

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.1313	102.042	4.757
ZF	105.3438	105.110	4.625
ZN	107.9219	107.295	4.614
Blank			
2y	99.984	99.3150	4.755
5y	99.135	99.0432	4.630
10y	99.275	99.0880	4.642

*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	81	0.221	MAR	White Pack
F.EDAM07	94.815	5.185	172	0.471	JUN	
F.EDAU07	94.985	5.015	263	0.720	SEP	
F.EDAZ07	95.130	4.870	354	0.969	DEC	
F.EDAH08	95.195	4.805	445	1.219	MAR	Red Pack
F.EDAM08	95.215	4.785	536	1.468	JUN	
F.EDAU08	95.225	4.775	627	1.717	SEP	
F.EDAZ08	95.215	4.785	718	1.966	DEC	Green Pack
F.EDAH09	95.185	4.815	809	2.216	MAR	
F.EDAM09	95.160	4.840	900	2.465	JUN	
F.EDAU09	95.145	4.855	991	2.714	SEP	
F.EDAZ09	95.095	4.905	1082	2.964	DEC	

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

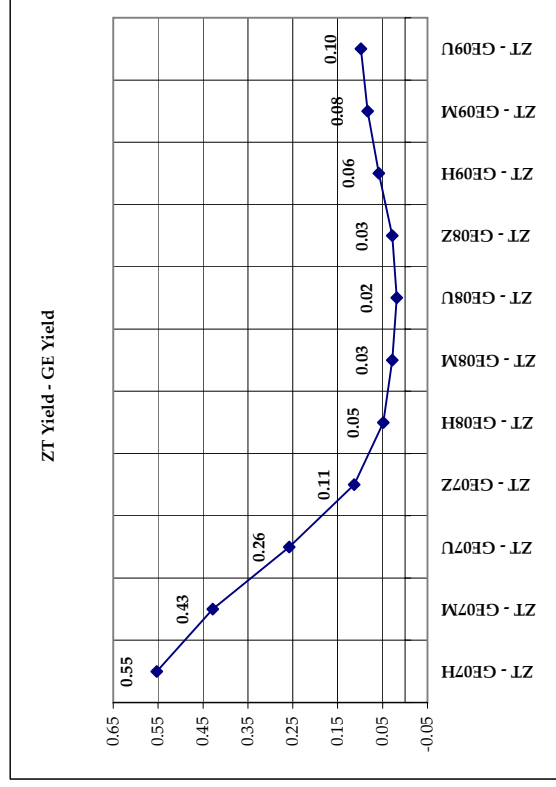
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.441	0.55	ZT - GE07H
F.EDAM07	7.316	0.43	ZT - GE07M
F.EDAU07	7.146	0.26	ZT - GE07U
F.EDAZ07	7.001	0.11	ZT - GE07Z
F.EDAH08	6.936	0.05	ZT - GE08H
F.EDAM08	6.916	0.03	ZT - GE08M
F.EDAU08	6.906	0.02	ZT - GE08U
F.EDAZ08	6.916	0.03	ZT - GE08Z
F.EDAH09	6.946	0.06	ZT - GE09H
F.EDAM09	6.971	0.08	ZT - GE09M
F.EDAU09	6.986	0.10	ZT - GE09U
F.EDAZ09	7.036	0.15	ZT - GE09Z

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	Duration	ZT Duration	Spread Duration
F.EDAH07	0.221	1.87	1.65
F.EDAM07	0.471	1.87	1.40
F.EDAU07	0.720	1.87	1.15
F.EDAZ07	0.969	1.87	0.90
F.EDAH08	1.219	1.87	0.65
F.EDAM08	1.468	1.87	0.40
F.EDAU08	1.717	1.87	0.15
F.EDAZ08	1.966	1.87	(0.10)
F.EDAH09	2.216	1.87	(0.35)
F.EDAM09	2.465	1.87	(0.60)
F.EDAU09	2.714	1.87	(0.85)
F.EDAZ09	2.964	1.87	(1.10)

