

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.0000	102.000	4.809
ZF	105.0781	105.025	4.676
ZN	107.4531	107.145	4.683
Blank			
2y	100.131	100.0420	4.800
5y	99.242	99.0774	4.680
10y	101.060	101.0192	4.721

*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	94.620	5.380	52	0.142	DEC	White Pack
F.EDAH07	94.710	5.290	143	0.391	MAR	
F.EDAM07	94.855	5.145	234	0.640	JUN	
F.EDAU07	95.010	4.990	325	0.890	SEP	Red Pack
F.EDAZ07	95.100	4.900	416	1.139	DEC	
F.EDAH08	95.130	4.870	507	1.388	MAR	
F.EDAM08	95.120	4.880	598	1.638	JUN	Green Pack
F.EDAU08	95.100	4.900	689	1.887	SEP	
F.EDAZ08	95.070	4.930	780	2.136	DEC	
F.EDAH09	95.045	4.955	871	2.386	MAR	Green Pack
F.EDAM09	95.020	4.980	962	2.635	JUN	
F.EDAU09	94.985	5.015	1053	2.884	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:

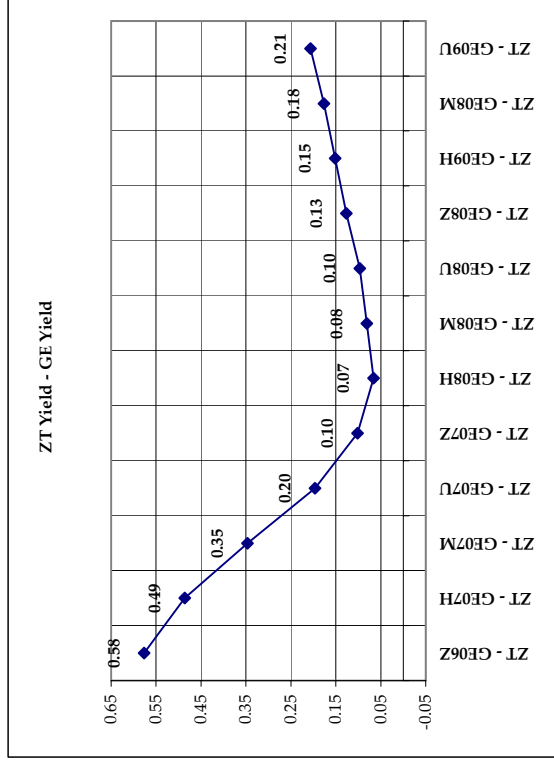
Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZT vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.380	0.57	ZT - GE06Z
F.EDAH07	7.290	0.48	ZT - GE07H
F.EDAM07	7.145	0.34	ZT - GE07M
F.EDAU07	6.990	0.18	ZT - GE07U
F.EDAZ07	6.900	0.09	ZT - GE07Z
F.EDAH08	6.870	0.06	ZT - GE08H
F.EDAM08	6.880	0.07	ZT - GE08M
F.EDAU08	6.900	0.09	ZT - GE08U
F.EDAZ08	6.930	0.12	ZT - GE08Z
F.EDAH09	6.955	0.15	ZT - GE09H
F.EDAM09	6.980	0.17	ZT - GE08M
F.EDAU09	7.015	0.21	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	Duration	
F.EDAZ06	0.142	1.81	1.67
F.EDAH07	0.391	1.81	1.42
F.EDAM07	0.640	1.81	1.17
F.EDAU07	0.890	1.81	0.92
F.EDAZ07	1.139	1.81	0.67
F.EDAH08	1.388	1.81	0.42
F.EDAM08	1.638	1.81	0.17
F.EDAU08	1.887	1.81	(0.08)
F.EDAZ08	2.136	1.81	(0.33)
F.EDAH09	2.386	1.81	(0.58)
F.EDAM09	2.635	1.81	(0.83)
F.EDAU09	2.884	1.81	(1.08)

