

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.8125	101.260	4.920
ZF	104.6094	104.195	4.799
ZN	106.7500	106.240	4.837
Blank			
2y	99.459	99.1470	4.915
5y	98.222	98.0710	4.798
10y	100.125	100.0400	4.824

*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	94.590	5.410	55	0.150	DEC	White Pack
F.EDAH07	94.635	5.365	146	0.399	MAR	
F.EDAM07	94.745	5.255	237	0.649	JUN	
F.EDAU07	94.875	5.125	328	0.898	SEP	Red Pack
F.EDAZ07	94.950	5.050	419	1.147	DEC	
F.EDAH08	94.965	5.035	510	1.397	MAR	
F.EDAM08	94.950	5.050	601	1.646	JUN	Green Pack
F.EDAU08	94.935	5.065	692	1.895	SEP	
F.EDAZ08	94.915	5.085	783	2.145	DEC	
F.EDAH09	94.895	5.105	874	2.394	MAR	Green Pack
F.EDAM09	94.865	5.135	965	2.643	JUN	
F.EDAU09	94.840	5.160	1056	2.892	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

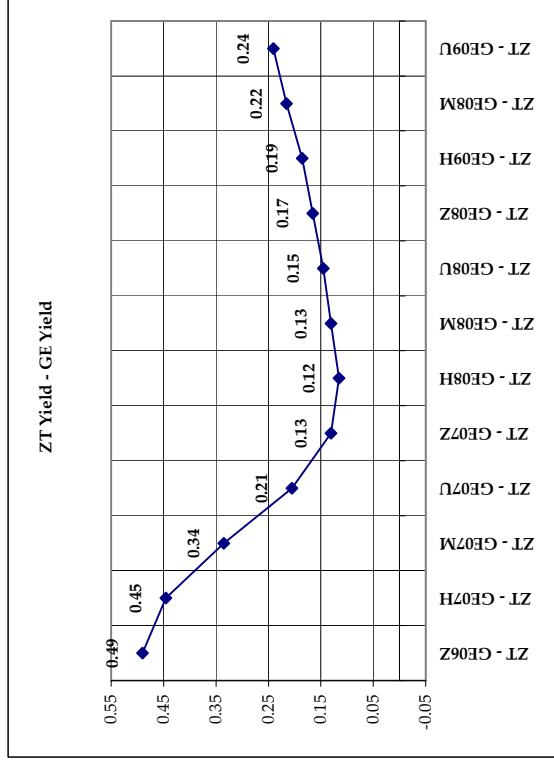
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.223	0.49	ZT - GE06Z
F.EDAH07	7.178	0.45	ZT - GE07H
F.EDAM07	7.068	0.34	ZT - GE07M
F.EDAU07	6.938	0.21	ZT - GE07U
F.EDAZ07	6.863	0.13	ZT - GE07Z
F.EDAH08	6.848	0.12	ZT - GE08H
F.EDAM08	6.863	0.13	ZT - GE08M
F.EDAU08	6.878	0.15	ZT - GE08U
F.EDAZ08	6.898	0.17	ZT - GE08Z
F.EDAH09	6.918	0.19	ZT - GE09H
F.EDAM09	6.948	0.22	ZT - GE08M
F.EDAU09	6.973	0.24	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	0.150	1.82	1.67
F.EDAH07	0.399	1.82	1.42
F.EDAM07	0.649	1.82	1.17
F.EDAU07	0.898	1.82	0.92
F.EDAZ07	1.147	1.82	0.67
F.EDAH08	1.397	1.82	0.42
F.EDAM08	1.646	1.82	0.17
F.EDAU08	1.895	1.82	(0.08)
F.EDAZ08	2.145	1.82	(0.32)
F.EDAH09	2.394	1.82	(0.57)
F.EDAM09	2.643	1.82	(0.82)
F.EDAU09	2.892	1.82	(1.07)

