

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.9750	101.312	4.827
ZF	105.2188	105.070	4.655
ZN	107.8594	107.275	4.647
Blank			
2y	100.094	100.0300	4.818
5y	99.285	99.0912	4.649
10y	99.275	99.0880	4.641

**MDuration
1.75
3.81
5.72
1.83
4.36
7.92

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.620	5.380	31	0.084	DEC	White Pack
F.EDAH07	94.705	5.295	122	0.334	MAR	
F.EDAM07	94.845	5.155	213	0.583	JUN	
F.EDAU07	95.005	4.995	304	0.832	SEP	Red Pack
F.EDAZ07	95.120	4.880	395	1.082	DEC	
F.EDAH08	95.180	4.820	486	1.331	MAR	
F.EDAM08	95.190	4.810	577	1.580	JUN	Green Pack
F.EDAU08	95.195	4.805	668	1.830	SEP	
F.EDAZ08	95.165	4.835	759	2.079	DEC	
F.EDAH09	95.155	4.845	850	2.328	MAR	Green Pack
F.EDAM09	95.120	4.880	941	2.577	JUN	
F.EDAU09	95.070	4.930	1032	2.827	SEP	

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

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

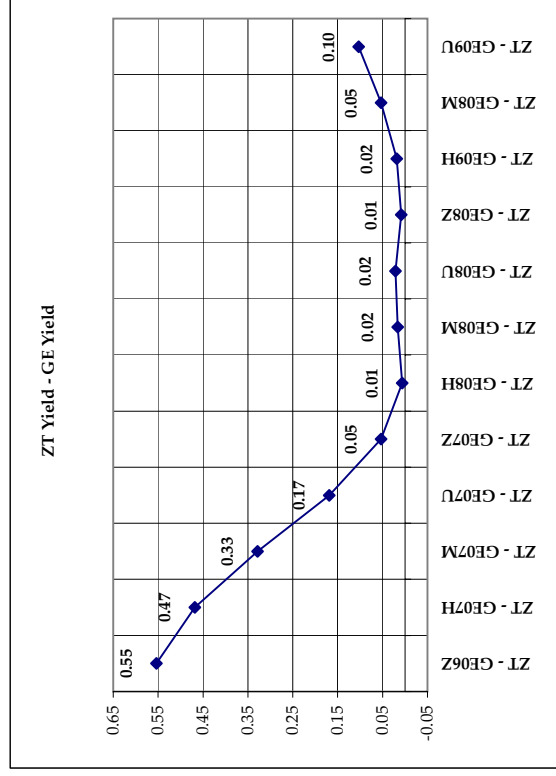
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.355	0.55	ZT - GE06Z
F.EDAH07	7.270	0.47	ZT - GE07H
F.EDAM07	7.130	0.33	ZT - GE07M
F.EDAU07	6.970	0.17	ZT - GE07U
F.EDAZ07	6.855	0.05	ZT - GE07Z
F.EDAH08	6.795	0.01	ZT - GE08H
F.EDAM08	6.785	0.02	ZT - GE08M
F.EDAU08	6.780	0.02	ZT - GE08U
F.EDAZ08	6.810	0.01	ZT - GE08Z
F.EDAH09	6.820	0.02	ZT - GE09H
F.EDAM09	6.855	0.05	ZT - GE09M
F.EDAU09	6.905	0.10	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	0.084	1.75	1.67
F.EDAH07	0.334	1.75	1.42
F.EDAM07	0.583	1.75	1.17
F.EDAU07	0.832	1.75	0.92
F.EDAZ07	1.082	1.75	0.67
F.EDAH08	1.331	1.75	0.42
F.EDAM08	1.580	1.75	0.17
F.EDAU08	1.830	1.75	(0.08)
F.EDAZ08	2.079	1.75	(0.33)
F.EDAH09	2.328	1.75	(0.58)
F.EDAM09	2.577	1.75	(0.83)
F.EDAU09	2.827	1.75	(1.08)

