

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	102.0781	102.025	4.776
ZF	105.1250	105.040	4.694
ZN	107.4219	107.135	4.713
Blank			
2y	#VALUE!	#VALUE!	4.767
5y	99.072	99.0230	4.674
10y	101.060	101.0192	4.720

MDuration
1.86
0.18
0.17
1.86
0.21
0.17

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.635	5.365	69	0.188	DEC	Whites
F.EDAH07	94.760	5.240	160	0.438	MAR	
F.EDAM07	94.900	5.100	251	0.687	JUN	
F.EDAU07	95.030	4.970	342	0.936	SEP	Reds
F.EDAZ07	95.100	4.900	433	1.186	DEC	
F.EDAH08	95.115	4.885	524	1.435	MAR	
F.EDAM08	95.100	4.900	615	1.684	JUN	Greens
F.EDAU08	95.070	4.930	706	1.934	SEP	
F.EDAZ08	95.025	4.975	797	2.183	DEC	
F.EDAH09	94.995	5.005	888	2.432	MAR	
F.EDAM09	94.965	5.035	979	2.682	JUN	
F.EDAU09	94.930	5.070	1070	2.931	SEP	

*Futures use CTD for Last Yield

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

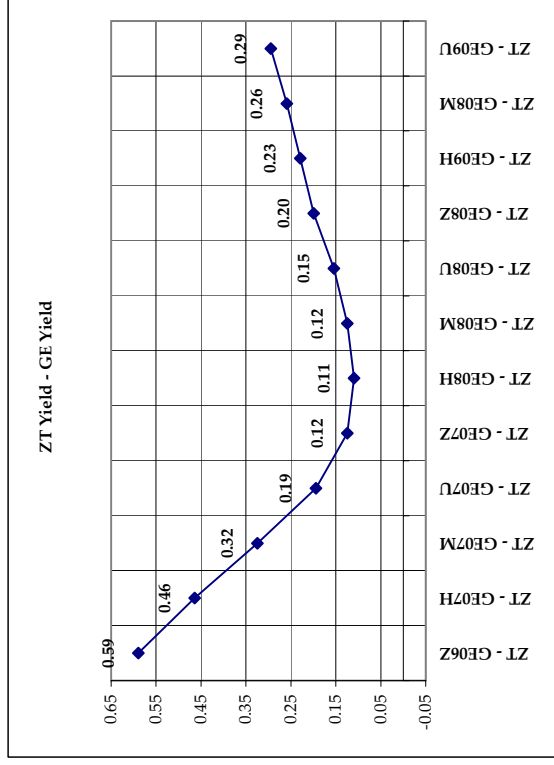
ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.443	0.59	ZT - GE06Z
F.EDAH07	7.318	0.46	ZT - GE07H
F.EDAM07	7.178	0.32	ZT - GE07M
F.EDAU07	7.048	0.19	ZT - GE07U
F.EDAZ07	6.978	0.12	ZT - GE07Z
F.EDAH08	6.963	0.11	ZT - GE08H
F.EDAM08	6.978	0.12	ZT - GE08M
F.EDAU08	7.008	0.15	ZT - GE08U
F.EDAZ08	7.053	0.20	ZT - GE08Z
F.EDAH09	7.083	0.23	ZT - GE09H
F.EDAM09	7.113	0.26	ZT - GE09M
F.EDAU09	7.148	0.29	ZT - GE09U

Last = Outright ZT Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)



GE Duration as Fraction of year	ZT Duration	Spread Duration
F.EDAZ06	0.188	1.86
F.EDAH07	0.438	1.86
F.EDAM07	0.687	1.86
F.EDAU07	0.936	1.86
F.EDAZ07	1.186	1.86
F.EDAH08	1.435	1.86
F.EDAM08	1.684	1.86
F.EDAU08	1.934	1.86
F.EDAZ08	2.183	1.86
F.EDAH09	2.432	1.86
F.EDAM09	2.682	1.86
F.EDAU09	2.931	1.86