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

Dirty TED: ZF vs Eurodollar Contracts

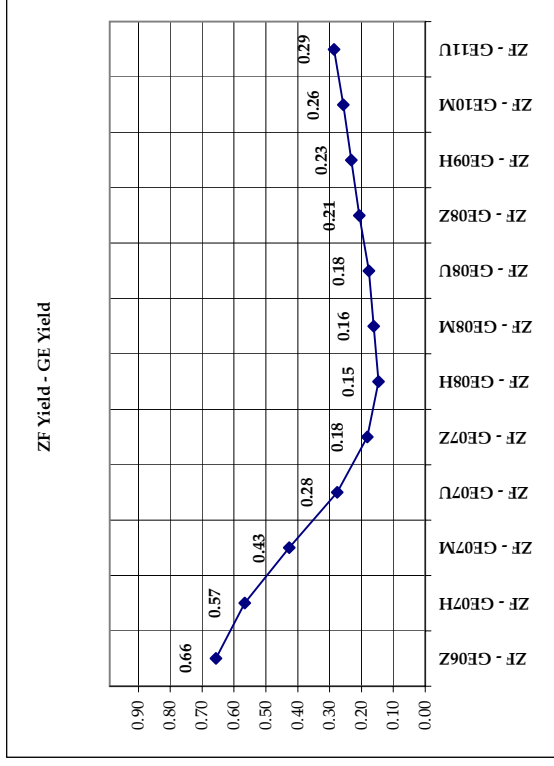
	ZF		ZF	
	Spread Price	Spread Yield	Spread Name	Spread Name
F.EDAZ06	10.46	0.70	ZF - GE06Z	ZF - GE06Z
F.EDAH07	10.37	0.61	ZF - GE07H	ZF - GE07H
F.EDAM07	10.22	0.47	ZF - GE07M	ZF - GE07M
F.EDAU07	10.07	0.31	ZF - GE07U	ZF - GE07U
F.EDAZ07	9.98	0.22	ZF - GE07Z	ZF - GE07Z
F.EDAH08	9.95	0.19	ZF - GE08H	ZF - GE08H
F.EDAM08	9.96	0.20	ZF - GE08M	ZF - GE08M
F.EDAU08	9.98	0.22	ZF - GE08U	ZF - GE08U
F.EDAZ08	10.01	0.25	ZF - GE08Z	ZF - GE08Z
F.EDAH09	10.03	0.28	ZF - GE09H	ZF - GE09H
F.EDAM09	10.06	0.30	ZF - GE10M	ZF - GE10M
F.EDAU09	10.09	0.34	ZF - GE11U	ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year	ZF		ZF	
	Duration	Duration	Duration	Duration
F.EDAZ06	0.142	3.87	ZF - GE06Z	3.72
F.EDAH07	0.391	3.87	ZF - GE07H	3.47
F.EDAM07	0.640	3.87	ZF - GE07M	3.23
F.EDAU07	0.890	3.87	ZF - GE07U	2.98
F.EDAZ07	1.139	3.87	ZF - GE07Z	2.73
F.EDAH08	1.388	3.87	ZF - GE08H	2.48
F.EDAM08	1.638	3.87	ZF - GE08M	2.23
F.EDAU08	1.887	3.87	ZF - GE08U	1.98
F.EDAZ08	2.136	3.87	ZF - GE08Z	1.73
F.EDAH09	2.386	3.87	ZF - GE09H	1.48
F.EDAM09	2.635	3.87	ZF - GE10M	1.23
F.EDAU09	2.884	3.87	ZF - GE11U	0.98

