

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.1938	102.062	4.770
ZF	105.5625	105.180	4.630
ZN	108.2344	108.075	4.648
Blank			
2y	100.328	100.1050	4.696
5y	100.077	100.0246	4.568
10y	102.035	102.0112	4.604

*Futures use CTD for Last Yield
 **Mduration = Modified Macaulay Duration

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.635	5.365	47	0.128	DEC	White Pack
F.EDAH07	94.780	5.220	138	0.377	MAR	
F.EDAM07	94.950	5.050	229	0.627	JUN	
F.EDAU07	95.125	4.875	320	0.876	SEP	Red Pack
F.EDAZ07	95.240	4.760	411	1.125	DEC	
F.EDAH08	95.275	4.725	502	1.375	MAR	
F.EDAM08	95.260	4.740	593	1.624	JUN	Green Pack
F.EDAU08	95.235	4.765	684	1.873	SEP	
F.EDAZ08	95.205	4.795	775	2.123	DEC	
F.EDAH09	95.170	4.830	866	2.372	MAR	Green Pack
F.EDAM09	95.135	4.865	957	2.621	JUN	
F.EDAU09	95.105	4.895	1048	2.871	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

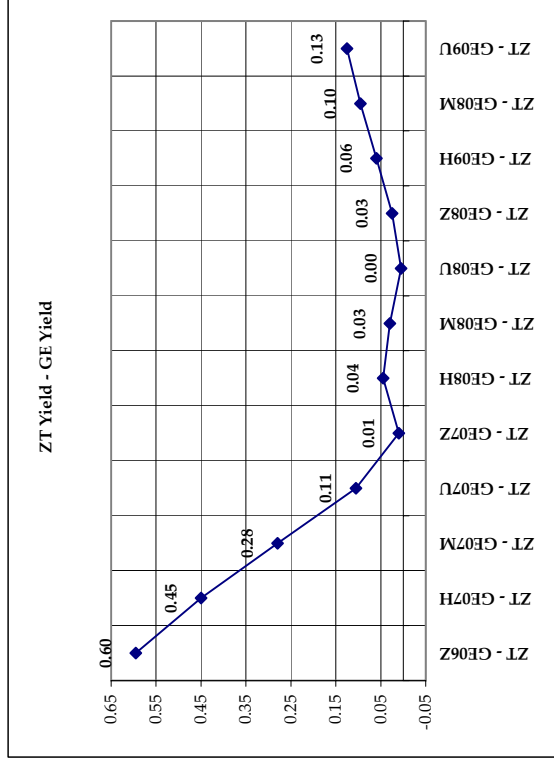
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.559	0.60	ZT - GE06Z
F.EDAH07	7.414	0.45	ZT - GE07H
F.EDAM07	7.244	0.28	ZT - GE07M
F.EDAU07	7.069	0.11	ZT - GE07U
F.EDAZ07	6.954	0.01	ZT - GE07Z
F.EDAH08	6.919	0.04	ZT - GE08H
F.EDAM08	6.934	0.03	ZT - GE08M
F.EDAU08	6.959	0.00	ZT - GE08U
F.EDAZ08	6.989	0.03	ZT - GE08Z
F.EDAH09	7.024	0.06	ZT - GE09H
F.EDAM09	7.059	0.10	ZT - GE08M
F.EDAU09	7.089	0.13	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	
	Fraction	Duration	Duration	Duration	Duration	Duration
F.EDAZ06	0.128	1.80	1.80	1.67	ZT - GE06Z	1.67
F.EDAH07	0.377	1.80	1.80	1.42	ZT - GE07H	1.42
F.EDAM07	0.627	1.80	1.80	1.17	ZT - GE07M	1.17
F.EDAU07	0.876	1.80	1.80	0.92	ZT - GE07U	0.92
F.EDAZ07	1.125	1.80	1.80	0.67	ZT - GE07Z	0.67
F.EDAH08	1.375	1.80	1.80	0.42	ZT - GE08H	0.42
F.EDAM08	1.624	1.80	1.80	0.18	ZT - GE08M	0.18
F.EDAU08	1.873	1.80	1.80	(0.07)	ZT - GE08U	(0.07)
F.EDAZ08	2.123	1.80	1.80	(0.32)	ZT - GE08Z	(0.32)
F.EDAH09	2.372	1.80	1.80	(0.57)	ZT - GE09H	(0.57)
F.EDAM09	2.621	1.80	1.80	(0.82)	ZT - GE08M	(0.82)
F.EDAU09	2.871	1.80	1.80	(1.07)	ZT - GE09U	(1.07)

