

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last Yield*	MDuration
ZT	102.0688	4.784	1.86
ZF	105.0781		#VALUE!
ZN	107.3438	4.738	5.82
Blank			
2y	99.703	4.780	1.86
5y	99.062	4.683	4.39
10y	101.035	4.730	7.71

*Futures use CTD for Last Yield

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.635	5.365	68	0.186	DEC	Whites
F.EDAH07	94.755	5.245	159	0.435	MAR	
F.EDAM07	94.895	5.105	250	0.684	JUN	
F.EDAU07	95.020	4.980	341	0.934	SEP	Reds
F.EDAZ07	95.085	4.915	432	1.183	DEC	
F.EDAH08	95.105	4.895	523	1.432	MAR	
F.EDAM08	95.085	4.915	614	1.682	JUN	Greens
F.EDAU08	95.065	4.935	705	1.931	SEP	
F.EDAZ08	95.025	4.975	796	2.180	DEC	
F.EDAH09	94.995	5.005	887	2.430	MAR	
F.EDAM09	94.945	5.055	978	2.679	JUN	
F.EDAU09	94.900	5.100	1069	2.928	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

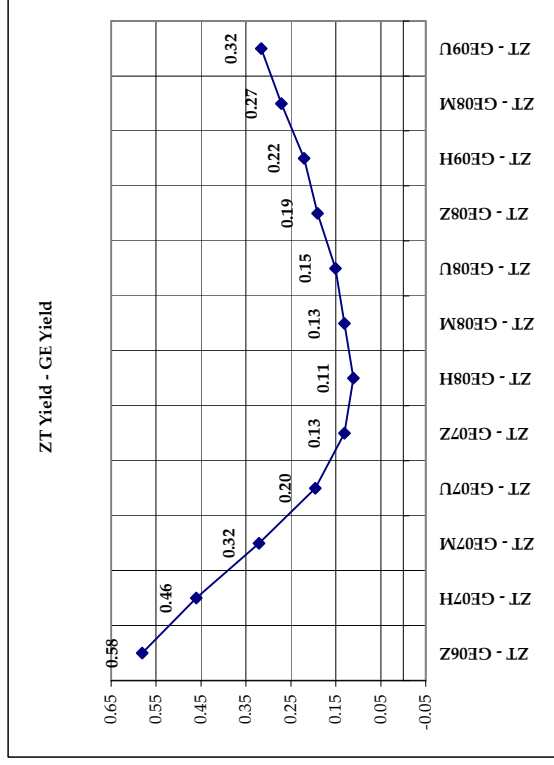
Dirty TED: ZT vs Eurodollar Contracts

		ZT	
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.434	0.58	ZT - GE06Z
F.EDAH07	7.314	0.46	ZT - GE07H
F.EDAM07	7.174	0.32	ZT - GE07M
F.EDAU07	7.049	0.20	ZT - GE07U
F.EDAZ07	6.984	0.13	ZT - GE07Z
F.EDAH08	6.964	0.11	ZT - GE08H
F.EDAM08	6.984	0.13	ZT - GE08M
F.EDAU08	7.004	0.15	ZT - GE08U
F.EDAZ08	7.044	0.19	ZT - GE08Z
F.EDAH09	7.074	0.22	ZT - GE09H
F.EDAM09	7.124	0.27	ZT - GE08M
F.EDAU09	7.169	0.32	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		Spread Duration
	Duration	Yield	
F.EDAZ06	0.186	1.86	1.67
F.EDAH07	0.435	1.86	1.42
F.EDAM07	0.684	1.86	1.17
F.EDAU07	0.934	1.86	0.92
F.EDAZ07	1.183	1.86	0.67
F.EDAH08	1.432	1.86	0.42
F.EDAM08	1.682	1.86	0.17
F.EDAU08	1.931	1.86	(0.08)
F.EDAZ08	2.180	1.86	(0.32)
F.EDAH09	2.430	1.86	(0.57)
F.EDAM09	2.679	1.86	(0.82)
F.EDAU09	2.928	1.86	(1.07)

