

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last Yield*	Last **MDuration
ZT	101.8188	32	4.924
ZF	101.262	101.262	1.82
ZN	104.5781	104.185	#VALUE!
Blank	106.7500	106.240	#VALUE!
2y	99.944	99.3020	4.900
5y	98.215	98.0688	4.803
10y	100.120	100.0384	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	94.585	5.415	54	0.147	DEC	White Pack
F.EDAH07	94.625	5.375	145	0.397	MAR	
F.EDAM07	94.730	5.270	236	0.646	JUN	
F.EDAU07	94.865	5.135	327	0.895	SEP	Red Pack
F.EDAZ07	94.950	5.050	418	1.145	DEC	
F.EDAH08	94.965	5.035	509	1.394	MAR	
F.EDAM08	94.955	5.045	600	1.643	JUN	Green Pack
F.EDAU08	94.940	5.060	691	1.892	SEP	
F.EDAZ08	94.915	5.085	782	2.142	DEC	
F.EDAH09	94.900	5.100	873	2.391	MAR	Green Pack
F.EDAM09	94.870	5.130	964	2.640	JUN	
F.EDAU09	94.860	5.140	1055	2.890	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

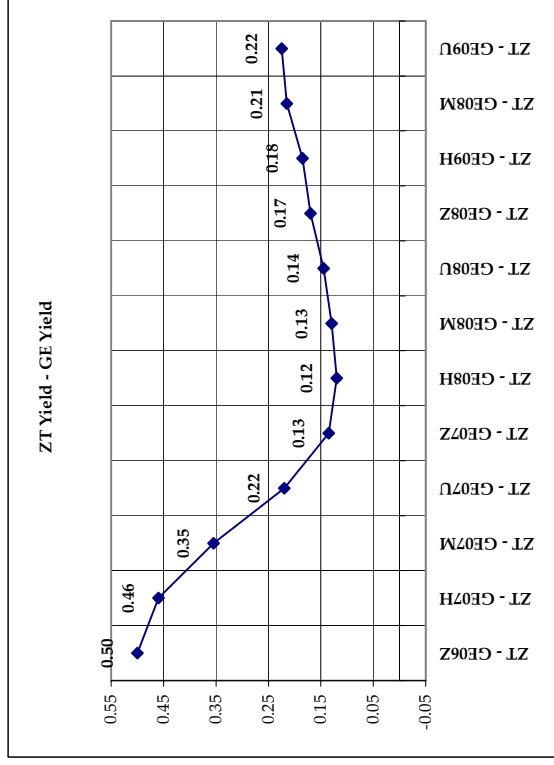
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.234	0.49	ZT - GE06Z
F.EDAH07	7.194	0.45	ZT - GE07H
F.EDAM07	7.089	0.35	ZT - GE07M
F.EDAU07	6.954	0.21	ZT - GE07U
F.EDAZ07	6.869	0.13	ZT - GE07Z
F.EDAH08	6.854	0.11	ZT - GE08H
F.EDAM08	6.864	0.12	ZT - GE08M
F.EDAU08	6.879	0.14	ZT - GE08U
F.EDAZ08	6.904	0.16	ZT - GE08Z
F.EDAH09	6.919	0.18	ZT - GE09H
F.EDAM09	6.949	0.21	ZT - GE08M
F.EDAU09	6.959	0.22	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	0.147	1.82	1.67
F.EDAH07	0.397	1.82	1.42
F.EDAM07	0.646	1.82	1.17
F.EDAU07	0.895	1.82	0.92
F.EDAZ07	1.145	1.82	0.67
F.EDAH08	1.394	1.82	0.42
F.EDAM08	1.643	1.82	0.17
F.EDAU08	1.892	1.82	(0.08)
F.EDAZ08	2.142	1.82	(0.32)
F.EDAH09	2.391	1.82	(0.57)
F.EDAM09	2.640	1.82	(0.82)
F.EDAU09	2.890	1.82	(1.07)

