

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	102.2656	102.085	4.704
ZF	105.6719	105.215	4.550
ZN	108.4063	108.130	4.564
Blank			
2y	99.834	99.2670	4.705
5y	99.237	99.0758	4.555
10y	100.100	100.0320	4.583

*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.EDAH07	94.690	5.310	89	0.243	MAR	White Pack
F.EDAM07	94.860	5.140	180	0.492	JUN	
F.EDAU07	95.055	4.945	271	0.742	SEP	
F.EDAZ07	95.205	4.795	362	0.991	DEC	Red Pack
F.EDAH08	95.270	4.730	453	1.240	MAR	
F.EDAM08	95.300	4.700	544	1.490	JUN	
F.EDAU08	95.305	4.695	635	1.739	SEP	Green Pack
F.EDAZ08	95.290	4.710	726	1.988	DEC	
F.EDAH09	95.280	4.720	817	2.238	MAR	
F.EDAM09	95.240	4.760	908	2.487	JUN	Green Pack
F.EDAU09	95.215	4.785	999	2.736	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.

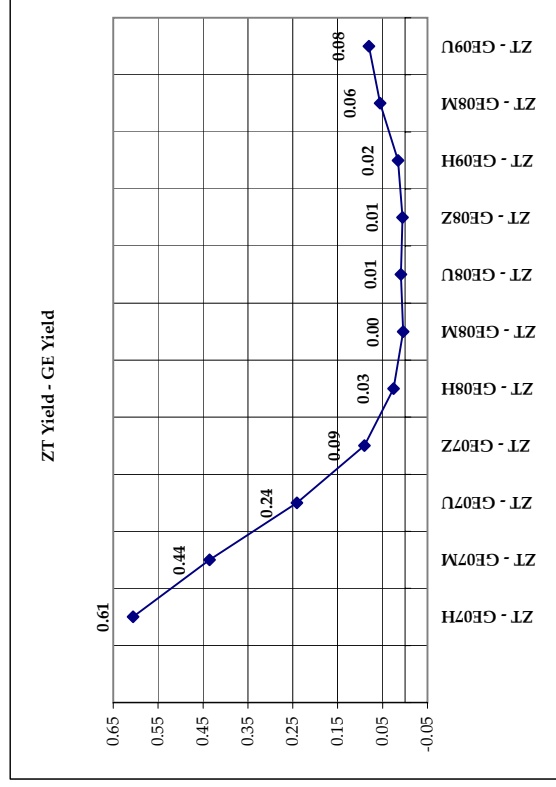
igoulding@ghco.com

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.EDAH07	7.576	0.61	ZT - GE07H
F.EDAM07	7.406	0.44	ZT - GE07M
F.EDAU07	7.211	0.24	ZT - GE07U
F.EDAZ07	7.061	0.09	ZT - GE07Z
F.EDAH08	6.996	0.03	ZT - GE08H
F.EDAM08	6.966	0.00	ZT - GE08M
F.EDAU08	6.961	0.01	ZT - GE08U
F.EDAZ08	6.976	0.01	ZT - GE08Z
F.EDAH09	6.986	0.02	ZT - GE09H
F.EDAM09	7.026	0.06	ZT - GE08M
F.EDAU09	7.051	0.08	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	
0.00%	0.000	1.89	1.89 0
F.EDAH07	0.243	1.89	1.65 ZT - GE07H
F.EDAM07	0.492	1.89	1.40 ZT - GE07M
F.EDAU07	0.742	1.89	1.15 ZT - GE07U
F.EDAZ07	0.991	1.89	0.90 ZT - GE07Z
F.EDAH08	1.240	1.89	0.65 ZT - GE08H
F.EDAM08	1.490	1.89	0.40 ZT - GE08M
F.EDAU08	1.739	1.89	0.15 ZT - GE08U
F.EDAZ08	1.988	1.89	(0.10) ZT - GE08Z
F.EDAH09	2.238	1.89	(0.35) ZT - GE09H
F.EDAM09	2.487	1.89	(0.60) ZT - GE08M
F.EDAU09	2.736	1.89	(0.85) ZT - GE09U

