

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.9453	101.3025	4.845%
ZF	104.8281	104.2650	4.744%
ZN	107.00	107.000	4.776%
Blank			
2y	0.000	0.0000	0.000%
3y	100.320	100.1025	4.756%
5y	99.430	99.1375	4.755%
10y	100.531	100.1700	4.807%

*Futures use CTD for Last Yield

Eurodollars (GE)					
	Last Price	Last Yield	Days to Expr.	til Fraction of year	
@GE06U	94.600	5.400	12	0.032	Whites
@GE06Z	94.630	5.370	103	0.282	
@GE07H	94.750	5.250	194	0.531	
@GE07M	94.880	5.120	285	0.780	Reds
@GE07U	94.990	5.010	376	1.029	
@GE07Z	95.055	4.945	467	1.279	
@GE08H	95.075	4.925	558	1.528	Greens
@GE08M	95.065	4.935	649	1.777	
@GE08U	95.040	4.960	740	2.027	
@GE08Z	95.005	4.995	831	2.276	
@GE09H	94.965	5.035	922	2.525	
@GE09M	94.930	5.070	1013	2.775	

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

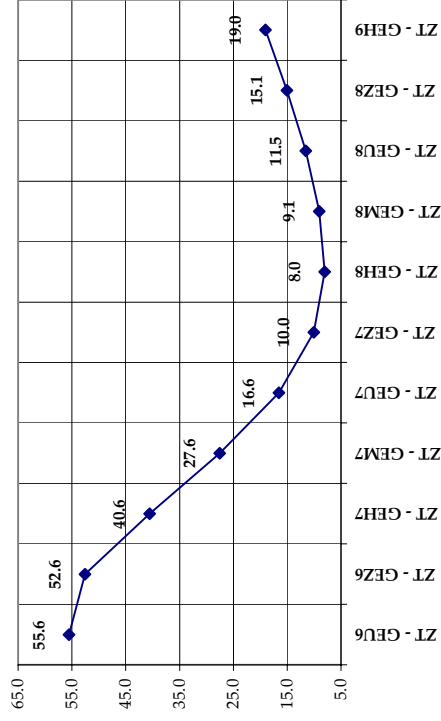
	Spread Price	Spread Yield	Spread Name
@GE06U	7.345	55.6	ZT - GEU6
@GE06Z	7.315	52.6	ZT - GEZ6
@GE07H	7.195	40.6	ZT - GEH7
@GE07M	7.065	27.6	ZT - GEM7
@GE07U	6.955	16.6	ZT - GEU7
@GE07Z	6.890	10.0	ZT - GEZ7
@GE08H	6.870	8.0	ZT - GEH8
@GE08M	6.880	9.1	ZT - GEM8
@GE08U	6.905	11.5	ZT - GEU8
@GE08Z	6.940	15.1	ZT - GEZ8
@GE09H	6.980	19.0	ZT - GEH9

Last = Outright ZT Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)

ZT Yield - GE Yield



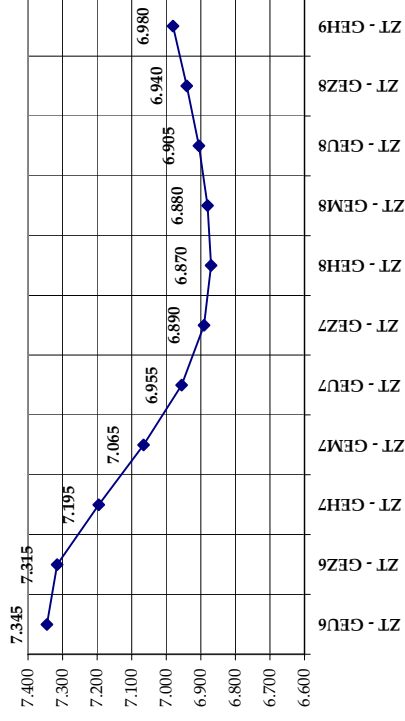
GE Duration as Fraction of year

	Duration	ZT Duration	Spread Duration
@GE06U	0.032	1.90	1.87
@GE06Z	0.282	1.90	1.62
@GE07H	0.531	1.90	1.37
@GE07M	0.780	1.90	1.12
@GE07U	1.029	1.90	0.87
@GE07Z	1.279	1.90	0.62
@GE08H	1.528	1.90	0.37
@GE08M	1.777	1.90	0.12
@GE08U	2.027	1.90	(0.13)
@GE08Z	2.276	1.90	(0.38)
@GE09H	2.525	1.90	(0.63)

The farther away from 0 the spread duration is

the riskier the trade.

