

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	101.9594	101.307	4.840
ZF	104.8906	104.285	#VALUE!
ZN	107.1094	107.035	#VALUE!
Blank			
2y	99.600	99.1920	4.835
5y	99.000	99.0000	4.728
10y	100.275	100.0880	4.762

*Futures use CTD for Last Yield

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.625	5.375	67	0.183	DEC	Whites
F.EDAH07	94.705	5.295	158	0.432	MAR	
F.EDAM07	94.825	5.175	249	0.682	JUN	
F.EDAU07	94.955	5.045	340	0.931	SEP	Reds
F.EDAZ07	95.025	4.975	431	1.180	DEC	
F.EDAH08	95.035	4.965	522	1.430	MAR	
F.EDAM08	95.015	4.985	613	1.679	JUN	Greens
F.EDAU08	94.995	5.005	704	1.928	SEP	
F.EDAZ08	94.970	5.030	795	2.177	DEC	
F.EDAH09	94.940	5.060	886	2.427	MAR	
F.EDAM09	94.910	5.090	977	2.676	JUN	
F.EDAU09	94.860	5.140	1068	2.925	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

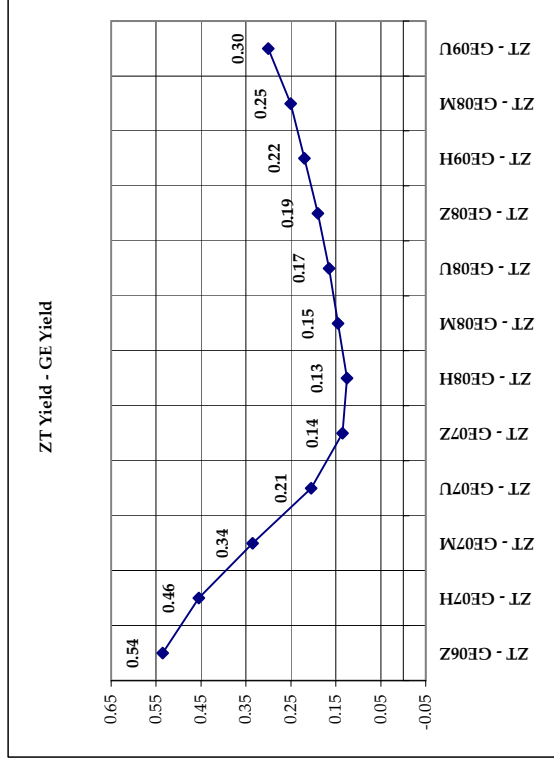
ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.334	0.54	ZT - GE06Z
F.EDAH07	7.254	0.46	ZT - GE07H
F.EDAM07	7.134	0.34	ZT - GE07M
F.EDAU07	7.004	0.21	ZT - GE07U
F.EDAZ07	6.934	0.14	ZT - GE07Z
F.EDAH08	6.924	0.13	ZT - GE08H
F.EDAM08	6.944	0.15	ZT - GE08M
F.EDAU08	6.964	0.17	ZT - GE08U
F.EDAZ08	6.989	0.19	ZT - GE08Z
F.EDAH09	7.019	0.22	ZT - GE09H
F.EDAM09	7.049	0.25	ZT - GE09M
F.EDAU09	7.099	0.30	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	0.183	1.85	1.67	ZT - GE06Z
F.EDAH07	0.432	1.85	1.42	ZT - GE07H
F.EDAM07	0.682	1.85	1.17	ZT - GE07M
F.EDAU07	0.931	1.85	0.92	ZT - GE07U
F.EDAZ07	1.180	1.85	0.67	ZT - GE07Z
F.EDAH08	1.430	1.85	0.42	ZT - GE08H
F.EDAM08	1.679	1.85	0.17	ZT - GE08M
F.EDAU08	1.928	1.85	(0.08)	ZT - GE08U
F.EDAZ08	2.177	1.85	(0.32)	ZT - GE08Z
F.EDAH09	2.427	1.85	(0.57)	ZT - GE09H
F.EDAM09	2.676	1.85	(0.82)	ZT - GE09M
F.EDAU09	2.925	1.85	(1.07)	ZT - GE09U

The farther away from 0 the spread duration is

the riskier the trade.

