

Morning Email: TERM TEDS & Dirty TEDS

Table of Contents

Pg1	Overview and hedges
Pg2	Dirty TED: ZT vs Eurodollar Contracts
Pg3	Dirty TED: ZF vs Eurodollar Contracts
Pg4	Dirty TED: ZN vs Eurodollar Contracts
Pg5	TERM TED: 2y vs Eurodollar Contracts
Pg6	TERM TED: 5y vs Eurodollar Contracts
Pg7	TERM TED: 10y vs Eurodollar Contracts

Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.5844	102.187	4.566
ZF	106.2656	106.085	#VALUE!
ZN	109.2500	109.080	#VALUE!
Blank			
2y	100.109	100.0350	4.562
5y	100.110	100.0352	4.422
10y	101.095	101.0304	4.462

*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	94.650	5.350	11	0.030	DEC	White Pack
F.EDAH07	94.820	5.180	102	0.279	MAR	
F.EDAM07	95.095	4.905	193	0.528	JUN	
F.EDAU07	95.300	4.700	284	0.777	SEP	Red Pack
F.EDAZ07	95.425	4.575	375	1.027	DEC	
F.EDAH08	95.480	4.520	466	1.276	MAR	
F.EDAM08	95.500	4.500	557	1.525	JUN	Green Pack
F.EDAU08	95.490	4.510	648	1.775	SEP	
F.EDAZ08	95.460	4.540	739	2.024	DEC	
F.EDAH09	95.435	4.565	830	2.273	MAR	Green Pack
F.EDAM09	95.375	4.625	921	2.523	JUN	
F.EDAU09	95.360	4.640	1012	2.772	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.

igoulding@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

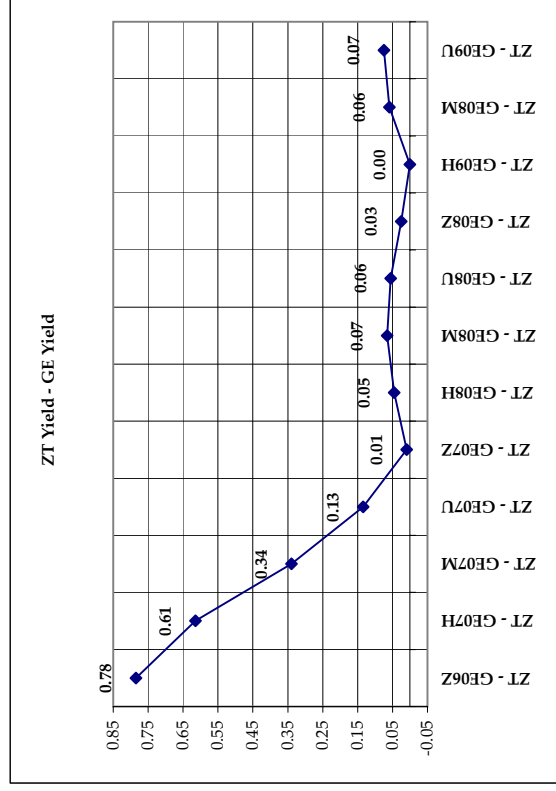
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.934	0.78	ZT - GE06Z
F.EDAH07	7.764	0.61	ZT - GE07H
F.EDAM07	7.489	0.34	ZT - GE07M
F.EDAU07	7.284	0.13	ZT - GE07U
F.EDAZ07	7.159	0.01	ZT - GE07Z
F.EDAH08	7.104	0.05	ZT - GE08H
F.EDAM08	7.084	0.07	ZT - GE08M
F.EDAU08	7.094	0.06	ZT - GE08U
F.EDAZ08	7.124	0.03	ZT - GE08Z
F.EDAH09	7.149	0.00	ZT - GE09H
F.EDAM09	7.209	0.06	ZT - GE08M
F.EDAU09	7.224	0.07	ZT - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	ZT		Spread Duration
	Duration	Duration	
F.EDAZ06	0.030	#VALUE!	#VALUE! ZT - GE06Z
F.EDAH07	0.279	#VALUE!	#VALUE! ZT - GE07H
F.EDAM07	0.528	#VALUE!	#VALUE! ZT - GE07M
F.EDAU07	0.777	#VALUE!	#VALUE! ZT - GE07U
F.EDAZ07	1.027	#VALUE!	#VALUE! ZT - GE07Z
F.EDAH08	1.276	#VALUE!	#VALUE! ZT - GE08H
F.EDAM08	1.525	#VALUE!	#VALUE! ZT - GE08M
F.EDAU08	1.775	#VALUE!	#VALUE! ZT - GE08U
F.EDAZ08	2.024	#VALUE!	#VALUE! ZT - GE08Z
F.EDAH09	2.273	#VALUE!	#VALUE! ZT - GE09H
F.EDAM09	2.523	#VALUE!	#VALUE! ZT - GE08M
F.EDAU09	2.772	#VALUE!	#VALUE! ZT - GE09U

