M
F.EDAU08	4.66	0.05	2y - GE08U
F.EDAZ08	4.69	0.02	2y - GE08Z
F.EDAH09	4.72	0.01	2y - GE09H
F.EDAM09	4.77	0.06	2y - GE08Z
F.EDAU09	4.81	0.11	2y - GE09U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Cash Yield - Implied Euro Contract yield)

GE Duration as Fraction of year	2Y Duration	Spread Duration
F.EDAZ06	0.035	1.84
F.EDAH07	0.284	1.59
F.EDAM07	0.534	1.34
F.EDAU07	0.783	1.09
F.EDAZ07	1.032	0.84
F.EDAH08	1.282	0.59
F.EDAM08	1.531	0.34
F.EDAU08	1.780	0.09
F.EDAZ08	2.030	(0.15)
F.EDAH09	2.279	(0.40)
F.EDAM09	2.528	(0.65)
F.EDAU09	2.777	(0.90)

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

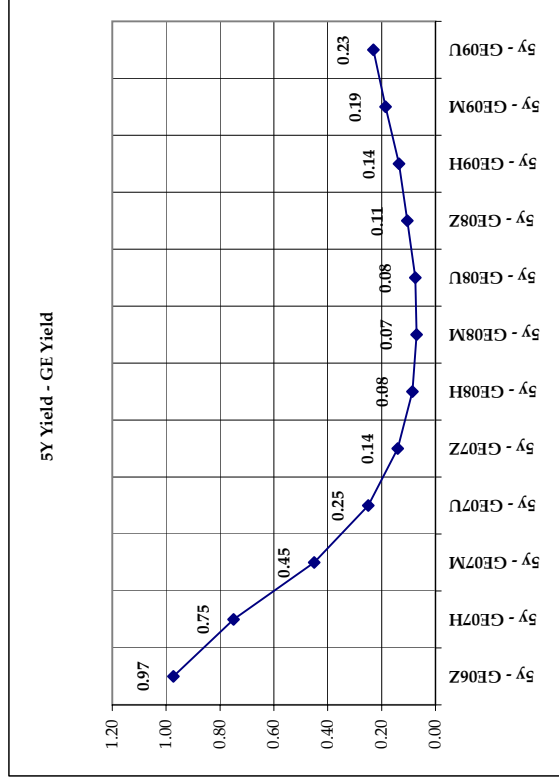


TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	5.52	0.97	5y - GE06Z
F.EDAH07	5.30	0.75	5y - GE07H
F.EDAM07	5.00	0.45	5y - GE07M
F.EDAU07	4.80	0.25	5y - GE07U
F.EDAZ07	4.69	0.14	5y - GE07Z
F.EDAH08	4.63	0.08	5y - GE08H
F.EDAM08	4.62	0.07	5y - GE08M
F.EDAU08	4.62	0.08	5y - GE08U
F.EDAZ08	4.65	0.11	5y - GE08Z
F.EDAH09	4.68	0.14	5y - GE09H
F.EDAM09	4.73	0.19	5y - GE09M
F.EDAU09	4.78	0.23	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Cash Yield - Implied Euro Contract yield)



GE Duration as Fraction of year

	Fraction of year	5Y Duration	Spread Duration
F.EDAZ06	0.035	4.00	3.96
F.EDAH07	0.284	4.00	3.71
F.EDAM07	0.534	4.00	3.46
F.EDAU07	0.783	4.00	3.21
F.EDAZ07	1.032	4.00	2.96
F.EDAH08	1.282	4.00	2.71
F.EDAM08	1.531	4.00	2.46
F.EDAU08	1.780	4.00	2.21
F.EDAZ08	2.030	4.00	1.97
F.EDAH09	2.279	4.00	1.72
F.EDAM09	2.528	4.00	1.47
F.EDAU09	2.777	4.00	1.22

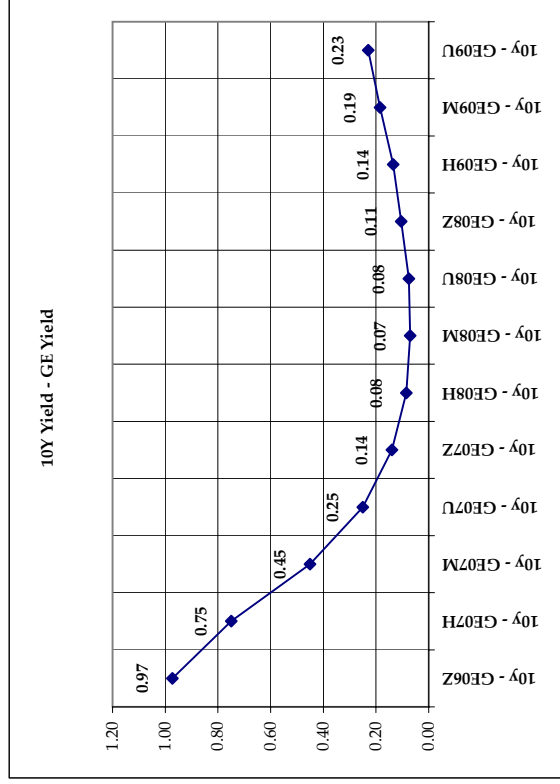
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TERM TED: 10y vs Eurodollar Contracts

		10y	
Spread	Spread	Spread	Spread
Price	Yield	Yield	Name
F.EDAZ06	5.52	0.97	10y - GE06Z
F.EDAH07	5.30	0.75	10y - GE07H
F.EDAM07	5.00	0.45	10y - GE07M
F.EDAU07	4.80	0.25	10y - GE07U
F.EDAZ07	4.69	0.14	10y - GE07Z
F.EDAH08	4.63	0.08	10y - GE08H
F.EDAM08	4.62	0.07	10y - GE08M
F.EDAU08	4.62	0.08	10y - GE08U
F.EDAZ08	4.65	0.11	10y - GE08Z
F.EDAH09	4.68	0.14	10y - GE09H
F.EDAM09	4.73	0.19	10y - GE09M
F.EDAU09	4.78	0.23	10y - GE09U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Cash Yield - Implied Euro Contract yield)



GE Duration as		10Y	
Fraction	Duration	Duration	Spread
of year	of year	of year	of year
F.EDAZ06	0.035	7.90	7.87
F.EDAH07	0.284	7.90	7.62
F.EDAM07	0.534	7.90	7.37
F.EDAU07	0.783	7.90	7.12
F.EDAZ07	1.032	7.90	6.87
F.EDAH08	1.282	7.90	6.62
F.EDAM08	1.531	7.90	6.37
F.EDAU08	1.780	7.90	6.12
F.EDAZ08	2.030	7.90	5.87
F.EDAH09	2.279	7.90	5.62
F.EDAM09	2.528	7.90	5.37
F.EDAU09	2.777	7.90	5.12

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