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

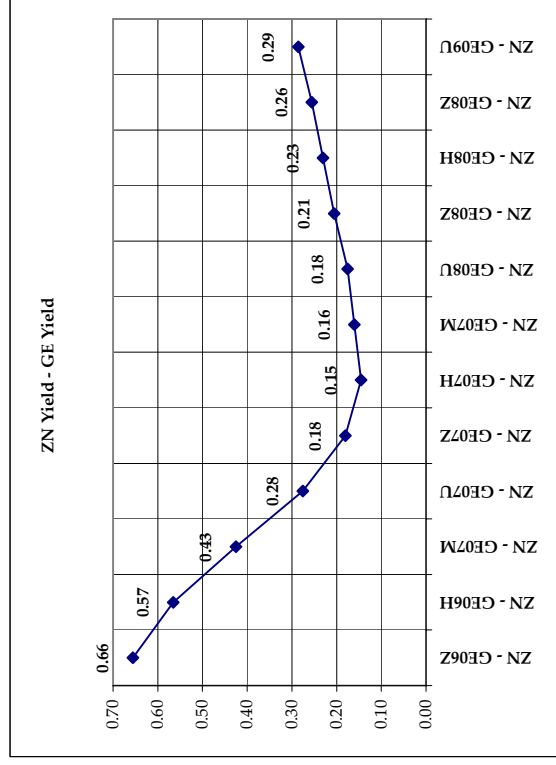


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	12.83	0.70	ZN - GE06Z
F.EDAH07	12.74	0.61	ZN - GE06H
F.EDAM07	12.60	0.46	ZN - GE07M
F.EDAU07	12.44	0.31	ZN - GE07U
F.EDAZ07	12.35	0.22	ZN - GE07Z
F.EDAH08	12.32	0.19	ZN - GE07H
F.EDAM08	12.33	0.20	ZN - GE07M
F.EDAU08	12.35	0.22	ZN - GE08U
F.EDAZ08	12.38	0.25	ZN - GE08Z
F.EDAH09	12.41	0.27	ZN - GE08H
F.EDAM09	12.43	0.30	ZN - GE08M
F.EDAU09	12.47	0.33	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	0.142	5.63
F.EDAH07	0.391	5.38
F.EDAM07	0.640	5.13
F.EDAU07	0.890	4.88
F.EDAZ07	1.139	4.63
F.EDAH08	1.388	4.38
F.EDAM08	1.638	4.13
F.EDAU08	1.887	3.89
F.EDAZ08	2.136	3.64
F.EDAH09	2.386	3.39
F.EDAM09	2.635	3.14
F.EDAU09	2.884	2.89

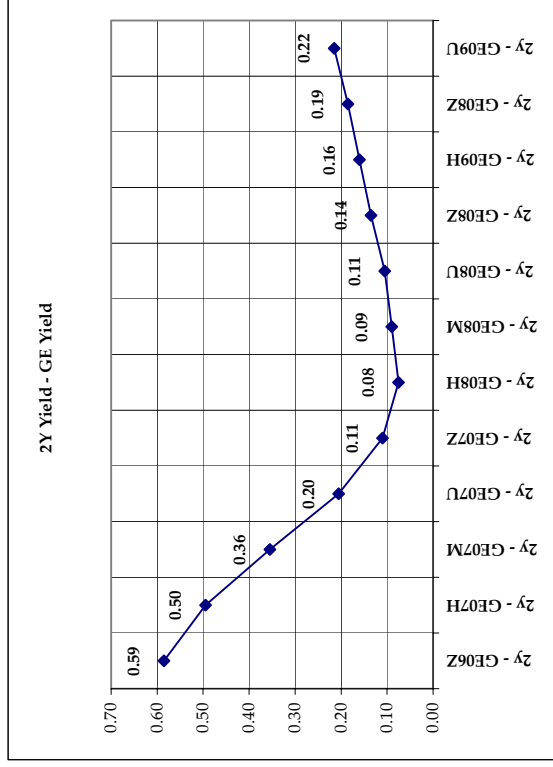
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.51	0.58	2y - GE06Z
F.EDAH07	5.42	0.49	2y - GE07H
F.EDAM07	5.28	0.34	2y - GE07M
F.EDAU07	5.12	0.19	2y - GE07U
F.EDAZ07	5.03	0.10	2y - GE07Z
F.EDAH08	5.00	0.07	2y - GE08H
F.EDAM08	5.01	0.08	2y - GE08M
F.EDAU08	5.03	0.10	2y - GE08U
F.EDAZ08	5.06	0.13	2y - GE08Z
F.EDAH09	5.09	0.15	2y - GE09H
F.EDAM09	5.11	0.18	2y - GE08Z
F.EDAU09	5.15	0.22	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	0.142	1.70
F.EDAH07	0.391	1.45
F.EDAM07	0.640	1.20
F.EDAU07	0.890	0.95
F.EDAZ07	1.139	0.70
F.EDAH08	1.388	0.45
F.EDAM08	1.638	0.20
F.EDAU08	1.887	(0.04)
F.EDAZ08	2.136	(0.29)
F.EDAH09	2.386	(0.54)
F.EDAM09	2.635	(0.79)
F.EDAU09	2.884	(1.04)

