

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	102.1469	102.047	4.732
ZF	105.6250	105.200	4.537
ZN	108.3906	108.125	4.537
Blank			
2y	100.272	100.0870	4.722
5y	100.102	100.0326	4.552
10y	100.130	100.0416	4.574

*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	94.625	5.375	35	0.095	DEC	White Pack
F.EDAH07	94.755	5.245	126	0.345	MAR	
F.EDAM07	94.920	5.080	217	0.594	JUN	
F.EDAU07	95.110	4.890	308	0.843	SEP	Red Pack
F.EDAZ07	95.240	4.760	399	1.092	DEC	
F.EDAH08	95.290	4.710	490	1.342	MAR	
F.EDAM08	95.285	4.715	581	1.591	JUN	Green Pack
F.EDAU08	95.275	4.725	672	1.840	SEP	
F.EDAZ08	95.250	4.750	763	2.090	DEC	
F.EDAH09	95.225	4.775	854	2.339	MAR	Green Pack
F.EDAM09	95.190	4.810	945	2.588	JUN	
F.EDAU09	95.140	4.860	1036	2.838	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	7.522	0.64	ZT - GE06Z
F.EDAH07	7.392	0.51	ZT - GE07H
F.EDAM07	7.227	0.35	ZT - GE07M
F.EDAU07	7.037	0.16	ZT - GE07U
F.EDAZ07	6.907	0.03	ZT - GE07Z
F.EDAH08	6.857	0.02	ZT - GE08H
F.EDAM08	6.862	0.02	ZT - GE08M
F.EDAU08	6.872	0.01	ZT - GE08U
F.EDAZ08	6.897	0.02	ZT - GE08Z
F.EDAH09	6.922	0.04	ZT - GE09H
F.EDAM09	6.957	0.08	ZT - GE08M
F.EDAU09	7.007	0.13	ZT - GE09U

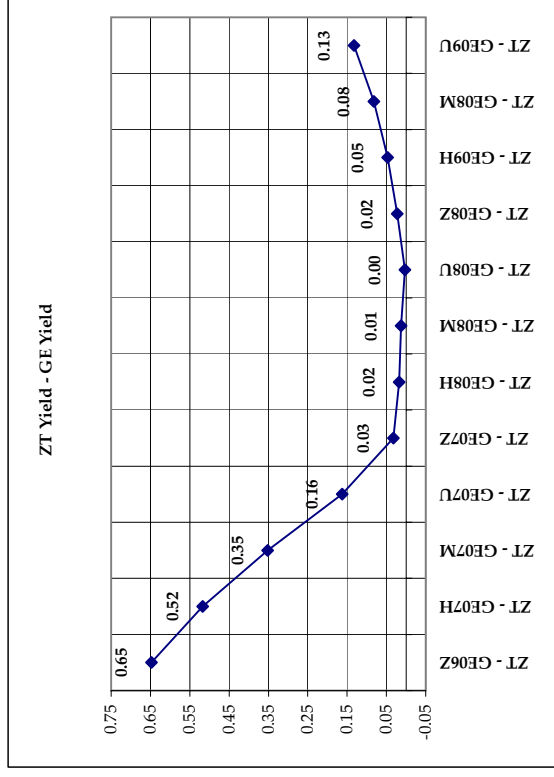
Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year

	Duration	ZT Duration	Spread Duration
F.EDAZ06	0.095	1.77	1.67
F.EDAH07	0.345	1.77	1.42
F.EDAM07	0.594	1.77	1.17
F.EDAU07	0.843	1.77	0.92
F.EDAZ07	1.092	1.77	0.68
F.EDAH08	1.342	1.77	0.43
F.EDAM08	1.591	1.77	0.18
F.EDAU08	1.840	1.77	(0.07)
F.EDAZ08	2.090	1.77	(0.32)
F.EDAH09	2.339	1.77	(0.57)
F.EDAM09	2.588	1.77	(0.82)
F.EDAU09	2.838	1.77	(1.07)

