

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash				
	Last Decimal	Last Yield*	Last Yield*	**MDuration
ZT	102.2500	102.080	4.705	1.80
ZF	105.6719	105.215	4.563	3.86
ZN	108.3750	108.120	4.555	5.77
Blank				
2y	100.391	100.1250	4.663	1.88
5y	100.117	100.0374	4.540	4.41
10y	102.090	102.0288	4.580	7.66

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.645	5.355	46	0.125	DEC	White Pack
F.EDAH07	94.825	5.175	137	0.375	MAR	
F.EDAM07	95.005	4.995	228	0.624	JUN	
F.EDAU07	95.175	4.825	319	0.873	SEP	Red Pack
F.EDAZ07	95.285	4.715	410	1.123	DEC	
F.EDAH08	95.315	4.685	501	1.372	MAR	
F.EDAM08	95.290	4.710	592	1.621	JUN	Green Pack
F.EDAU08	95.265	4.735	683	1.871	SEP	
F.EDAZ08	95.235	4.765	774	2.120	DEC	
F.EDAH09	95.205	4.795	865	2.369	MAR	Green Pack
F.EDAM09	95.170	4.830	956	2.619	JUN	
F.EDAU09	95.135	4.865	1047	2.868	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

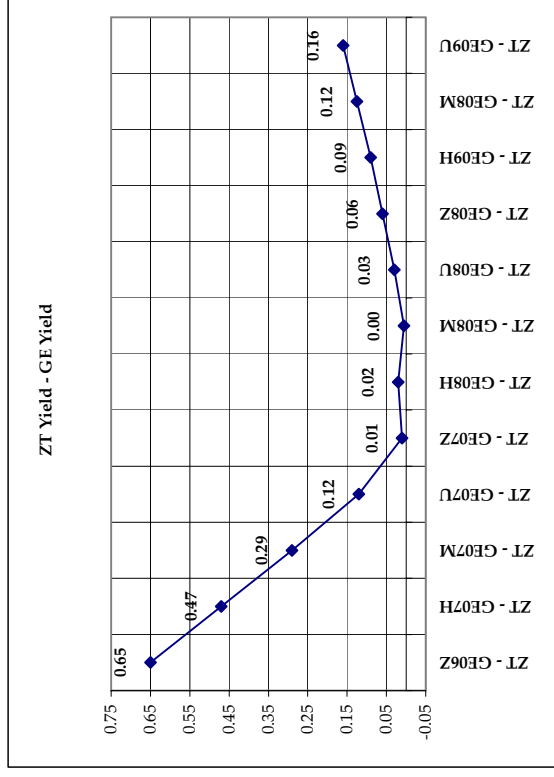
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.605	0.65	ZT - GE06Z
F.EDAH07	7.425	0.47	ZT - GE07H
F.EDAM07	7.245	0.29	ZT - GE07M
F.EDAU07	7.075	0.12	ZT - GE07U
F.EDAZ07	6.965	0.01	ZT - GE07Z
F.EDAH08	6.935	0.02	ZT - GE08H
F.EDAM08	6.960	0.00	ZT - GE08M
F.EDAU08	6.985	0.03	ZT - GE08U
F.EDAZ08	7.015	0.06	ZT - GE08Z
F.EDAH09	7.045	0.09	ZT - GE09H
F.EDAM09	7.080	0.12	ZT - GE08M
F.EDAU09	7.115	0.16	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	0.125	1.80	1.67
F.EDAH07	0.375	1.80	1.42
F.EDAM07	0.624	1.80	1.17
F.EDAU07	0.873	1.80	0.92
F.EDAZ07	1.123	1.80	0.67
F.EDAH08	1.372	1.80	0.43
F.EDAM08	1.621	1.80	0.18
F.EDAU08	1.871	1.80	(0.07)
F.EDAZ08	2.120	1.80	(0.32)
F.EDAH09	2.369	1.80	(0.57)
F.EDAM09	2.619	1.80	(0.82)
F.EDAU09	2.868	1.80	(1.07)