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

Dirty TED: ZF vs Eurodollar Contracts

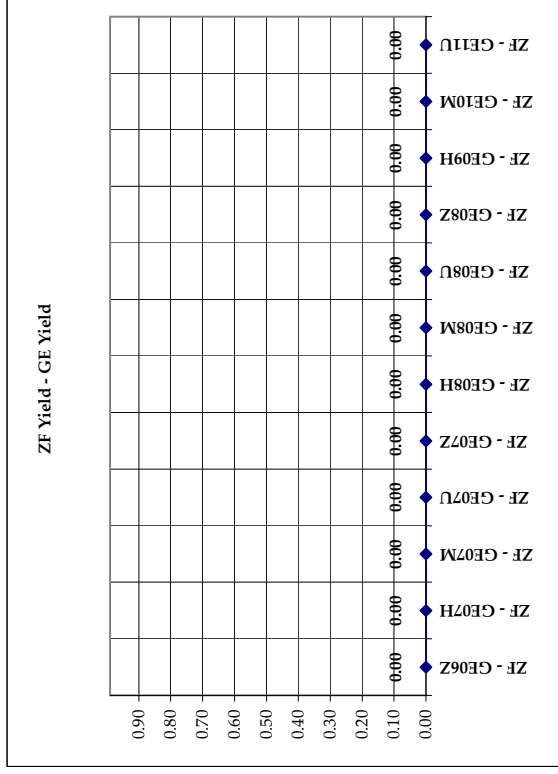
ZF

Spread Price Spread Spread Yield Name

	Spread	Price	Spread	Spread	Yield	Name
F.EDAZ06	11.62	#VALUE!	ZF - GE06Z			ZF - GE06Z
F.EDAH07	11.45	#VALUE!	ZF - GE07H			ZF - GE07H
F.EDAM07	11.17	#VALUE!	ZF - GE07M			ZF - GE07M
F.EDAU07	10.97	#VALUE!	ZF - GE07U			ZF - GE07U
F.EDAZ07	10.84	#VALUE!	ZF - GE07Z			ZF - GE07Z
F.EDAH08	10.79	#VALUE!	ZF - GE08H			ZF - GE08H
F.EDAM08	10.77	#VALUE!	ZF - GE08M			ZF - GE08M
F.EDAU08	10.78	#VALUE!	ZF - GE08U			ZF - GE08U
F.EDAZ08	10.81	#VALUE!	ZF - GE08Z			ZF - GE08Z
F.EDAH09	10.83	#VALUE!	ZF - GE09H			ZF - GE09H
F.EDAM09	10.89	#VALUE!	ZF - GE10M			ZF - GE10M
F.EDAU09	10.91	#VALUE!	ZF - GE11U			ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year ZF Duration Spread

	GE Duration as Fraction of year	ZF Duration	Spread
F.EDAZ06	0.030	#VALUE!	#VALUE!
F.EDAH07	0.279	#VALUE!	#VALUE!
F.EDAM07	0.528	#VALUE!	#VALUE!
F.EDAU07	0.777	#VALUE!	#VALUE!
F.EDAZ07	1.027	#VALUE!	#VALUE!
F.EDAH08	1.276	#VALUE!	#VALUE!
F.EDAM08	1.525	#VALUE!	#VALUE!
F.EDAU08	1.775	#VALUE!	#VALUE!
F.EDAZ08	2.024	#VALUE!	#VALUE!
F.EDAH09	2.273	#VALUE!	#VALUE!
F.EDAM09	2.523	#VALUE!	#VALUE!
F.EDAU09	2.772	#VALUE!	#VALUE!