The farther away from 0 the spread duration is

the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

ZF

Spread Price Spread Spread Yield Name

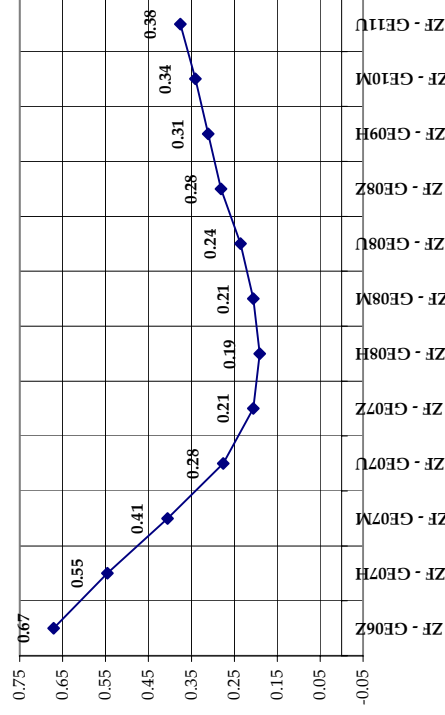
Spread Price	Spread Yield	Spread Name
F.EDAZ06	10.49	0.67 ZF - GE06Z
F.EDAH07	10.37	0.55 ZF - GE07H
F.EDAM07	10.23	0.41 ZF - GE07M
F.EDAU07	10.10	0.28 ZF - GE07U
F.EDAZ07	10.03	0.21 ZF - GE07Z
F.EDAH08	10.01	0.19 ZF - GE08H
F.EDAM08	10.03	0.21 ZF - GE08M
F.EDAU08	10.06	0.24 ZF - GE08U
F.EDAZ08	10.10	0.28 ZF - GE08Z
F.EDAH09	10.13	0.31 ZF - GE09H
F.EDAM09	10.16	0.34 ZF - GE10M
F.EDAU09	10.20	0.38 ZF - GE11U

Last = Outright ZF Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)

ZF Yield - GE Yield



GE Duration as

Fraction of year

ZF Duration

Spread Duration

Fraction of year	ZF Duration	Spread Duration
F.EDAZ06	0.188	(0.01) ZF - GE06Z
F.EDAH07	0.438	(0.26) ZF - GE07H
F.EDAM07	0.687	(0.51) ZF - GE07M
F.EDAU07	0.936	(0.75) ZF - GE07U
F.EDAZ07	1.186	(1.00) ZF - GE07Z
F.EDAH08	1.435	(1.25) ZF - GE08H
F.EDAM08	1.684	(1.50) ZF - GE08M
F.EDAU08	1.934	(1.75) ZF - GE08U
F.EDAZ08	2.183	(2.00) ZF - GE08Z
F.EDAH09	2.432	(2.25) ZF - GE09H
F.EDAM09	2.682	(2.50) ZF - GE10M
F.EDAU09	2.931	(2.75) ZF - GE11U

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

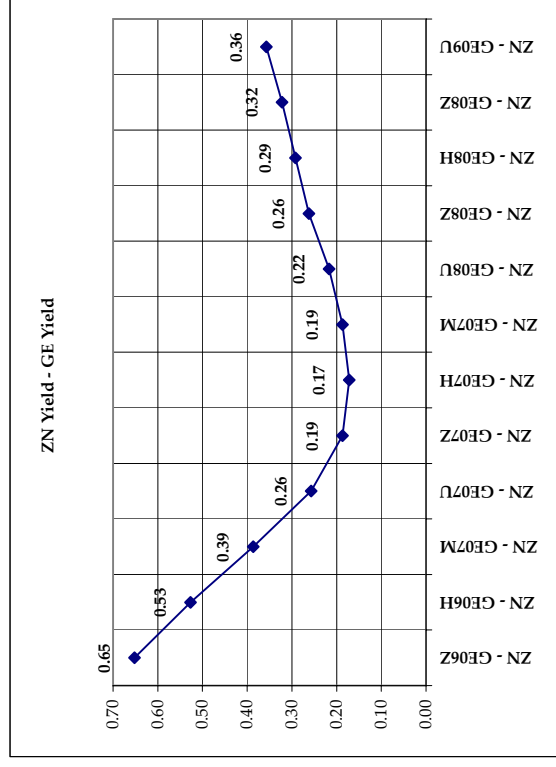
Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Yield	Spread Yield	Spread Name
F.EDAZ06	12.79	0.65	ZN - GE06Z	
F.EDAH07	12.66	0.53	ZN - GE06H	
F.EDAM07	12.52	0.39	ZN - GE07M	
F.EDAU07	12.39	0.26	ZN - GE07U	
F.EDAZ07	12.32	0.19	ZN - GE07Z	
F.EDAH08	12.31	0.17	ZN - GE07H	
F.EDAM08	12.32	0.19	ZN - GE07M	
F.EDAU08	12.35	0.22	ZN - GE08U	
F.EDAZ08	12.40	0.26	ZN - GE08Z	
F.EDAH09	12.43	0.29	ZN - GE08H	
F.EDAM09	12.46	0.32	ZN - GE08Z	
F.EDAU09	12.49	0.36	ZN - GE09U	

Last = Outright ZN Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)



