

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	102.2344	102.075	4.662
ZF	105.6406	105.205	4.525
ZN	108.2969	108.095	4.579
Blank			
2y	100.375	100.1200	4.670
5y	100.110	100.0352	4.547
10y	102.055	102.0176	4.594

*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	94.640	5.360	45	0.123	DEC	White Pack
F.EDAH07	94.810	5.190	136	0.372	MAR	
F.EDAM07	94.985	5.015	227	0.621	JUN	
F.EDAU07	95.155	4.845	318	0.871	SEP	Red Pack
F.EDAZ07	95.260	4.740	409	1.120	DEC	
F.EDAH08	95.285	4.715	500	1.369	MAR	
F.EDAM08	95.270	4.730	591	1.619	JUN	Green Pack
F.EDAU08	95.245	4.755	682	1.868	SEP	
F.EDAZ08	95.210	4.790	773	2.117	DEC	
F.EDAH09	95.180	4.820	864	2.366	MAR	Green Pack
F.EDAM09	95.150	4.850	955	2.616	JUN	
F.EDAU09	95.115	4.885	1046	2.865	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.

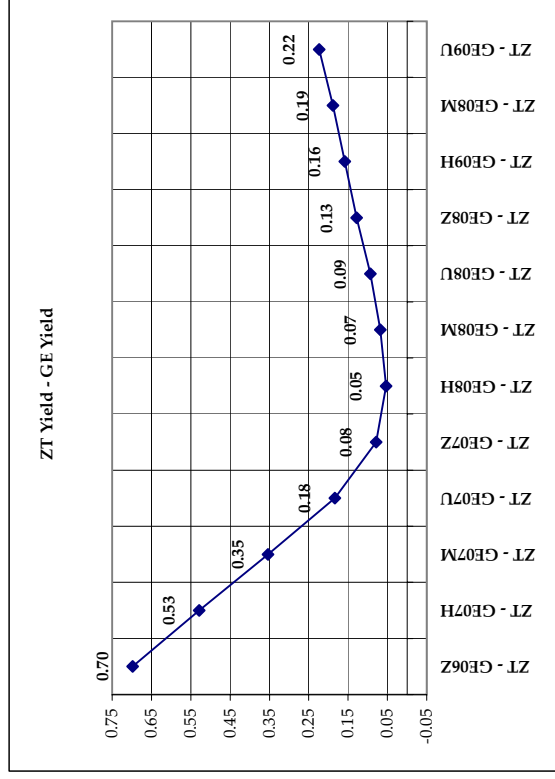
igoulding@ghco.com

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	7.594	0.70	ZT - GE06Z
F.EDAH07	7.424	0.53	ZT - GE07H
F.EDAM07	7.249	0.35	ZT - GE07M
F.EDAU07	7.079	0.18	ZT - GE07U
F.EDAZ07	6.974	0.08	ZT - GE07Z
F.EDAH08	6.949	0.05	ZT - GE08H
F.EDAM08	6.964	0.07	ZT - GE08M
F.EDAU08	6.989	0.09	ZT - GE08U
F.EDAZ08	7.024	0.13	ZT - GE08Z
F.EDAH09	7.054	0.16	ZT - GE09H
F.EDAM09	7.084	0.19	ZT - GE09M
F.EDAU09	7.119	0.22	ZT - GE09U
Price = Outright Decimal Price - Euro Contract Price			
Yield = ABS(Proxy Yield - Implied Euro Contract yield)			



GE Duration as Fraction of year	ZT		Spread Duration
	Duration	Duration	
F.EDAZ06	0.123	1.79	1.67
F.EDAH07	0.372	1.79	1.42
F.EDAM07	0.621	1.79	1.17
F.EDAU07	0.871	1.79	0.92
F.EDAZ07	1.120	1.79	0.67
F.EDAH08	1.369	1.79	0.42
F.EDAM08	1.619	1.79	0.17
F.EDAU08	1.868	1.79	(0.08)
F.EDAZ08	2.117	1.79	(0.33)
F.EDAH09	2.366	1.79	(0.58)
F.EDAM09	2.616	1.79	(0.83)
F.EDAU09	2.865	1.79	(1.08)