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



Dirty TED: ZF vs Eurodollar Contracts

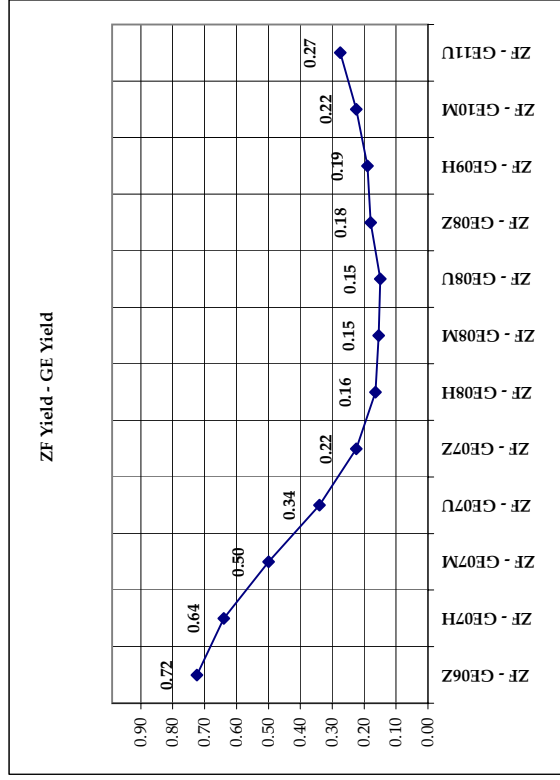
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	10.60	0.72	ZF - GE06Z
F.EDAH07	10.51	0.64	ZF - GE07H
F.EDAM07	10.37	0.50	ZF - GE07M
F.EDAU07	10.21	0.34	ZF - GE07U
F.EDAZ07	10.10	0.22	ZF - GE07Z
F.EDAH08	10.04	0.16	ZF - GE08H
F.EDAM08	10.03	0.15	ZF - GE08M
F.EDAU08	10.02	0.15	ZF - GE08U
F.EDAZ08	10.05	0.18	ZF - GE08Z
F.EDAH09	10.06	0.19	ZF - GE09H
F.EDAM09	10.10	0.22	ZF - GE09M
F.EDAU09	10.15	0.27	ZF - GE09U

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	0.084	3.81	3.73
F.EDAH07	0.334	3.81	3.48
F.EDAM07	0.583	3.81	3.23
F.EDAU07	0.832	3.81	2.98
F.EDAZ07	1.082	3.81	2.73
F.EDAH08	1.331	3.81	2.48
F.EDAM08	1.580	3.81	2.23
F.EDAU08	1.830	3.81	1.98
F.EDAZ08	2.079	3.81	1.73
F.EDAH09	2.328	3.81	1.48
F.EDAM09	2.577	3.81	1.23
F.EDAU09	2.827	3.81	0.98

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

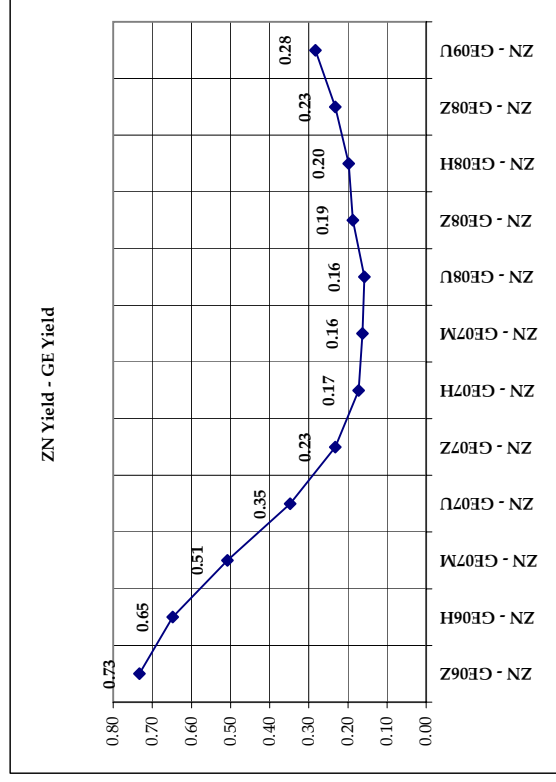


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	13.24	0.73	ZN - GE06Z
F.EDAH07	13.15	0.65	ZN - GE06H
F.EDAM07	13.01	0.51	ZN - GE07M
F.EDAU07	12.85	0.35	ZN - GE07U
F.EDAZ07	12.74	0.23	ZN - GE07Z
F.EDAH08	12.68	0.17	ZN - GE07H
F.EDAM08	12.67	0.16	ZN - GE07M
F.EDAU08	12.66	0.16	ZN - GE08U
F.EDAZ08	12.69	0.19	ZN - GE08Z
F.EDAH09	12.70	0.20	ZN - GE08H
F.EDAM09	12.74	0.23	ZN - GE08M
F.EDAU09	12.79	0.28	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	0.084	5.72	5.63
F.EDAH07	0.334	5.72	5.38
F.EDAM07	0.583	5.72	5.14
F.EDAU07	0.832	5.72	4.89
F.EDAZ07	1.082	5.72	4.64
F.EDAH08	1.331	5.72	4.39
F.EDAM08	1.580	5.72	4.14
F.EDAU08	1.830	5.72	3.89
F.EDAZ08	2.079	5.72	3.64
F.EDAH09	2.328	5.72	3.39
F.EDAM09	2.577	5.72	3.14
F.EDAU09	2.827	5.72	2.89