ZF

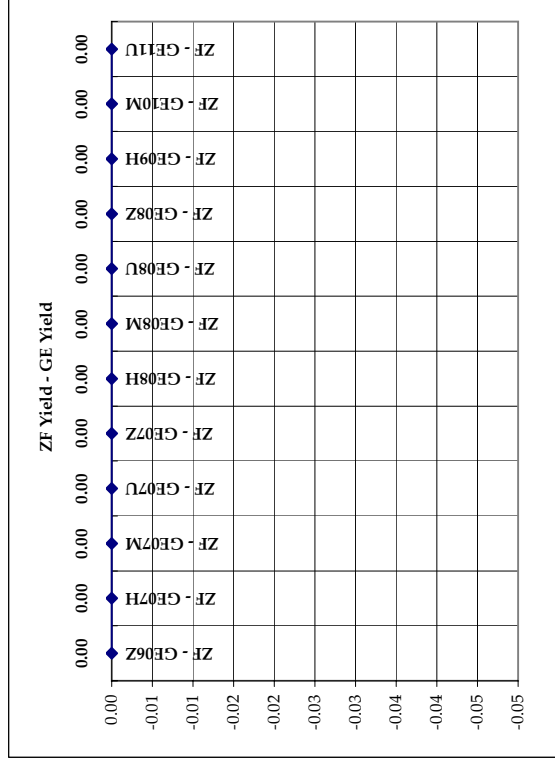
Spread Price Spread Yield Spread Name

F.EDAZ06	10.27	#VALUE!	ZF - GE06Z
F.EDAH07	10.19	#VALUE!	ZF - GE07H
F.EDAM07	10.07	#VALUE!	ZF - GE07M
F.EDAU07	9.94	#VALUE!	ZF - GE07U
F.EDAZ07	9.87	#VALUE!	ZF - GE07Z
F.EDAH08	9.86	#VALUE!	ZF - GE08H
F.EDAM08	9.88	#VALUE!	ZF - GE08M
F.EDAU08	9.90	#VALUE!	ZF - GE08U
F.EDAZ08	9.92	#VALUE!	ZF - GE08Z
F.EDAH09	9.95	#VALUE!	ZF - GE09H
F.EDAM09	9.98	#VALUE!	ZF - GE10M
F.EDAU09	10.03	#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 ZF Duration Spread

F.EDAZ06	0.183	#VALUE!	ZF - GE06Z	#VALUE!
F.EDAH07	0.432	#VALUE!	ZF - GE07H	#VALUE!
F.EDAM07	0.682	#VALUE!	ZF - GE07M	#VALUE!
F.EDAU07	0.931	#VALUE!	ZF - GE07U	#VALUE!
F.EDAZ07	1.180	#VALUE!	ZF - GE07Z	#VALUE!
F.EDAH08	1.430	#VALUE!	ZF - GE08H	#VALUE!
F.EDAM08	1.679	#VALUE!	ZF - GE08M	#VALUE!
F.EDAU08	1.928	#VALUE!	ZF - GE08U	#VALUE!
F.EDAZ08	2.177	#VALUE!	ZF - GE08Z	#VALUE!
F.EDAH09	2.427	#VALUE!	ZF - GE09H	#VALUE!
F.EDAM09	2.676	#VALUE!	ZF - GE10M	#VALUE!
F.EDAU09	2.925	#VALUE!	ZF - GE11U	#VALUE!

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

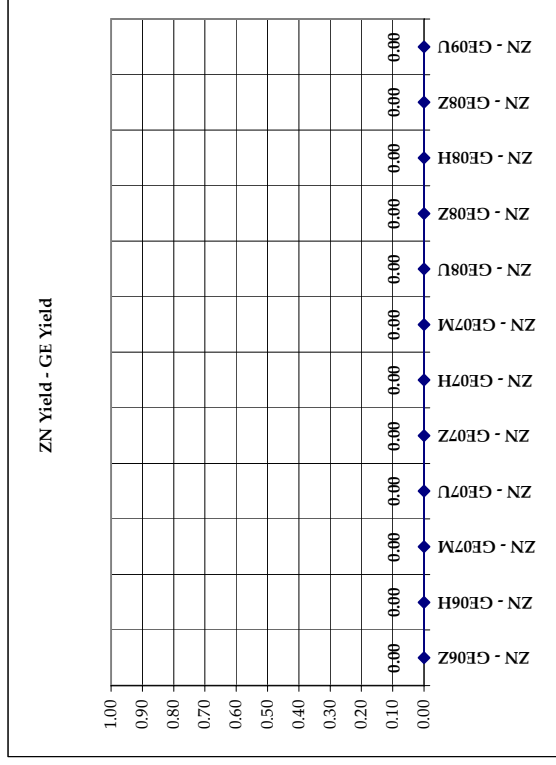
Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	12.48	#VALUE!	ZN - GE06Z
F.EDAH07	12.40	#VALUE!	ZN - GE06H
F.EDAM07	12.28	#VALUE!	ZN - GE07M
F.EDAU07	12.15	#VALUE!	ZN - GE07U
F.EDAZ07	12.08	#VALUE!	ZN - GE07Z
F.EDAH08	12.07	#VALUE!	ZN - GE07H
F.EDAM08	12.09	#VALUE!	ZN - GE07M
F.EDAU08	12.11	#VALUE!	ZN - GE08U
F.EDAZ08	12.14	#VALUE!	ZN - GE08Z
F.EDAH09	12.17	#VALUE!	ZN - GE08H
F.EDAM09	12.20	#VALUE!	ZN - GE08Z
F.EDAU09	12.25	#VALUE!	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	ZN Spread Duration	
F.EDAZ06	0.183	#VALUE!	ZN - GE06Z
F.EDAH07	0.432	#VALUE!	ZN - GE06H
F.EDAM07	0.682	#VALUE!	ZN - GE07M
F.EDAU07	0.931	#VALUE!	ZN - GE07U
F.EDAZ07	1.180	#VALUE!	ZN - GE07Z
F.EDAH08	1.430	#VALUE!	ZN - GE07H
F.EDAM08	1.679	#VALUE!	ZN - GE07M
F.EDAU08	1.928	#VALUE!	ZN - GE08U
F.EDAZ08	2.177	#VALUE!	ZN - GE08Z
F.EDAH09	2.427	#VALUE!	ZN - GE08H
F.EDAM09	2.676	#VALUE!	ZN - GE08Z
F.EDAU09	2.925	#VALUE!	ZN - GE09U

