

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.0688	102.022	4.787
ZF	105.2500	105.080	4.623
ZN	107.7344	107.235	4.642
Blank			
2y	100.203	100.0650	4.763
5y	99.295	99.0944	4.641
10y	101.175	101.0560	4.673

*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	94.625	5.375	48	0.131	DEC	White Pack
F.EDAH07	94.735	5.265	139	0.380	MAR	
F.EDAM07	94.875	5.125	230	0.630	JUN	
F.EDAU07	95.045	4.955	321	0.879	SEP	Red Pack
F.EDAZ07	95.160	4.840	412	1.128	DEC	
F.EDAH08	95.195	4.805	503	1.377	MAR	
F.EDAM08	95.180	4.820	594	1.627	JUN	Green Pack
F.EDAU08	95.155	4.845	685	1.876	SEP	
F.EDAZ08	95.125	4.875	776	2.125	DEC	
F.EDAH09	95.105	4.895	867	2.375	MAR	Green Pack
F.EDAM09	95.055	4.945	958	2.624	JUN	
F.EDAU09	95.025	4.975	1049	2.873	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

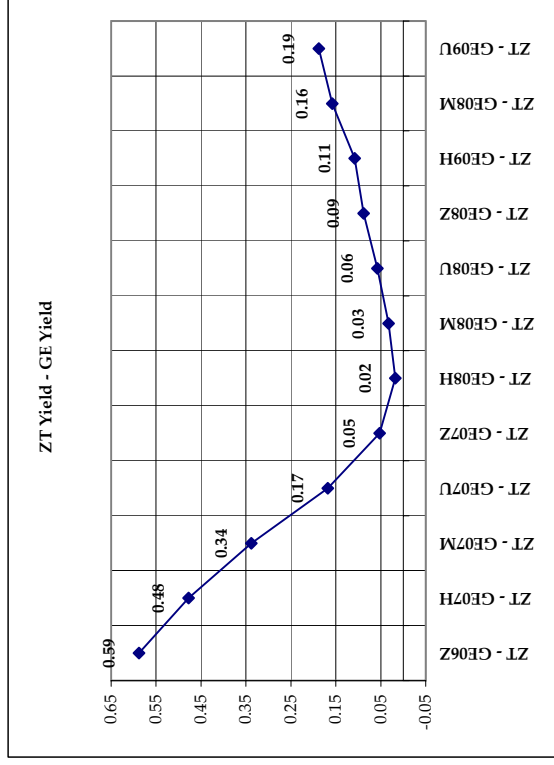
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.444	0.59	ZT - GE06Z
F.EDAH07	7.334	0.48	ZT - GE07H
F.EDAM07	7.194	0.34	ZT - GE07M
F.EDAU07	7.024	0.17	ZT - GE07U
F.EDAZ07	6.909	0.05	ZT - GE07Z
F.EDAH08	6.874	0.02	ZT - GE08H
F.EDAM08	6.889	0.03	ZT - GE08M
F.EDAU08	6.914	0.06	ZT - GE08U
F.EDAZ08	6.944	0.09	ZT - GE08Z
F.EDAH09	6.964	0.11	ZT - GE09H
F.EDAM09	7.014	0.16	ZT - GE08M
F.EDAU09	7.044	0.19	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	1.80	0.131	1.67
F.EDAH07	1.80	0.380	1.42
F.EDAM07	1.80	0.630	1.17
F.EDAU07	1.80	0.879	0.92
F.EDAZ07	1.80	1.128	0.67
F.EDAH08	1.80	1.377	0.42
F.EDAM08	1.80	1.627	0.18
F.EDAU08	1.80	1.876	(0.07)
F.EDAZ08	1.80	2.125	(0.32)
F.EDAH09	1.80	2.375	(0.57)
F.EDAM09	1.80	2.624	(0.82)
F.EDAU09	1.80	2.873	(1.07)