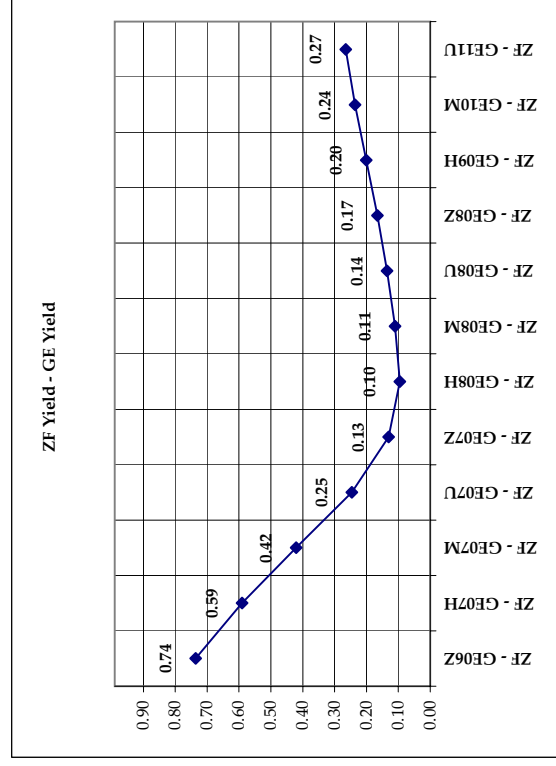
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF		
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	10.93	0.74	ZF - GE06Z
F.EDAH07	10.78	0.59	ZF - GE07H
F.EDAM07	10.61	0.42	ZF - GE07M
F.EDAU07	10.44	0.25	ZF - GE07U
F.EDAZ07	10.32	0.13	ZF - GE07Z
F.EDAH08	10.29	0.10	ZF - GE08H
F.EDAM08	10.30	0.11	ZF - GE08M
F.EDAU08	10.33	0.14	ZF - GE08U
F.EDAZ08	10.36	0.17	ZF - GE08Z
F.EDAH09	10.39	0.20	ZF - GE09H
F.EDAM09	10.43	0.24	ZF - GE10M
F.EDAU09	10.46	0.27	ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	ZF		Spread Duration
	Duration	Duration	
F.EDAZ06	0.128	3.86	3.73
F.EDAH07	0.377	3.86	3.48
F.EDAM07	0.627	3.86	3.23
F.EDAU07	0.876	3.86	2.98
F.EDAZ07	1.125	3.86	2.73
F.EDAH08	1.375	3.86	2.48
F.EDAM08	1.624	3.86	2.24
F.EDAU08	1.873	3.86	1.99
F.EDAZ08	2.123	3.86	1.74
F.EDAH09	2.372	3.86	1.49
F.EDAM09	2.621	3.86	1.24
F.EDAU09	2.871	3.86	0.99

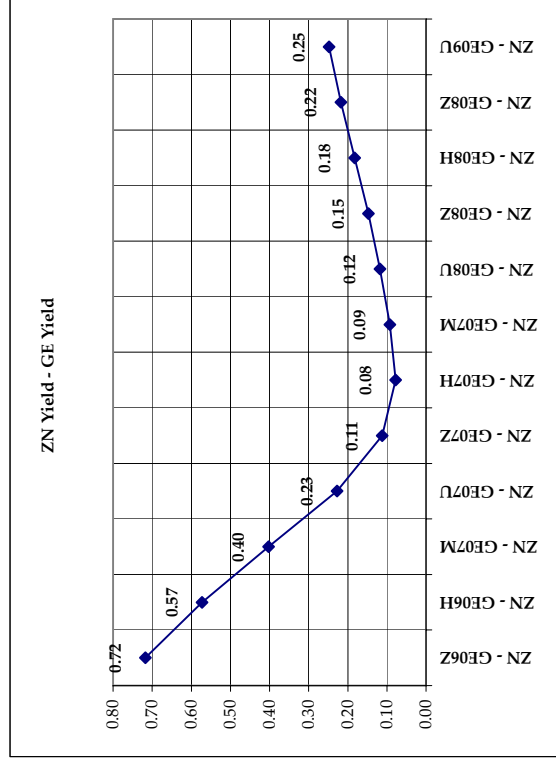
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	13.60	0.72	ZN - GE06Z
F.EDAH07	13.45	0.57	ZN - GE06H
F.EDAM07	13.28	0.40	ZN - GE07M
F.EDAU07	13.11	0.23	ZN - GE07U
F.EDAZ07	12.99	0.11	ZN - GE07Z
F.EDAH08	12.96	0.08	ZN - GE07H
F.EDAM08	12.97	0.09	ZN - GE07M
F.EDAU08	13.00	0.12	ZN - GE08U
F.EDAZ08	13.03	0.15	ZN - GE08Z
F.EDAH09	13.06	0.18	ZN - GE08H
F.EDAM09	13.10	0.22	ZN - GE08M
F.EDAU09	13.13	0.25	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	ZN Spread Duration
F.EDAZ06	0.128	5.64
F.EDAH07	0.377	5.39
F.EDAM07	0.627	5.14
F.EDAU07	0.876	4.89
F.EDAZ07	1.125	4.64
F.EDAH08	1.375	4.39
F.EDAM08	1.624	4.14
F.EDAU08	1.873	3.89
F.EDAZ08	2.123	3.64
F.EDAH09	2.372	3.39
F.EDAM09	2.621	3.15
F.EDAU09	2.871	2.90

