

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	102.5313	102.170	4.582
ZF	106.1563	106.050	4.419
ZN	109.1094	109.035	4.451
Blank			
2y	100.069	100.0220	4.582
5y	100.075	100.0240	4.448
10y	101.020	101.0064	4.489

*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	94.645	5.355	10	0.027	DEC	White Pack
F.EDAH07	94.795	5.205	101	0.276	MAR	
F.EDAM07	95.050	4.950	192	0.525	JUN	
F.EDAU07	95.250	4.750	283	0.775	SEP	Red Pack
F.EDAZ07	95.365	4.635	374	1.024	DEC	
F.EDAH08	95.415	4.585	465	1.273	MAR	
F.EDAM08	95.430	4.570	556	1.523	JUN	Green Pack
F.EDAU08	95.425	4.575	647	1.772	SEP	
F.EDAZ08	95.400	4.600	738	2.021	DEC	
F.EDAH09	95.375	4.625	829	2.271	MAR	Green Pack
F.EDAM09	95.335	4.665	920	2.520	JUN	
F.EDAU09	95.305	4.695	1011	2.769	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

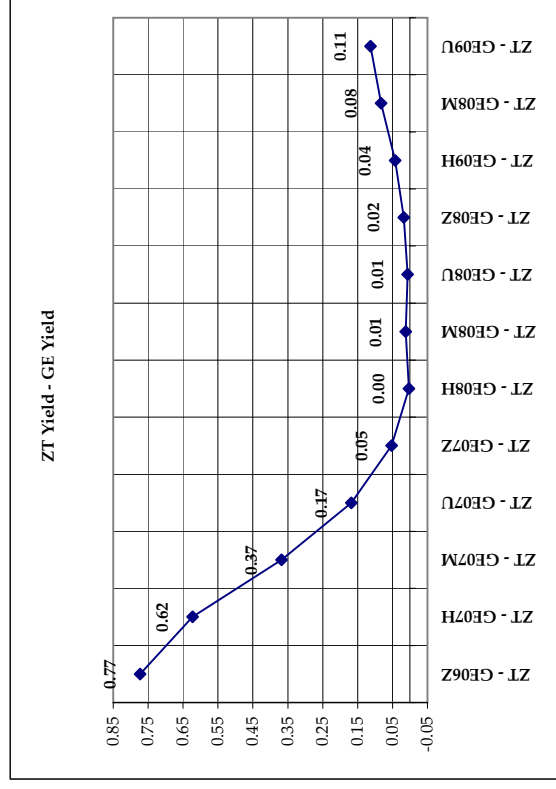
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.886	0.77	ZT - GE06Z
F.EDAH07	7.736	0.62	ZT - GE07H
F.EDAM07	7.481	0.37	ZT - GE07M
F.EDAU07	7.281	0.17	ZT - GE07U
F.EDAZ07	7.166	0.05	ZT - GE07Z
F.EDAH08	7.116	0.00	ZT - GE08H
F.EDAM08	7.101	0.01	ZT - GE08M
F.EDAU08	7.106	0.01	ZT - GE08U
F.EDAZ08	7.131	0.02	ZT - GE08Z
F.EDAH09	7.156	0.04	ZT - GE09H
F.EDAM09	7.196	0.08	ZT - GE09M
F.EDAU09	7.226	0.11	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	0.027	1.89	1.86
F.EDAH07	0.276	1.89	1.61
F.EDAM07	0.525	1.89	1.36
F.EDAU07	0.775	1.89	1.11
F.EDAZ07	1.024	1.89	0.86
F.EDAH08	1.273	1.89	0.61
F.EDAM08	1.523	1.89	0.36
F.EDAU08	1.772	1.89	0.11
F.EDAZ08	2.021	1.89	(0.14)
F.EDAH09	2.271	1.89	(0.39)
F.EDAM09	2.520	1.89	(0.63)
F.EDAU09	2.769	1.89	(0.88)