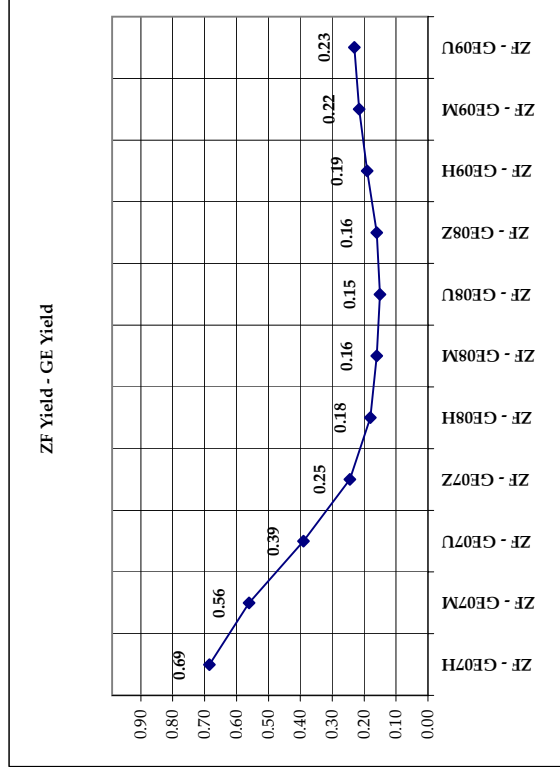
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF	
	Spread Price	Spread Yield
	Price	Yield
	Spread	Spread
	Price	Yield
	Name	Name
F.EDAH07	10.65	0.69
F.EDAM07	10.53	0.56
F.EDAU07	10.36	0.39
F.EDAZ07	10.21	0.25
F.EDAH08	10.15	0.18
F.EDAM08	10.13	0.16
F.EDAU08	10.12	0.15
F.EDAZ08	10.13	0.16
F.EDAH09	10.16	0.19
F.EDAM09	10.18	0.22
F.EDAU09	10.20	0.23
F.EDAZ09	10.25	0.28

Price = Outright Decimal Price - Euro Contract Price

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



	ZF	
	GE Duration as Fraction of year	Duration
	Duration	Spread
	Duration	Duration
F.EDAH07	0.221	3.71
F.EDAM07	0.471	3.46
F.EDAU07	0.720	3.21
F.EDAZ07	0.969	2.96
F.EDAH08	1.219	2.71
F.EDAM08	1.468	2.46
F.EDAU08	1.717	2.21
F.EDAZ08	1.966	1.96
F.EDAH09	2.216	1.71
F.EDAM09	2.465	1.46
F.EDAU09	2.714	1.21
F.EDAZ09	2.964	0.96

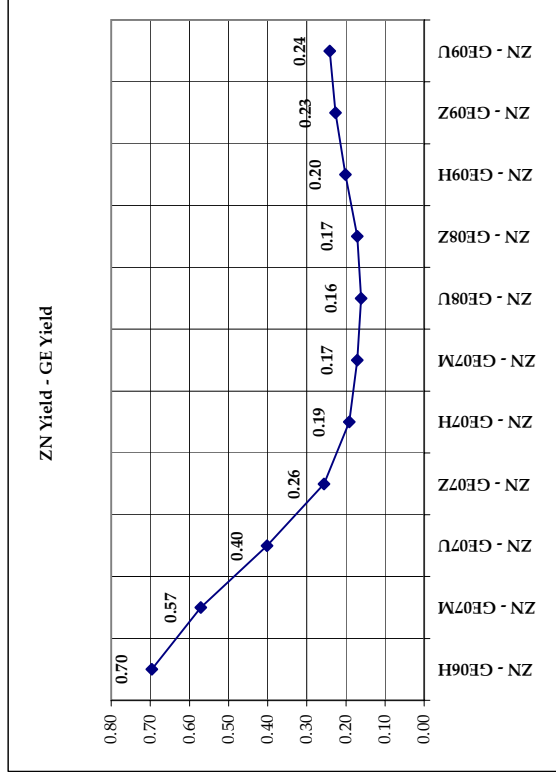
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAH07	13.23	0.70	ZN - GE06H
F.EDAM07	13.11	0.57	ZN - GE07M
F.EDAU07	12.94	0.40	ZN - GE07U
F.EDAZ07	12.79	0.26	ZN - GE07Z
F.EDA+H08	12.73	0.19	ZN - GE07H
F.EDAM08	12.71	0.17	ZN - GE07M
F.EDAU08	12.70	0.16	ZN - GE08U
F.EDAZ08	12.71	0.17	ZN - GE08Z
F.EDA+H09	12.74	0.20	ZN - GE09H
F.EDAM09	12.76	0.23	ZN - GE09M
F.EDAU09	12.78	0.24	ZN - GE09U
F.EDAZ09	12.83	0.29	ZN - GE09Z