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

ZF

	Spread Price	Spread Yield	Spread Name
F.EDAH07	10.98	0.76	ZF - GE07H
F.EDAM07	10.81	0.59	ZF - GE07M
F.EDAU07	10.62	0.39	ZF - GE07U
F.EDAZ07	10.47	0.24	ZF - GE07Z
F.EDAH08	10.40	0.18	ZF - GE08H
F.EDAM08	10.37	0.15	ZF - GE08M
F.EDAU08	10.37	0.14	ZF - GE08U
F.EDAZ08	10.38	0.16	ZF - GE08Z
F.EDAH09	10.39	0.17	ZF - GE09H
F.EDAM09	10.43	0.21	ZF - GE10M
F.EDAU09	10.46	0.23	ZF - GE11U

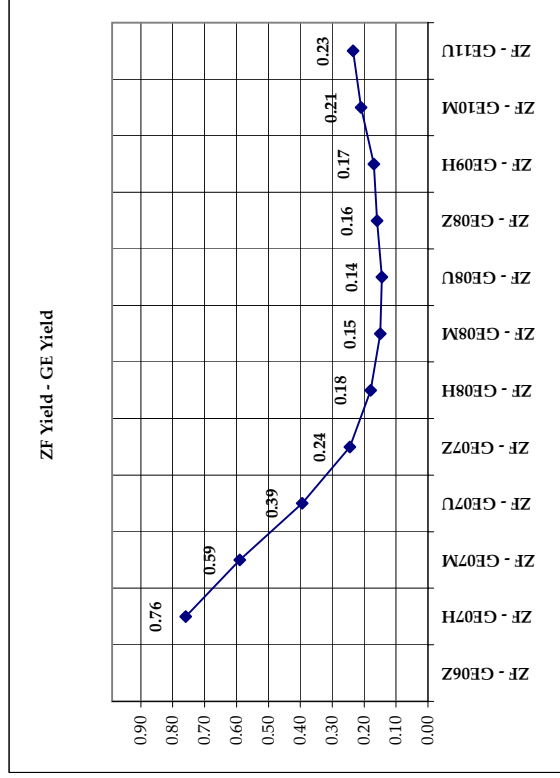
Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration
F.EDAH07	0.243	3.95	3.71
F.EDAM07	0.492	3.95	3.46
F.EDAU07	0.742	3.95	3.21
F.EDAZ07	0.991	3.95	2.96
F.EDAH08	1.240	3.95	2.71
F.EDAM08	1.490	3.95	2.46
F.EDAU08	1.739	3.95	2.21
F.EDAZ08	1.988	3.95	1.96
F.EDAH09	2.238	3.95	1.71
F.EDAM09	2.487	3.95	1.46
F.EDAU09	2.736	3.95	1.21

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

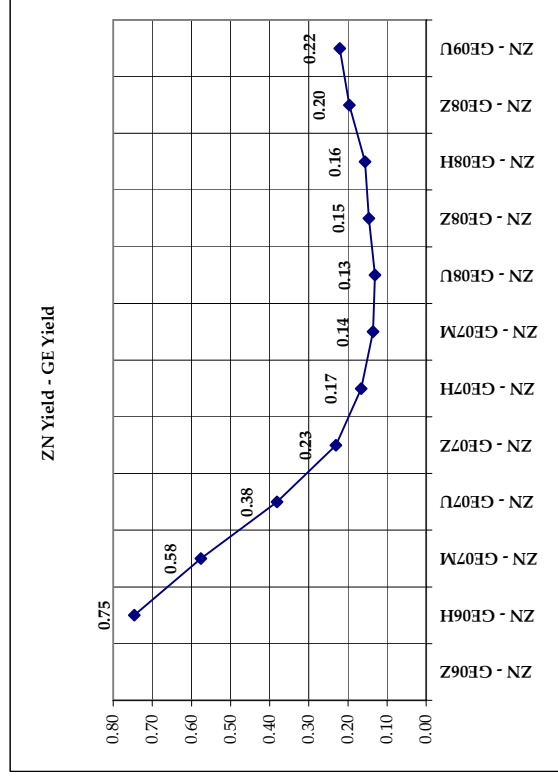


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAH07	13.72	0.75	ZN - GE06H
F.EDAM07	13.55	0.58	ZN - GE07M
F.EDAU07	13.35	0.38	ZN - GE07U
F.EDAZ07	13.20	0.23	ZN - GE07Z
F.EDAH08	13.14	0.17	ZN - GE07H
F.EDAM08	13.11	0.14	ZN - GE07M
F.EDAU08	13.10	0.13	ZN - GE08U
F.EDAZ08	13.12	0.15	ZN - GE08Z
F.EDAH09	13.13	0.16	ZN - GE08H
F.EDAM09	13.17	0.20	ZN - GE08M
F.EDAU09	13.19	0.22	ZN - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	Fraction of year	ZN Duration	Spread Duration
F.EDAH07	0.243	5.88	5.64
F.EDAM07	0.492	5.88	5.39
F.EDAU07	0.742	5.88	5.14
F.EDAZ07	0.991	5.88	4.89
F.EDAH08	1.240	5.88	4.64
F.EDAM08	1.490	5.88	4.39
F.EDAU08	1.739	5.88	4.14
F.EDAZ08	1.988	5.88	3.90
F.EDAH09	2.238	5.88	3.65
F.EDAM09	2.487	5.88	3.40
F.EDAU09	2.736	5.88	3.15