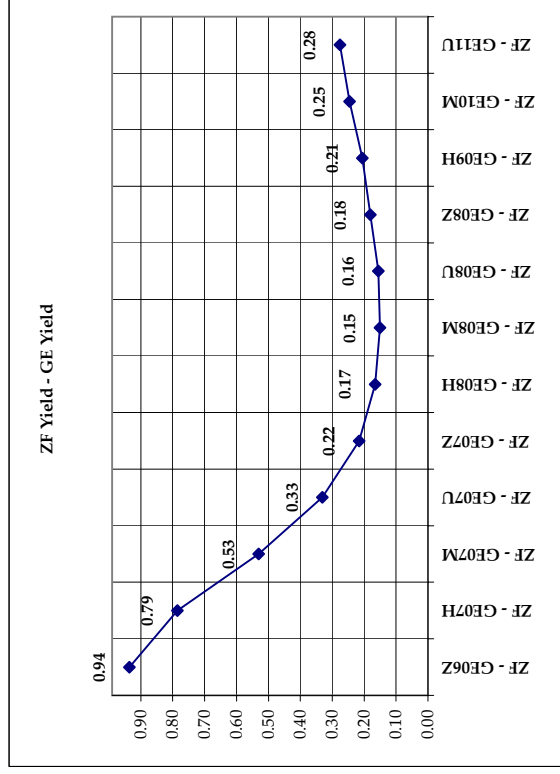
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF		
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	11.51	0.94	ZF - GE06Z
F.EDAH07	11.36	0.79	ZF - GE07H
F.EDAM07	11.11	0.53	ZF - GE07M
F.EDAU07	10.91	0.33	ZF - GE07U
F.EDAZ07	10.79	0.22	ZF - GE07Z
F.EDAH08	10.74	0.17	ZF - GE08H
F.EDAM08	10.73	0.15	ZF - GE08M
F.EDAU08	10.73	0.16	ZF - GE08U
F.EDAZ08	10.76	0.18	ZF - GE08Z
F.EDAH09	10.78	0.21	ZF - GE09H
F.EDAM09	10.82	0.25	ZF - GE10M
F.EDAU09	10.85	0.28	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 Duration
F.EDAZ06	0.027	3.98
F.EDAH07	0.276	3.98
F.EDAM07	0.525	3.98
F.EDAU07	0.775	3.98
F.EDAZ07	1.024	3.98
F.EDAH08	1.273	3.98
F.EDAM08	1.523	3.98
F.EDAU08	1.772	3.98
F.EDAZ08	2.021	3.98
F.EDAH09	2.271	3.98
F.EDAM09	2.520	3.98
F.EDAU09	2.769	3.98

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

Dirty TED: ZN vs Eurodollar Contracts

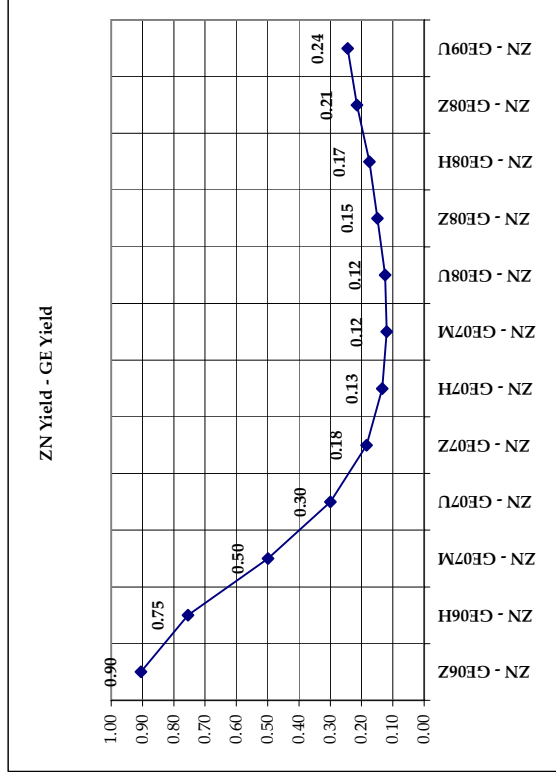
ZN

Spread Price Spread Spread

	Price	Yield	Name
F.EDAZ06	14.46	0.90	ZN - GE06Z
F.EDAH07	14.31	0.75	ZN - GE06H
F.EDAM07	14.06	0.50	ZN - GE07M
F.EDAU07	13.86	0.30	ZN - GE07U
F.EDAZ07	13.74	0.18	ZN - GE07Z
F.EDAH08	13.69	0.13	ZN - GE07H
F.EDAM08	13.68	0.12	ZN - GE07M
F.EDAU08	13.68	0.12	ZN - GE08U
F.EDAZ08	13.71	0.15	ZN - GE08Z
F.EDAH09	13.73	0.17	ZN - GE08H
F.EDAM09	13.77	0.21	ZN - GE08M
F.EDAU09	13.80	0.24	ZN - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	Duration	ZN Duration	Spread Duration
F.EDAZ06	0.027	5.92	5.89
F.EDAH07	0.276	5.92	5.64
F.EDAM07	0.525	5.92	5.39
F.EDAU07	0.775	5.92	5.14
F.EDAZ07	1.024	5.92	4.89
F.EDAH08	1.273	5.92	4.64
F.EDAM08	1.523	5.92	4.40
F.EDAU08	1.772	5.92	4.15
F.EDAZ08	2.021	5.92	3.90
F.EDAH09	2.271	5.92	3.65
F.EDAM09	2.520	5.92	3.40
F.EDAU09	2.769	5.92	3.15