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



Dirty TED: ZF vs Eurodollar Contracts

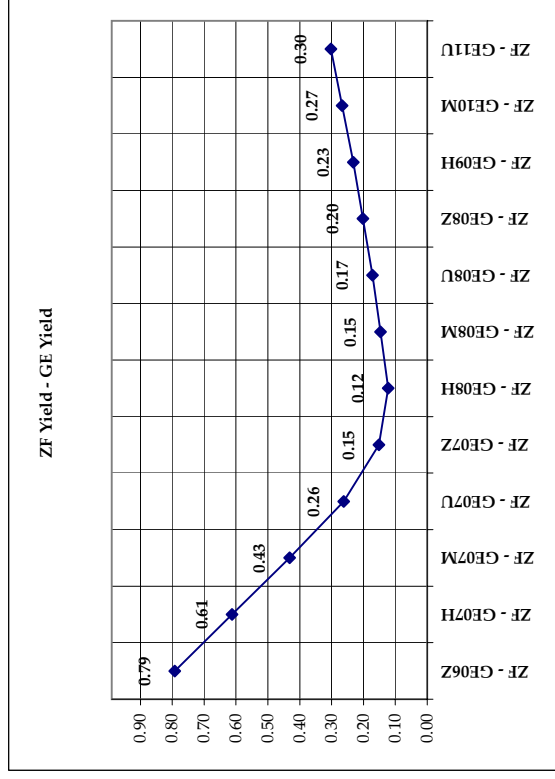
ZF		Spread	Spread	Spread
Contract Name	Price	Yield	Price	Name
F.EDAZ06	11.03	0.79	ZF - GE06Z	
F.EDAH07	10.85	0.61	ZF - GE07H	
F.EDAM07	10.67	0.43	ZF - GE07M	
F.EDAU07	10.50	0.26	ZF - GE07U	
F.EDAZ07	10.39	0.15	ZF - GE07Z	
F.EDAH08	10.36	0.12	ZF - GE08H	
F.EDAM08	10.38	0.15	ZF - GE08M	
F.EDAU08	10.41	0.17	ZF - GE08U	
F.EDAZ08	10.44	0.20	ZF - GE08Z	
F.EDAH09	10.47	0.23	ZF - GE09H	
F.EDAM09	10.50	0.27	ZF - GE10M	
F.EDAU09	10.54	0.30	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	0.125	3.86	3.73
F.EDAH07	0.375	3.86	3.48
F.EDAM07	0.624	3.86	3.23
F.EDAU07	0.873	3.86	2.98
F.EDAZ07	1.123	3.86	2.74
F.EDAH08	1.372	3.86	2.49
F.EDAM08	1.621	3.86	2.24
F.EDAU08	1.871	3.86	1.99
F.EDAZ08	2.120	3.86	1.74
F.EDAH09	2.369	3.86	1.49
F.EDAM09	2.619	3.86	1.24
F.EDAU09	2.868	3.86	0.99

