

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.1719	102.055	4.689
ZF	105.7813	105.250	4.486
ZN	108.7656	108.245	4.464
Blank			
2y	99.897	99.2870	4.675
5y	100.167	100.0534	4.504
10y	100.285	100.0912	4.511

*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	94.638	5.363	19	0.051	DEC	White Pack
F.EDAH07	94.785	5.215	110	0.301	MAR	
F.EDAM07	94.980	5.020	201	0.550	JUN	
F.EDAU07	95.155	4.845	292	0.799	SEP	Red Pack
F.EDAZ07	95.280	4.720	383	1.049	DEC	
F.EDAH08	95.345	4.655	474	1.298	MAR	
F.EDAM08	95.365	4.635	565	1.547	JUN	Green Pack
F.EDAU08	95.365	4.635	656	1.797	SEP	
F.EDAZ08	95.345	4.655	747	2.046	DEC	
F.EDAH09	95.325	4.675	838	2.295	MAR	Green Pack
F.EDAM09	95.300	4.700	929	2.545	JUN	
F.EDAU09	95.275	4.725	1020	2.794	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

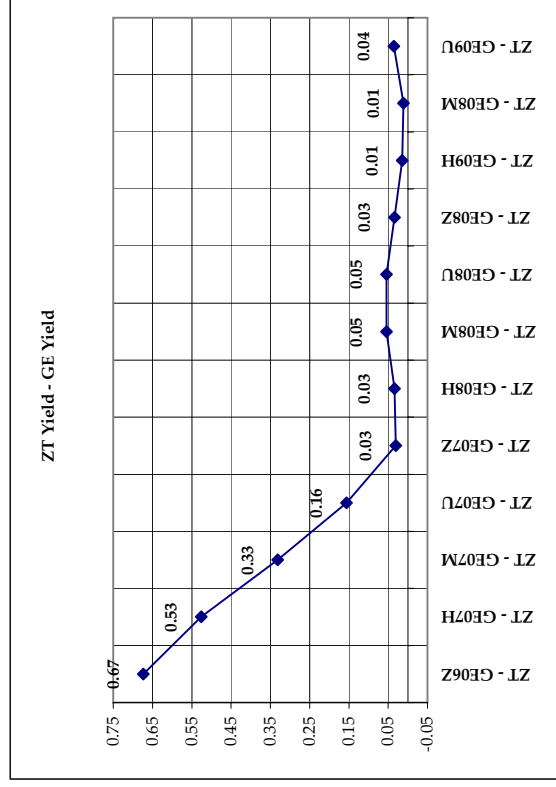
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.534	0.67	ZT - GE06Z
F.EDAH07	7.387	0.53	ZT - GE07H
F.EDAM07	7.192	0.33	ZT - GE07M
F.EDAU07	7.017	0.16	ZT - GE07U
F.EDAZ07	6.892	0.03	ZT - GE07Z
F.EDAH08	6.827	0.03	ZT - GE08H
F.EDAM08	6.807	0.05	ZT - GE08M
F.EDAU08	6.807	0.05	ZT - GE08U
F.EDAZ08	6.827	0.03	ZT - GE08Z
F.EDAH09	6.847	0.01	ZT - GE09H
F.EDAM09	6.872	0.01	ZT - GE08M
F.EDAU09	6.897	0.04	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	0.051	1.73	1.67
F.EDAH07	0.301	1.73	1.42
F.EDAM07	0.550	1.73	1.18
F.EDAU07	0.799	1.73	0.93
F.EDAZ07	1.049	1.73	0.68
F.EDAH08	1.298	1.73	0.43
F.EDAM08	1.547	1.73	0.18
F.EDAU08	1.797	1.73	(0.07)
F.EDAZ08	2.046	1.73	(0.32)
F.EDAH09	2.295	1.73	(0.57)
F.EDAM09	2.545	1.73	(0.82)
F.EDAU09	2.794	1.73	(1.07)