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

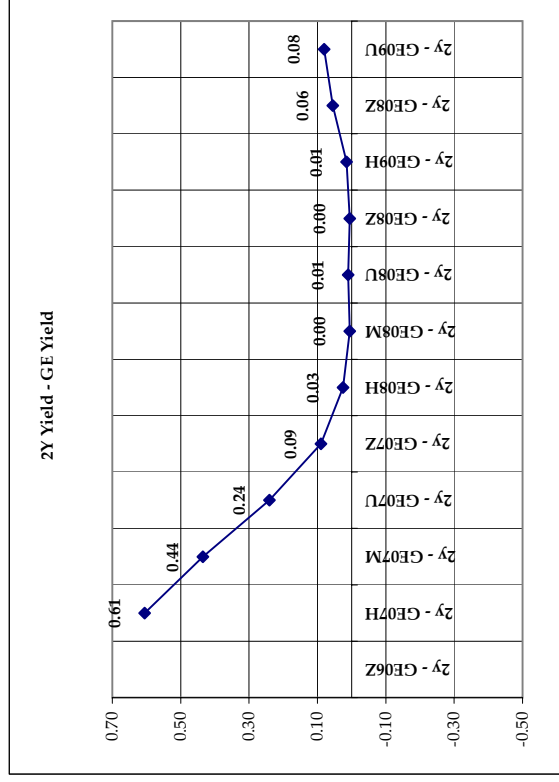
TERM TED: 2y vs Eurodollar Contracts

2y

	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.14	0.61	2y - GE07H
F.EDAM07	4.97	0.44	2y - GE07M
F.EDAU07	4.78	0.24	2y - GE07U
F.EDAZ07	4.63	0.09	2y - GE07Z
F.EDAH08	4.56	0.03	2y - GE08H
F.EDAM08	4.53	0.00	2y - GE08M
F.EDAU08	4.53	0.01	2y - GE08U
F.EDAZ08	4.54	0.00	2y - GE08Z
F.EDAH09	4.55	0.01	2y - GE09H
F.EDAM09	4.59	0.06	2y - GE08Z
F.EDAU09	4.62	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.EDAH07	0.243	1.59
F.EDAM07	0.492	1.34
F.EDAU07	0.742	1.09
F.EDAZ07	0.991	0.84
F.EDAH08	1.240	0.59
F.EDAM08	1.490	0.34
F.EDAU08	1.739	0.09
F.EDAZ08	1.988	(0.16)
F.EDAH09	2.238	(0.41)
F.EDAM09	2.487	(0.65)
F.EDAU09	2.736	(0.90)

