

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.8984	101.2875	4.874%
ZF	104.7813	104.2500	4.760%
ZN	106.89	106.285	4.786%
Blank			
2y	100.047	100.0150	4.849%
3y	100.250	100.0800	4.781%
5y	99.422	99.1350	4.757%
10y	100.422	100.1350	4.821%

MDuration
1.88
3.70
5.75
1.77
2.68
4.28
7.77

	Eurodollars (GE)			
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year
@GE06U	94.603	5.397	6	0.016
@GE06Z	94.600	5.400	97	0.265
@GE07H	94.700	5.300	188	0.514
@GE07M	94.825	5.175	279	0.764
@GE07U	94.930	5.070	370	1.013
@GE07Z	95.000	5.000	461	1.262
@GE08H	95.035	4.965	552	1.512
@GE08M	95.035	4.965	643	1.761
@GE08U	95.015	4.985	734	2.010
@GE08Z	94.975	5.025	825	2.260
@GE09H	94.955	5.045	916	2.509
@GE09M	94.925	5.075	1007	2.758

Whites

Reds

Greens

*Futures use CTD for Last Yield

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

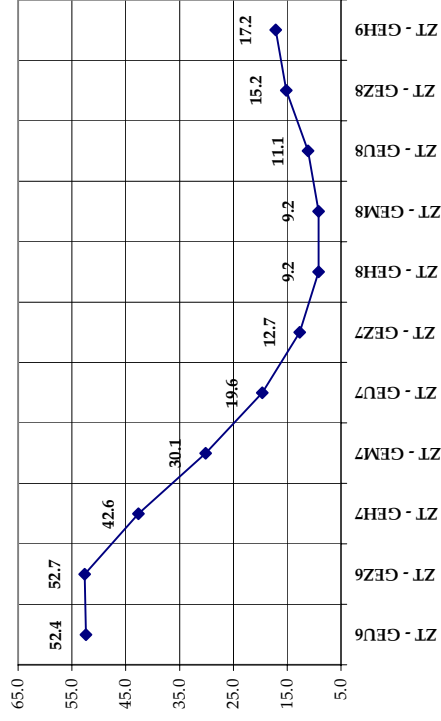
	Spread Price	Spread Yield	Spread Name
@GE06U	7.296	52.4	ZT - GEU6
@GE06Z	7.298	52.7	ZT - GEZ6
@GE07H	7.198	42.6	ZT - GEH7
@GE07M	7.073	30.1	ZT - GEM7
@GE07U	6.968	19.6	ZT - GEU7
@GE07Z	6.898	12.7	ZT - GEZ7
@GE08H	6.863	9.2	ZT - GEH8
@GE08M	6.863	9.2	ZT - GEM8
@GE08U	6.883	11.1	ZT - GEU8
@GE08Z	6.923	15.2	ZT - GEZ8
@GE09H	6.943	17.2	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



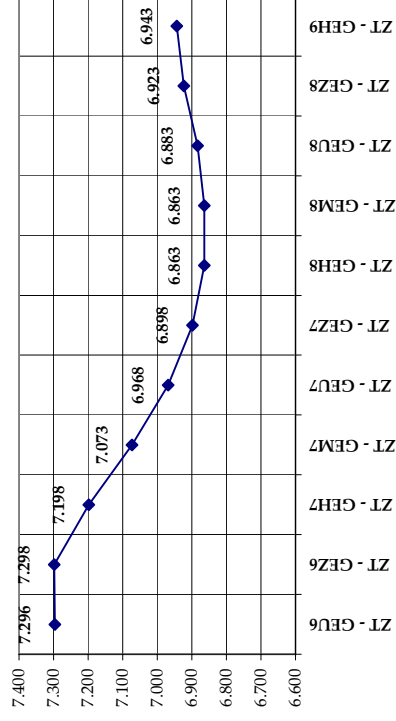
GE Duration as Fraction of year

	Duration	ZT Duration	Spread Duration
@GE06U	0.016	1.88	1.87
@GE06Z	0.265	1.88	1.62
@GE07H	0.514	1.88	1.37
@GE07M	0.764	1.88	1.12
@GE07U	1.013	1.88	0.87
@GE07Z	1.262	1.88	0.62
@GE08H	1.512	1.88	0.37
@GE08M	1.761	1.88	0.12
@GE08U	2.010	1.88	(0.13)
@GE08Z	2.260	1.88	(0.38)
@GE09H	2.509	1.88	(0.63)

The farther away from 0 the spread duration is

the riskier the trade.