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



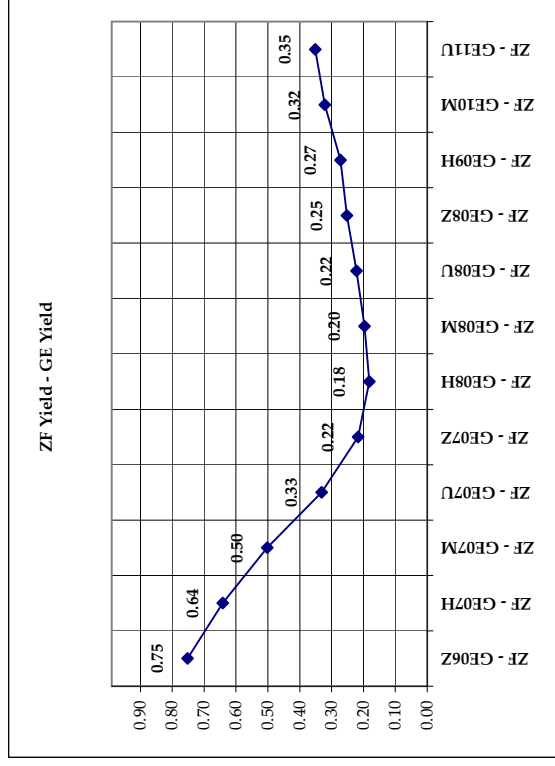
	ZF		ZF	
	Spread Price	Spread Yield	Spread Name	Spread Name
F.EDAZ06	10.63	0.75	ZF - GE06Z	ZF - GE06Z
F.EDAH07	10.52	0.64	ZF - GE07H	ZF - GE07H
F.EDAM07	10.38	0.50	ZF - GE07M	ZF - GE07M
F.EDAU07	10.21	0.33	ZF - GE07U	ZF - GE07U
F.EDAZ07	10.09	0.22	ZF - GE07Z	ZF - GE07Z
F.EDAH08	10.06	0.18	ZF - GE08H	ZF - GE08H
F.EDAM08	10.07	0.20	ZF - GE08M	ZF - GE08M
F.EDAU08	10.10	0.22	ZF - GE08U	ZF - GE08U
F.EDAZ08	10.13	0.25	ZF - GE08Z	ZF - GE08Z
F.EDAH09	10.15	0.27	ZF - GE09H	ZF - GE09H
F.EDAM09	10.20	0.32	ZF - GE10M	ZF - GE10M
F.EDAU09	10.23	0.35	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		Spread	
	Duration	Duration	Duration	Duration
F.EDAZ06	0.131	3.86	3.73	ZF - GE06Z
F.EDAH07	0.380	3.86	3.48	ZF - GE07H
F.EDAM07	0.630	3.86	3.23	ZF - GE07M
F.EDAU07	0.879	3.86	2.98	ZF - GE07U
F.EDAZ07	1.128	3.86	2.73	ZF - GE07Z
F.EDAH08	1.377	3.86	2.48	ZF - GE08H
F.EDAM08	1.627	3.86	2.24	ZF - GE08M
F.EDAU08	1.876	3.86	1.99	ZF - GE08U
F.EDAZ08	2.125	3.86	1.74	ZF - GE08Z
F.EDAH09	2.375	3.86	1.49	ZF - GE09H
F.EDAM09	2.624	3.86	1.24	ZF - GE10M
F.EDAU09	2.873	3.86	0.99	ZF - GE11U