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

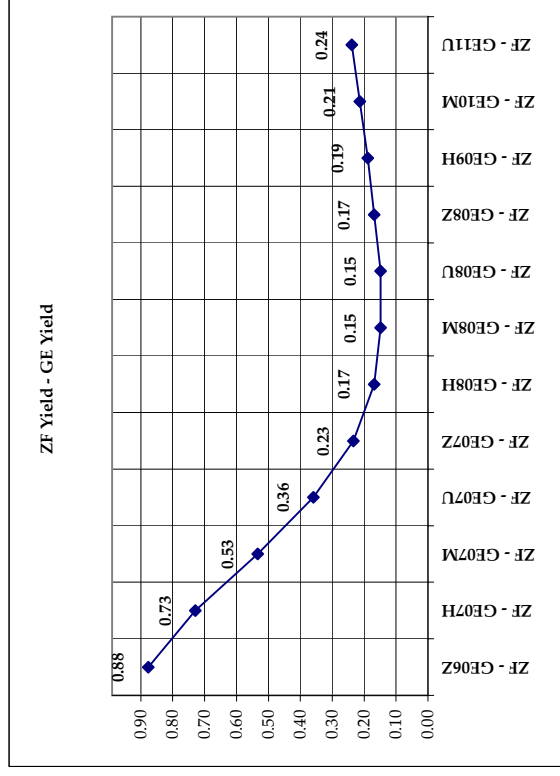
Dirty TED: ZF vs Eurodollar Contracts

ZF

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	11.14	0.88	ZF - GE06Z
F.EDAH07	11.00	0.73	ZF - GE07H
F.EDAM07	10.80	0.53	ZF - GE07M
F.EDAU07	10.63	0.36	ZF - GE07U
F.EDAZ07	10.50	0.23	ZF - GE07Z
F.EDAH08	10.44	0.17	ZF - GE08H
F.EDAM08	10.42	0.15	ZF - GE08M
F.EDAU08	10.42	0.15	ZF - GE08U
F.EDAZ08	10.44	0.17	ZF - GE08Z
F.EDAH09	10.46	0.19	ZF - GE09H
F.EDAM09	10.48	0.21	ZF - GE10M
F.EDAU09	10.51	0.24	ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	Fraction of year	ZF Duration	Spread Duration
F.EDAZ06	0.051	3.79	3.74
F.EDAH07	0.301	3.79	3.49
F.EDAM07	0.550	3.79	3.24
F.EDAU07	0.799	3.79	2.99
F.EDAZ07	1.049	3.79	2.74
F.EDAH08	1.298	3.79	2.49
F.EDAM08	1.547	3.79	2.24
F.EDAU08	1.797	3.79	1.99
F.EDAZ08	2.046	3.79	1.74
F.EDAH09	2.295	3.79	1.49
F.EDAM09	2.545	3.79	1.24
F.EDAU09	2.794	3.79	0.99

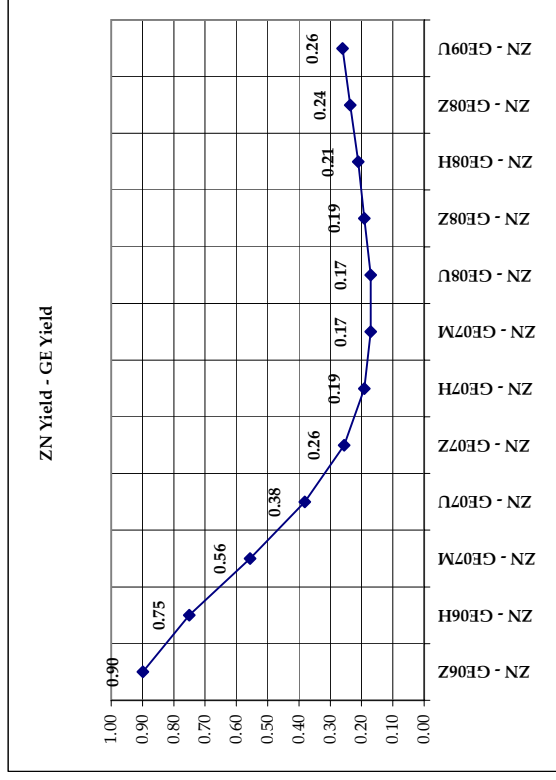
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Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	14.13	0.90	ZN - GE06Z
F.EDAH07	13.98	0.75	ZN - GE06H
F.EDAM07	13.79	0.56	ZN - GE07M
F.EDAU07	13.61	0.38	ZN - GE07U
F.EDAZ07	13.49	0.26	ZN - GE07Z
F.EDAH08	13.42	0.19	ZN - GE07H
F.EDAM08	13.40	0.17	ZN - GE07M
F.EDAU08	13.40	0.17	ZN - GE08U
F.EDAZ08	13.42	0.19	ZN - GE08Z
F.EDAH09	13.44	0.21	ZN - GE08H
F.EDAM09	13.47	0.24	ZN - GE08M
F.EDAU09	13.49	0.26	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	5.70	5.65
F.EDAH07	5.70	5.40
F.EDAM07	5.70	5.15
F.EDAU07	5.70	4.90
F.EDAZ07	5.70	4.65
F.EDAH08	5.70	4.40
F.EDAM08	5.70	4.16
F.EDAU08	5.70	3.91
F.EDAZ08	5.70	3.66
F.EDAH09	5.70	3.41
F.EDAM09	5.70	3.16
F.EDAU09	5.70	2.91