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



Dirty TED: ZF vs Eurodollar Contracts

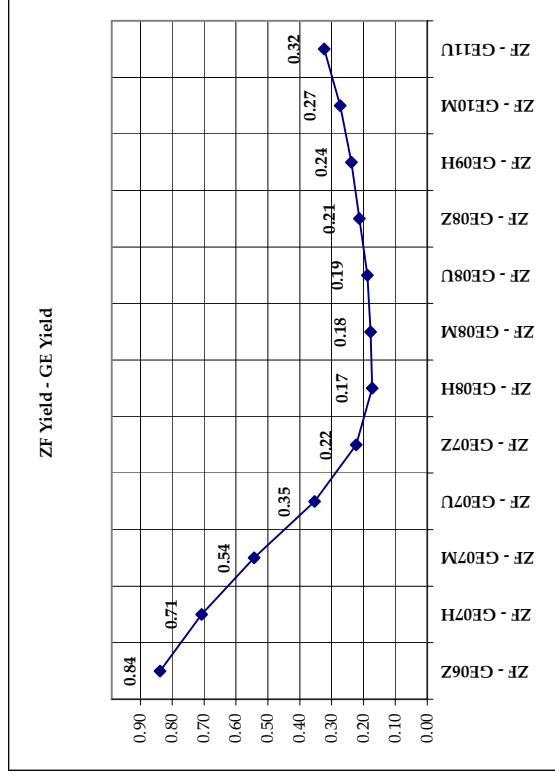
	ZF		
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	11.00	0.84	ZF - GE06Z
F.EDAH07	10.87	0.71	ZF - GE07H
F.EDAM07	10.71	0.54	ZF - GE07M
F.EDAU07	10.52	0.35	ZF - GE07U
F.EDAZ07	10.39	0.22	ZF - GE07Z
F.EDAH08	10.34	0.17	ZF - GE08H
F.EDAM08	10.34	0.18	ZF - GE08M
F.EDAU08	10.35	0.19	ZF - GE08U
F.EDAZ08	10.38	0.21	ZF - GE08Z
F.EDAH09	10.40	0.24	ZF - GE09H
F.EDAM09	10.44	0.27	ZF - GE10M
F.EDAU09	10.49	0.32	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	0.095	3.83	3.73
F.EDAH07	0.345	3.83	3.48
F.EDAM07	0.594	3.83	3.24
F.EDAU07	0.843	3.83	2.99
F.EDAZ07	1.092	3.83	2.74
F.EDAH08	1.342	3.83	2.49
F.EDAM08	1.591	3.83	2.24
F.EDAU08	1.840	3.83	1.99
F.EDAZ08	2.090	3.83	1.74
F.EDAH09	2.339	3.83	1.49
F.EDAM09	2.588	3.83	1.24
F.EDAU09	2.838	3.83	0.99