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

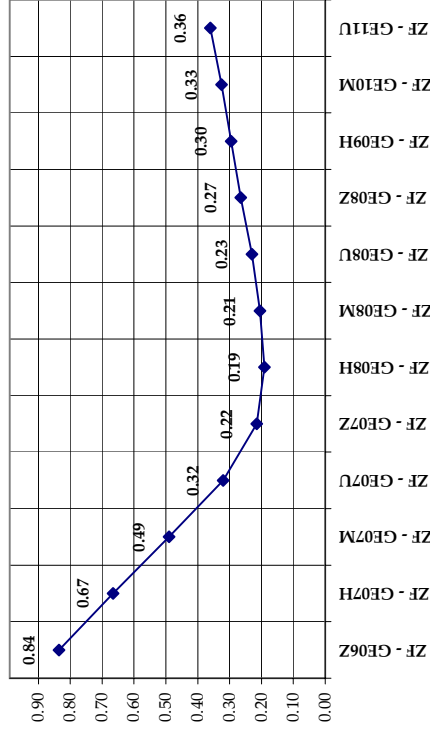
Dirty TED: ZF vs Eurodollar Contracts

	ZF	
	Spread Price	Spread Yield Name
F.EDAZ06	11.00	0.84 ZF - GE06Z
F.EDAH07	10.83	0.67 ZF - GE07H
F.EDAM07	10.66	0.49 ZF - GE07M
F.EDAU07	10.49	0.32 ZF - GE07U
F.EDAZ07	10.38	0.22 ZF - GE07Z
F.EDAH08	10.36	0.19 ZF - GE08H
F.EDAM08	10.37	0.21 ZF - GE08M
F.EDAU08	10.40	0.23 ZF - GE08U
F.EDAZ08	10.43	0.27 ZF - GE08Z
F.EDAH09	10.46	0.30 ZF - GE09H
F.EDAM09	10.49	0.33 ZF - GE10M
F.EDAU09	10.53	0.36 ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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

ZF Yield - GE Yield



GE Duration as Fraction of year	ZF	
	Duration	Spread Duration
F.EDAZ06	0.123	3.85 ZF - GE06Z
F.EDAH07	0.372	3.85 ZF - GE07H
F.EDAM07	0.621	3.85 ZF - GE07M
F.EDAU07	0.871	3.85 ZF - GE07U
F.EDAZ07	1.120	3.85 ZF - GE07Z
F.EDAH08	1.369	3.85 ZF - GE08H
F.EDAM08	1.619	3.85 ZF - GE08M
F.EDAU08	1.868	3.85 ZF - GE08U
F.EDAZ08	2.117	3.85 ZF - GE08Z
F.EDAH09	2.366	3.85 ZF - GE09H
F.EDAM09	2.616	3.85 ZF - GE10M
F.EDAU09	2.865	3.85 ZF - GE11U

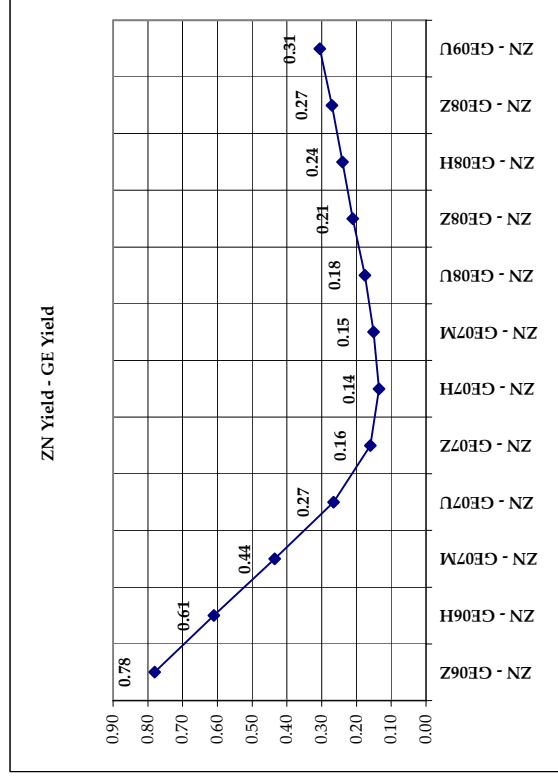
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	13.66	0.78	ZN - GE06Z
F.EDAH07	13.49	0.61	ZN - GE06H
F.EDAM07	13.31	0.44	ZN - GE07M
F.EDAU07	13.14	0.27	ZN - GE07U
F.EDAZ07	13.04	0.16	ZN - GE07Z
F.EDAH08	13.01	0.14	ZN - GE07H
F.EDAM08	13.03	0.15	ZN - GE07M
F.EDAU08	13.05	0.18	ZN - GE08U
F.EDAZ08	13.09	0.21	ZN - GE08Z
F.EDAH09	13.12	0.24	ZN - GE08H
F.EDAM09	13.15	0.27	ZN - GE08M
F.EDAU09	13.18	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	0.123	5.76	5.64
F.EDAH07	0.372	5.76	5.39
F.EDAM07	0.621	5.76	5.14
F.EDAU07	0.871	5.76	4.89
F.EDAZ07	1.120	5.76	4.64
F.EDAH08	1.369	5.76	4.39
F.EDAM08	1.619	5.76	4.14
F.EDAU08	1.868	5.76	3.89
F.EDAZ08	2.117	5.76	3.64
F.EDAH09	2.366	5.76	3.39
F.EDAM09	2.616	5.76	3.14
F.EDAU09	2.865	5.76	2.89