GE Duration as Fraction of year	ZN Duration	Spread Duration
F.EDAZ06	0.188	(0.02)
F.EDAH07	0.438	(0.27)
F.EDAM07	0.687	(0.52)
F.EDAU07	0.936	(0.77)
F.EDAZ07	1.186	(1.02)
F.EDAH08	1.435	(1.27)
F.EDAM08	1.684	(1.52)
F.EDAU08	1.934	(1.77)
F.EDAZ08	2.183	(2.02)
F.EDAH09	2.432	(2.27)
F.EDAM09	2.682	(2.52)
F.EDAU09	2.931	(2.76)

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

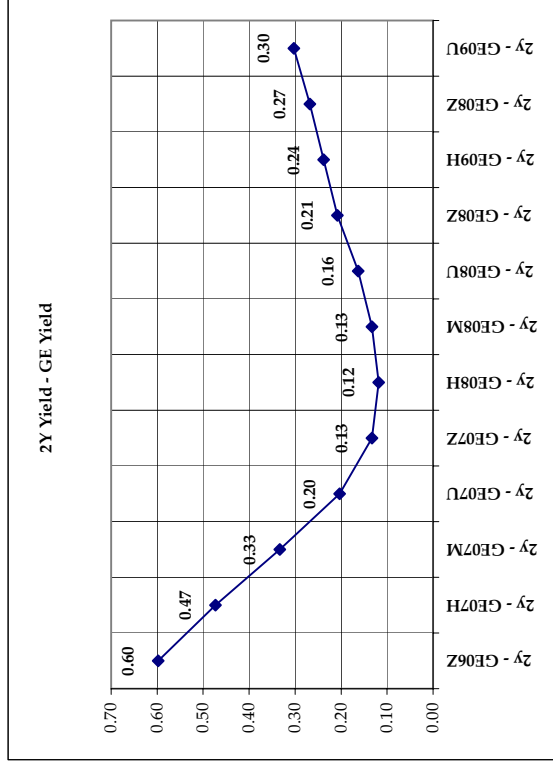
TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	#VALUE!	0.60	2y - GE06Z
F.EDAH07	#VALUE!	0.47	2y - GE07H
F.EDAM07	#VALUE!	0.33	2y - GE07M
F.EDAU07	#VALUE!	0.20	2y - GE07U
F.EDAZ07	#VALUE!	0.13	2y - GE07Z
F.EDAH08	#VALUE!	0.12	2y - GE08H
F.EDAM08	#VALUE!	0.13	2y - GE08M
F.EDAU08	#VALUE!	0.16	2y - GE08U
F.EDAZ08	#VALUE!	0.21	2y - GE08Z
F.EDAH09	#VALUE!	0.24	2y - GE09H
F.EDAM09	#VALUE!	0.27	2y - GE09M
F.EDAU09	#VALUE!	0.30	2y - GE09U

Last = Outright 2y Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)



GE Duration as Fraction of year	2Y Duration	Spread Duration
F.EDAZ06	0.188	1.67
F.EDAH07	0.438	1.42
F.EDAM07	0.687	1.17
F.EDAU07	0.936	0.92
F.EDAZ07	1.186	0.67
F.EDAH08	1.435	0.42
F.EDAM08	1.684	0.17
F.EDAU08	1.934	(0.08)
F.EDAZ08	2.183	(0.32)
F.EDAH09	2.432	(0.57)
F.EDAM09	2.682	(0.82)
F.EDAU09	2.931	(1.07)

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

TERM TED: 5y vs Eurodollar Contracts

5y

Spread Price Spread Spread
Yield Name

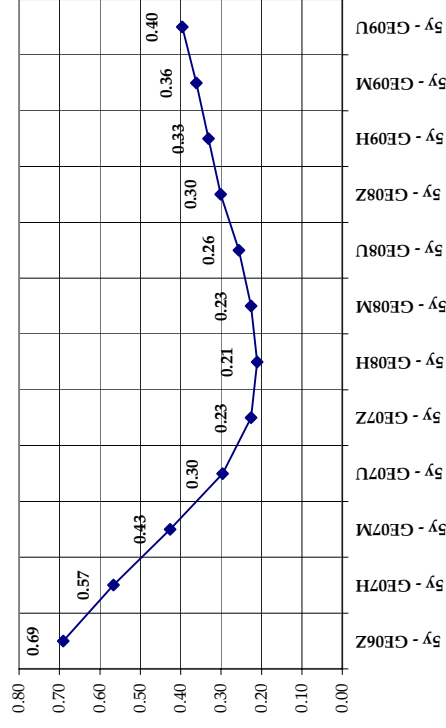
	Spread	Price	Spread	Spread	Yield	Name
F.EDAZ06	#REF!				0.69	5y - GE06Z
F.EDAH07	#REF!				0.57	5y - GE07H
F.EDAM07	#REF!				0.43	5y - GE07M
F.EDAU07	#REF!				0.30	5y - GE07U
F.EDAZ07	#REF!				0.23	5y - GE07Z
F.EDAH08	#REF!				0.21	5y - GE08H
F.EDAM08	#REF!				0.23	5y - GE08M
F.EDAU08	#REF!				0.26	5y - GE08U
F.EDAZ08	#REF!				0.30	5y - GE08Z
F.EDAH09	#REF!				0.33	5y - GE09H
F.EDAM09	#REF!				0.36	5y - GE09M
F.EDAU09	#REF!				0.40	5y - GE09U