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.EDAH07	0.221	5.64
F.EDAM07	0.471	5.39
F.EDAU07	0.720	5.14
F.EDAZ07	0.969	4.89
F.EDA+H08	1.219	4.64
F.EDAM08	1.468	4.39
F.EDAU08	1.717	4.14
F.EDAZ08	1.966	3.89
F.EDA+H09	2.216	3.64
F.EDAM09	2.465	3.39
F.EDAU09	2.714	3.14
F.EDAZ09	2.964	2.90

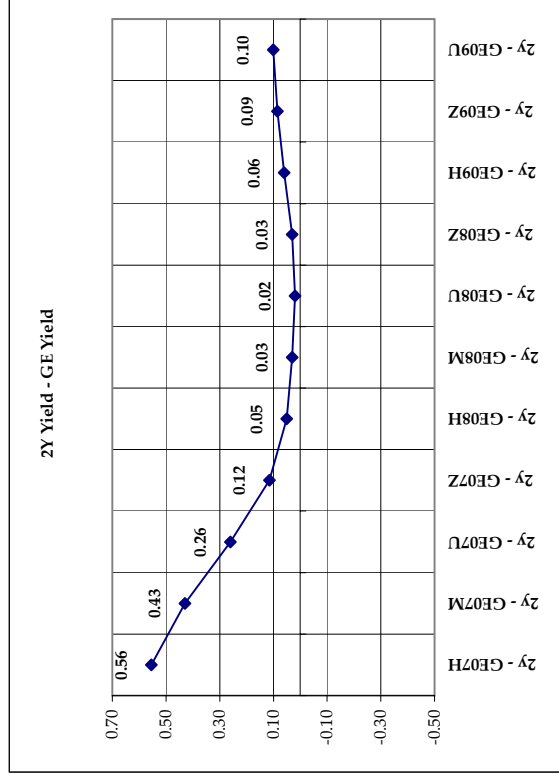
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TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAH07	5.29	0.56	2y - GE07H
F.EDAM07	5.17	0.43	2y - GE07M
F.EDAU07	5.00	0.26	2y - GE07U
F.EDAZ07	4.85	0.12	2y - GE07Z
F.EDAH08	4.79	0.05	2y - GE08H
F.EDAM08	4.77	0.03	2y - GE08M
F.EDAU08	4.76	0.02	2y - GE08U
F.EDAZ08	4.77	0.03	2y - GE08Z
F.EDAH09	4.80	0.06	2y - GE09H
F.EDAM09	4.82	0.09	2y - GE09Z
F.EDAU09	4.84	0.10	2y - GE09U
F.EDAZ09	4.89	0.15	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	0.221	1.59
F.EDAM07	0.471	1.34
F.EDAU07	0.720	1.09
F.EDAZ07	0.969	0.84
F.EDAH08	1.219	0.59
F.EDAM08	1.468	0.34
F.EDAU08	1.717	0.09
F.EDAZ08	1.966	(0.16)
F.EDAH09	2.216	(0.41)
F.EDAM09	2.465	(0.65)
F.EDAU09	2.714	(0.90)
F.EDAZ09	2.964	(1.15)

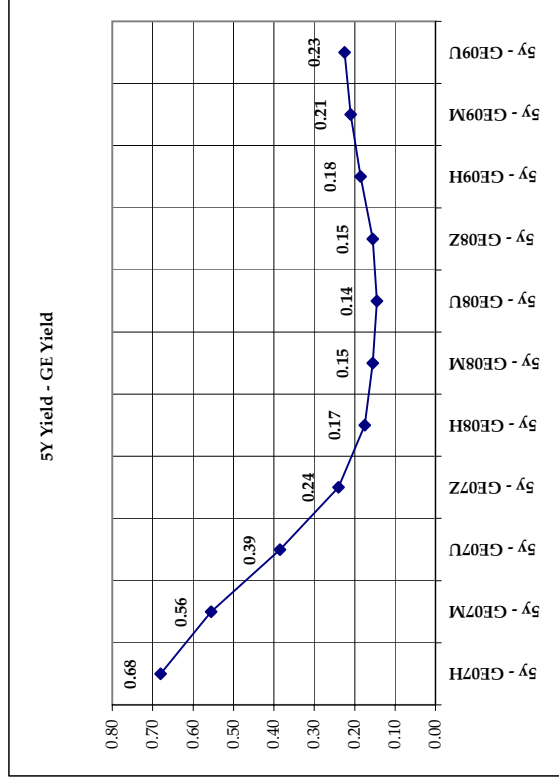
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAH07	4.45	0.68	5y - GE07H
F.EDAM07	4.32	0.56	5y - GE07M
F.EDAU07	4.15	0.39	5y - GE07U
F.EDAZ07	4.01	0.24	5y - GE07Z
F.EDAH08	3.94	0.17	5y - GE08H
F.EDAM08	3.92	0.15	5y - GE08M
F.EDAU08	3.91	0.14	5y - GE08U
F.EDAZ08	3.92	0.15	5y - GE08Z
F.EDAH09	3.95	0.18	5y - GE09H
F.EDAM09	3.98	0.21	5y - GE09M
F.EDAU09	3.99	0.23	5y - GE09U
F.EDAZ09	4.04	0.28	5y - GE09Z

