

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.0531	102.017	4.774
ZF	105.4063	105.130	4.592
ZN	108.2188	108.070	4.573
Blank			
2y	100.178	100.0570	4.771
5y	100.040	100.0128	4.596
10y	100.075	100.0240	4.595

*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	94.628	5.373	27	0.073	DEC	White Pack
F.EDAH07	94.745	5.255	118	0.323	MAR	
F.EDAM07	94.900	5.100	209	0.572	JUN	
F.EDAU07	95.070	4.930	300	0.821	SEP	Red Pack
F.EDAZ07	95.195	4.805	391	1.071	DEC	
F.EDAH08	95.245	4.755	482	1.320	MAR	
F.EDAM08	95.250	4.750	573	1.569	JUN	Green Pack
F.EDAU08	95.245	4.755	664	1.819	SEP	
F.EDAZ08	95.235	4.765	755	2.068	DEC	
F.EDAH09	95.215	4.785	846	2.317	MAR	Green Pack
F.EDAM09	95.185	4.815	937	2.566	JUN	
F.EDAU09	95.160	4.840	1028	2.816	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:

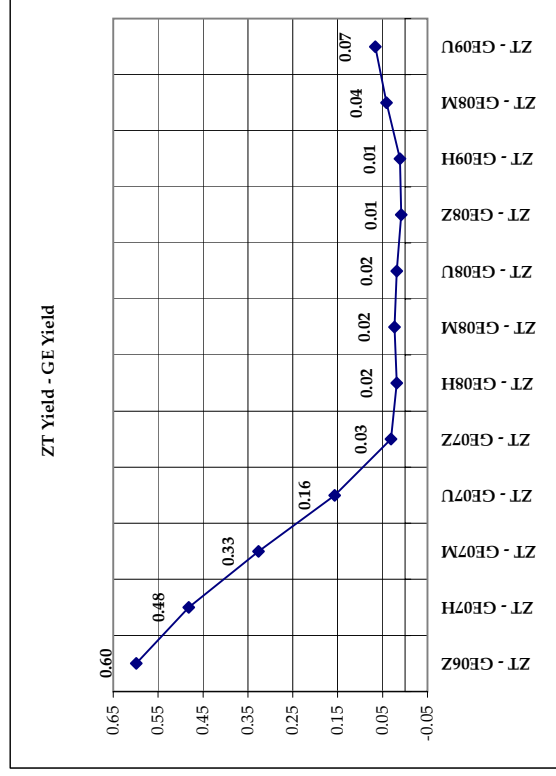
Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZT vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.426	0.60	ZT - GE06Z
F.EDAH07	7.308	0.48	ZT - GE07H
F.EDAM07	7.153	0.33	ZT - GE07M
F.EDAU07	6.983	0.16	ZT - GE07U
F.EDAZ07	6.858	0.03	ZT - GE07Z
F.EDAH08	6.808	0.02	ZT - GE08H
F.EDAM08	6.803	0.02	ZT - GE08M
F.EDAU08	6.808	0.02	ZT - GE08U
F.EDAZ08	6.818	0.01	ZT - GE08Z
F.EDAH09	6.838	0.01	ZT - GE09H
F.EDAM09	6.868	0.04	ZT - GE08M
F.EDAU09	6.893	0.07	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	0.073	1.75	1.67
F.EDAH07	0.323	1.75	1.42
F.EDAM07	0.572	1.75	1.17
F.EDAU07	0.821	1.75	0.92
F.EDAZ07	1.071	1.75	0.68
F.EDAH08	1.320	1.75	0.43
F.EDAM08	1.569	1.75	0.18
F.EDAU08	1.819	1.75	(0.07)
F.EDAZ08	2.068	1.75	(0.32)
F.EDAH09	2.317	1.75	(0.57)
F.EDAM09	2.566	1.75	(0.82)
F.EDAU09	2.816	1.75	(1.07)