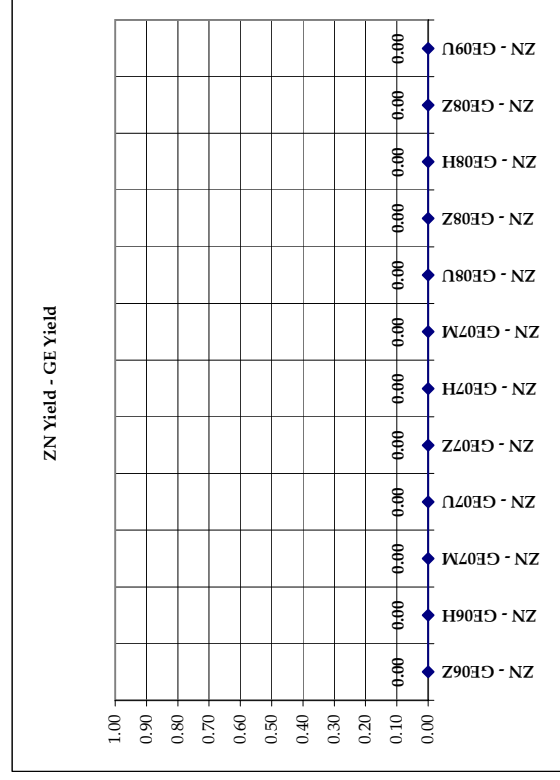
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	14.60	#VALUE!	ZN - GE06Z
F.EDAH07	14.43	#VALUE!	ZN - GE06H
F.EDAM07	14.16	#VALUE!	ZN - GE07M
F.EDAU07	13.95	#VALUE!	ZN - GE07U
F.EDAZ07	13.83	#VALUE!	ZN - GE07Z
F.EDAH08	13.77	#VALUE!	ZN - GE07H
F.EDAM08	13.75	#VALUE!	ZN - GE07M
F.EDAU08	13.76	#VALUE!	ZN - GE08U
F.EDAZ08	13.79	#VALUE!	ZN - GE08Z
F.EDAH09	13.82	#VALUE!	ZN - GE08H
F.EDAM09	13.88	#VALUE!	ZN - GE08Z
F.EDAU09	13.89	#VALUE!	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	0.030	#VALUE!
F.EDAH07	0.279	#VALUE!
F.EDAM07	0.528	#VALUE!
F.EDAU07	0.777	#VALUE!
F.EDAZ07	1.027	#VALUE!
F.EDAH08	1.276	#VALUE!
F.EDAM08	1.525	#VALUE!
F.EDAU08	1.775	#VALUE!
F.EDAZ08	2.024	#VALUE!
F.EDAH09	2.273	#VALUE!
F.EDAM09	2.523	#VALUE!
F.EDAU09	2.772	#VALUE!