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

TERM TED: 2y vs Eurodollar Contracts

2y

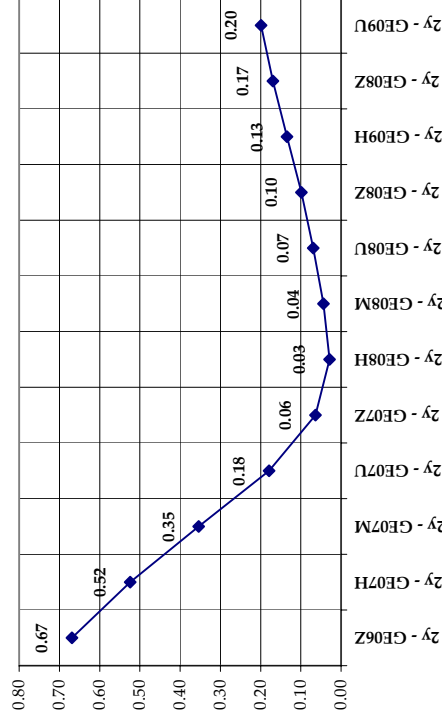
Spread Price Spread Yield Name

Contract	Spread Price	Spread Yield	Contract Name
F.EDAZ06	5.69	0.67	2y - GE06Z
F.EDAH07	5.55	0.52	2y - GE07H
F.EDAM07	5.38	0.35	2y - GE07M
F.EDAU07	5.20	0.18	2y - GE07U
F.EDAZ07	5.09	0.06	2y - GE07Z
F.EDAH08	5.05	0.03	2y - GE08H
F.EDAM08	5.07	0.04	2y - GE08M
F.EDAU08	5.09	0.07	2y - GE08U
F.EDAZ08	5.12	0.10	2y - GE08Z
F.EDAH09	5.16	0.13	2y - GE09H
F.EDAM09	5.19	0.17	2y - GE08Z
F.EDAU09	5.22	0.20	2y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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

2Y Yield - GE Yield



GE Duration as Fraction of year 2Y Duration Spread Duration

Contract	GE Duration as Fraction of year	2Y Duration	Spread	Duration
F.EDAZ06	0.128	1.88	1.75	2y - GE06Z
F.EDAH07	0.377	1.88	1.50	2y - GE07H
F.EDAM07	0.627	1.88	1.25	2y - GE07M
F.EDAU07	0.876	1.88	1.00	2y - GE07U
F.EDAZ07	1.125	1.88	0.75	2y - GE07Z
F.EDAH08	1.375	1.88	0.51	2y - GE08H
F.EDAM08	1.624	1.88	0.26	2y - GE08M
F.EDAU08	1.873	1.88	0.01	2y - GE08U
F.EDAZ08	2.123	1.88	(0.24)	2y - GE08Z
F.EDAH09	2.372	1.88	(0.49)	2y - GE09H
F.EDAM09	2.621	1.88	(0.74)	2y - GE08Z
F.EDAU09	2.871	1.88	(0.99)	2y - GE09U