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

TERM TED: 2y vs Eurodollar Contracts

2y

Spread Price Spread

Yield Name

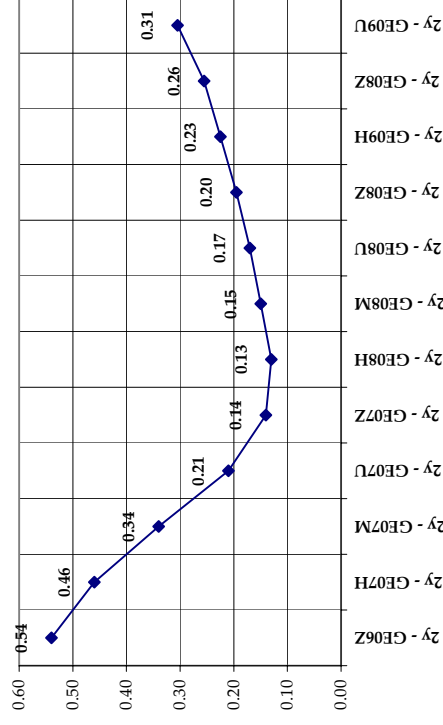
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.98	0.54	2y - GE06Z
F.EDAH07	4.90	0.46	2y - GE07H
F.EDAM07	4.78	0.34	2y - GE07M
F.EDAU07	4.65	0.21	2y - GE07U
F.EDAZ07	4.58	0.14	2y - GE07Z
F.EDAH08	4.57	0.13	2y - GE08H
F.EDAM08	4.59	0.15	2y - GE08M
F.EDAU08	4.61	0.17	2y - GE08U
F.EDAZ08	4.63	0.20	2y - GE08Z
F.EDAH09	4.66	0.23	2y - GE09H
F.EDAM09	4.69	0.26	2y - GE08Z
F.EDAU09	4.74	0.31	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)

2Y Yield - GE Yield



GE Duration as

Fraction

of year

2Y

Duration

Spread

Duration

	GE Duration as Fraction of year	2Y Duration	Spread Duration
F.EDAZ06	0.183	1.85	1.67
F.EDAH07	0.432	1.85	1.42
F.EDAM07	0.682	1.85	1.17
F.EDAU07	0.931	1.85	0.92
F.EDAZ07	1.180	1.85	0.67
F.EDAH08	1.430	1.85	0.42
F.EDAM08	1.679	1.85	0.17
F.EDAU08	1.928	1.85	(0.08)
F.EDAZ08	2.177	1.85	(0.32)
F.EDAH09	2.427	1.85	(0.57)
F.EDAM09	2.676	1.85	(0.82)
F.EDAU09	2.925	1.85	(1.07)