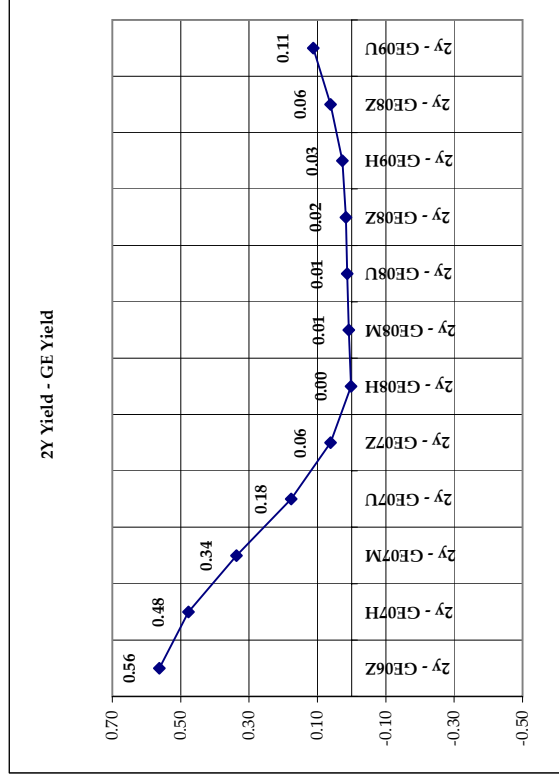
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.47	0.56	2y - GE06Z
F.EDAH07	5.39	0.48	2y - GE07H
F.EDAM07	5.25	0.34	2y - GE07M
F.EDAU07	5.09	0.18	2y - GE07U
F.EDAZ07	4.97	0.06	2y - GE07Z
F.EDAH08	4.91	0.00	2y - GE08H
F.EDAM08	4.90	0.01	2y - GE08M
F.EDAU08	4.90	0.01	2y - GE08U
F.EDAZ08	4.93	0.02	2y - GE08Z
F.EDAH09	4.94	0.03	2y - GE09H
F.EDAM09	4.97	0.06	2y - GE08Z
F.EDAU09	5.02	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	0.084	1.75
F.EDAH07	0.334	1.50
F.EDAM07	0.583	1.25
F.EDAU07	0.832	1.00
F.EDAZ07	1.082	0.75
F.EDAH08	1.331	0.50
F.EDAM08	1.580	0.25
F.EDAU08	1.830	0.00
F.EDAZ08	2.079	(0.25)
F.EDAH09	2.328	(0.50)
F.EDAM09	2.577	(0.75)
F.EDAU09	2.827	(1.00)

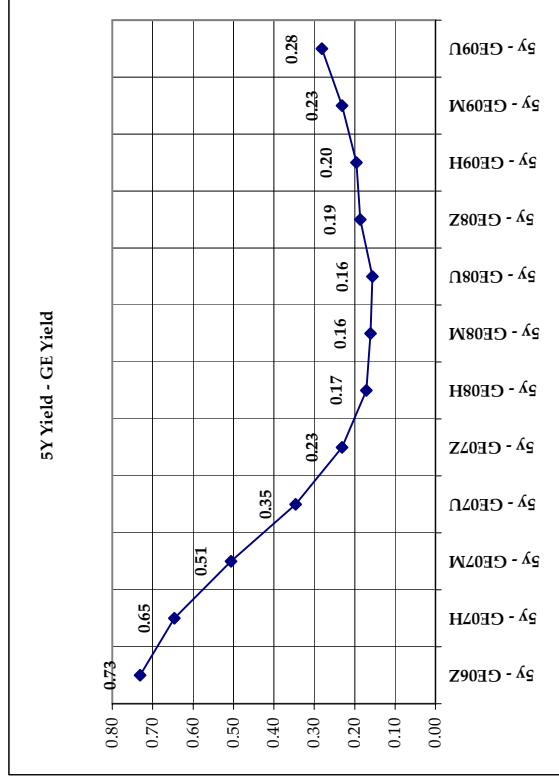
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TERM TED: 5y vs Eurodollar Contracts