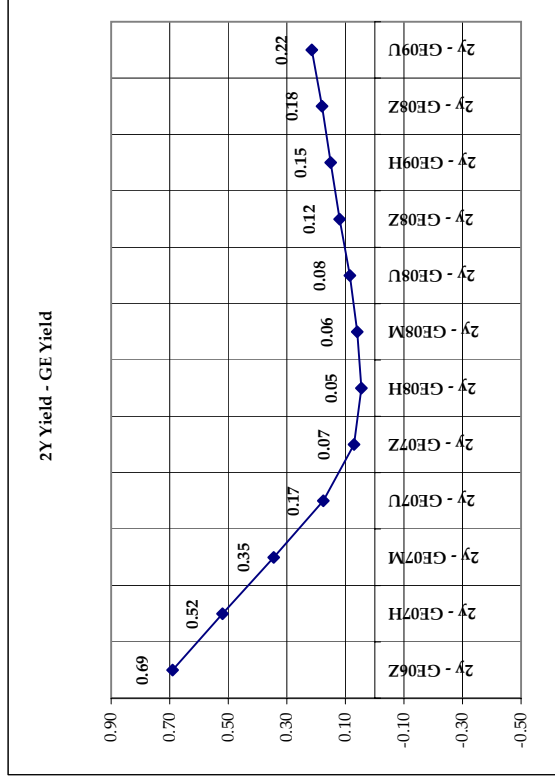
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.74	0.69	2y - GE06Z
F.EDAH07	5.57	0.52	2y - GE07H
F.EDAM07	5.39	0.35	2y - GE07M
F.EDAU07	5.22	0.17	2y - GE07U
F.EDAZ07	5.12	0.07	2y - GE07Z
F.EDAH08	5.09	0.05	2y - GE08H
F.EDAM08	5.11	0.06	2y - GE08M
F.EDAU08	5.13	0.08	2y - GE08U
F.EDAZ08	5.17	0.12	2y - GE08Z
F.EDAH09	5.20	0.15	2y - GE09H
F.EDAM09	5.23	0.18	2y - GE09M
F.EDAU09	5.26	0.22	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	0.123	1.75
F.EDAH07	0.372	1.50
F.EDAM07	0.621	1.25
F.EDAU07	0.871	1.00
F.EDAZ07	1.120	0.75
F.EDAH08	1.369	0.50
F.EDAM08	1.619	0.25
F.EDAU08	1.868	0.00
F.EDAZ08	2.117	(0.25)
F.EDAH09	2.366	(0.50)
F.EDAM09	2.616	(0.75)
F.EDAU09	2.865	(1.00)

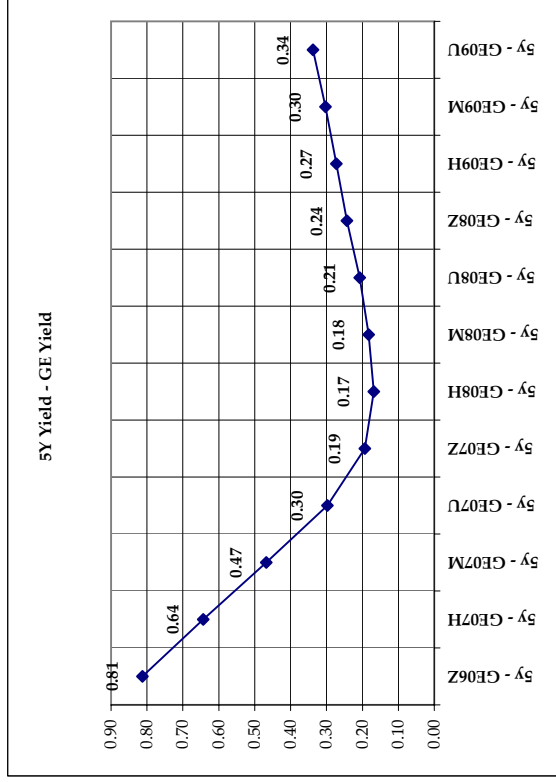
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TERM TED: 5y vs Eurodollar Contracts