ZT Decimal Prive - GE Price



Dirty TED: ZF vs Eurodollar Contracts

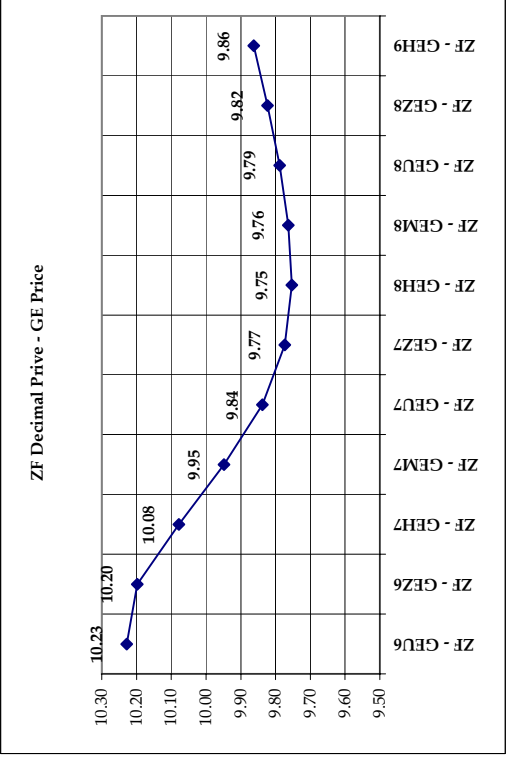
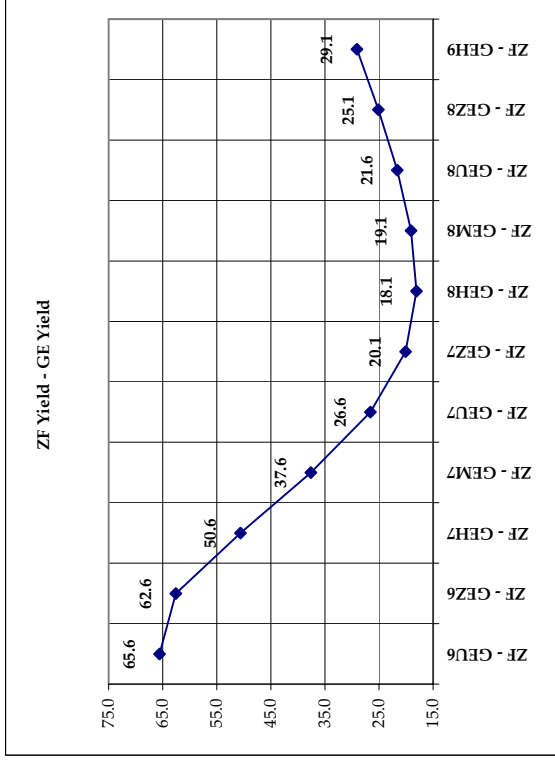
ZF

	Spread Price	Spread Yield	Spread Name
@GE06U	10.23	65.6	ZF - GEU6
@GE06Z	10.20	62.6	ZF - GEZ6
@GE07H	10.08	50.6	ZF - GEH7
@GE07M	9.95	37.6	ZF - GEM7
@GE07U	9.84	26.6	ZF - GEU7
@GE07Z	9.77	20.1	ZF - GEZ7
@GE08H	9.75	18.1	ZF - GEH8
@GE08M	9.76	19.1	ZF - GEM8
@GE08U	9.79	21.6	ZF - GEU8
@GE08Z	9.82	25.1	ZF - GEZ8
@GE09H	9.86	29.1	ZF - GEH9

Last = Outright ZF Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)