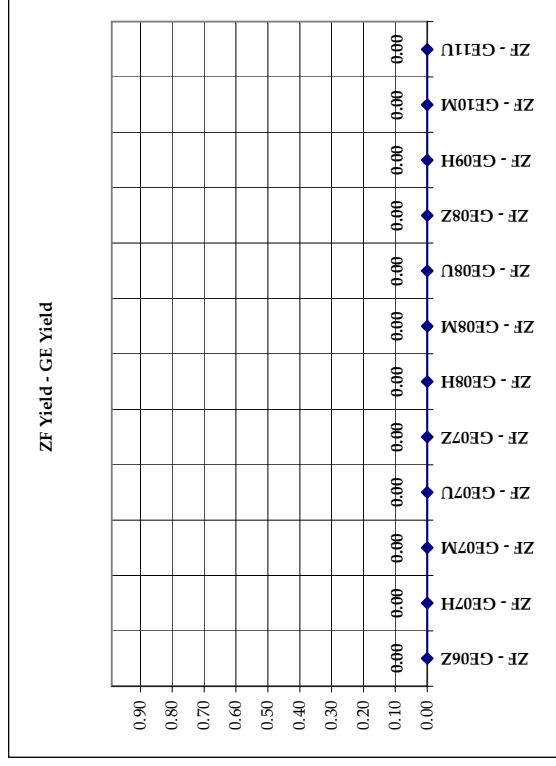
The farther away from 0 the spread duration is the riskier the trade.



	Spread Price	Spread Yield	Spread Name
F.EDAZ06	9.99	#VALUE!	ZF - GE06Z
F.EDAH07	9.95	#VALUE!	ZF - GE07H
F.EDAM07	9.85	#VALUE!	ZF - GE07M
F.EDAU07	9.71	#VALUE!	ZF - GE07U
F.EDAZ07	9.63	#VALUE!	ZF - GE07Z
F.EDAH08	9.61	#VALUE!	ZF - GE08H
F.EDAM08	9.62	#VALUE!	ZF - GE08M
F.EDAU08	9.64	#VALUE!	ZF - GE08U
F.EDAZ08	9.66	#VALUE!	ZF - GE08Z
F.EDAH09	9.68	#VALUE!	ZF - GE09H
F.EDAM09	9.71	#VALUE!	ZF - GE10M
F.EDAU09	9.72	#VALUE!	ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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



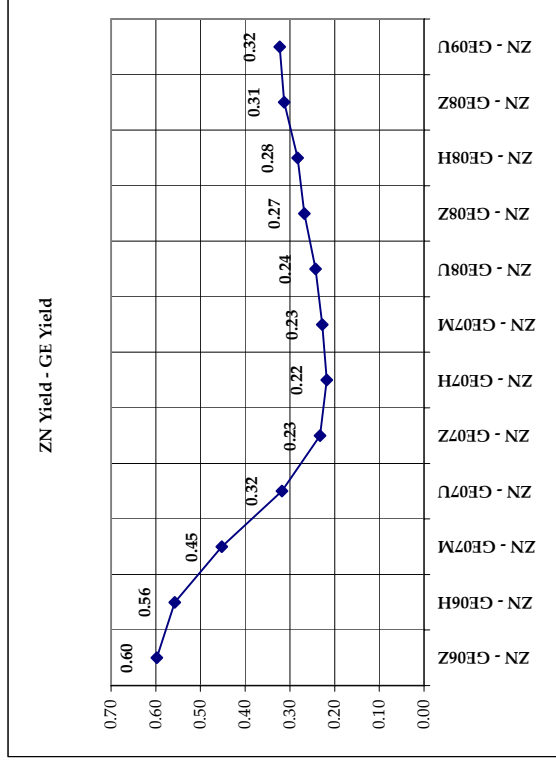
	GE Duration as Fraction of year	ZF Duration	Spread Duration
F.EDAZ06	0.147	#VALUE!	#VALUE!
F.EDAH07	0.397	#VALUE!	#VALUE!
F.EDAM07	0.646	#VALUE!	#VALUE!
F.EDAU07	0.895	#VALUE!	#VALUE!
F.EDAZ07	1.145	#VALUE!	#VALUE!
F.EDAH08	1.394	#VALUE!	#VALUE!
F.EDAM08	1.643	#VALUE!	#VALUE!
F.EDAU08	1.892	#VALUE!	#VALUE!
F.EDAZ08	2.142	#VALUE!	#VALUE!
F.EDAH09	2.391	#VALUE!	#VALUE!
F.EDAM09	2.640	#VALUE!	#VALUE!
F.EDAU09	2.890	#VALUE!	#VALUE!