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

TERM TED: 2y vs Eurodollar Contracts

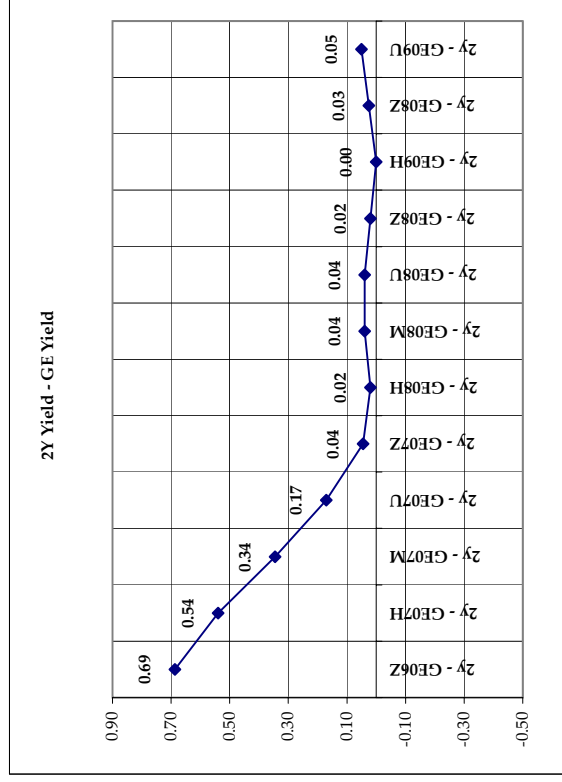
2y

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	5.26	0.69	2y - GE06Z
F.EDAH07	5.11	0.54	2y - GE07H
F.EDAM07	4.92	0.34	2y - GE07M
F.EDAU07	4.74	0.17	2y - GE07U
F.EDAZ07	4.62	0.04	2y - GE07Z
F.EDAH08	4.55	0.02	2y - GE08H
F.EDAM08	4.53	0.04	2y - GE08M
F.EDAU08	4.53	0.04	2y - GE08U
F.EDAZ08	4.55	0.02	2y - GE08Z
F.EDAH09	4.57	0.00	2y - GE09H
F.EDAM09	4.60	0.03	2y - GE09M
F.EDAU09	4.62	0.05	2y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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

Based on OLD 2y. will change today
11/29/2007



GE Duration as Fraction of year

	Duration	2Y Duration	Spread
F.EDAZ06	0.051	1.80	1.75
F.EDAH07	0.301	1.80	1.50
F.EDAM07	0.550	1.80	1.25
F.EDAU07	0.799	1.80	1.01
F.EDAZ07	1.049	1.80	0.76
F.EDAH08	1.298	1.80	0.51
F.EDAM08	1.547	1.80	0.26
F.EDAU08	1.797	1.80	0.01
F.EDAZ08	2.046	1.80	(0.24)
F.EDAH09	2.295	1.80	(0.49)
F.EDAM09	2.545	1.80	(0.74)
F.EDAU09	2.794	1.80	(0.99)