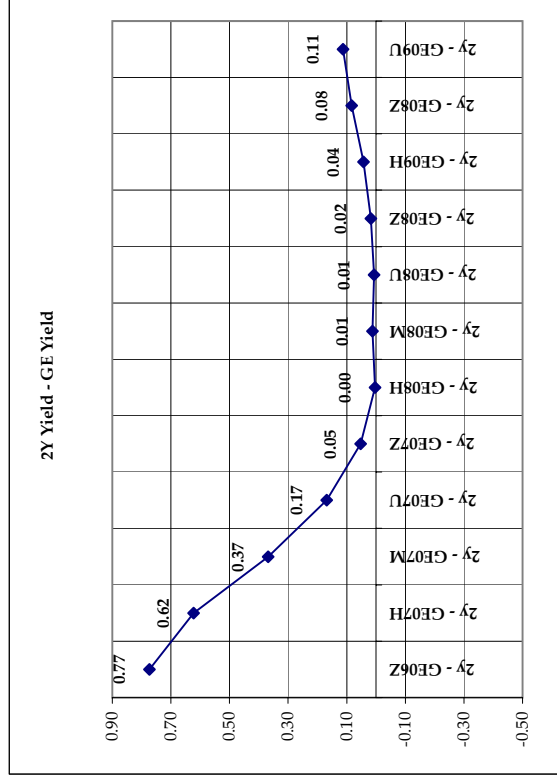
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.42	0.77	2y - GE06Z
F.EDAH07	5.27	0.62	2y - GE07H
F.EDAM07	5.02	0.37	2y - GE07M
F.EDAU07	4.82	0.17	2y - GE07U
F.EDAZ07	4.70	0.05	2y - GE07Z
F.EDAH08	4.65	0.00	2y - GE08H
F.EDAM08	4.64	0.01	2y - GE08M
F.EDAU08	4.64	0.01	2y - GE08U
F.EDAZ08	4.67	0.02	2y - GE08Z
F.EDAH09	4.69	0.04	2y - GE09H
F.EDAM09	4.73	0.08	2y - GE09M
F.EDAU09	4.76	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	0.027	1.83	2y - GE06Z
F.EDAH07	0.276	1.58	2y - GE07H
F.EDAM07	0.525	1.34	2y - GE07M
F.EDAU07	0.775	1.09	2y - GE07U
F.EDAZ07	1.024	0.84	2y - GE07Z
F.EDAH08	1.273	0.59	2y - GE08H
F.EDAM08	1.523	0.34	2y - GE08M
F.EDAU08	1.772	0.09	2y - GE08U
F.EDAZ08	2.021	(0.16)	2y - GE08Z
F.EDAH09	2.271	(0.41)	2y - GE09H
F.EDAM09	2.520	(0.66)	2y - GE09M
F.EDAU09	2.769	(0.91)	2y - GE09U