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



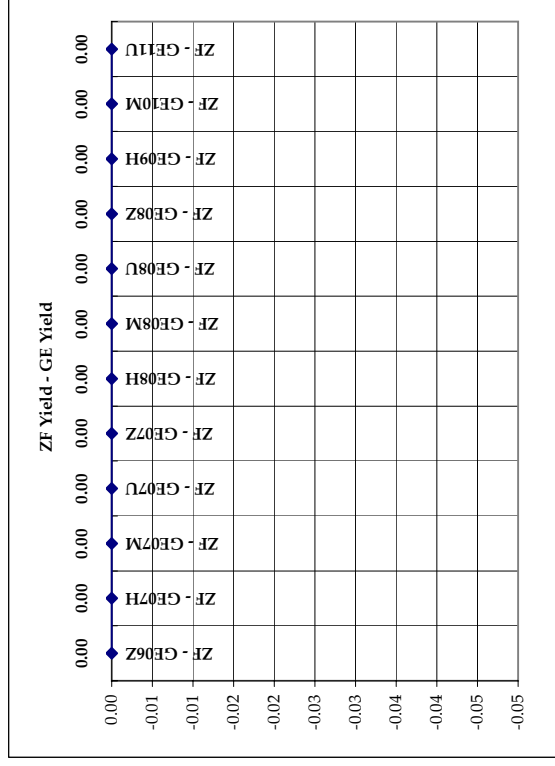
ZF

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	10.44	#VALUE!	ZF - GE06Z
F.EDAH07	10.32	#VALUE!	ZF - GE07H
F.EDAM07	10.18	#VALUE!	ZF - GE07M
F.EDAU07	10.06	#VALUE!	ZF - GE07U
F.EDAZ07	9.99	#VALUE!	ZF - GE07Z
F.EDAH08	9.97	#VALUE!	ZF - GE08H
F.EDAM08	9.99	#VALUE!	ZF - GE08M
F.EDAU08	10.01	#VALUE!	ZF - GE08U
F.EDAZ08	10.05	#VALUE!	ZF - GE08Z
F.EDAH09	10.08	#VALUE!	ZF - GE09H
F.EDAM09	10.13	#VALUE!	ZF - GE10M
F.EDAU09	10.18	#VALUE!	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)



GE Duration as Fraction of year

	Duration	ZF Duration	Spread Duration
F.EDAZ06	0.186	#VALUE!	#VALUE!
F.EDAH07	0.435	#VALUE!	#VALUE!
F.EDAM07	0.684	#VALUE!	#VALUE!
F.EDAU07	0.934	#VALUE!	#VALUE!
F.EDAZ07	1.183	#VALUE!	#VALUE!
F.EDAH08	1.432	#VALUE!	#VALUE!
F.EDAM08	1.682	#VALUE!	#VALUE!
F.EDAU08	1.931	#VALUE!	#VALUE!
F.EDAZ08	2.180	#VALUE!	#VALUE!
F.EDAH09	2.430	#VALUE!	#VALUE!
F.EDAM09	2.679	#VALUE!	#VALUE!
F.EDAU09	2.928	#VALUE!	#VALUE!

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

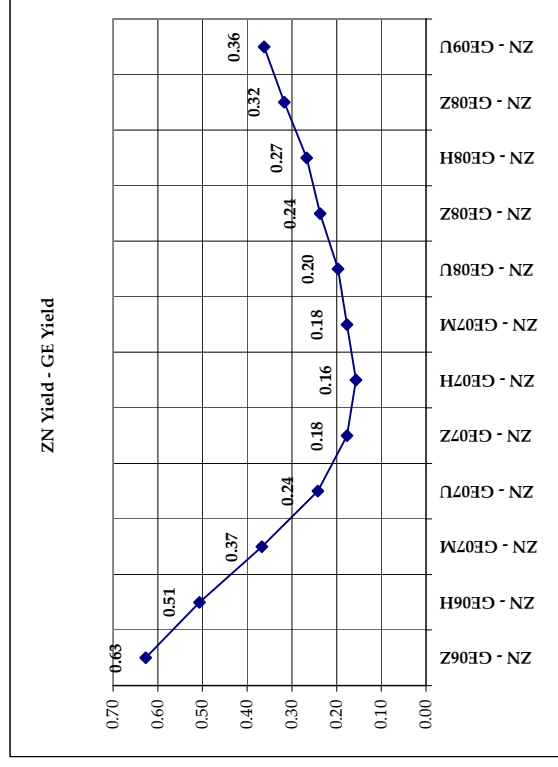
Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Yield	Spread Yield	Spread Name
F.EDAZ06	12.71	0.63	ZN - GE06Z	
F.EDAH07	12.59	0.51	ZN - GE06H	
F.EDAM07	12.45	0.37	ZN - GE07M	
F.EDAU07	12.32	0.24	ZN - GE07U	
F.EDAZ07	12.26	0.18	ZN - GE07Z	
F.EDAH08	12.24	0.16	ZN - GE07H	
F.EDAM08	12.26	0.18	ZN - GE07M	
F.EDAU08	12.28	0.20	ZN - GE08U	
F.EDAZ08	12.32	0.24	ZN - GE08Z	
F.EDAH09	12.35	0.27	ZN - GE08H	
F.EDAM09	12.40	0.32	ZN - GE08M	
F.EDAU09	12.44	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	0.186	5.82	5.63
F.EDAH07	0.435	5.82	5.38
F.EDAM07	0.684	5.82	5.13
F.EDAU07	0.934	5.82	4.88
F.EDAZ07	1.183	5.82	4.63
F.EDAH08	1.432	5.82	4.38
F.EDAM08	1.682	5.82	4.14
F.EDAU08	1.931	5.82	3.89
F.EDAZ08	2.180	5.82	3.64
F.EDAH09	2.430	5.82	3.39
F.EDAM09	2.679	5.82	3.14
F.EDAU09	2.928	5.82	2.89

