

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.9438	101.302	4.845
ZF	104.8750	104.280	4.729
ZN	107.1094	107.035	4.742
Blank			
2y	99.594	99.1900	4.840
5y	98.315	98.1008	4.732
10y	100.255	100.0816	4.770

*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	94.610	5.390	61	0.166	DEC	White Pack
F.EDAH07	94.690	5.310	152	0.416	MAR	
F.EDAM07	94.820	5.180	243	0.665	JUN	
F.EDAU07	94.955	5.045	334	0.914	SEP	Red Pack
F.EDAZ07	95.030	4.970	425	1.164	DEC	
F.EDAH08	95.050	4.950	516	1.413	MAR	
F.EDAM08	95.040	4.960	607	1.662	JUN	Green Pack
F.EDAU08	95.015	4.985	698	1.912	SEP	
F.EDAZ08	94.985	5.015	789	2.161	DEC	
F.EDAH09	94.965	5.035	880	2.410	MAR	Green Pack
F.EDAM09	94.935	5.065	971	2.660	JUN	
F.EDAU09	94.910	5.090	1062	2.909	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

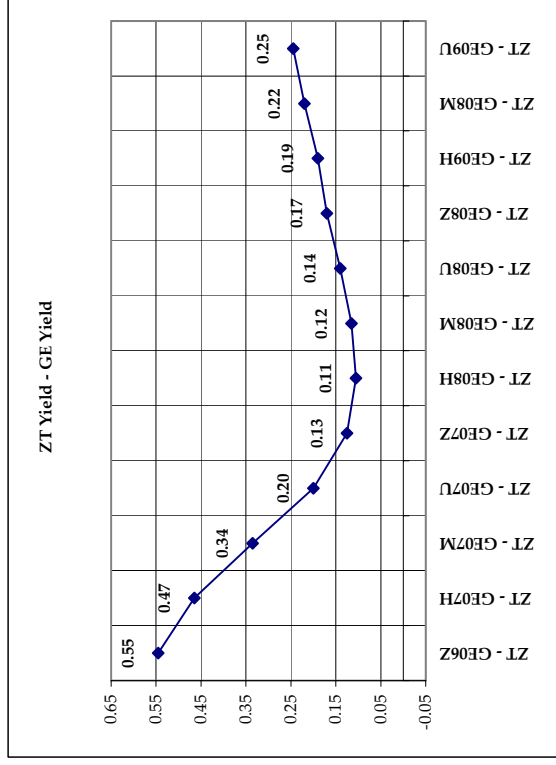
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.334	0.55	ZT - GE06Z
F.EDAH07	7.254	0.47	ZT - GE07H
F.EDAM07	7.124	0.34	ZT - GE07M
F.EDAU07	6.989	0.20	ZT - GE07U
F.EDAZ07	6.914	0.13	ZT - GE07Z
F.EDAH08	6.894	0.11	ZT - GE08H
F.EDAM08	6.904	0.12	ZT - GE08M
F.EDAU08	6.929	0.14	ZT - GE08U
F.EDAZ08	6.959	0.17	ZT - GE08Z
F.EDAH09	6.979	0.19	ZT - GE09H
F.EDAM09	7.009	0.22	ZT - GE08M
F.EDAU09	7.034	0.25	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	Yield	
F.EDAZ06	0.166	1.84	1.67
F.EDAH07	0.416	1.84	1.42
F.EDAM07	0.665	1.84	1.17
F.EDAU07	0.914	1.84	0.92
F.EDAZ07	1.164	1.84	0.67
F.EDAH08	1.413	1.84	0.42
F.EDAM08	1.662	1.84	0.17
F.EDAU08	1.912	1.84	(0.08)
F.EDAZ08	2.161	1.84	(0.32)
F.EDAH09	2.410	1.84	(0.57)
F.EDAM09	2.660	1.84	(0.82)
F.EDAU09	2.909	1.84	(1.07)