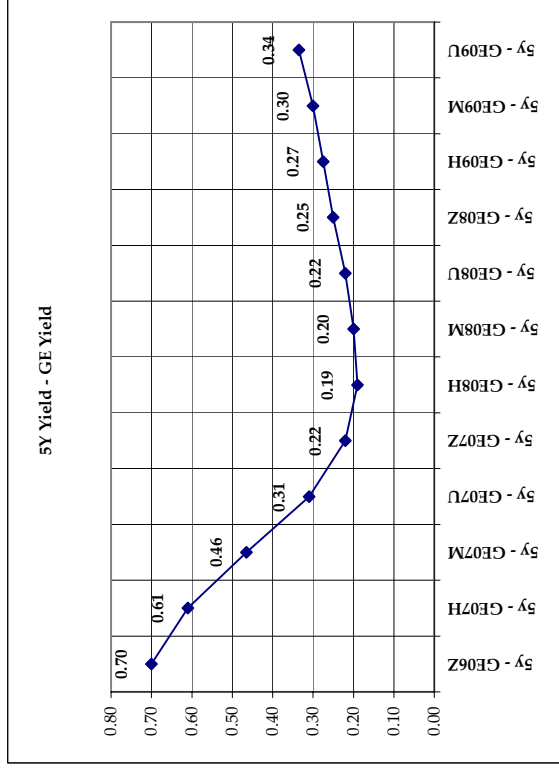
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	4.62	0.70	5y - GE06Z
F.EDAH07	4.53	0.61	5y - GE07H
F.EDAM07	4.39	0.46	5y - GE07M
F.EDAU07	4.23	0.31	5y - GE07U
F.EDAZ07	4.14	0.22	5y - GE07Z
F.EDAH08	4.11	0.19	5y - GE08H
F.EDAM08	4.12	0.20	5y - GE08M
F.EDAU08	4.14	0.22	5y - GE08U
F.EDAZ08	4.17	0.25	5y - GE08Z
F.EDAH09	4.20	0.27	5y - GE09H
F.EDAM09	4.22	0.30	5y - GE09M
F.EDAU09	4.26	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	0.142	4.35	4.20	5y - GE06Z
F.EDAH07	0.391	4.35	3.95	5y - GE07H
F.EDAM07	0.640	4.35	3.71	5y - GE07M
F.EDAU07	0.890	4.35	3.46	5y - GE07U
F.EDAZ07	1.139	4.35	3.21	5y - GE07Z
F.EDAH08	1.388	4.35	2.96	5y - GE08H
F.EDAM08	1.638	4.35	2.71	5y - GE08M
F.EDAU08	1.887	4.35	2.46	5y - GE08U
F.EDAZ08	2.136	4.35	2.21	5y - GE08Z
F.EDAH09	2.386	4.35	1.96	5y - GE09H
F.EDAM09	2.635	4.35	1.71	5y - GE09M
F.EDAU09	2.884	4.35	1.46	5y - GE09U

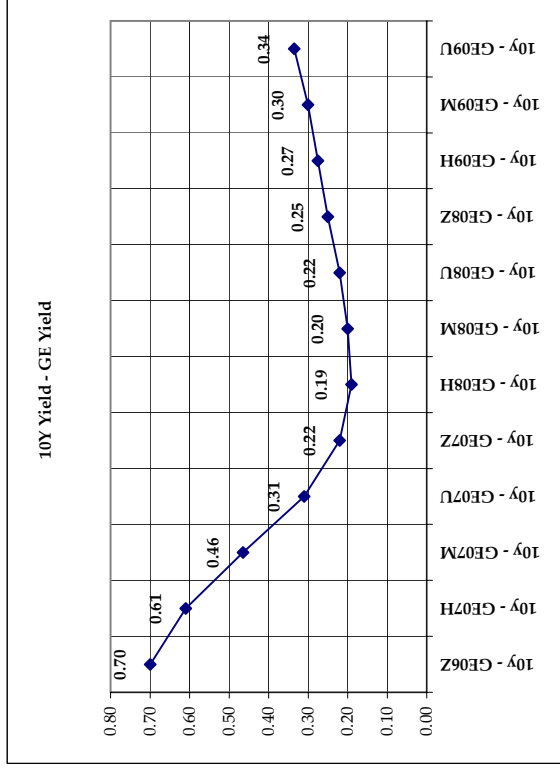
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Yield	Spread Name
F.EDAZ06	4.62	0.70	0.70	10y - GE06Z
F.EDAH07	4.53	0.61	0.61	10y - GE07H
F.EDAM07	4.39	0.46	0.46	10y - GE07M
F.EDAU07	4.23	0.31	0.31	10y - GE07U
F.EDAZ07	4.14	0.22	0.22	10y - GE07Z
F.EDAH08	4.11	0.19	0.19	10y - GE08H
F.EDAM08	4.12	0.20	0.20	10y - GE08M
F.EDAU08	4.14	0.22	0.22	10y - GE08U
F.EDAZ08	4.17	0.25	0.25	10y - GE08Z
F.EDAH09	4.20	0.27	0.27	10y - GE09H
F.EDAM09	4.22	0.30	0.30	10y - GE09M
F.EDAU09	4.26	0.34	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	0.142	#VALUE!	10y - GE06Z
F.EDAH07	0.391	#VALUE!	10y - GE07H
F.EDAM07	0.640	#VALUE!	10y - GE07M
F.EDAU07	0.890	#VALUE!	10y - GE07U
F.EDAZ07	1.139	#VALUE!	10y - GE07Z
F.EDAH08	1.388	#VALUE!	10y - GE08H
F.EDAM08	1.638	#VALUE!	10y - GE08M
F.EDAU08	1.887	#VALUE!	10y - GE08U
F.EDAZ08	2.136	#VALUE!	10y - GE08Z
F.EDAH09	2.386	#VALUE!	10y - GE09H
F.EDAM09	2.635	#VALUE!	10y - GE09M
F.EDAU09	2.884	#VALUE!	10y - GE09U

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