

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	101.9063	101.290	4.870
ZF	104.7500	104.240	4.759
ZN	106.9063	106.290	4.783
Blank			
2y	99.547	99.1750	4.865
5y	98.270	98.0864	4.762
10y	100.190	100.0608	4.796

MDuration
1.84
3.90
5.80
1.84
4.38
7.68

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.610	5.390	63	0.172	DEC	Whites
F.EDAH07	94.675	5.325	154	0.421	MAR	
F.EDAM07	94.795	5.205	245	0.671	JUN	
F.EDAU07	94.920	5.080	336	0.920	SEP	Reds
F.EDAZ07	94.990	5.010	427	1.169	DEC	
F.EDAH08	95.005	4.995	518	1.419	MAR	
F.EDAM08	94.990	5.010	609	1.668	JUN	Greens
F.EDAU08	94.965	5.035	700	1.917	SEP	
F.EDAZ08	94.930	5.070	791	2.166	DEC	
F.EDAH09	94.910	5.090	882	2.416	MAR	
F.EDAM09	#VALUE!	#VALUE!	973	2.665	JUN	
F.EDAU09	#VALUE!	#VALUE!	1064	2.914	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

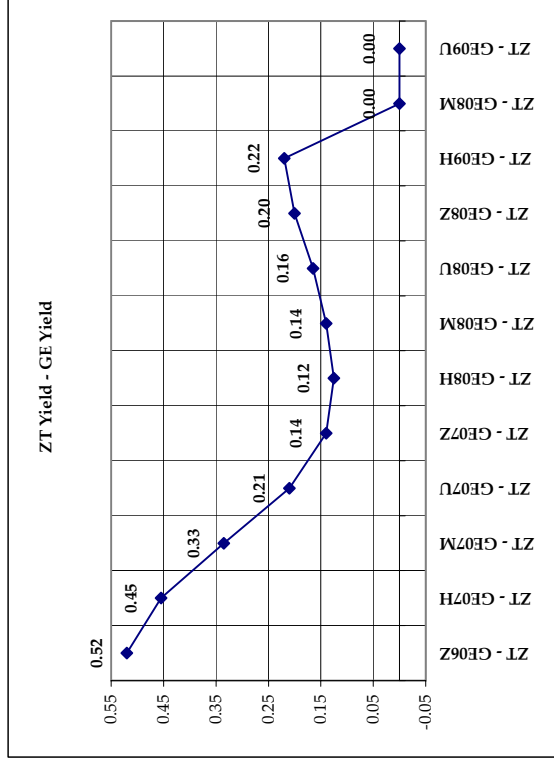
ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.296	0.52	ZT - GE06Z
F.EDAH07	7.231	0.45	ZT - GE07H
F.EDAM07	7.111	0.33	ZT - GE07M
F.EDAU07	6.986	0.21	ZT - GE07U
F.EDAZ07	6.916	0.14	ZT - GE07Z
F.EDAH08	6.901	0.12	ZT - GE08H
F.EDAM08	6.916	0.14	ZT - GE08M
F.EDAU08	6.941	0.16	ZT - GE08U
F.EDAZ08	6.976	0.20	ZT - GE08Z
F.EDAH09	6.996	0.22	ZT - GE09H
F.EDAM09	#VALUE!	#VALUE!	ZT - GE08M
F.EDAU09	#VALUE!	#VALUE!	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	Duration	
F.EDAZ06	0.172	1.84	1.67
F.EDAH07	0.421	1.84	1.42
F.EDAM07	0.671	1.84	1.17
F.EDAU07	0.920	1.84	0.92
F.EDAZ07	1.169	1.84	0.67
F.EDAH08	1.419	1.84	0.42
F.EDAM08	1.668	1.84	0.17
F.EDAU08	1.917	1.84	(0.08)
F.EDAZ08	2.166	1.84	(0.32)
F.EDAH09	2.416	1.84	(0.57)
F.EDAM09	2.665	1.84	(0.82)
F.EDAU09	2.914	1.84	(1.07)

The farther away from 0 the spread duration is

the riskier the trade.