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.EDAH07	0.221	3.71
F.EDAM07	0.471	3.46
F.EDAU07	0.720	3.21
F.EDAZ07	0.969	2.96
F.EDAH08	1.219	2.71
F.EDAM08	1.468	2.46
F.EDAU08	1.717	2.21
F.EDAZ08	1.966	1.96
F.EDAH09	2.216	1.71
F.EDAM09	2.465	1.46
F.EDAU09	2.714	1.21
F.EDAZ09	2.964	0.96

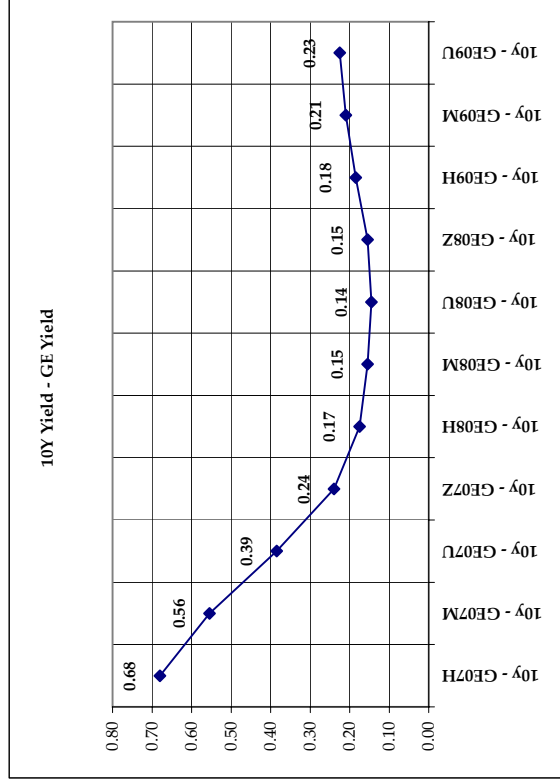
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

		10y	
Spread	Spread	Spread	Spread
Price	Yield	Yield	Name
F.EDAH07	4.45	0.68	10y - GE07H
F.EDAM07	4.32	0.56	10y - GE07M
F.EDAU07	4.15	0.39	10y - GE07U
F.EDAZ07	4.01	0.24	10y - GE07Z
F.EDA+08	3.94	0.17	10y - GE08H
F.EDAM08	3.92	0.15	10y - GE08M
F.EDAU08	3.91	0.14	10y - GE08U
F.EDAZ08	3.92	0.15	10y - GE08Z
F.EDA+09	3.95	0.18	10y - GE09H
F.EDAM09	3.98	0.21	10y - GE09M
F.EDAU09	3.99	0.23	10y - GE09U
F.EDAZ09	4.04	0.28	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	Duration
F.EDAH07	0.221	7.81	7.59
F.EDAM07	0.471	7.81	7.34
F.EDAU07	0.720	7.81	7.09
F.EDAZ07	0.969	7.81	6.84
F.EDA+08	1.219	7.81	6.59
F.EDAM08	1.468	7.81	6.35
F.EDAU08	1.717	7.81	6.10
F.EDAZ08	1.966	7.81	5.85
F.EDA+09	2.216	7.81	5.60
F.EDAM09	2.465	7.81	5.35
F.EDAU09	2.714	7.81	5.10
F.EDAZ09	2.964	7.81	4.85

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