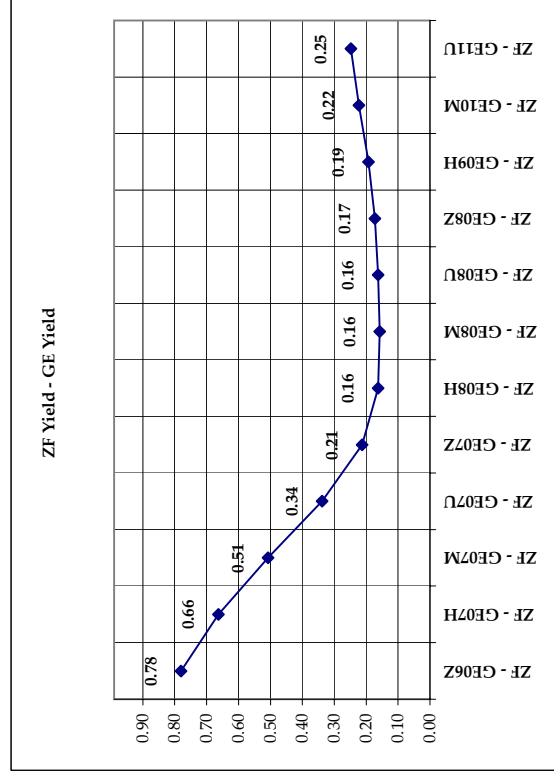
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF	
	Spread Price	Spread Yield
	Price	Name
F.EDAZ06	10.78	ZF - GE06Z
F.EDAH07	10.66	ZF - GE07H
F.EDAM07	10.51	ZF - GE07M
F.EDAU07	10.34	ZF - GE07U
F.EDAZ07	10.21	ZF - GE07Z
F.EDAH08	10.16	ZF - GE08H
F.EDAM08	10.16	ZF - GE08M
F.EDAU08	10.16	ZF - GE08U
F.EDAZ08	10.17	ZF - GE08Z
F.EDAH09	10.19	ZF - GE09H
F.EDAM09	10.22	ZF - GE09M
F.EDAU09	10.25	ZF - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



	ZF	
	GE Duration as Fraction of year	Spread Duration
F.EDAZ06	0.073	3.73
F.EDAH07	0.323	3.48
F.EDAM07	0.572	3.23
F.EDAU07	0.821	2.98
F.EDAZ07	1.071	2.74
F.EDAH08	1.320	2.49
F.EDAM08	1.569	2.24
F.EDAU08	1.819	1.99
F.EDAZ08	2.068	1.74
F.EDAH09	2.317	1.49
F.EDAM09	2.566	1.24
F.EDAU09	2.816	0.99

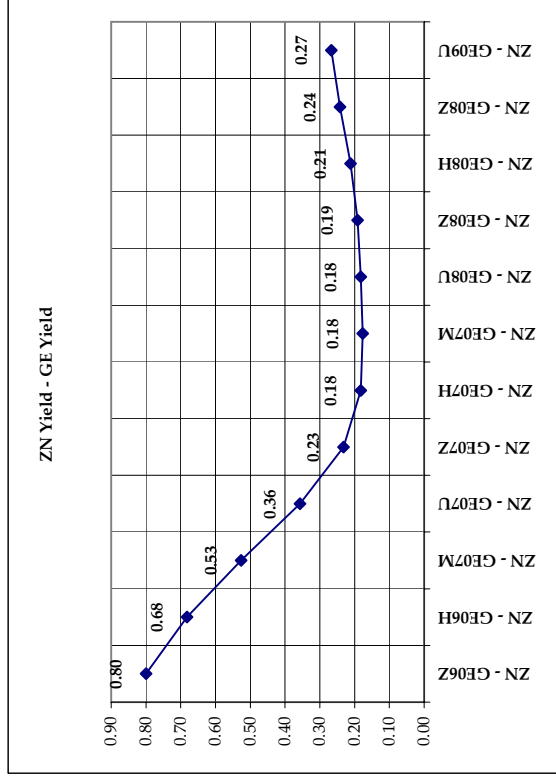
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

Spread		ZN		Spread	
Price	Yield	Price	Yield	Price	Name
F.EDAZ06	13.59	0.80	0.80	ZN - GE06Z	
F.EDAH07	13.47	0.68	0.68	ZN - GE06H	
F.EDAM07	13.32	0.53	0.53	ZN - GE07M	
F.EDAU07	13.15	0.36	0.36	ZN - GE07U	
F.EDAZ07	13.02	0.23	0.23	ZN - GE07Z	
F.EDAH08	12.97	0.18	0.18	ZN - GE07H	
F.EDAM08	12.97	0.18	0.18	ZN - GE07M	
F.EDAU08	12.97	0.18	0.18	ZN - GE08U	
F.EDAZ08	12.98	0.19	0.19	ZN - GE08Z	
F.EDAH09	13.00	0.21	0.21	ZN - GE08H	
F.EDAM09	13.03	0.24	0.24	ZN - GE08M	
F.EDAU09	13.06	0.27	0.27	ZN - GE09U	