Last = Outright 5y Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)

5Y Yield - GE Yield



GE Duration as Fraction of year

	GE Duration as Fraction of year	5Y Duration	Spread	Duration
F.EDAZ06	0.188	0.21	0.02	5y - GE06Z
F.EDAH07	0.438	0.21	(0.23)	5y - GE07H
F.EDAM07	0.687	0.21	(0.48)	5y - GE07M
F.EDAU07	0.936	0.21	(0.73)	5y - GE07U
F.EDAZ07	1.186	0.21	(0.98)	5y - GE07Z
F.EDAH08	1.435	0.21	(1.23)	5y - GE08H
F.EDAM08	1.684	0.21	(1.48)	5y - GE08M
F.EDAU08	1.934	0.21	(1.73)	5y - GE08U
F.EDAZ08	2.183	0.21	(1.98)	5y - GE08Z
F.EDAH09	2.432	0.21	(2.23)	5y - GE09H
F.EDAM09	2.682	0.21	(2.48)	5y - GE09M
F.EDAU09	2.931	0.21	(2.73)	5y - GE09U

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

TERM TED: 10y vs Eurodollar Contracts

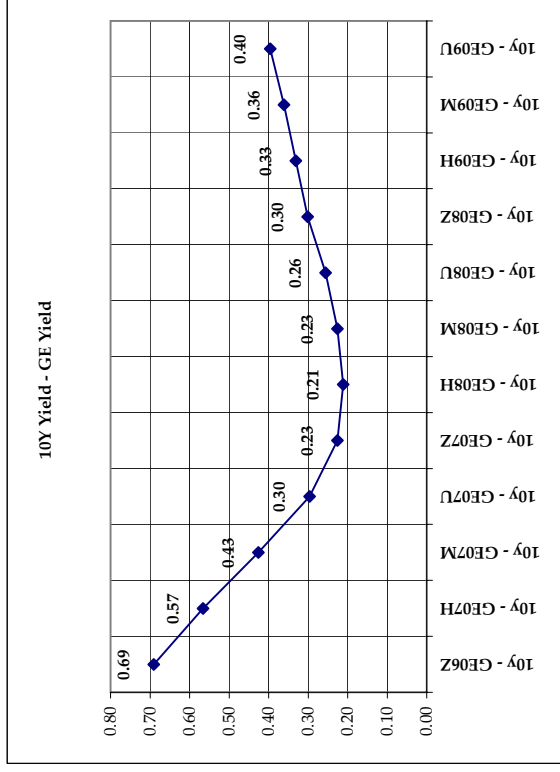
10y

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.44	0.69	10y - GE06Z
F.EDAH07	4.31	0.57	10y - GE07H
F.EDAM07	4.17	0.43	10y - GE07M
F.EDAU07	4.04	0.30	10y - GE07U
F.EDAZ07	3.97	0.23	10y - GE07Z
F.EDAH08	3.96	0.21	10y - GE08H
F.EDAM08	3.97	0.23	10y - GE08M
F.EDAU08	4.00	0.26	10y - GE08U
F.EDAZ08	4.05	0.30	10y - GE08Z
F.EDAH09	4.08	0.33	10y - GE09H
F.EDAM09	4.11	0.36	10y - GE09M
F.EDAU09	4.14	0.40	10y - GE09U

Last = Outright 10y Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)



GE Duration as Fraction of year	10Y Duration	Spread Duration
F.EDAZ06	0.188	(0.02) 10y - GE06Z
F.EDAH07	0.438	(0.27) 10y - GE07H
F.EDAM07	0.687	(0.52) 10y - GE07M
F.EDAU07	0.936	(0.77) 10y - GE07U
F.EDAZ07	1.186	(1.02) 10y - GE07Z
F.EDAH08	1.435	(1.27) 10y - GE08H
F.EDAM08	1.684	(1.52) 10y - GE08M
F.EDAU08	1.934	(1.77) 10y - GE08U
F.EDAZ08	2.183	(2.02) 10y - GE08Z
F.EDAH09	2.432	(2.27) 10y - GE09H
F.EDAM09	2.682	(2.52) 10y - GE09M
F.EDAU09	2.931	(2.77) 10y - GE09U

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