	5y		
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.66	0.73	5y - GE06Z
F.EDAH07	4.58	0.65	5y - GE07H
F.EDAM07	4.44	0.51	5y - GE07M
F.EDAU07	4.28	0.35	5y - GE07U
F.EDAZ07	4.16	0.23	5y - GE07Z
F.EDAH08	4.10	0.17	5y - GE08H
F.EDAM08	4.10	0.16	5y - GE08M
F.EDAU08	4.09	0.16	5y - GE08U
F.EDAZ08	4.12	0.19	5y - GE08Z
F.EDAH09	4.13	0.20	5y - GE09H
F.EDAM09	4.16	0.23	5y - GE09M
F.EDAU09	4.21	0.28	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



Contract Name	GE Duration as Fraction of year		5Y		Spread	
	Duration	Duration	Duration	Duration	Duration	Duration
F.EDAZ06	0.084	4.36	4.36	4.28	5y - GE06Z	4.28
F.EDAH07	0.334	4.36	4.36	4.03	5y - GE07H	4.03
F.EDAM07	0.583	4.36	4.36	3.78	5y - GE07M	3.78
F.EDAU07	0.832	4.36	4.36	3.53	5y - GE07U	3.53
F.EDAZ07	1.082	4.36	4.36	3.28	5y - GE07Z	3.28
F.EDAH08	1.331	4.36	4.36	3.03	5y - GE08H	3.03
F.EDAM08	1.580	4.36	4.36	2.78	5y - GE08M	2.78
F.EDAU08	1.830	4.36	4.36	2.53	5y - GE08U	2.53
F.EDAZ08	2.079	4.36	4.36	2.29	5y - GE08Z	2.29
F.EDAH09	2.328	4.36	4.36	2.04	5y - GE09H	2.04
F.EDAM09	2.577	4.36	4.36	1.79	5y - GE09M	1.79
F.EDAU09	2.827	4.36	4.36	1.54	5y - GE09U	1.54

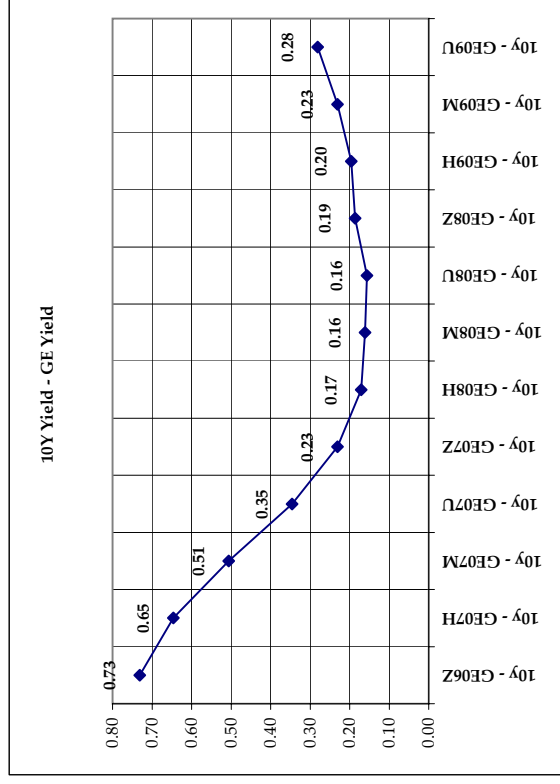
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

10y		Spread	Spread	Spread	Spread
Price	Yield	Yield	Name		
F.EDAZ06	4.66	0.73	10y - GE06Z		
F.EDAH07	4.58	0.65	10y - GE07H		
F.EDAM07	4.44	0.51	10y - GE07M		
F.EDAU07	4.28	0.35	10y - GE07U		
F.EDAZ07	4.16	0.23	10y - GE07Z		
F.EDAH08	4.10	0.17	10y - GE08H		
F.EDAM08	4.10	0.16	10y - GE08M		
F.EDAU08	4.09	0.16	10y - GE08U		
F.EDAZ08	4.12	0.19	10y - GE08Z		
F.EDAH09	4.13	0.20	10y - GE09H		
F.EDAM09	4.16	0.23	10y - GE09M		
F.EDAU09	4.21	0.28	10y - GE09U		

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	10Y		Spread
	Duration	Duration	
F.EDAZ06	0.084	7.92	7.83
F.EDAH07	0.334	7.92	7.59
F.EDAM07	0.583	7.92	7.34
F.EDAU07	0.832	7.92	7.09
F.EDAZ07	1.082	7.92	6.84
F.EDAH08	1.331	7.92	6.59
F.EDAM08	1.580	7.92	6.34
F.EDAU08	1.830	7.92	6.09
F.EDAZ08	2.079	7.92	5.84
F.EDAH09	2.328	7.92	5.59
F.EDAM09	2.577	7.92	5.34
F.EDAU09	2.827	7.92	5.09

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