	5y	
	Spread Price	Spread Yield
	Price	Yield
	Spread	Spread
	Price	Yield
	Name	Name
F.EDAZ06	5.47	0.81
F.EDAH07	5.30	0.64
F.EDAM07	5.13	0.47
F.EDAU07	4.96	0.30
F.EDAZ07	4.85	0.19
F.EDAH08	4.83	0.17
F.EDAM08	4.84	0.18
F.EDAU08	4.86	0.21
F.EDAZ08	4.90	0.24
F.EDAH09	4.93	0.27
F.EDAM09	4.96	0.30
F.EDAU09	5.00	0.34

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	5Y		Spread Duration
	Duration	Duration	
F.EDAZ06	0.123	4.41	4.28
F.EDAH07	0.372	4.41	4.03
F.EDAM07	0.621	4.41	3.78
F.EDAU07	0.871	4.41	3.53
F.EDAZ07	1.120	4.41	3.29
F.EDAH08	1.369	4.41	3.04
F.EDAM08	1.619	4.41	2.79
F.EDAU08	1.868	4.41	2.54
F.EDAZ08	2.117	4.41	2.29
F.EDAH09	2.366	4.41	2.04
F.EDAM09	2.616	4.41	1.79
F.EDAU09	2.865	4.41	1.54

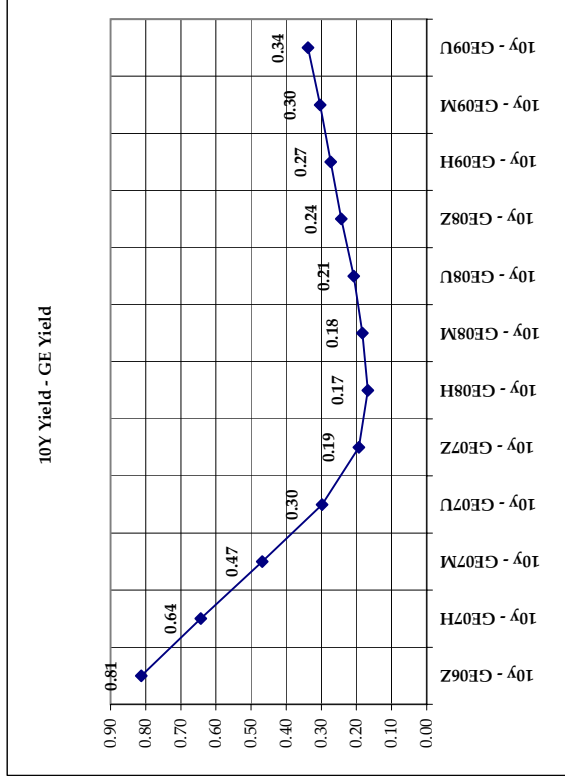
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAZ06	5.47	0.81	10y - GE06Z
F.EDAH07	5.30	0.64	10y - GE07H
F.EDAM07	5.13	0.47	10y - GE07M
F.EDAU07	4.96	0.30	10y - GE07U
F.EDAZ07	4.85	0.19	10y - GE07Z
F.EDAH08	4.83	0.17	10y - GE08H
F.EDAM08	4.84	0.18	10y - GE08M
F.EDAU08	4.86	0.21	10y - GE08U
F.EDAZ08	4.90	0.24	10y - GE08Z
F.EDAH09	4.93	0.27	10y - GE09H
F.EDAM09	4.96	0.30	10y - GE09M
F.EDAU09	5.00	0.34	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	0.123	7.54
F.EDAH07	0.372	7.29
F.EDAM07	0.621	7.04
F.EDAU07	0.871	6.79
F.EDAZ07	1.120	6.54
F.EDAH08	1.369	6.29
F.EDAM08	1.619	6.04
F.EDAU08	1.868	5.79
F.EDAZ08	2.117	5.54
F.EDAH09	2.366	5.29
F.EDAM09	2.616	5.04
F.EDAU09	2.865	4.79

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