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as		ZN		Spread	
Fraction	Duration	Fraction	Duration	Fraction	Duration
of year		of year		of year	
F.EDAZ06	0.073	5.72	5.64	ZN - GE06Z	5.64
F.EDAH07	0.323	5.72	5.39	ZN - GE06H	5.39
F.EDAM07	0.572	5.72	5.15	ZN - GE07M	5.15
F.EDAU07	0.821	5.72	4.90	ZN - GE07U	4.90
F.EDAZ07	1.071	5.72	4.65	ZN - GE07Z	4.65
F.EDAH08	1.320	5.72	4.40	ZN - GE07H	4.40
F.EDAM08	1.569	5.72	4.15	ZN - GE07M	4.15
F.EDAU08	1.819	5.72	3.90	ZN - GE08U	3.90
F.EDAZ08	2.068	5.72	3.65	ZN - GE08Z	3.65
F.EDAH09	2.317	5.72	3.40	ZN - GE08H	3.40
F.EDAM09	2.566	5.72	3.15	ZN - GE08M	3.15
F.EDAU09	2.816	5.72	2.90	ZN - GE09U	2.90

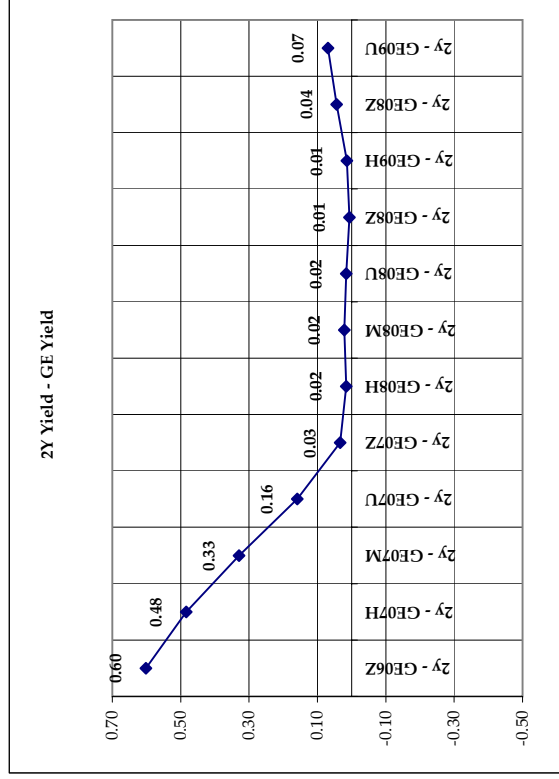
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.55	0.60	2y - GE06Z
F.EDAH07	5.43	0.48	2y - GE07H
F.EDAM07	5.28	0.33	2y - GE07M
F.EDAU07	5.11	0.16	2y - GE07U
F.EDAZ07	4.98	0.03	2y - GE07Z
F.EDAH08	4.93	0.02	2y - GE08H
F.EDAM08	4.93	0.02	2y - GE08M
F.EDAU08	4.93	0.02	2y - GE08U
F.EDAZ08	4.94	0.01	2y - GE08Z
F.EDAH09	4.96	0.01	2y - GE09H
F.EDAM09	4.99	0.04	2y - GE08Z
F.EDAU09	5.02	0.07	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	0.073	1.83	1.75	2y - GE06Z
F.EDAH07	0.323	1.83	1.50	2y - GE07H
F.EDAM07	0.572	1.83	1.25	2y - GE07M
F.EDAU07	0.821	1.83	1.00	2y - GE07U
F.EDAZ07	1.071	1.83	0.75	2y - GE07Z
F.EDAH08	1.320	1.83	0.51	2y - GE08H
F.EDAM08	1.569	1.83	0.26	2y - GE08M
F.EDAU08	1.819	1.83	0.01	2y - GE08U
F.EDAZ08	2.068	1.83	(0.24)	2y - GE08Z
F.EDAH09	2.317	1.83	(0.49)	2y - GE09H
F.EDAM09	2.566	1.83	(0.74)	2y - GE08Z
F.EDAU09	2.816	1.83	(0.99)	2y - GE09U