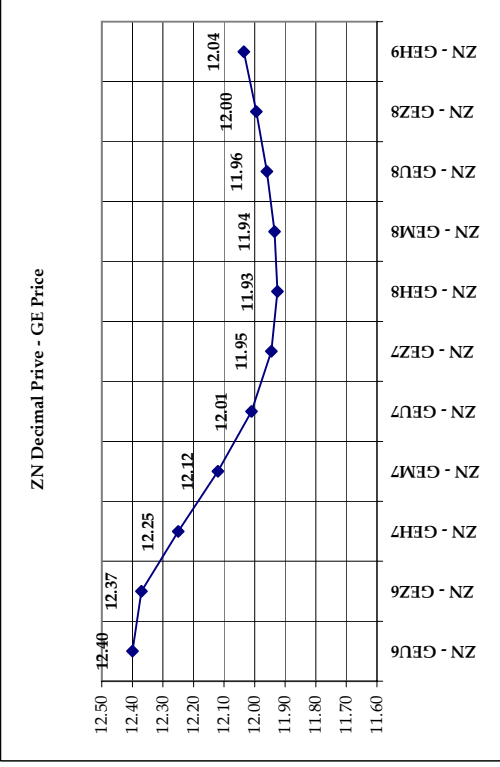
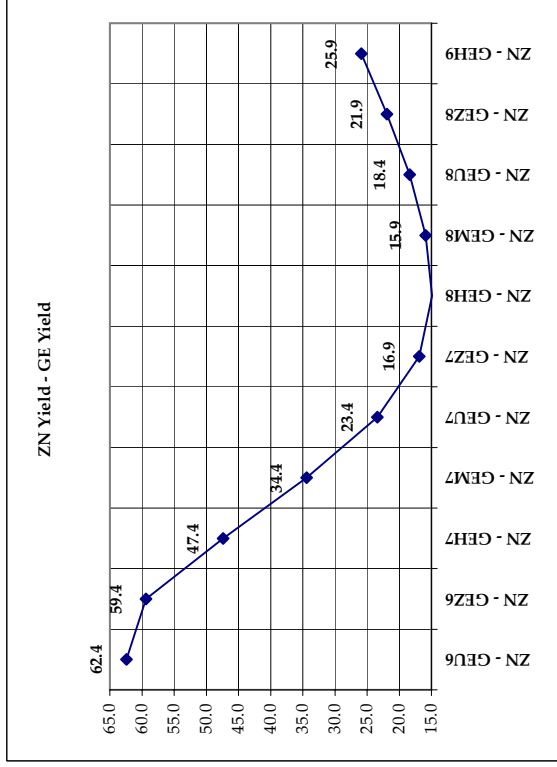
	GE Duration as Fraction of year		ZF		Spread Duration	
	Fraction	of year	Duration	Duration	Spread	Duration
@GE06U	0.032		3.72		3.69	ZF - GEU6
@GE06Z	0.282		3.72		3.44	ZF - GEZ6
@GE07H	0.531		3.72		3.19	ZF - GEH7
@GE07M	0.780		3.72		2.94	ZF - GEM7
@GE07U	1.029		3.72		2.69	ZF - GEU7
@GE07Z	1.279		3.72		2.44	ZF - GEZ7
@GE08H	1.528		3.72		2.19	ZF - GEH8
@GE08M	1.777		3.72		1.94	ZF - GEM8
@GE08U	2.027		3.72		1.69	ZF - GEU8
@GE08Z	2.276		3.72		1.44	ZF - GEZ8
@GE09H	2.525		3.72		1.20	ZF - GEH9

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

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Yield	Spread Name
@GE06U	12.40	62.4	ZN - GEU6
@GE06Z	12.37	59.4	ZN - GEZ6
@GE07H	12.25	47.4	ZN - GEH7
@GE07M	12.12	34.4	ZN - GEM7
@GE07U	12.01	23.4	ZN - GEU7
@GE07Z	11.95	16.9	ZN - GEZ7
@GE08H	11.93	14.9	ZN - GEH8
@GE08M	11.94	15.9	ZN - GEM8
@GE08U	11.96	18.4	ZN - GEU8
@GE08Z	12.00	21.9	ZN - GEZ8
@GE09H	12.04	25.9	ZN - GEH9