The farther away from 0 the spread duration is

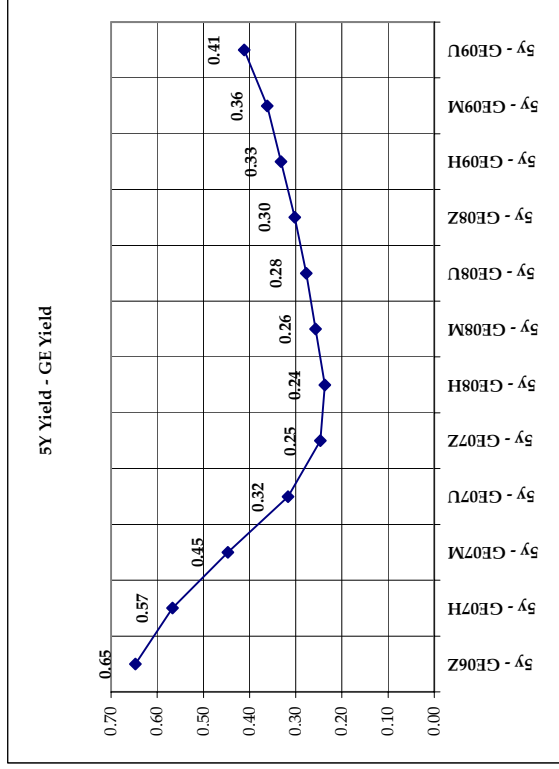
the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

5y

Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.38	5y - GE06Z
F.EDAH07	4.30	5y - GE07H
F.EDAM07	4.18	5y - GE07M
F.EDAU07	4.05	5y - GE07U
F.EDAZ07	3.97	5y - GE07Z
F.EDAH08	3.97	5y - GE08H
F.EDAM08	3.99	5y - GE08M
F.EDAU08	4.01	5y - GE08U
F.EDAZ08	4.03	5y - GE08Z
F.EDAH09	4.06	5y - GE09H
F.EDAM09	4.09	5y - GE09M
F.EDAU09	4.14	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)



GE Duration as Fraction of year

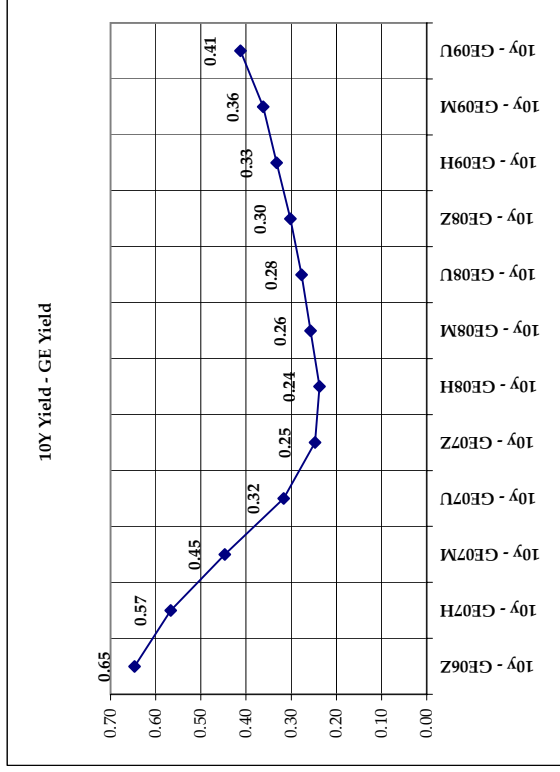
5Y Duration	Spread
F.EDAZ06	4.21
F.EDAH07	3.96
F.EDAM07	3.71
F.EDAU07	3.46
F.EDAZ07	3.21
F.EDAH08	2.96
F.EDAM08	2.71
F.EDAU08	2.46
F.EDAZ08	2.21
F.EDAH09	1.96
F.EDAM09	1.71
F.EDAU09	1.46

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

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Yield	Spread Yield	Spread Name
F.EDAZ06	4.38	0.65	10y - GE06Z	
F.EDAH07	4.30	0.57	10y - GE07H	
F.EDAM07	4.18	0.45	10y - GE07M	
F.EDAU07	4.05	0.32	10y - GE07U	
F.EDAZ07	3.97	0.25	10y - GE07Z	
F.EDAH08	3.97	0.24	10y - GE08H	
F.EDAM08	3.99	0.26	10y - GE08M	
F.EDAU08	4.01	0.28	10y - GE08U	
F.EDAZ08	4.03	0.30	10y - GE08Z	
F.EDAH09	4.06	0.33	10y - GE09H	
F.EDAM09	4.09	0.36	10y - GE09M	
F.EDAU09	4.14	0.41	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	0.183	7.52
F.EDAH07	0.432	7.27
F.EDAM07	0.682	7.02
F.EDAU07	0.931	6.77
F.EDAZ07	1.180	6.52
F.EDAH08	1.430	6.27
F.EDAM08	1.679	6.02
F.EDAU08	1.928	5.77
F.EDAZ08	2.177	5.52
F.EDAH09	2.427	5.27
F.EDAM09	2.676	5.02
F.EDAU09	2.925	4.77

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