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

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	12.17	#VALUE!	ZN - GE06Z
F.EDAH07	12.13	#VALUE!	ZN - GE06H
F.EDAM07	12.02	#VALUE!	ZN - GE07M
F.EDAU07	11.89	#VALUE!	ZN - GE07U
F.EDAZ07	11.80	#VALUE!	ZN - GE07Z
F.EDAH08	11.79	#VALUE!	ZN - GE07H
F.EDAM08	11.80	#VALUE!	ZN - GE07M
F.EDAU08	11.81	#VALUE!	ZN - GE08U
F.EDAZ08	11.84	#VALUE!	ZN - GE08Z
F.EDAH09	11.85	#VALUE!	ZN - GE08H
F.EDAM09	11.88	#VALUE!	ZN - GE08Z
F.EDAU09	11.89	#VALUE!	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	0.147	#VALUE!
F.EDAH07	0.397	#VALUE!
F.EDAM07	0.646	#VALUE!
F.EDAU07	0.895	#VALUE!
F.EDAZ07	1.145	#VALUE!
F.EDAH08	1.394	#VALUE!
F.EDAM08	1.643	#VALUE!
F.EDAU08	1.892	#VALUE!
F.EDAZ08	2.142	#VALUE!
F.EDAH09	2.391	#VALUE!
F.EDAM09	2.640	#VALUE!
F.EDAU09	2.890	#VALUE!

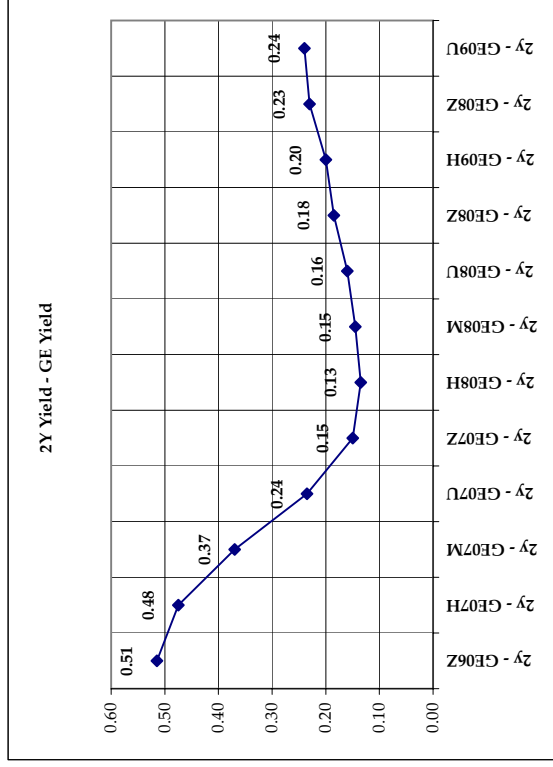
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.36	0.51	2y - GE06Z
F.EDAH07	5.32	0.48	2y - GE07H
F.EDAM07	5.21	0.37	2y - GE07M
F.EDAU07	5.08	0.24	2y - GE07U
F.EDAZ07	4.99	0.15	2y - GE07Z
F.EDAH08	4.98	0.13	2y - GE08H
F.EDAM08	4.99	0.15	2y - GE08M
F.EDAU08	5.00	0.16	2y - GE08U
F.EDAZ08	5.03	0.18	2y - GE08Z
F.EDAH09	5.04	0.20	2y - GE09H
F.EDAM09	5.07	0.23	2y - GE08Z
F.EDAU09	5.08	0.24	2y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	2Y Duration	Spread Duration
F.EDAZ06	0.147	1.67
F.EDAH07	0.397	1.42
F.EDAM07	0.646	1.17
F.EDAU07	0.895	0.92
F.EDAZ07	1.145	0.67
F.EDAH08	1.394	0.42
F.EDAM08	1.643	0.17
F.EDAU08	1.892	(0.08)
F.EDAZ08	2.142	(0.32)
F.EDAH09	2.391	(0.57)
F.EDAM09	2.640	(0.82)
F.EDAU09	2.890	(1.07)