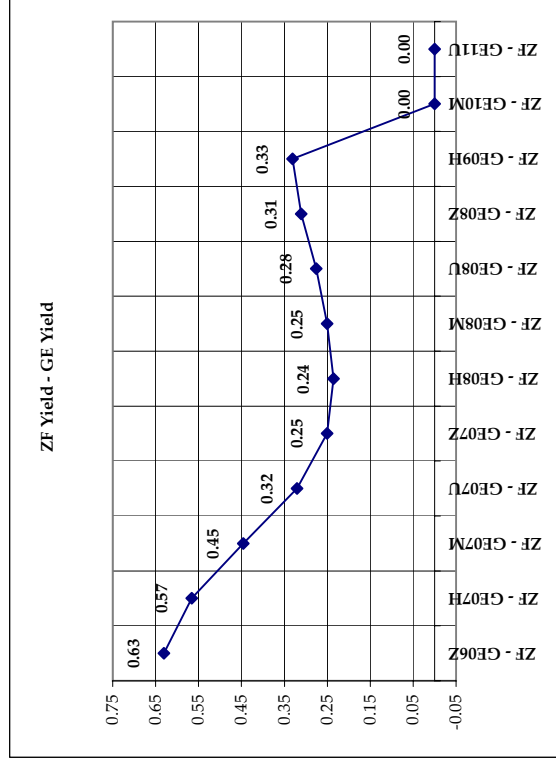
Dirty TED: ZF vs Eurodollar Contracts

	ZF		ZF	
	Spread Price	Spread Yield	Spread Name	Spread Name
F.EDAZ06	10.14	0.63	ZF - GE06Z	ZF - GE06Z
F.EDAH07	10.08	0.57	ZF - GE07H	ZF - GE07H
F.EDAM07	9.96	0.45	ZF - GE07M	ZF - GE07M
F.EDAU07	9.83	0.32	ZF - GE07U	ZF - GE07U
F.EDAZ07	9.76	0.25	ZF - GE07Z	ZF - GE07Z
F.EDAH08	9.75	0.24	ZF - GE08H	ZF - GE08H
F.EDAM08	9.76	0.25	ZF - GE08M	ZF - GE08M
F.EDAU08	9.79	0.28	ZF - GE08U	ZF - GE08U
F.EDAZ08	9.82	0.31	ZF - GE08Z	ZF - GE08Z
F.EDAH09	9.84	0.33	ZF - GE09H	ZF - GE09H
F.EDAM09	#VALUE!	#VALUE!	ZF - GE10M	ZF - GE10M
F.EDAU09	#VALUE!	#VALUE!	ZF - GE11U	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		Spread	
	Duration	Duration	Duration	Duration	Duration	Duration
F.EDAZ06	0.172	3.90	3.73	ZF - GE06Z	3.73	ZF - GE06Z
F.EDAH07	0.421	3.90	3.48	ZF - GE07H	3.48	ZF - GE07H
F.EDAM07	0.671	3.90	3.23	ZF - GE07M	3.23	ZF - GE07M
F.EDAU07	0.920	3.90	2.98	ZF - GE07U	2.98	ZF - GE07U
F.EDAZ07	1.169	3.90	2.73	ZF - GE07Z	2.73	ZF - GE07Z
F.EDAH08	1.419	3.90	2.48	ZF - GE08H	2.48	ZF - GE08H
F.EDAM08	1.668	3.90	2.23	ZF - GE08M	2.23	ZF - GE08M
F.EDAU08	1.917	3.90	1.98	ZF - GE08U	1.98	ZF - GE08U
F.EDAZ08	2.166	3.90	1.73	ZF - GE08Z	1.73	ZF - GE08Z
F.EDAH09	2.416	3.90	1.48	ZF - GE09H	1.48	ZF - GE09H
F.EDAM09	2.665	3.90	1.23	ZF - GE10M	1.23	ZF - GE10M
F.EDAU09	2.914	3.90	0.98	ZF - GE11U	0.98	ZF - GE11U