Last = Outright ZN Decimal Price - Euro contract Price
 Last32 = Amount after decimal in Last column * 32
 Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)



GE Duration as Fraction of year	ZN Duration	Spread Duration
@GE06U	0.032	5.76
@GE06Z	0.282	5.76
@GE07H	0.531	5.76
@GE07M	0.780	5.76
@GE07U	1.029	5.76
@GE07Z	1.279	5.76
@GE08H	1.528	5.76
@GE08M	1.777	5.76
@GE08U	2.027	5.76
@GE08Z	2.276	5.76
@GE09H	2.525	5.76

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

TERM TED: 2y vs Eurodollar Contracts

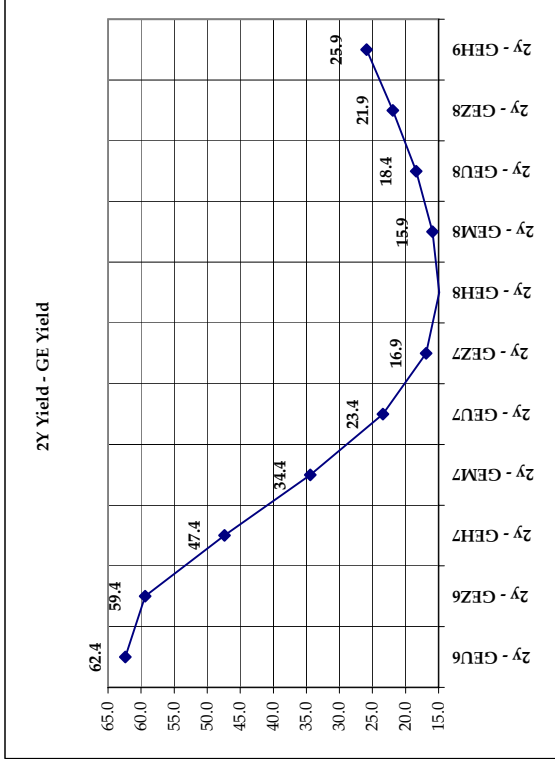
2y

Spread Price	Spread Yield	Spread Name
-94.60	62.4	2y - GEU6
-94.63	59.4	2y - GEZ6
-94.75	47.4	2y - GEH7
-94.88	34.4	2y - GEM7
-94.99	23.4	2y - GEU7
-95.06	16.9	2y - GEZ7
-95.08	14.9	2y - GEH8
-95.07	15.9	2y - GEM8
-95.04	18.4	2y - GEU8
-95.01	21.9	2y - GEZ8
-94.97	25.9	2y - GEH9

Last = Outright 2y Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)