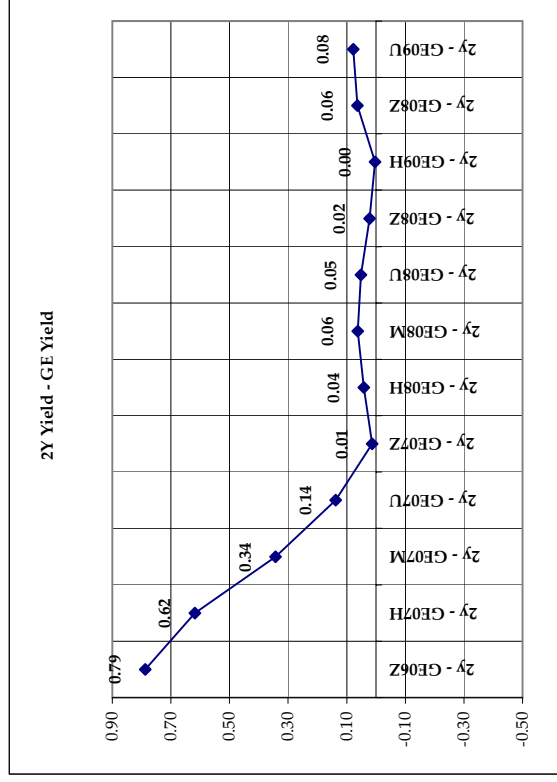
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.46	0.79	2y - GE06Z
F.EDAH07	5.29	0.62	2y - GE07H
F.EDAM07	5.01	0.34	2y - GE07M
F.EDAU07	4.81	0.14	2y - GE07U
F.EDAZ07	4.68	0.01	2y - GE07Z
F.EDAH08	4.63	0.04	2y - GE08H
F.EDAM08	4.61	0.06	2y - GE08M
F.EDAU08	4.62	0.05	2y - GE08U
F.EDAZ08	4.65	0.02	2y - GE08Z
F.EDAH09	4.67	0.00	2y - GE09H
F.EDAM09	4.73	0.06	2y - GE08Z
F.EDAU09	4.75	0.08	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	0.030	1.84	2y - GE06Z
F.EDAH07	0.279	1.59	2y - GE07H
F.EDAM07	0.528	1.34	2y - GE07M
F.EDAU07	0.777	1.09	2y - GE07U
F.EDAZ07	1.027	0.84	2y - GE07Z
F.EDAH08	1.276	0.59	2y - GE08H
F.EDAM08	1.525	0.34	2y - GE08M
F.EDAU08	1.775	0.09	2y - GE08U
F.EDAZ08	2.024	(0.16)	2y - GE08Z
F.EDAH09	2.273	(0.40)	2y - GE09H
F.EDAM09	2.523	(0.65)	2y - GE08Z
F.EDAU09	2.772	(0.90)	2y - GE09U

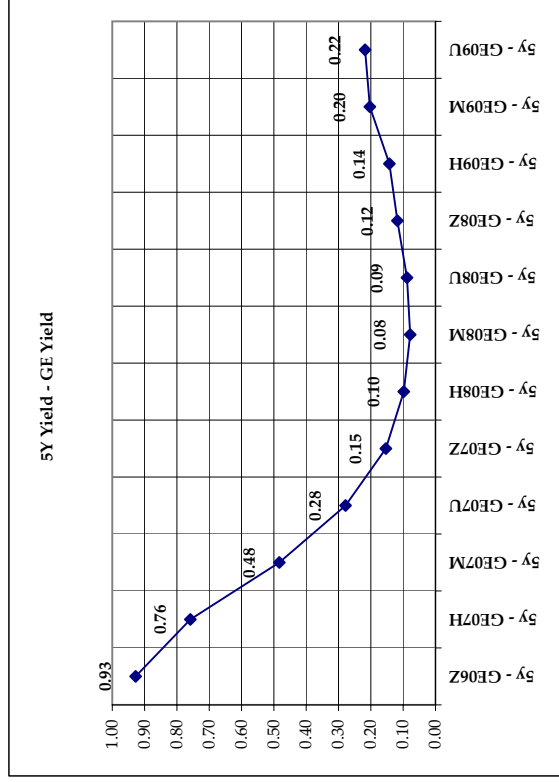
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	5.46	0.93	5y - GE06Z
F.EDAH07	5.29	0.76	5y - GE07H
F.EDAM07	5.02	0.48	5y - GE07M
F.EDAU07	4.81	0.28	5y - GE07U
F.EDAZ07	4.69	0.15	5y - GE07Z
F.EDAH08	4.63	0.10	5y - GE08H
F.EDAM08	4.61	0.08	5y - GE08M
F.EDAU08	4.62	0.09	5y - GE08U
F.EDAZ08	4.65	0.12	5y - GE08Z
F.EDAH09	4.68	0.14	5y - GE09H
F.EDAM09	4.74	0.20	5y - GE09M
F.EDAU09	4.75	0.22	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAZ06	0.030	#VALUE!	5y - GE06Z
F.EDAH07	0.279	#VALUE!	5y - GE07H
F.EDAM07	0.528	#VALUE!	5y - GE07M
F.EDAU07	0.777	#VALUE!	5y - GE07U
F.EDAZ07	1.027	#VALUE!	5y - GE07Z
F.EDAH08	1.276	#VALUE!	5y - GE08H
F.EDAM08	1.525	#VALUE!	5y - GE08M
F.EDAU08	1.775	#VALUE!	5y - GE08U
F.EDAZ08	2.024	#VALUE!	5y - GE08Z
F.EDAH09	2.273	#VALUE!	5y - GE09H
F.EDAM09	2.523	#VALUE!	5y - GE09M
F.EDAU09	2.772	#VALUE!	5y - GE09U