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

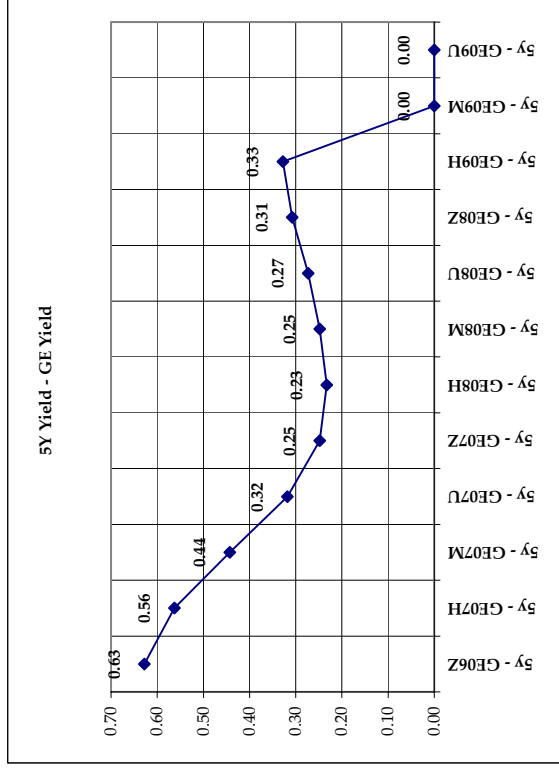
TERM TED: 5y vs Eurodollar Contracts

5y

Spread Price Spread Spread
Yield Name

Contract	Spread Price	Spread Yield	Spread Name
F.EDAZ06	3.66	0.63	5y - GE06Z
F.EDAH07	3.60	0.56	5y - GE07H
F.EDAM07	3.47	0.44	5y - GE07M
F.EDAU07	3.35	0.32	5y - GE07U
F.EDAZ07	3.28	0.25	5y - GE07Z
F.EDAH08	3.27	0.23	5y - GE08H
F.EDAM08	3.28	0.25	5y - GE08M
F.EDAU08	3.30	0.27	5y - GE08U
F.EDAZ08	3.34	0.31	5y - GE08Z
F.EDAH09	3.36	0.33	5y - GE09H
F.EDAM09	#VALUE!	#VALUE!	5y - GE09M
F.EDAU09	#VALUE!	#VALUE!	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

Contract	GE Duration as Fraction of year	5Y Duration	Spread
F.EDAZ06	0.172	4.38	4.21
F.EDAH07	0.421	4.38	3.96
F.EDAM07	0.671	4.38	3.71
F.EDAU07	0.920	4.38	3.46
F.EDAZ07	1.169	4.38	3.21
F.EDAH08	1.419	4.38	2.96
F.EDAM08	1.668	4.38	2.71
F.EDAU08	1.917	4.38	2.46
F.EDAZ08	2.166	4.38	2.21
F.EDAH09	2.416	4.38	1.96
F.EDAM09	2.665	4.38	1.71
F.EDAU09	2.914	4.38	1.46

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

TERM TED: 10y vs Eurodollar Contracts

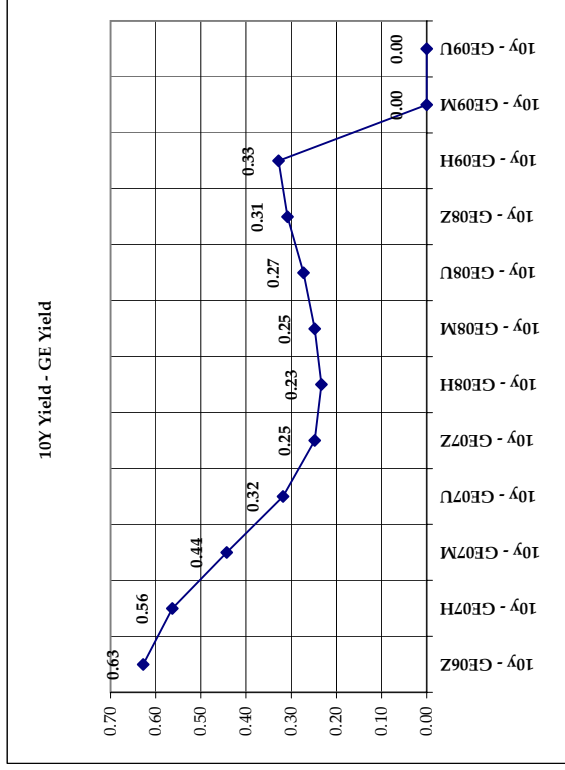
10y

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	3.66	0.63	10y - GE06Z
F.EDAH07	3.60	0.56	10y - GE07H
F.EDAM07	3.47	0.44	10y - GE07M
F.EDAU07	3.35	0.32	10y - GE07U
F.EDAZ07	3.28	0.25	10y - GE07Z
F.EDAH08	3.27	0.23	10y - GE08H
F.EDAM08	3.28	0.25	10y - GE08M
F.EDAU08	3.30	0.27	10y - GE08U
F.EDAZ08	3.34	0.31	10y - GE08Z
F.EDAH09	3.36	0.33	10y - GE09H
F.EDAM09	#VALUE!	#VALUE!	10y - GE09M
F.EDAU09	#VALUE!	#VALUE!	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

	Duration	10Y Duration	Spread Duration
F.EDAZ06	0.172	7.68	7.51
F.EDAH07	0.421	7.68	7.26
F.EDAM07	0.671	7.68	7.01
F.EDAU07	0.920	7.68	6.76
F.EDAZ07	1.169	7.68	6.51
F.EDAH08	1.419	7.68	6.27
F.EDAM08	1.668	7.68	6.02
F.EDAU08	1.917	7.68	5.77
F.EDAZ08	2.166	7.68	5.52
F.EDAH09	2.416	7.68	5.27
F.EDAM09	2.665	7.68	5.02
F.EDAU09	2.914	7.68	4.77

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