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

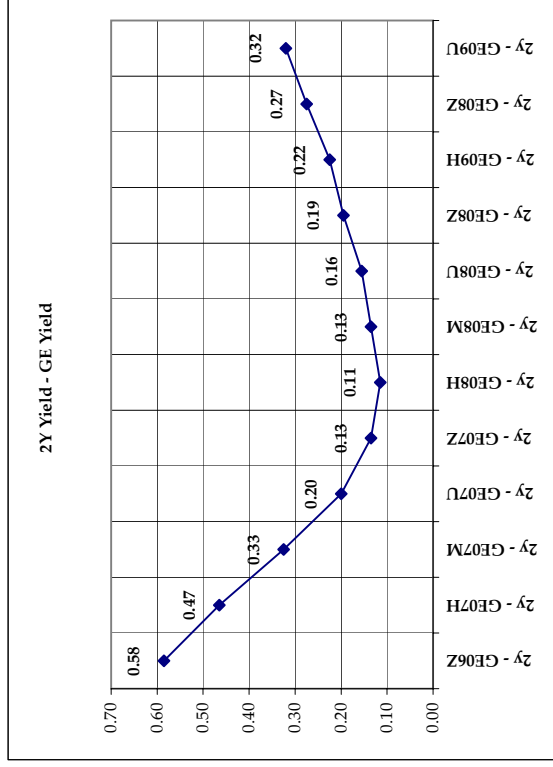
TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Yield	Spread Yield	Spread Name
F.EDAZ06	5.07	0.58	2y - GE06Z	
F.EDAH07	4.95	0.47	2y - GE07H	
F.EDAM07	4.81	0.33	2y - GE07M	
F.EDAU07	4.68	0.20	2y - GE07U	
F.EDAZ07	4.62	0.13	2y - GE07Z	
F.EDAH08	4.60	0.11	2y - GE08H	
F.EDAM08	4.62	0.13	2y - GE08M	
F.EDAU08	4.64	0.16	2y - GE08U	
F.EDAZ08	4.68	0.19	2y - GE08Z	
F.EDAH09	4.71	0.22	2y - GE09H	
F.EDAM09	4.76	0.27	2y - GE08Z	
F.EDAU09	4.80	0.32	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	0.186	1.67
F.EDAH07	0.435	1.42
F.EDAM07	0.684	1.17
F.EDAU07	0.934	0.92
F.EDAZ07	1.183	0.67
F.EDAH08	1.432	0.42
F.EDAM08	1.682	0.17
F.EDAU08	1.931	(0.08)
F.EDAZ08	2.180	(0.32)
F.EDAH09	2.430	(0.57)
F.EDAM09	2.679	(0.82)
F.EDAU09	2.928	(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 Yield Spread Name