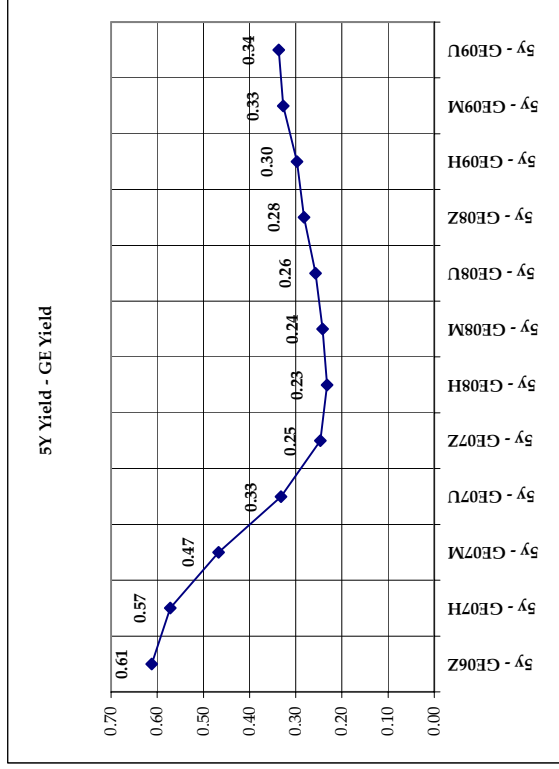
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	3.63	0.61	5y - GE06Z
F.EDAH07	3.59	0.57	5y - GE07H
F.EDAM07	3.49	0.47	5y - GE07M
F.EDAU07	3.35	0.33	5y - GE07U
F.EDAZ07	3.27	0.25	5y - GE07Z
F.EDAH08	3.25	0.23	5y - GE08H
F.EDAM08	3.26	0.24	5y - GE08M
F.EDAU08	3.28	0.26	5y - GE08U
F.EDAZ08	3.30	0.28	5y - GE08Z
F.EDAH09	3.32	0.30	5y - GE09H
F.EDAM09	3.35	0.33	5y - GE09M
F.EDAU09	3.36	0.34	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	0.147	4.21	5y - GE06Z
F.EDAH07	0.397	4.35	5y - GE07H
F.EDAM07	0.646	4.35	5y - GE07M
F.EDAU07	0.895	4.35	5y - GE07U
F.EDAZ07	1.145	4.35	5y - GE07Z
F.EDAH08	1.394	4.35	5y - GE08H
F.EDAM08	1.643	4.35	5y - GE08M
F.EDAU08	1.892	4.35	5y - GE08U
F.EDAZ08	2.142	4.35	5y - GE08Z
F.EDAH09	2.391	4.35	5y - GE09H
F.EDAM09	2.640	4.35	5y - GE09M
F.EDAU09	2.890	4.35	5y - GE09U

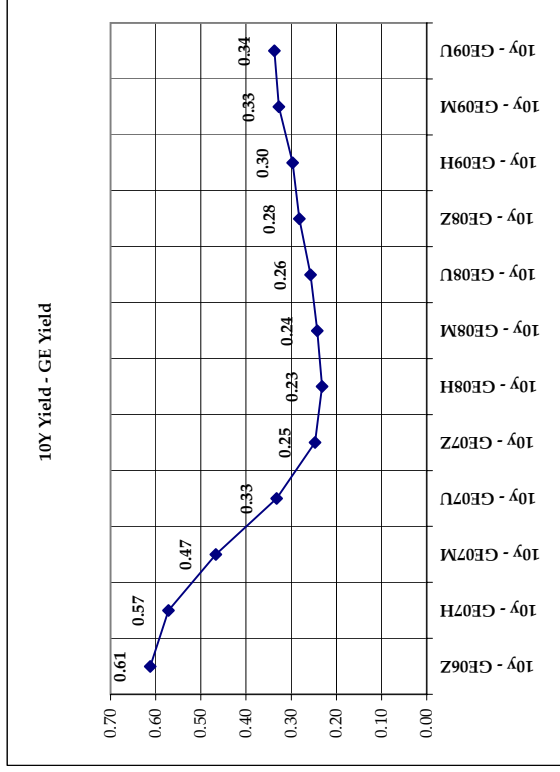
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Yield	Spread Name
F.EDAZ06	3.63	0.61	10y - GE06Z	
F.EDAH07	3.59	0.57	10y - GE07H	
F.EDAM07	3.49	0.47	10y - GE07M	
F.EDAU07	3.35	0.33	10y - GE07U	
F.EDAZ07	3.27	0.25	10y - GE07Z	
F.EDAH08	3.25	0.23	10y - GE08H	
F.EDAM08	3.26	0.24	10y - GE08M	
F.EDAU08	3.28	0.26	10y - GE08U	
F.EDAZ08	3.30	0.28	10y - GE08Z	
F.EDAH09	3.32	0.30	10y - GE09H	
F.EDAM09	3.35	0.33	10y - GE09M	
F.EDAU09	3.36	0.34	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	0.147	7.51
F.EDAH07	0.397	7.26
F.EDAM07	0.646	7.01
F.EDAU07	0.895	6.76
F.EDAZ07	1.145	6.51
F.EDAH08	1.394	6.26
F.EDAM08	1.643	6.01
F.EDAU08	1.892	5.76
F.EDAZ08	2.142	5.51
F.EDAH09	2.391	5.26
F.EDAM09	2.640	5.02
F.EDAU09	2.890	4.77

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