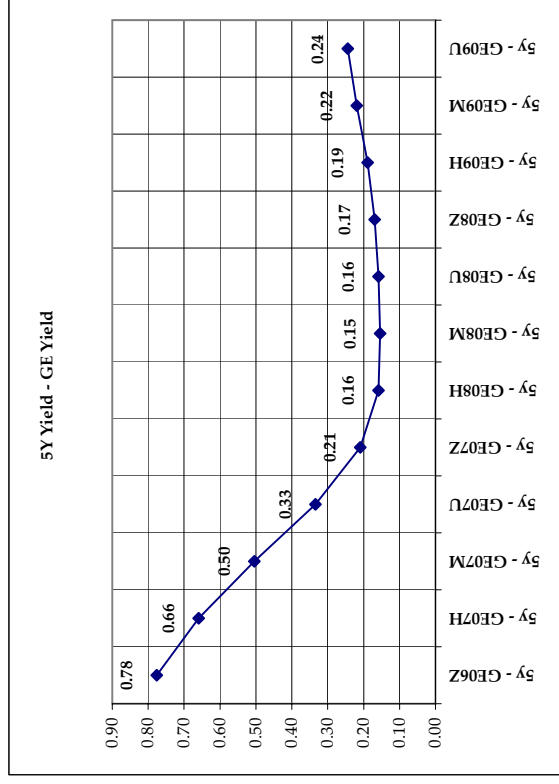
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	5.41	0.78	5y - GE06Z
F.EDAH07	5.30	0.66	5y - GE07H
F.EDAM07	5.14	0.50	5y - GE07M
F.EDAU07	4.97	0.33	5y - GE07U
F.EDAZ07	4.85	0.21	5y - GE07Z
F.EDAH08	4.80	0.16	5y - GE08H
F.EDAM08	4.79	0.15	5y - GE08M
F.EDAU08	4.80	0.16	5y - GE08U
F.EDAZ08	4.81	0.17	5y - GE08Z
F.EDAH09	4.83	0.19	5y - GE09H
F.EDAM09	4.86	0.22	5y - GE09M
F.EDAU09	4.88	0.24	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	0.073	4.29
F.EDAH07	0.323	4.04
F.EDAM07	0.572	3.79
F.EDAU07	0.821	3.54
F.EDAZ07	1.071	3.29
F.EDAH08	1.320	3.04
F.EDAM08	1.569	2.79
F.EDAU08	1.819	2.54
F.EDAZ08	2.068	2.29
F.EDAH09	2.317	2.04
F.EDAM09	2.566	1.79
F.EDAU09	2.816	1.54

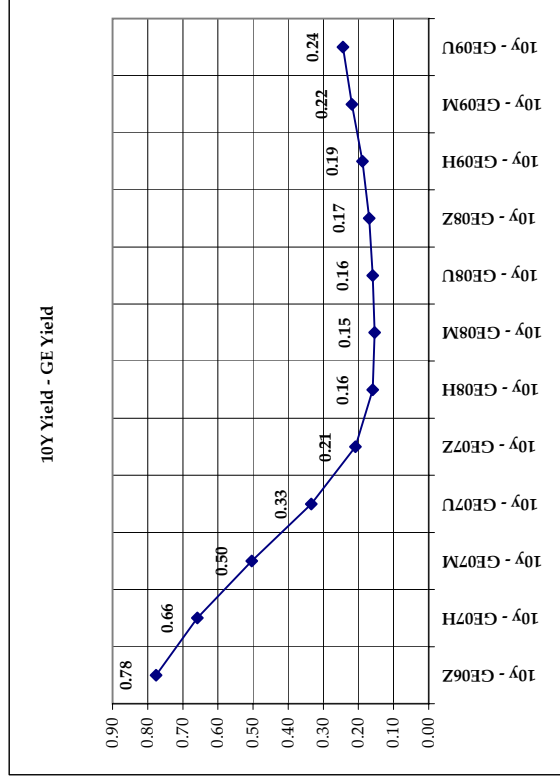
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAZ06	5.41	0.78	10y - GE06Z
F.EDAH07	5.30	0.66	10y - GE07H
F.EDAM07	5.14	0.50	10y - GE07M
F.EDAU07	4.97	0.33	10y - GE07U
F.EDAZ07	4.85	0.21	10y - GE07Z
F.EDAH08	4.80	0.16	10y - GE08H
F.EDAM08	4.79	0.15	10y - GE08M
F.EDAU08	4.80	0.16	10y - GE08U
F.EDAZ08	4.81	0.17	10y - GE08Z
F.EDAH09	4.83	0.19	10y - GE09H
F.EDAM09	4.86	0.22	10y - GE09M
F.EDAU09	4.88	0.24	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	0.073	7.92	7.85
F.EDAH07	0.323	7.92	7.60
F.EDAM07	0.572	7.92	7.35
F.EDAU07	0.821	7.92	7.10
F.EDAZ07	1.071	7.92	6.85
F.EDAH08	1.320	7.92	6.60
F.EDAM08	1.569	7.92	6.35
F.EDAU08	1.819	7.92	6.10
F.EDAZ08	2.068	7.92	5.85
F.EDAH09	2.317	7.92	5.60
F.EDAM09	2.566	7.92	5.35
F.EDAU09	2.816	7.92	5.10

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