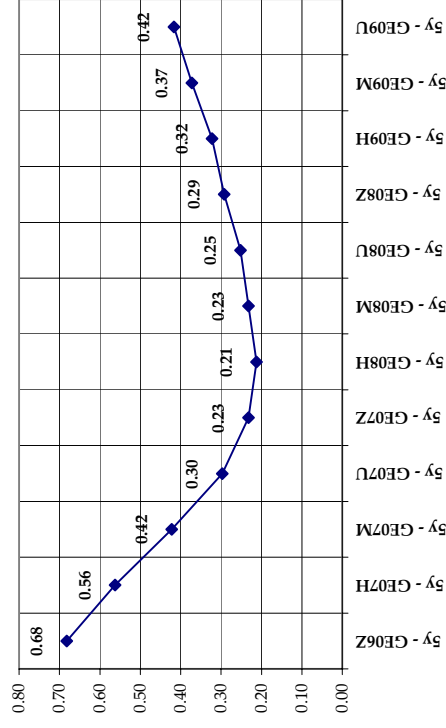
F.EDAZ06	4.43	0.68	5y - GE06Z
F.EDAH07	4.31	0.56	5y - GE07H
F.EDAM07	4.17	0.42	5y - GE07M
F.EDAU07	4.04	0.30	5y - GE07U
F.EDAZ07	3.98	0.23	5y - GE07Z
F.EDAH08	3.96	0.21	5y - GE08H
F.EDAM08	3.98	0.23	5y - GE08M
F.EDAU08	4.00	0.25	5y - GE08U
F.EDAZ08	4.04	0.29	5y - GE08Z
F.EDAH09	4.07	0.32	5y - GE09H
F.EDAM09	4.12	0.37	5y - GE09M
F.EDAU09	4.16	0.42	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

5Y Duration

Spread Duration

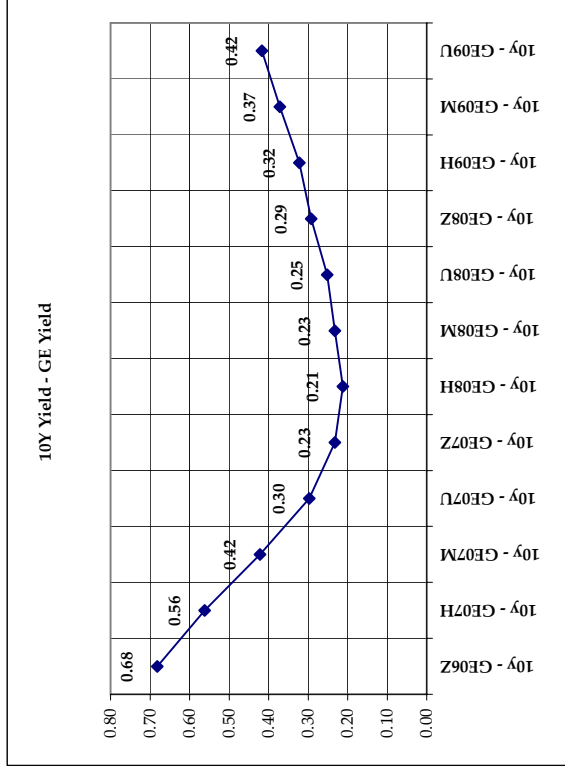
F.EDAZ06	0.186	4.39	4.21	5y - GE06Z
F.EDAH07	0.435	4.39	3.96	5y - GE07H
F.EDAM07	0.684	4.39	3.71	5y - GE07M
F.EDAU07	0.934	4.39	3.46	5y - GE07U
F.EDAZ07	1.183	4.39	3.21	5y - GE07Z
F.EDAH08	1.432	4.39	2.96	5y - GE08H
F.EDAM08	1.682	4.39	2.71	5y - GE08M
F.EDAU08	1.931	4.39	2.46	5y - GE08U
F.EDAZ08	2.180	4.39	2.21	5y - GE08Z
F.EDAH09	2.430	4.39	1.97	5y - GE09H
F.EDAM09	2.679	4.39	1.72	5y - GE09M
F.EDAU09	2.928	4.39	1.47	5y - GE09U

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 Yield	Spread Name
F.EDAZ06	4.43	0.68	10y - GE06Z	
F.EDAH07	4.31	0.56	10y - GE07H	
F.EDAM07	4.17	0.42	10y - GE07M	
F.EDAU07	4.04	0.30	10y - GE07U	
F.EDAZ07	3.98	0.23	10y - GE07Z	
F.EDAH08	3.96	0.21	10y - GE08H	
F.EDAM08	3.98	0.23	10y - GE08M	
F.EDAU08	4.00	0.25	10y - GE08U	
F.EDAZ08	4.04	0.29	10y - GE08Z	
F.EDAH09	4.07	0.32	10y - GE09H	
F.EDAM09	4.12	0.37	10y - GE09M	
F.EDAU09	4.16	0.42	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	0.186	7.52
F.EDAH07	0.435	7.27
F.EDAM07	0.684	7.02
F.EDAU07	0.934	6.77
F.EDAZ07	1.183	6.52
F.EDAH08	1.432	6.27
F.EDAM08	1.682	6.02
F.EDAU08	1.931	5.77
F.EDAZ08	2.180	5.53
F.EDAH09	2.430	5.28
F.EDAM09	2.679	5.03
F.EDAU09	2.928	4.78

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