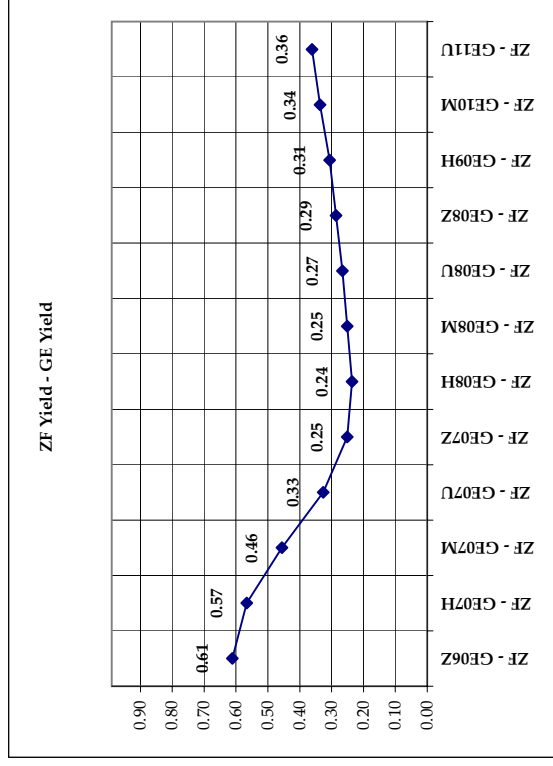
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF	
	Spread Price	Spread Yield
	Price	Name
F.EDAZ06	10.02	ZF - GE06Z
F.EDAH07	9.97	ZF - GE07H
F.EDAM07	9.86	ZF - GE07M
F.EDAU07	9.73	ZF - GE07U
F.EDAZ07	9.66	ZF - GE07Z
F.EDAH08	9.64	ZF - GE08H
F.EDAM08	9.66	ZF - GE08M
F.EDAU08	9.67	ZF - GE08U
F.EDAZ08	9.69	ZF - GE08Z
F.EDAH09	9.71	ZF - GE09H
F.EDAM09	9.74	ZF - GE10M
F.EDAU09	9.77	ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	ZF		Spread Duration
	Fraction of year	Duration	
F.EDAZ06	0.150	3.88	3.73
F.EDAH07	0.399	3.88	3.48
F.EDAM07	0.649	3.88	3.23
F.EDAU07	0.898	3.88	2.98
F.EDAZ07	1.147	3.88	2.73
F.EDAH08	1.397	3.88	2.48
F.EDAM08	1.646	3.88	2.23
F.EDAU08	1.895	3.88	1.98
F.EDAZ08	2.145	3.88	1.73
F.EDAH09	2.394	3.88	1.48
F.EDAM09	2.643	3.88	1.23
F.EDAU09	2.892	3.88	0.98

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Dirty TED: ZN vs Eurodollar Contracts

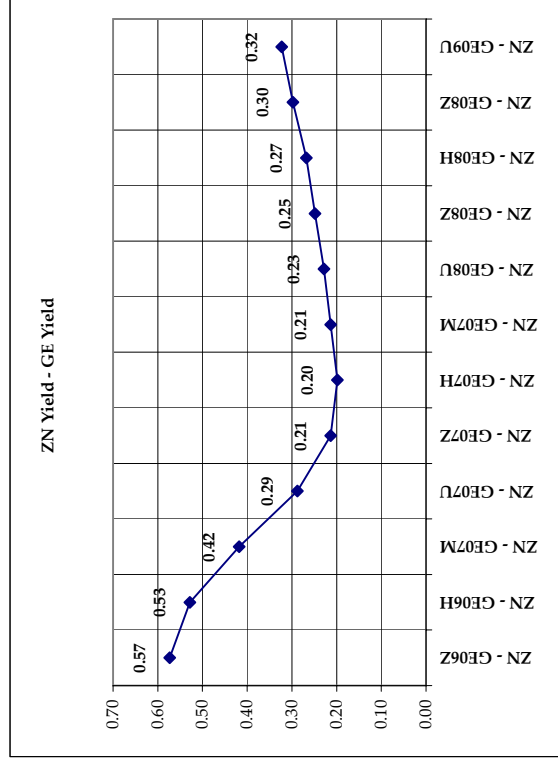
	Spread Price	ZN Yield	Spread Name
F.EDAZ06	12.16	0.57	ZN - GE06Z
F.EDAH07	12.12	0.53	ZN - GE06H
F.EDAM07	12.01	0.42	ZN - GE07M
F.EDAU07	11.88	0.29	ZN - GE07U
F.EDAZ07	11.80	0.21	ZN - GE07Z
F.EDAH08	11.79	0.20	ZN - GE07H
F.EDAM08	11.80	0.21	ZN - GE07M
F.EDAU08	11.82	0.23	ZN - GE08U
F.EDAZ08	11.84	0.25	ZN - GE08Z
F.EDAH09	11.86	0.27	ZN - GE08H
F.EDAM09	11.89	0.30	ZN - GE08Z
F.EDAU09	11.91	0.32	ZN - GE09U

Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year	ZN Duration	Spread Duration
F.EDAZ06	0.150	5.63
F.EDAH07	0.399	5.38
F.EDAM07	0.649	5.13
F.EDAU07	0.898	4.88
F.EDAZ07	1.147	4.63
F.EDAH08	1.397	4.38
F.EDAM08	1.646	4.13
F.EDAU08	1.895	3.88
F.EDAZ08	2.145	3.63
F.EDAH09	2.394	3.38
F.EDAM09	2.643	3.13
F.EDAU09	2.892	2.88

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



TERM TED: 2y vs Eurodollar Contracts

2y

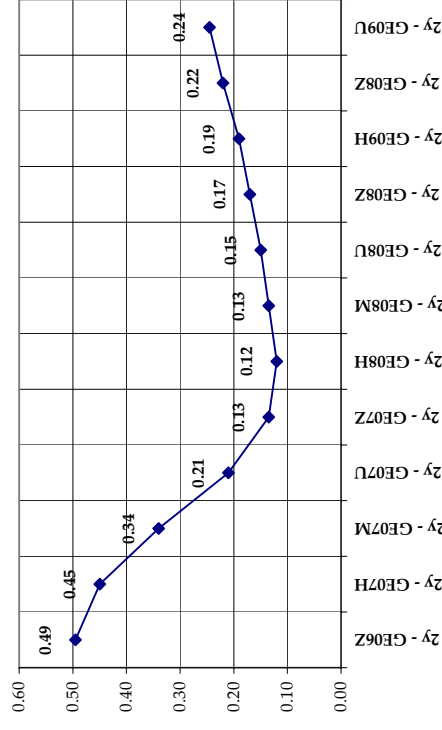
Spread Price Spread Yield Spread Name

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.87	0.49	2y - GE06Z
F.EDAH07	4.82	0.45	2y - GE07H
F.EDAM07	4.71	0.34	2y - GE07M
F.EDAU07	4.58	0.21	2y - GE07U
F.EDAZ07	4.51	0.13	2y - GE07Z
F.EDAH08	4.49	0.12	2y - GE08H
F.EDAM08	4.51	0.13	2y - GE08M
F.EDAU08	4.52	0.15	2y - GE08U
F.EDAZ08	4.54	0.17	2y - GE08Z
F.EDAH09	4.56	0.19	2y - GE09H
F.EDAM09	4.59	0.22	2y - GE08Z
F.EDAU09	4.62	0.24	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	0.150	1.67	2y - GE06Z
F.EDAH07	0.399	1.42	2y - GE07H
F.EDAM07	0.649	1.17	2y - GE07M
F.EDAU07	0.898	0.92	2y - GE07U
F.EDAZ07	1.147	0.67	2y - GE07Z
F.EDAH08	1.397	0.42	2y - GE08H
F.EDAM08	1.646	0.17	2y - GE08M
F.EDAU08	1.895	0.08	2y - GE08U
F.EDAZ08	2.145	0.32	2y - GE08Z
F.EDAH09	2.394	0.57	2y - GE09H
F.EDAM09	2.643	0.82	2y - GE08Z
F.EDAU09	2.892	1.07	2y - GE09U

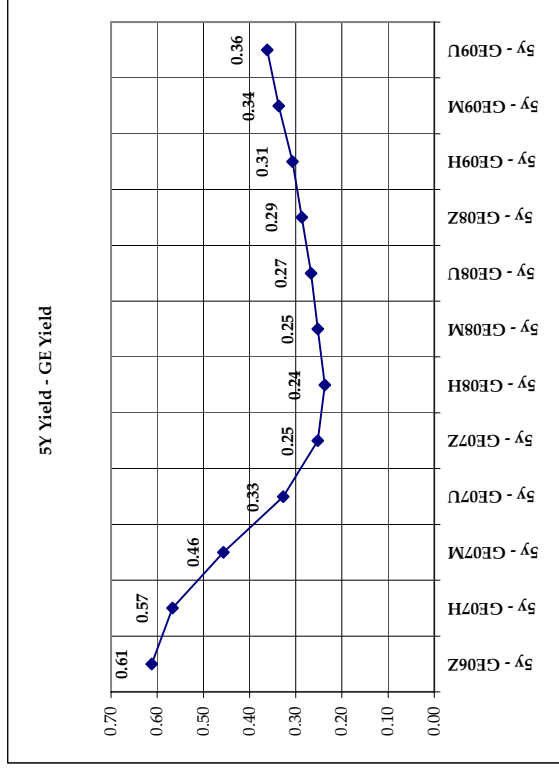
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	3.63	0.61	5y - GE06Z
F.EDAH07	3.59	0.57	5y - GE07H
F.EDAM07	3.48	0.46	5y - GE07M
F.EDAU07	3.35	0.33	5y - GE07U
F.EDAZ07	3.27	0.25	5y - GE07Z
F.EDAH08	3.26	0.24	5y - GE08H
F.EDAM08	3.27	0.25	5y - GE08M
F.EDAU08	3.29	0.27	5y - GE08U
F.EDAZ08	3.31	0.29	5y - GE08Z
F.EDAH09	3.33	0.31	5y - GE09H
F.EDAM09	3.36	0.34	5y - GE09M
F.EDAU09	3.38	0.36	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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