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

TERM TED: 5y vs Eurodollar Contracts

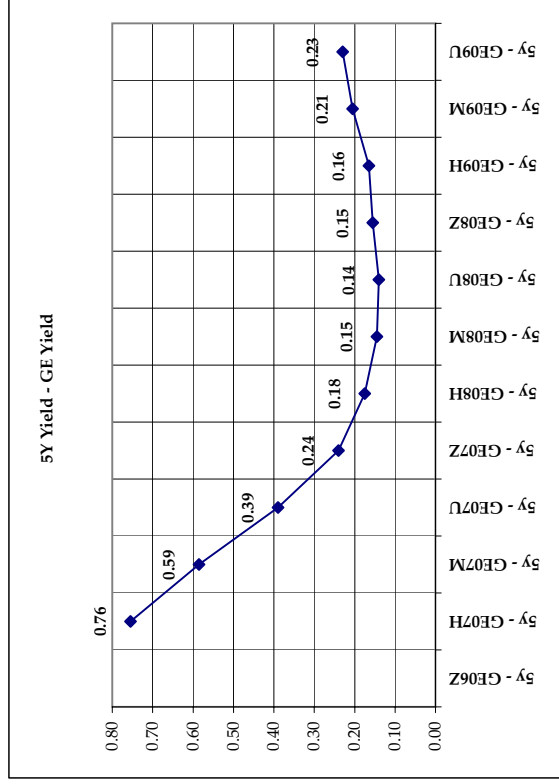
5y

Spread Price Spread Yield Spread Name

	Spread Price	Spread Yield	Spread Name
F.EDAH07	4.55	0.76	5y - GE07H
F.EDAM07	4.38	0.59	5y - GE07M
F.EDAU07	4.18	0.39	5y - GE07U
F.EDAZ07	4.03	0.24	5y - GE07Z
F.EDAH08	3.97	0.18	5y - GE08H
F.EDAM08	3.94	0.15	5y - GE08M
F.EDAU08	3.93	0.14	5y - GE08U
F.EDAZ08	3.95	0.15	5y - GE08Z
F.EDAH09	3.96	0.16	5y - GE09H
F.EDAM09	4.00	0.21	5y - GE09M
F.EDAU09	4.02	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

5Y Duration

Spread Duration

	GE Duration as Fraction of year	5Y Duration	Spread Duration
F.EDAH07	0.243	3.95	3.71
F.EDAM07	0.492	3.95	3.46
F.EDAU07	0.742	3.95	3.21
F.EDAZ07	0.991	3.95	2.96
F.EDAH08	1.240	3.95	2.71
F.EDAM08	1.490	3.95	2.46
F.EDAU08	1.739	3.95	2.21
F.EDAZ08	1.988	3.95	1.96
F.EDAH09	2.238	3.95	1.71
F.EDAM09	2.487	3.95	1.46
F.EDAU09	2.736	3.95	1.21

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

TERM TED: 10y vs Eurodollar Contracts

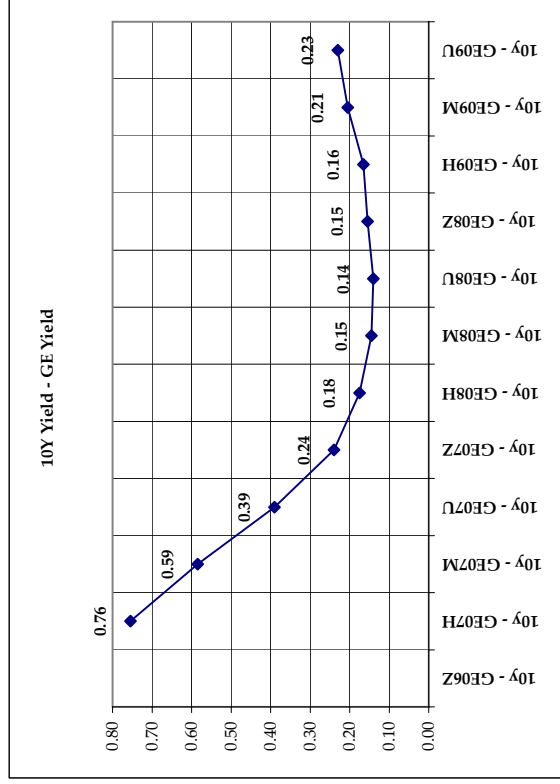
10y

Spread Price Spread Spread Name

	Spread Price	Spread Yield	Spread Name
F.EDAH07	4.55	0.76	10y - GE07H
F.EDAM07	4.38	0.59	10y - GE07M
F.EDAU07	4.18	0.39	10y - GE07U
F.EDAZ07	4.03	0.24	10y - GE07Z
F.EDAH08	3.97	0.18	10y - GE08H
F.EDAM08	3.94	0.15	10y - GE08M
F.EDAU08	3.93	0.14	10y - GE08U
F.EDAZ08	3.95	0.15	10y - GE08Z
F.EDAH09	3.96	0.16	10y - GE09H
F.EDAM09	4.00	0.21	10y - GE09M
F.EDAU09	4.02	0.23	10y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year 10Y Duration Spread Duration

	GE Duration as Fraction of year	10Y Duration	Spread Duration
F.EDAH07	0.243	7.84	7.60
F.EDAM07	0.492	7.84	7.35
F.EDAU07	0.742	7.84	7.10
F.EDAZ07	0.991	7.84	6.85
F.EDAH08	1.240	7.84	6.60
F.EDAM08	1.490	7.84	6.35
F.EDAU08	1.739	7.84	6.10
F.EDAZ08	1.988	7.84	5.85
F.EDAH09	2.238	7.84	5.60
F.EDAM09	2.487	7.84	5.36
F.EDAU09	2.736	7.84	5.11

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