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



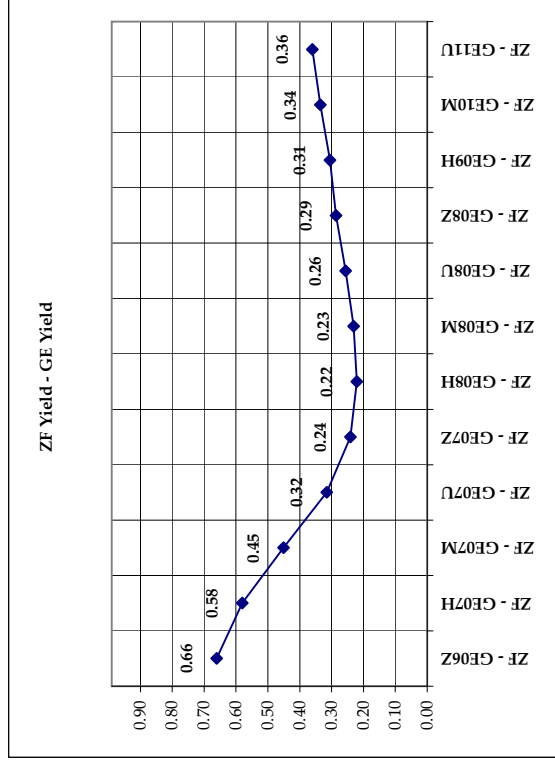
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	10.27	0.66	ZF - GE06Z
F.EDAH07	10.19	0.58	ZF - GE07H
F.EDAM07	10.06	0.45	ZF - GE07M
F.EDAU07	9.92	0.32	ZF - GE07U
F.EDAZ07	9.85	0.24	ZF - GE07Z
F.EDAH08	9.83	0.22	ZF - GE08H
F.EDAM08	9.83	0.23	ZF - GE08M
F.EDAU08	9.86	0.26	ZF - GE08U
F.EDAZ08	9.89	0.29	ZF - GE08Z
F.EDAH09	9.91	0.31	ZF - GE09H
F.EDAM09	9.94	0.34	ZF - GE10M
F.EDAU09	9.97	0.36	ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year	ZF Duration	Spread Duration
F.EDAZ06	0.166	3.73
F.EDAH07	0.416	3.48
F.EDAM07	0.665	3.23
F.EDAU07	0.914	2.98
F.EDAZ07	1.164	2.73
F.EDAH08	1.413	2.48
F.EDAM08	1.662	2.23
F.EDAU08	1.912	1.98
F.EDAZ08	2.161	1.73
F.EDAH09	2.410	1.48
F.EDAM09	2.660	1.23
F.EDAU09	2.909	0.99

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



TERM TED: 2y vs Eurodollar Contracts

2y

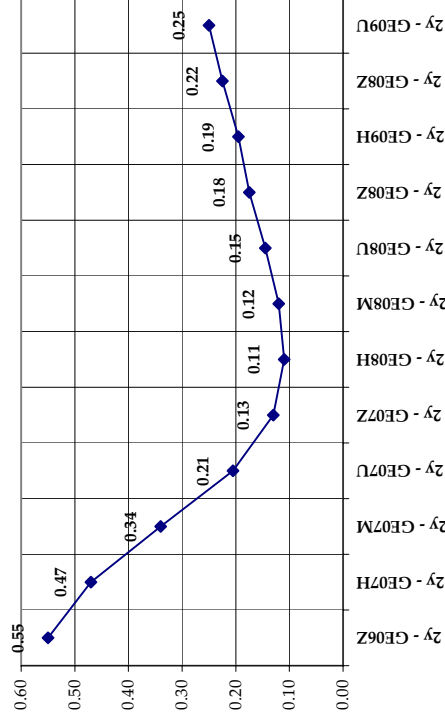
Spread Price Spread Yield Spread Name

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.98	0.55	2y - GE06Z
F.EDAH07	4.90	0.47	2y - GE07H
F.EDAM07	4.77	0.34	2y - GE07M
F.EDAU07	4.64	0.21	2y - GE07U
F.EDAZ07	4.56	0.13	2y - GE07Z
F.EDAH08	4.54	0.11	2y - GE08H
F.EDAM08	4.55	0.12	2y - GE08M
F.EDAU08	4.58	0.15	2y - GE08U
F.EDAZ08	4.61	0.18	2y - GE08Z
F.EDAH09	4.63	0.19	2y - GE09H
F.EDAM09	4.66	0.22	2y - GE08Z
F.EDAU09	4.68	0.25	2y - GE09U

Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Cash 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	0.166	1.84	1.67
F.EDAH07	0.416	1.84	1.42
F.EDAM07	0.665	1.84	1.17
F.EDAU07	0.914	1.84	0.92
F.EDAZ07	1.164	1.84	0.67
F.EDAH08	1.413	1.84	0.42
F.EDAM08	1.662	1.84	0.17
F.EDAU08	1.912	1.84	(0.08)
F.EDAZ08	2.161	1.84	(0.32)
F.EDAH09	2.410	1.84	(0.57)
F.EDAM09	2.660	1.84	(0.82)
F.EDAU09	2.909	1.84	(1.07)