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

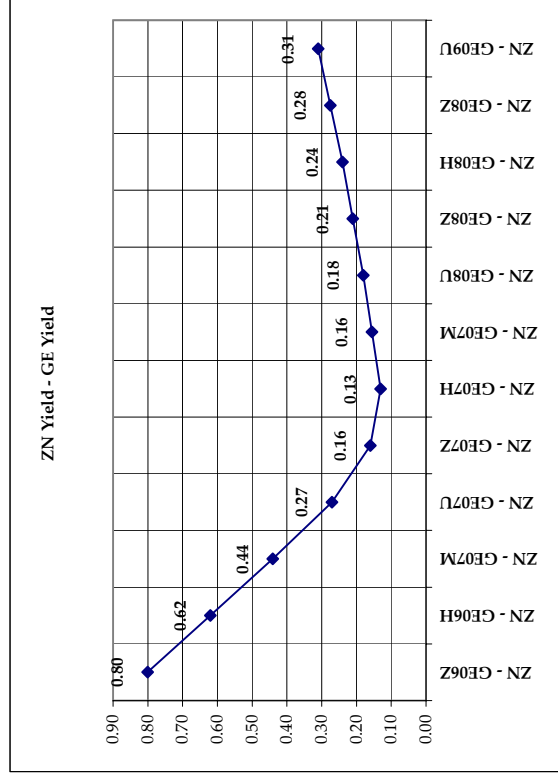


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	13.73	0.80	ZN - GE06Z
F.EDAH07	13.55	0.62	ZN - GE06H
F.EDAM07	13.37	0.44	ZN - GE07M
F.EDAU07	13.20	0.27	ZN - GE07U
F.EDAZ07	13.09	0.16	ZN - GE07Z
F.EDAH08	13.06	0.13	ZN - GE07H
F.EDAM08	13.09	0.16	ZN - GE07M
F.EDAU08	13.11	0.18	ZN - GE08U
F.EDAZ08	13.14	0.21	ZN - GE08Z
F.EDAH09	13.17	0.24	ZN - GE08H
F.EDAM09	13.21	0.28	ZN - GE08M
F.EDAU09	13.24	0.31	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	0.125	5.64
F.EDAH07	0.375	5.39
F.EDAM07	0.624	5.15
F.EDAU07	0.873	4.90
F.EDAZ07	1.123	4.65
F.EDAH08	1.372	4.40
F.EDAM08	1.621	4.15
F.EDAU08	1.871	3.90
F.EDAZ08	2.120	3.65
F.EDAH09	2.369	3.40
F.EDAM09	2.619	3.15
F.EDAU09	2.868	2.90

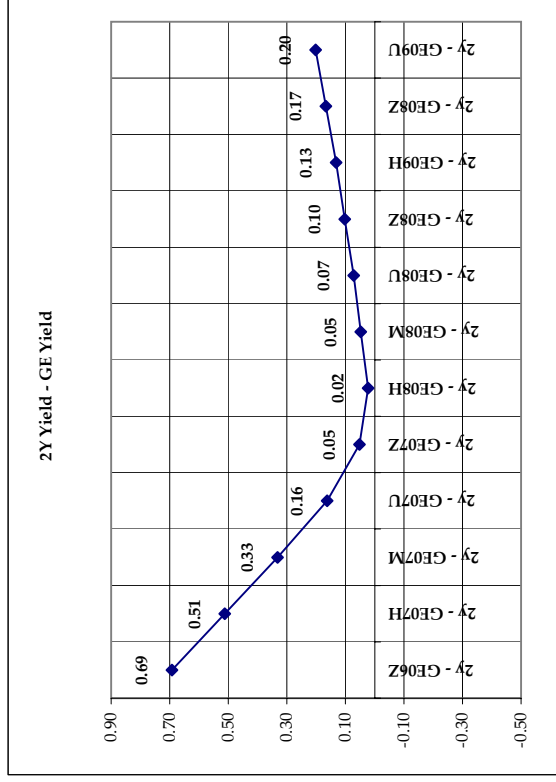
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.75	0.69	2y - GE06Z
F.EDAH07	5.57	0.51	2y - GE07H
F.EDAM07	5.39	0.33	2y - GE07M
F.EDAU07	5.22	0.16	2y - GE07U
F.EDAZ07	5.11	0.05	2y - GE07Z
F.EDAH08	5.08	0.02	2y - GE08H
F.EDAM08	5.10	0.05	2y - GE08M
F.EDAU08	5.13	0.07	2y - GE08U
F.EDAZ08	5.16	0.10	2y - GE08Z
F.EDAH09	5.19	0.13	2y - GE09H
F.EDAM09	5.22	0.17	2y - GE09M
F.EDAU09	5.26	0.20	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	0.125	1.75
F.EDAH07	0.375	1.50
F.EDAM07	0.624	1.25
F.EDAU07	0.873	1.00
F.EDAZ07	1.123	0.76
F.EDAH08	1.372	0.51
F.EDAM08	1.621	0.26
F.EDAU08	1.871	0.01
F.EDAZ08	2.120	(0.24)
F.EDAH09	2.369	(0.49)
F.EDAM09	2.619	(0.74)
F.EDAU09	2.868	(0.99)