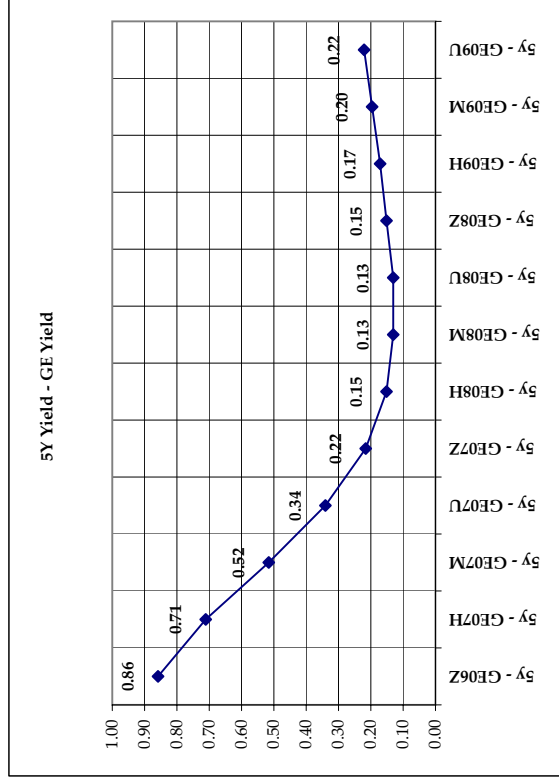
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	5.53	0.86	5y - GE06Z
F.EDAH07	5.38	0.71	5y - GE07H
F.EDAM07	5.19	0.52	5y - GE07M
F.EDAU07	5.01	0.34	5y - GE07U
F.EDAZ07	4.89	0.22	5y - GE07Z
F.EDAH08	4.82	0.15	5y - GE08H
F.EDAM08	4.80	0.13	5y - GE08M
F.EDAU08	4.80	0.13	5y - GE08U
F.EDAZ08	4.82	0.15	5y - GE08Z
F.EDAH09	4.84	0.17	5y - GE09H
F.EDAM09	4.87	0.20	5y - GE09M
F.EDAU09	4.89	0.22	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	0.051	4.34	4.29
F.EDAH07	0.301	4.34	4.04
F.EDAM07	0.550	4.34	3.79
F.EDAU07	0.799	4.34	3.54
F.EDAZ07	1.049	4.34	3.29
F.EDAH08	1.298	4.34	3.04
F.EDAM08	1.547	4.34	2.79
F.EDAU08	1.797	4.34	2.55
F.EDAZ08	2.046	4.34	2.30
F.EDAH09	2.295	4.34	2.05
F.EDAM09	2.545	4.34	1.80
F.EDAU09	2.794	4.34	1.55

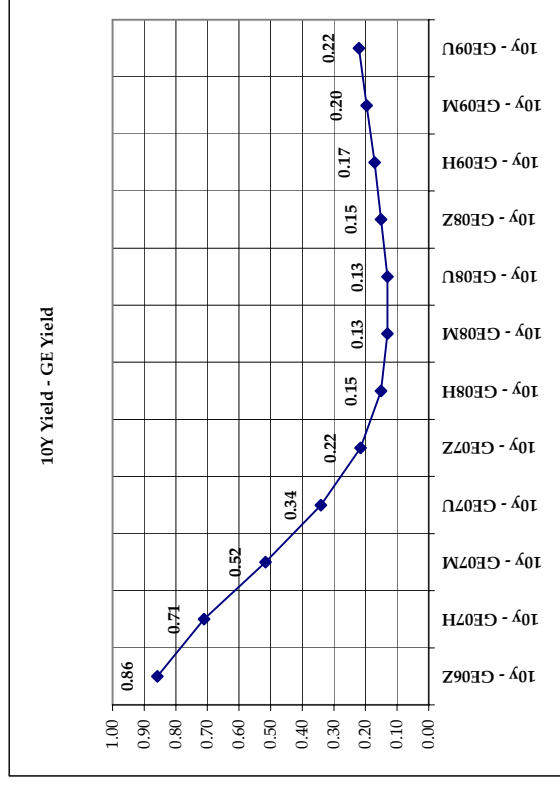
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Yield	Spread	Spread	10y	Spread	Spread	Name
F.EDAZ06	5.53	0.86	0.86	10y - GE06Z				
F.EDAH07	5.38	0.71	0.71	10y - GE07H				
F.EDAM07	5.19	0.52	0.52	10y - GE07M				
F.EDAU07	5.01	0.34	0.34	10y - GE07U				
F.EDAZ07	4.89	0.22	0.22	10y - GE07Z				
F.EDAH08	4.82	0.15	0.15	10y - GE08H				
F.EDAM08	4.80	0.13	0.13	10y - GE08M				
F.EDAU08	4.80	0.13	0.13	10y - GE08U				
F.EDAZ08	4.82	0.15	0.15	10y - GE08Z				
F.EDAH09	4.84	0.17	0.17	10y - GE09H				
F.EDAM09	4.87	0.20	0.20	10y - GE09M				
F.EDAU09	4.89	0.22	0.22	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	0.051	7.91	7.86
F.EDAH07	0.301	7.91	7.61
F.EDAM07	0.550	7.91	7.36
F.EDAU07	0.799	7.91	7.11
F.EDAZ07	1.049	7.91	6.86
F.EDAH08	1.298	7.91	6.61
F.EDAM08	1.547	7.91	6.36
F.EDAU08	1.797	7.91	6.11
F.EDAZ08	2.046	7.91	5.86
F.EDAH09	2.295	7.91	5.61
F.EDAM09	2.545	7.91	5.36
F.EDAU09	2.794	7.91	5.11

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