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

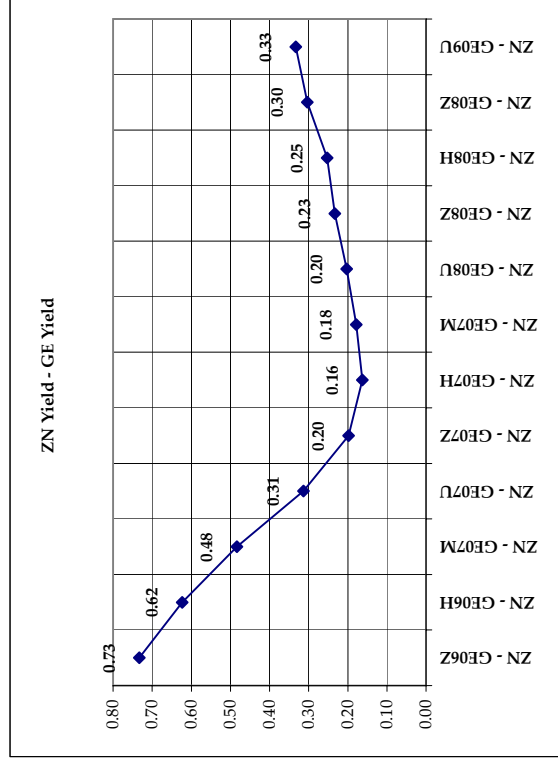


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	13.11	0.73	ZN - GE06Z
F.EDAH07	13.00	0.62	ZN - GE06H
F.EDAM07	12.86	0.48	ZN - GE07M
F.EDAU07	12.69	0.31	ZN - GE07U
F.EDAZ07	12.57	0.20	ZN - GE07Z
F.EDAH08	12.54	0.16	ZN - GE07H
F.EDAM08	12.55	0.18	ZN - GE07M
F.EDAU08	12.58	0.20	ZN - GE08U
F.EDAZ08	12.61	0.23	ZN - GE08Z
F.EDAH09	12.63	0.25	ZN - GE08H
F.EDAM09	12.68	0.30	ZN - GE08M
F.EDAU09	12.71	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	0.131	5.64
F.EDAH07	0.380	5.39
F.EDAM07	0.630	5.14
F.EDAU07	0.879	4.89
F.EDAZ07	1.128	4.64
F.EDAH08	1.377	4.39
F.EDAM08	1.627	4.14
F.EDAU08	1.876	3.89
F.EDAZ08	2.125	3.64
F.EDAH09	2.375	3.39
F.EDAM09	2.624	3.15
F.EDAU09	2.873	2.90

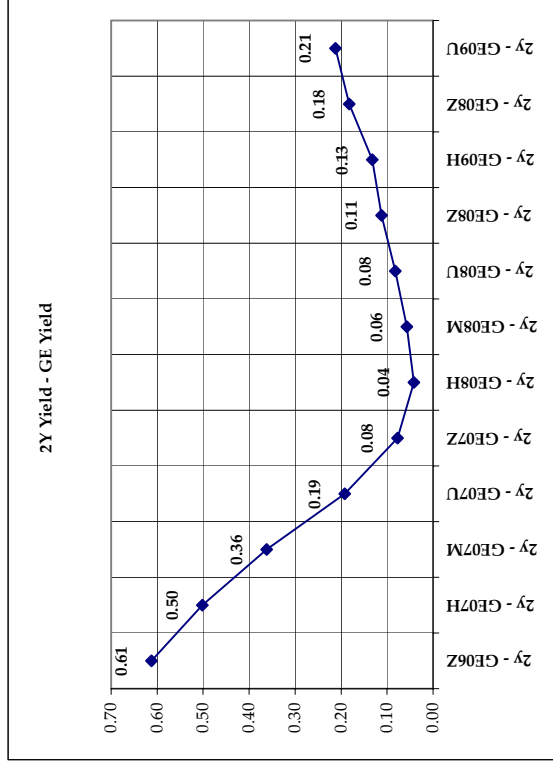
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	5.58	0.61	2y - GE06Z
F.EDAH07	5.47	0.50	2y - GE07H
F.EDAM07	5.33	0.36	2y - GE07M
F.EDAU07	5.16	0.19	2y - GE07U
F.EDAZ07	5.04	0.08	2y - GE07Z
F.EDAH08	5.01	0.04	2y - GE08H
F.EDAM08	5.02	0.06	2y - GE08M
F.EDAU08	5.05	0.08	2y - GE08U
F.EDAZ08	5.08	0.11	2y - GE08Z
F.EDAH09	5.10	0.13	2y - GE09H
F.EDAM09	5.15	0.18	2y - GE08Z
F.EDAU09	5.18	0.21	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	0.131	1.75
F.EDAH07	0.380	1.50
F.EDAM07	0.630	1.25
F.EDAU07	0.879	1.00
F.EDAZ07	1.128	0.75
F.EDAH08	1.377	0.50
F.EDAM08	1.627	0.25
F.EDAU08	1.876	0.00
F.EDAZ08	2.125	(0.25)
F.EDAH09	2.375	(0.50)
F.EDAM09	2.624	(0.74)
F.EDAU09	2.873	(0.99)

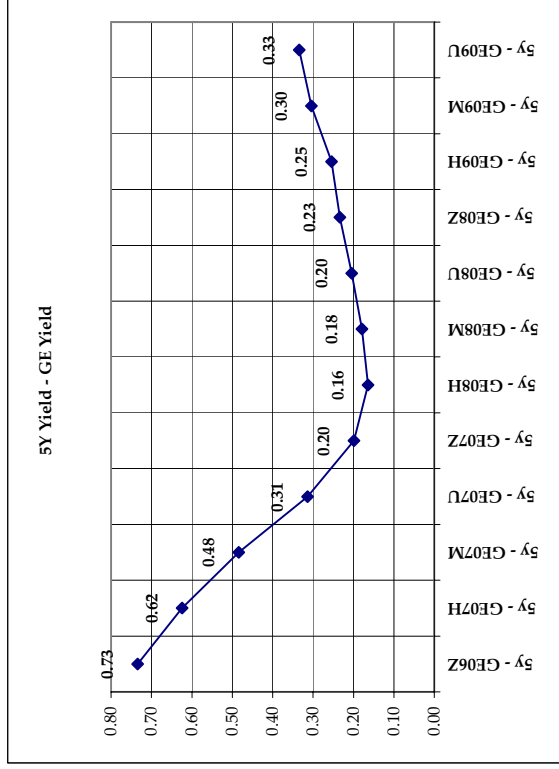
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TERM TED: 5y vs Eurodollar Contracts