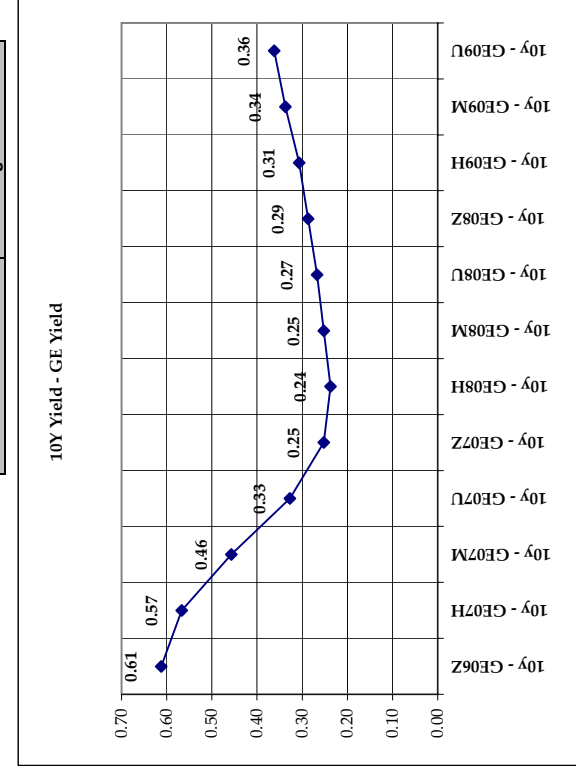


GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAZ06	0.150	4.21	5y - GE06Z
F.EDAH07	0.399	4.36	5y - GE07H
F.EDAM07	0.649	4.36	5y - GE07M
F.EDAU07	0.898	4.36	5y - GE07U
F.EDAZ07	1.147	4.36	5y - GE07Z
F.EDAH08	1.397	4.36	5y - GE08H
F.EDAM08	1.646	4.36	5y - GE08M
F.EDAU08	1.895	4.36	5y - GE08U
F.EDAZ08	2.145	4.36	5y - GE08Z
F.EDAH09	2.394	4.36	5y - GE09H
F.EDAM09	2.643	4.36	5y - GE09M
F.EDAU09	2.892	4.36	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 Name
F.EDAZ06	3.63	0.61	10y - GE06Z
F.EDAH07	3.59	0.57	10y - GE07H
F.EDAM07	3.48	0.46	10y - GE07M
F.EDAU07	3.35	0.33	10y - GE07U
F.EDAZ07	3.27	0.25	10y - GE07Z
F.EDAH08	3.26	0.24	10y - GE08H
F.EDAM08	3.27	0.25	10y - GE08M
F.EDAU08	3.29	0.27	10y - GE08U
F.EDAZ08	3.31	0.29	10y - GE08Z
F.EDAH09	3.33	0.31	10y - GE09H
F.EDAM09	3.36	0.34	10y - GE09M
F.EDAU09	3.38	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	0.150	7.66	7.51	10y - GE06Z
F.EDAH07	0.399	7.66	7.26	10y - GE07H
F.EDAM07	0.649	7.66	7.01	10y - GE07M
F.EDAU07	0.898	7.66	6.76	10y - GE07U
F.EDAZ07	1.147	7.66	6.51	10y - GE07Z
F.EDAH08	1.397	7.66	6.26	10y - GE08H
F.EDAM08	1.646	7.66	6.01	10y - GE08M
F.EDAU08	1.895	7.66	5.76	10y - GE08U
F.EDAZ08	2.145	7.66	5.51	10y - GE08Z
F.EDAH09	2.394	7.66	5.27	10y - GE09H
F.EDAM09	2.643	7.66	5.02	10y - GE09M
F.EDAU09	2.892	7.66	4.77	10y - GE09U

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