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

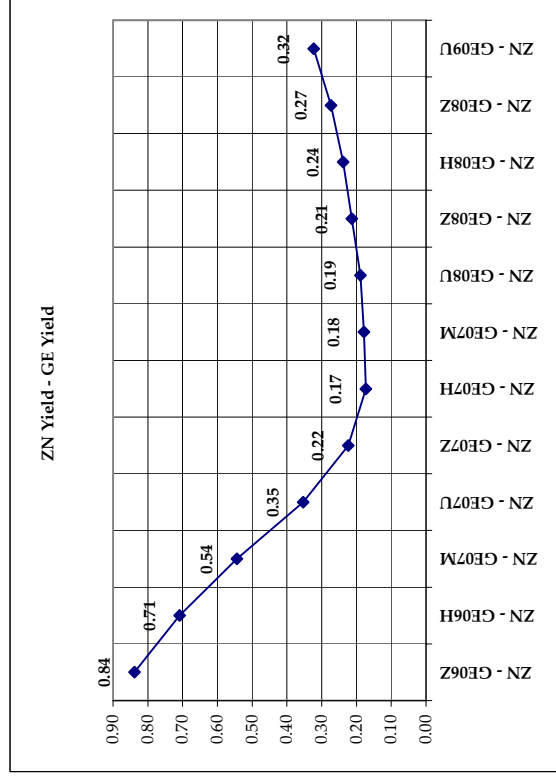


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Yield	Spread Yield	Spread Name
F.EDAZ06	13.77	0.84	ZN - GE06Z	
F.EDAH07	13.64	0.71	ZN - GE06H	
F.EDAM07	13.47	0.54	ZN - GE07M	
F.EDAU07	13.28	0.35	ZN - GE07U	
F.EDAZ07	13.15	0.22	ZN - GE07Z	
F.EDAH08	13.10	0.17	ZN - GE07H	
F.EDAM08	13.11	0.18	ZN - GE07M	
F.EDAU08	13.12	0.19	ZN - GE08U	
F.EDAZ08	13.14	0.21	ZN - GE08Z	
F.EDAH09	13.17	0.24	ZN - GE08H	
F.EDAM09	13.20	0.27	ZN - GE08M	
F.EDAU09	13.25	0.32	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	0.095	5.65
F.EDAH07	0.345	5.40
F.EDAM07	0.594	5.15
F.EDAU07	0.843	4.90
F.EDAZ07	1.092	4.65
F.EDAH08	1.342	4.40
F.EDAM08	1.591	4.15
F.EDAU08	1.840	3.90
F.EDAZ08	2.090	3.65
F.EDAH09	2.339	3.40
F.EDAM09	2.588	3.15
F.EDAU09	2.838	2.90

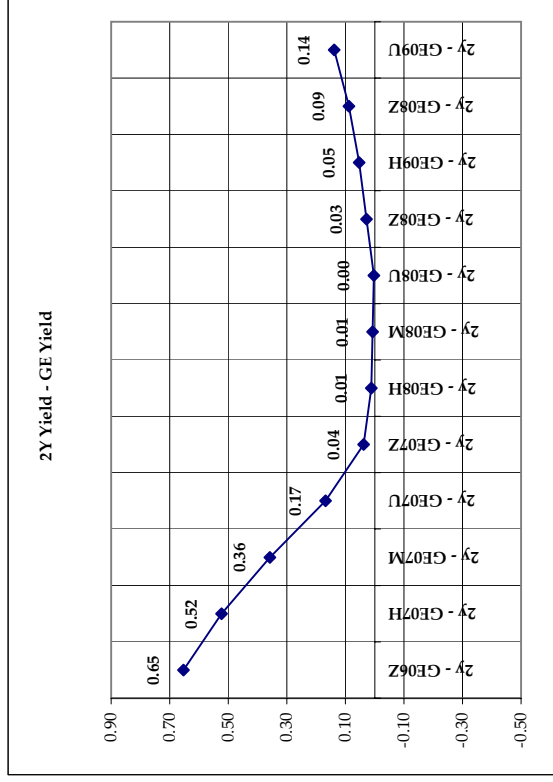
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.65	0.65	2y - GE06Z
F.EDAH07	5.52	0.52	2y - GE07H
F.EDAM07	5.35	0.36	2y - GE07M
F.EDAU07	5.16	0.17	2y - GE07U
F.EDAZ07	5.03	0.04	2y - GE07Z
F.EDAH08	4.98	0.01	2y - GE08H
F.EDAM08	4.99	0.01	2y - GE08M
F.EDAU08	5.00	0.00	2y - GE08U
F.EDAZ08	5.02	0.03	2y - GE08Z
F.EDAH09	5.05	0.05	2y - GE09H
F.EDAM09	5.08	0.09	2y - GE08Z
F.EDAU09	5.13	0.14	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	0.095	1.75
F.EDAH07	0.345	1.50
F.EDAM07	0.594	1.25
F.EDAU07	0.843	1.00
F.EDAZ07	1.092	0.76
F.EDAH08	1.342	0.51
F.EDAM08	1.591	0.26
F.EDAU08	1.840	0.01
F.EDAZ08	2.090	(0.24)
F.EDAH09	2.339	(0.49)
F.EDAM09	2.588	(0.74)
F.EDAU09	2.838	(0.99)