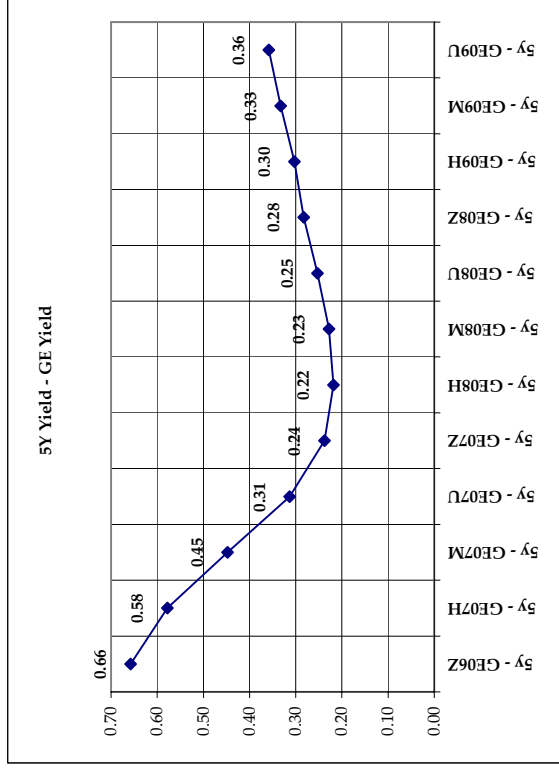
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	3.71	0.66	5y - GE06Z
F.EDAH07	3.63	0.58	5y - GE07H
F.EDAM07	3.49	0.45	5y - GE07M
F.EDAU07	3.36	0.31	5y - GE07U
F.EDAZ07	3.29	0.24	5y - GE07Z
F.EDAH08	3.27	0.22	5y - GE08H
F.EDAM08	3.27	0.23	5y - GE08M
F.EDAU08	3.30	0.25	5y - GE08U
F.EDAZ08	3.33	0.28	5y - GE08Z
F.EDAH09	3.35	0.30	5y - GE09H
F.EDAM09	3.38	0.33	5y - GE09M
F.EDAU09	3.41	0.36	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAZ06	0.166	4.21	5y - GE06Z
F.EDAH07	0.416	4.37	5y - GE07H
F.EDAM07	0.665	4.37	5y - GE07M
F.EDAU07	0.914	4.37	5y - GE07U
F.EDAZ07	1.164	4.37	5y - GE07Z
F.EDAH08	1.413	4.37	5y - GE08H
F.EDAM08	1.662	4.37	5y - GE08M
F.EDAU08	1.912	4.37	5y - GE08U
F.EDAZ08	2.161	4.37	5y - GE08Z
F.EDAH09	2.410	4.37	5y - GE09H
F.EDAM09	2.660	4.37	5y - GE09M
F.EDAU09	2.909	4.37	5y - GE09U

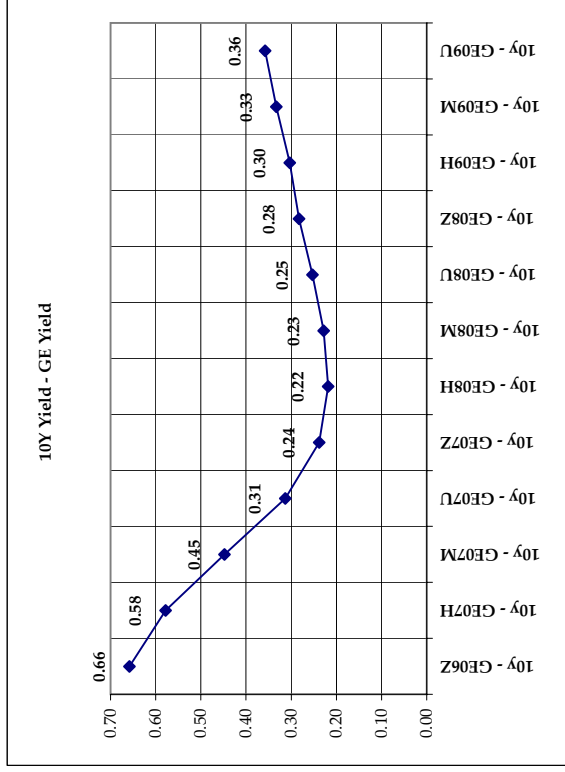
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Yield	Spread Name
F.EDAZ06	3.71	0.66	10y - GE06Z	
F.EDAH07	3.63	0.58	10y - GE07H	
F.EDAM07	3.49	0.45	10y - GE07M	
F.EDAU07	3.36	0.31	10y - GE07U	
F.EDAZ07	3.29	0.24	10y - GE07Z	
F.EDAH08	3.27	0.22	10y - GE08H	
F.EDAM08	3.27	0.23	10y - GE08M	
F.EDAU08	3.30	0.25	10y - GE08U	
F.EDAZ08	3.33	0.28	10y - GE08Z	
F.EDAH09	3.35	0.30	10y - GE09H	
F.EDAM09	3.38	0.33	10y - GE09M	
F.EDAU09	3.41	0.36	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	0.166	7.52
F.EDAH07	0.416	7.27
F.EDAM07	0.665	7.02
F.EDAU07	0.914	6.77
F.EDAZ07	1.164	6.52
F.EDAH08	1.413	6.27
F.EDAM08	1.662	6.02
F.EDAU08	1.912	5.77
F.EDAZ08	2.161	5.52
F.EDAH09	2.410	5.27
F.EDAM09	2.660	5.02
F.EDAU09	2.909	4.77

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