GE Duration as

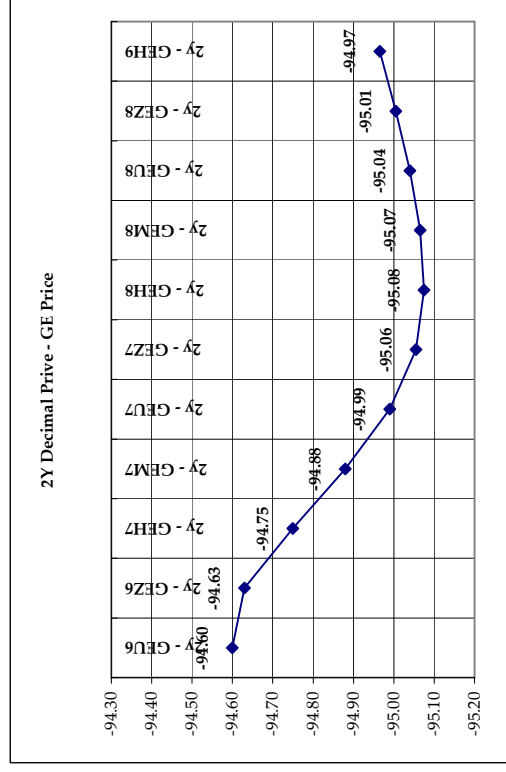
Fraction of year

2Y Duration

Spread Duration

@GE06U	0.032	1.78	1.75	2y - GEU6
@GE06Z	0.282	1.78	1.50	2y - GEZ6
@GE07H	0.531	1.78	1.25	2y - GEH7
@GE07M	0.780	1.78	1.00	2y - GEM7
@GE07U	1.029	1.78	0.75	2y - GEU7
@GE07Z	1.279	1.78	0.50	2y - GEZ7
@GE08H	1.528	1.78	0.25	2y - GEH8
@GE08M	1.777	1.78	0.00	2y - GEM8
@GE08U	2.027	1.78	(0.24)	2y - GEU8
@GE08Z	2.276	1.78	(0.49)	2y - GEZ8
@GE09H	2.525	1.78	(0.74)	2y - GEH9

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



TERM TED: 5y vs Eurodollar Contracts

5y

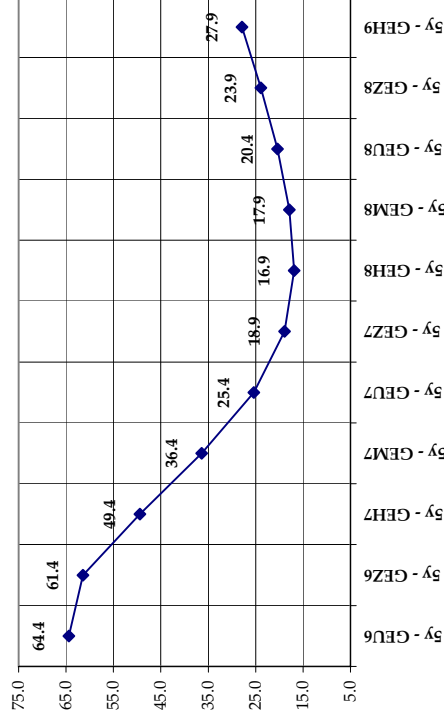
	Spread Price	Spread Yield	Spread Name
@GE06U	5.72	64.4	5y - GEU6
@GE06Z	5.69	61.4	5y - GEZ6
@GE07H	5.57	49.4	5y - GEH7
@GE07M	5.44	36.4	5y - GEM7
@GE07U	5.33	25.4	5y - GEU7
@GE07Z	5.27	18.9	5y - GEZ7
@GE08H	5.25	16.9	5y - GEH8
@GE08M	5.26	17.9	5y - GEM8
@GE08J	5.28	20.4	5y - GEU8
@GE08Z	5.32	23.9	5y - GEZ8
@GE09H	5.36	27.9	5y - GEH9

Last = Outright 5y Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column * 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)

5Y Yield - GE Yield



GE Duration as

Fraction of year

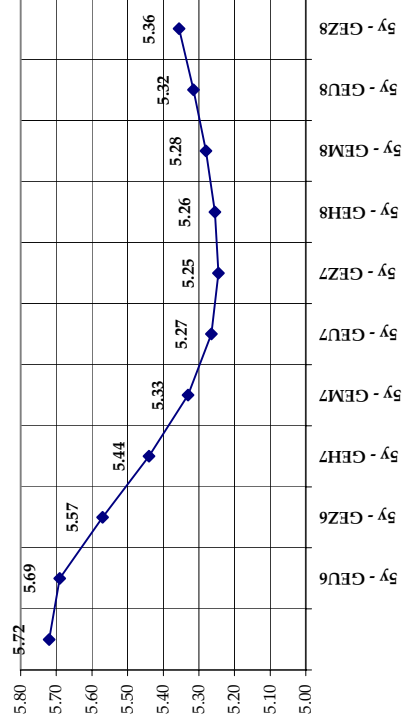
5Y Duration

Spread Duration

	Fraction of year	5Y Duration	Spread Duration
@GE06U	0.032	4.29	4.26
@GE06Z	0.282	4.29	4.01
@GE07H	0.531	4.29	3.76
@GE07M	0.780	4.29	3.51
@GE07U	1.029	4.29	3.26
@GE07Z	1.279	4.29	3.01
@GE08H	1.528	4.29	2.77
@GE08M	1.777	4.29	2.52
@GE08U	2.027	4.29	2.27
@GE08Z	2.276	4.29	2.02
@GE09H	2.525	4.29	1.77