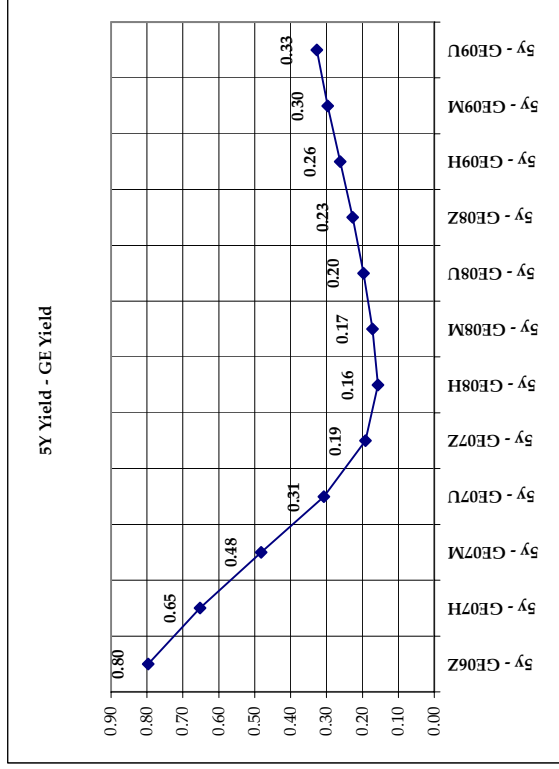
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	5.44	0.80	5y - GE06Z
F.EDAH07	5.30	0.65	5y - GE07H
F.EDAM07	5.13	0.48	5y - GE07M
F.EDAU07	4.95	0.31	5y - GE07U
F.EDAZ07	4.84	0.19	5y - GE07Z
F.EDAH08	4.80	0.16	5y - GE08H
F.EDAM08	4.82	0.17	5y - GE08M
F.EDAU08	4.84	0.20	5y - GE08U
F.EDAZ08	4.87	0.23	5y - GE08Z
F.EDAH09	4.91	0.26	5y - GE09H
F.EDAM09	4.94	0.30	5y - GE09M
F.EDAU09	4.97	0.33	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	0.128	4.21	5y - GE06Z
F.EDAH07	0.377	4.34	5y - GE07H
F.EDAM07	0.627	4.34	5y - GE07M
F.EDAU07	0.876	4.34	5y - GE07U
F.EDAZ07	1.125	4.34	5y - GE07Z
F.EDAH08	1.375	4.34	5y - GE08H
F.EDAM08	1.624	4.34	5y - GE08M
F.EDAU08	1.873	4.34	5y - GE08U
F.EDAZ08	2.123	4.34	5y - GE08Z
F.EDAH09	2.372	4.34	5y - GE09H
F.EDAM09	2.621	4.34	5y - GE09M
F.EDAU09	2.871	4.34	5y - GE09U

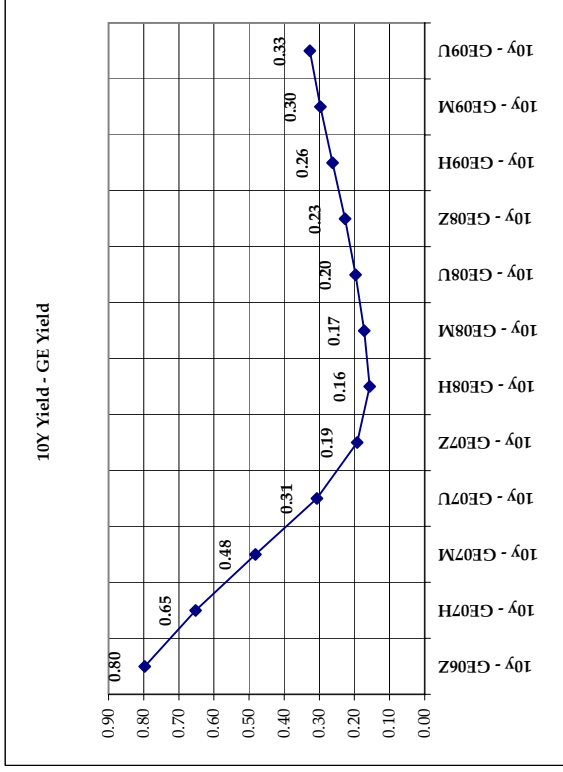
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAZ06	5.44	0.80	10y - GE06Z
F.EDAH07	5.30	0.65	10y - GE07H
F.EDAM07	5.13	0.48	10y - GE07M
F.EDAU07	4.95	0.31	10y - GE07U
F.EDAZ07	4.84	0.19	10y - GE07Z
F.EDAH08	4.80	0.16	10y - GE08H
F.EDAM08	4.82	0.17	10y - GE08M
F.EDAU08	4.84	0.20	10y - GE08U
F.EDAZ08	4.87	0.23	10y - GE08Z
F.EDAH09	4.91	0.26	10y - GE09H
F.EDAM09	4.94	0.30	10y - GE09M
F.EDAU09	4.97	0.33	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
F.EDAZ06	0.128	7.53
F.EDAH07	0.377	7.28
F.EDAM07	0.627	7.03
F.EDAU07	0.876	6.78
F.EDAZ07	1.125	6.53
F.EDAH08	1.375	6.28
F.EDAM08	1.624	6.03
F.EDAU08	1.873	5.78
F.EDAZ08	2.123	5.53
F.EDAH09	2.372	5.28
F.EDAM09	2.621	5.04
F.EDAU09	2.871	4.79

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