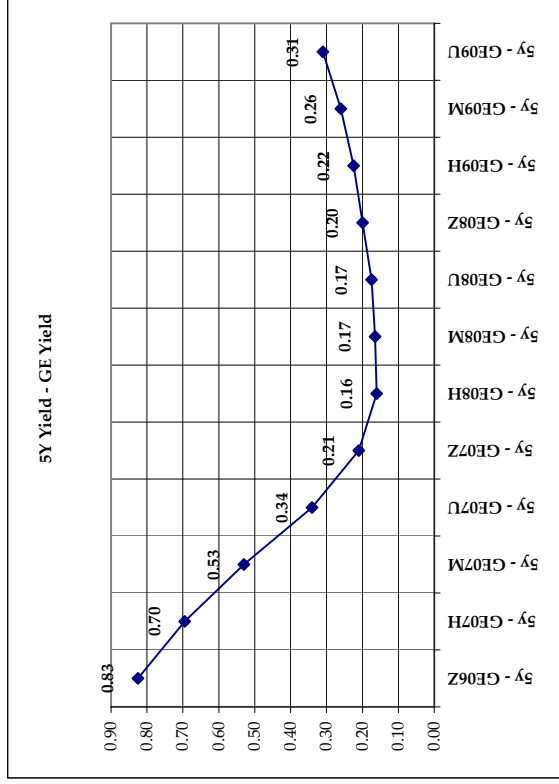
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	5y	
Spread Price	Spread Yield	
Spread Name	Spread Name	
F.EDAZ06	0.82	5y - GE06Z
F.EDAH07	0.69	5y - GE07H
F.EDAM07	0.53	5y - GE07M
F.EDAU07	0.34	5y - GE07U
F.EDAZ07	0.21	5y - GE07Z
F.EDAH08	0.16	5y - GE08H
F.EDAM08	0.16	5y - GE08M
F.EDAU08	0.17	5y - GE08U
F.EDAZ08	0.20	5y - GE08Z
F.EDAH09	0.22	5y - GE09H
F.EDAM09	0.26	5y - GE09M
F.EDAU09	0.31	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	4.38	4.29
F.EDAH07	4.38	4.04
F.EDAM07	4.38	3.79
F.EDAU07	4.38	3.54
F.EDAZ07	4.38	3.29
F.EDAH08	4.38	3.04
F.EDAM08	4.38	2.79
F.EDAU08	4.38	2.54
F.EDAZ08	4.38	2.29
F.EDAH09	4.38	2.04
F.EDAM09	4.38	1.80
F.EDAU09	4.38	1.55

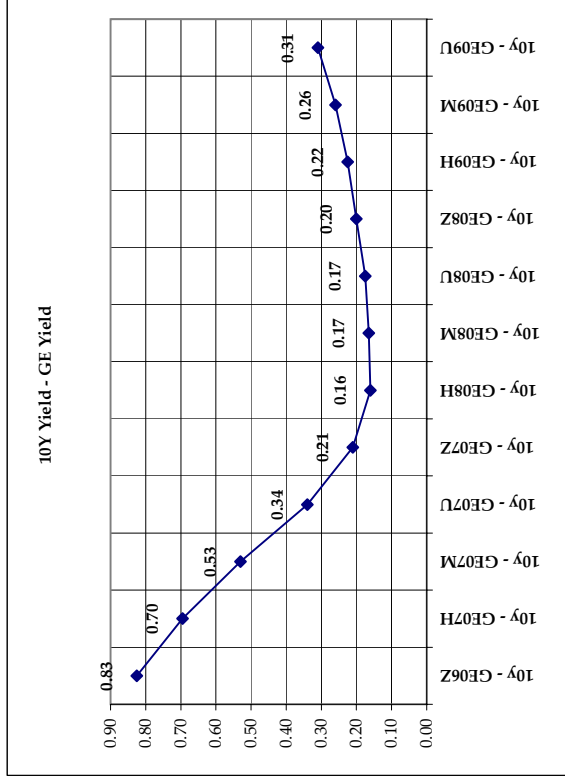
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Yield	Spread Name
F.EDAZ06	5.48	0.82	10y - GE06Z	
F.EDAH07	5.35	0.69	10y - GE07H	
F.EDAM07	5.18	0.53	10y - GE07M	
F.EDAU07	4.99	0.34	10y - GE07U	
F.EDAZ07	4.86	0.21	10y - GE07Z	
F.EDAH08	4.81	0.16	10y - GE08H	
F.EDAM08	4.82	0.16	10y - GE08M	
F.EDAU08	4.83	0.17	10y - GE08U	
F.EDAZ08	4.85	0.20	10y - GE08Z	
F.EDAH09	4.88	0.22	10y - GE09H	
F.EDAM09	4.91	0.26	10y - GE09M	
F.EDAU09	4.96	0.31	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	0.095	7.67
F.EDAH07	0.345	7.42
F.EDAM07	0.594	7.17
F.EDAU07	0.843	6.92
F.EDAZ07	1.092	6.67
F.EDAH08	1.342	6.42
F.EDAM08	1.591	6.17
F.EDAU08	1.840	5.92
F.EDAZ08	2.090	5.67
F.EDAH09	2.339	5.43
F.EDAM09	2.588	5.18
F.EDAU09	2.838	4.93

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