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

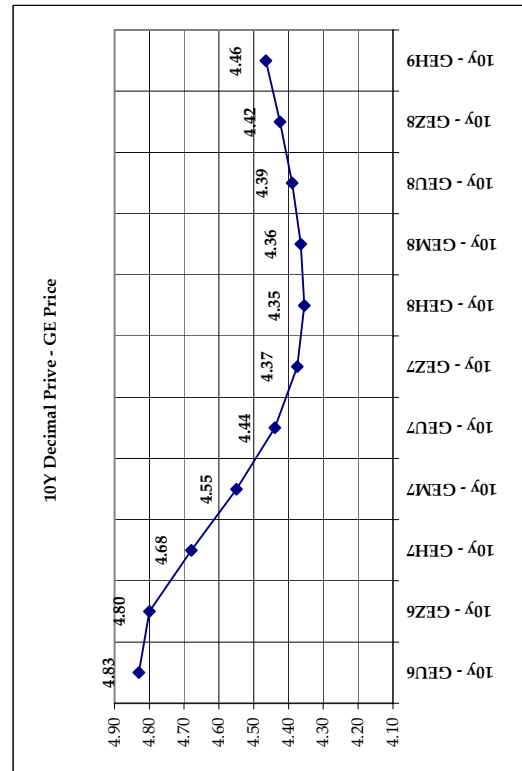
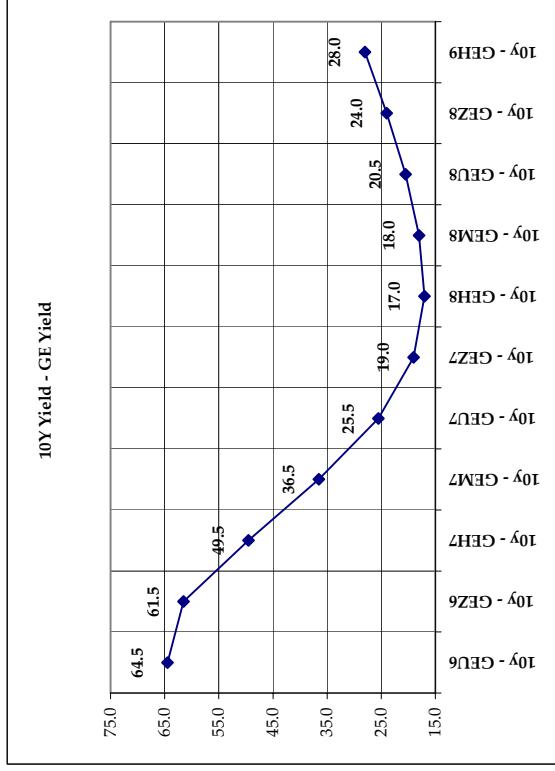
5Y Decimal Prive - GE Price



TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	10y Spread Name
@GE06U	4.83	64.5	10y - GEU6
@GE06Z	4.80	61.5	10y - GEZ6
@GE07H	4.68	49.5	10y - GEH7
@GE07M	4.55	36.5	10y - GEM7
@GE07U	4.44	25.5	10y - GEU7
@GE07Z	4.37	19.0	10y - GEZ7
@GE08H	4.35	17.0	10y - GEH8
@GE08M	4.36	18.0	10y - GEM8
@GE08J	4.39	20.5	10y - GEU8
@GE08Z	4.42	24.0	10y - GEZ8
@GE09H	4.46	28.0	10y - GEH9

Last = Outright 10y Decimal Price - Euro contract Price
 Last32 = Amount after decimal in Last column * 32
 Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)



GE Duration as Fraction of year	10Y Duration	Spread Duration
@GE06U	0.032	7.79
@GE06Z	0.282	7.79
@GE07H	0.531	7.79
@GE07M	0.780	7.79
@GE07U	1.029	7.79
@GE07Z	1.279	7.79
@GE08H	1.528	7.79
@GE08M	1.777	7.79
@GE08U	2.027	7.79
@GE08Z	2.276	7.79
@GE09H	2.525	7.79

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