	5y	
	Spread Price	Spread Yield Name
F.EDAZ06	4.67	0.73 5y - GE06Z
F.EDAH07	4.56	0.62 5y - GE07H
F.EDAM07	4.42	0.48 5y - GE07M
F.EDAU07	4.25	0.31 5y - GE07U
F.EDAZ07	4.14	0.20 5y - GE07Z
F.EDAH08	4.10	0.16 5y - GE08H
F.EDAM08	4.11	0.18 5y - GE08M
F.EDAU08	4.14	0.20 5y - GE08U
F.EDAZ08	4.17	0.23 5y - GE08Z
F.EDAH09	4.19	0.25 5y - GE09H
F.EDAM09	4.24	0.30 5y - GE09M
F.EDAU09	4.27	0.33 5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	5Y		Spread Duration
	Duration	Duration	
F.EDAZ06	0.131	4.34	4.21 5y - GE06Z
F.EDAH07	0.380	4.34	3.96 5y - GE07H
F.EDAM07	0.630	4.34	3.71 5y - GE07M
F.EDAU07	0.879	4.34	3.46 5y - GE07U
F.EDAZ07	1.128	4.34	3.21 5y - GE07Z
F.EDAH08	1.377	4.34	2.96 5y - GE08H
F.EDAM08	1.627	4.34	2.71 5y - GE08M
F.EDAU08	1.876	4.34	2.46 5y - GE08U
F.EDAZ08	2.125	4.34	2.22 5y - GE08Z
F.EDAH09	2.375	4.34	1.97 5y - GE09H
F.EDAM09	2.624	4.34	1.72 5y - GE09M
F.EDAU09	2.873	4.34	1.47 5y - GE09U

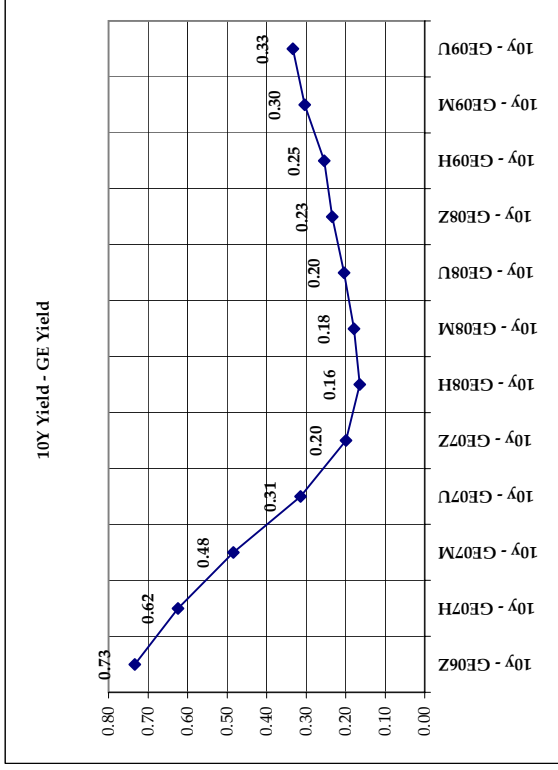
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Yield	Spread Name
F.EDAZ06	4.67	0.73	10y - GE06Z	
F.EDAH07	4.56	0.62	10y - GE07H	
F.EDAM07	4.42	0.48	10y - GE07M	
F.EDAU07	4.25	0.31	10y - GE07U	
F.EDAZ07	4.14	0.20	10y - GE07Z	
F.EDAH08	4.10	0.16	10y - GE08H	
F.EDAM08	4.11	0.18	10y - GE08M	
F.EDAU08	4.14	0.20	10y - GE08U	
F.EDAZ08	4.17	0.23	10y - GE08Z	
F.EDAH09	4.19	0.25	10y - GE09H	
F.EDAM09	4.24	0.30	10y - GE09M	
F.EDAU09	4.27	0.33	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	0.131	7.53
F.EDAH07	0.380	7.28
F.EDAM07	0.630	7.03
F.EDAU07	0.879	6.78
F.EDAZ07	1.128	6.53
F.EDAH08	1.377	6.28
F.EDAM08	1.627	6.03
F.EDAU08	1.876	5.78
F.EDAZ08	2.125	5.54
F.EDAH09	2.375	5.29
F.EDAM09	2.624	5.04
F.EDAU09	2.873	4.79

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