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

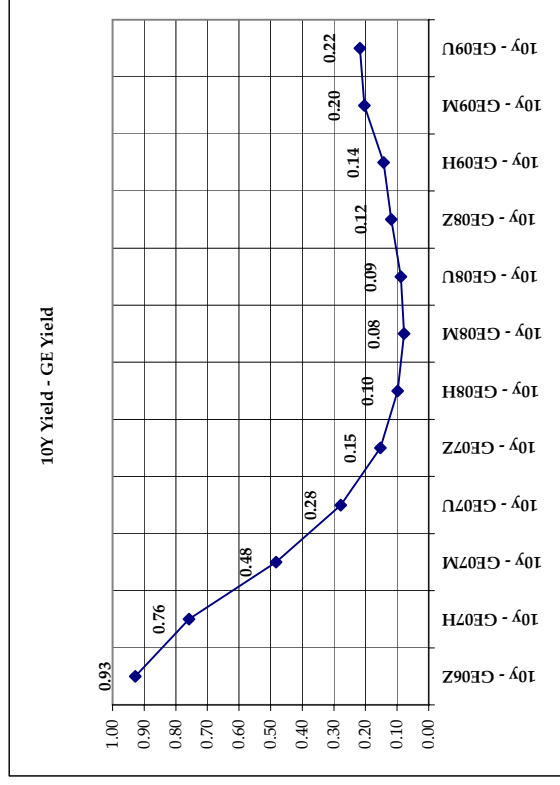
TERM TED: 10y vs Eurodollar Contracts

10y Spread

Contract Name	Spread Price	Spread Yield	Spread Name
F.EDAZ06	5.46	0.93	10y - GE06Z
F.EDAH07	5.29	0.76	10y - GE07H
F.EDAM07	5.02	0.48	10y - GE07M
F.EDAU07	4.81	0.28	10y - GE07U
F.EDAZ07	4.69	0.15	10y - GE07Z
F.EDAH08	4.63	0.10	10y - GE08H
F.EDAM08	4.61	0.08	10y - GE08M
F.EDAU08	4.62	0.09	10y - GE08U
F.EDAZ08	4.65	0.12	10y - GE08Z
F.EDAH09	4.68	0.14	10y - GE09H
F.EDAM09	4.74	0.20	10y - GE09M
F.EDAU09	4.75	0.22	10y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

Contract Name	Duration of year	10Y Duration	Spread Duration
F.EDAZ06	0.030	7.89	7.86
F.EDAH07	0.279	7.89	7.61
F.EDAM07	0.528	7.89	7.36
F.EDAU07	0.777	7.89	7.12
F.EDAZ07	1.027	7.89	6.87
F.EDAH08	1.276	7.89	6.62
F.EDAM08	1.525	7.89	6.37
F.EDAU08	1.775	7.89	6.12
F.EDAZ08	2.024	7.89	5.87
F.EDAH09	2.273	7.89	5.62
F.EDAM09	2.523	7.89	5.37
F.EDAU09	2.772	7.89	5.12

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