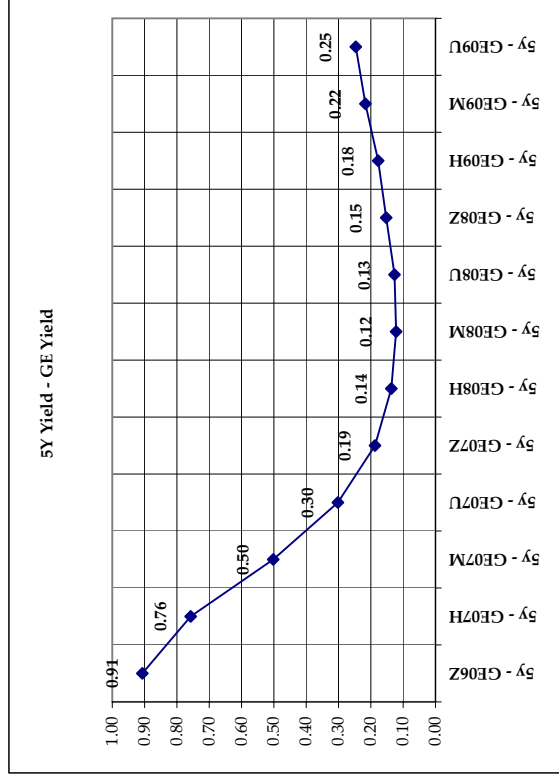
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	5.43	0.91	5y - GE06Z
F.EDAH07	5.28	0.76	5y - GE07H
F.EDAM07	5.03	0.50	5y - GE07M
F.EDAU07	4.83	0.30	5y - GE07U
F.EDAZ07	4.71	0.19	5y - GE07Z
F.EDAH08	4.66	0.14	5y - GE08H
F.EDAM08	4.65	0.12	5y - GE08M
F.EDAU08	4.65	0.13	5y - GE08U
F.EDAZ08	4.68	0.15	5y - GE08Z
F.EDAH09	4.70	0.18	5y - GE09H
F.EDAM09	4.74	0.22	5y - GE09M
F.EDAU09	4.77	0.25	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	0.027	3.98
F.EDAH07	0.276	3.98
F.EDAM07	0.525	3.98
F.EDAU07	0.775	3.98
F.EDAZ07	1.024	3.98
F.EDAH08	1.273	3.98
F.EDAM08	1.523	3.98
F.EDAU08	1.772	3.98
F.EDAZ08	2.021	3.98
F.EDAH09	2.271	3.98
F.EDAM09	2.520	3.98
F.EDAU09	2.769	3.98

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

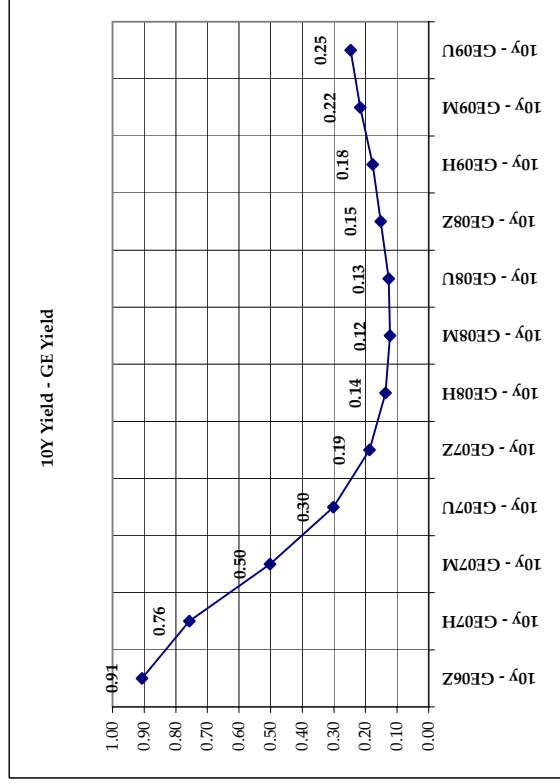
TERM TED: 10y vs Eurodollar Contracts

10y

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	5.43	0.91	10y - GE06Z
F.EDAH07	5.28	0.76	10y - GE07H
F.EDAM07	5.03	0.50	10y - GE07M
F.EDAU07	4.83	0.30	10y - GE07U
F.EDAZ07	4.71	0.19	10y - GE07Z
F.EDAH08	4.66	0.14	10y - GE08H
F.EDAM08	4.65	0.12	10y - GE08M
F.EDAU08	4.65	0.13	10y - GE08U
F.EDAZ08	4.68	0.15	10y - GE08Z
F.EDAH09	4.70	0.18	10y - GE09H
F.EDAM09	4.74	0.22	10y - GE09M
F.EDAU09	4.77	0.25	10y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	Duration	10Y Duration	Spread Duration
F.EDAZ06	0.027	7.88	7.85
F.EDAH07	0.276	7.88	7.61
F.EDAM07	0.525	7.88	7.36
F.EDAU07	0.775	7.88	7.11
F.EDAZ07	1.024	7.88	6.86
F.EDAH08	1.273	7.88	6.61
F.EDAM08	1.523	7.88	6.36
F.EDAU08	1.772	7.88	6.11
F.EDAZ08	2.021	7.88	5.86
F.EDAH09	2.271	7.88	5.61
F.EDAM09	2.520	7.88	5.36
F.EDAU09	2.769	7.88	5.11

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