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

TERM TED: 5y vs Eurodollar Contracts

5y

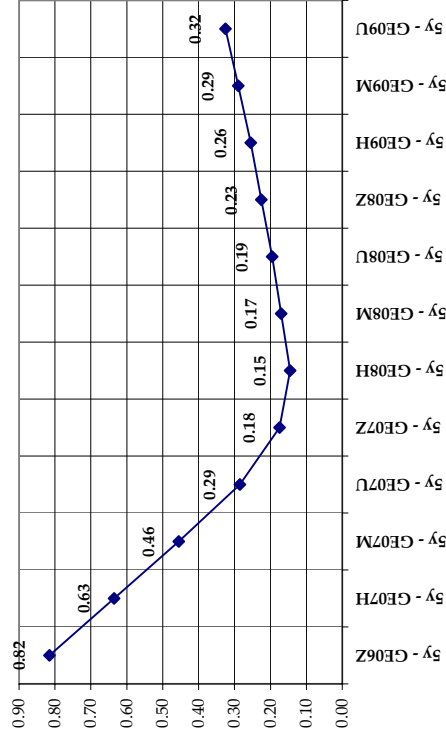
Spread Price Spread Yield Spread Name

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	5.47	0.82	5y - GE06Z
F.EDAH07	5.29	0.63	5y - GE07H
F.EDAM07	5.11	0.46	5y - GE07M
F.EDAU07	4.94	0.29	5y - GE07U
F.EDAZ07	4.83	0.18	5y - GE07Z
F.EDAH08	4.80	0.15	5y - GE08H
F.EDAM08	4.83	0.17	5y - GE08M
F.EDAU08	4.85	0.19	5y - GE08U
F.EDAZ08	4.88	0.23	5y - GE08Z
F.EDAH09	4.91	0.26	5y - GE09H
F.EDAM09	4.95	0.29	5y - GE09M
F.EDAU09	4.98	0.32	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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

5Y Yield - GE Yield



GE Duration as Fraction of year

	5Y Duration	Spread Duration
F.EDAZ06	0.125	4.29
F.EDAH07	0.375	4.04
F.EDAM07	0.624	3.79
F.EDAU07	0.873	3.54
F.EDAZ07	1.123	3.29
F.EDAH08	1.372	3.04
F.EDAM08	1.621	2.79
F.EDAU08	1.871	2.54
F.EDAZ08	2.120	2.29
F.EDAH09	2.369	2.04
F.EDAM09	2.619	1.79
F.EDAU09	2.868	1.55

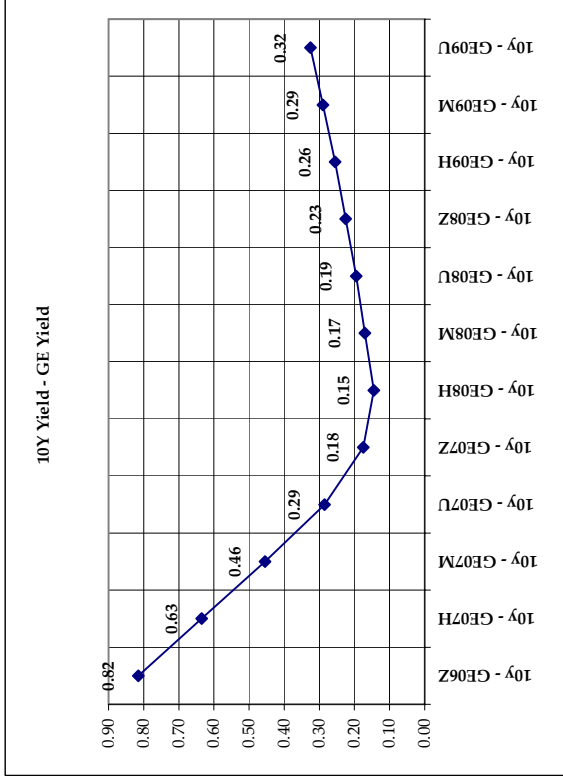
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAZ06	5.47	0.82	10y - GE06Z
F.EDAH07	5.29	0.63	10y - GE07H
F.EDAM07	5.11	0.46	10y - GE07M
F.EDAU07	4.94	0.29	10y - GE07U
F.EDAZ07	4.83	0.18	10y - GE07Z
F.EDAH08	4.80	0.15	10y - GE08H
F.EDAM08	4.83	0.17	10y - GE08M
F.EDAU08	4.85	0.19	10y - GE08U
F.EDAZ08	4.88	0.23	10y - GE08Z
F.EDAH09	4.91	0.26	10y - GE09H
F.EDAM09	4.95	0.29	10y - GE09M
F.EDAU09	4.98	0.32	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	0.125	7.54
F.EDAH07	0.375	7.29
F.EDAM07	0.624	7.04
F.EDAU07	0.873	6.79
F.EDAZ07	1.123	6.54
F.EDAH08	1.372	6.29
F.EDAM08	1.621	6.04
F.EDAU08	1.871	5.79
F.EDAZ08	2.120	5.54
F.EDAH09	2.369	5.29
F.EDAM09	2.619	5.04
F.EDAU09	2.868	4.80

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