ZT Decimal Price - GE Price



Dirty TED: ZF vs Eurodollar Contracts

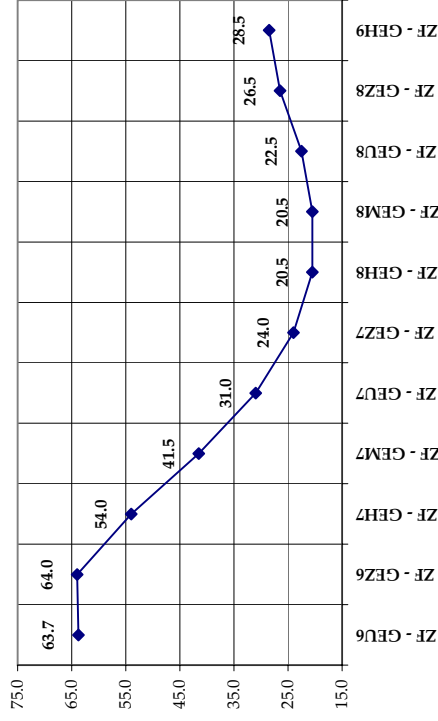
	Spread Price	Spread Yield	Spread Name
@GE06U	10.18	63.7	ZF - GEU6
@GE06Z	10.18	64.0	ZF - GEZ6
@GE07H	10.08	54.0	ZF - GEH7
@GE07M	9.96	41.5	ZF - GEM7
@GE07U	9.85	31.0	ZF - GEU7
@GE07Z	9.78	24.0	ZF - GEZ7
@GE08H	9.75	20.5	ZF - GEH8
@GE08M	9.75	20.5	ZF - GEM8
@GE08U	9.77	22.5	ZF - GEU8
@GE08Z	9.81	26.5	ZF - GEZ8
@GE09H	9.83	28.5	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)

ZF Yield - GE Yield

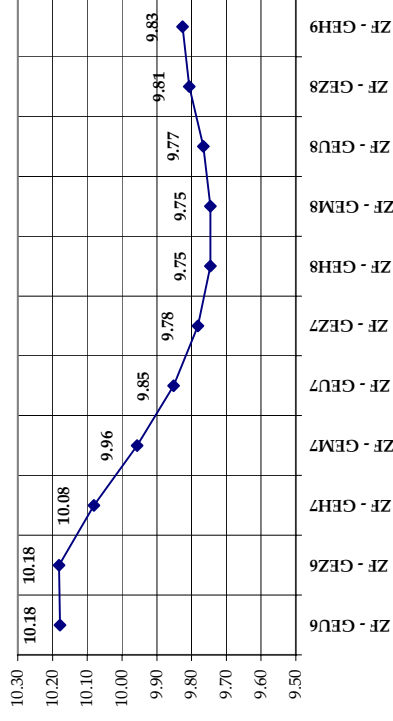


GE Duration as Fraction of year

	Fraction of year	ZF Duration	Spread Duration
@GE06U	0.016	3.70	3.69
@GE06Z	0.265	3.70	3.44
@GE07H	0.514	3.70	3.19
@GE07M	0.764	3.70	2.94
@GE07U	1.013	3.70	2.69
@GE07Z	1.262	3.70	2.44
@GE08H	1.512	3.70	2.19
@GE08M	1.761	3.70	1.94
@GE08U	2.010	3.70	1.69
@GE08Z	2.260	3.70	1.44
@GE09H	2.509	3.70	1.20

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

ZF Decimal Price - GE Price



Dirty TED: ZN vs Eurodollar Contracts

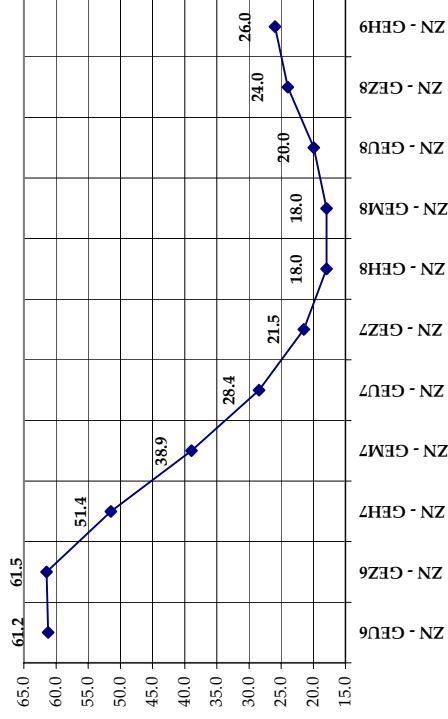
	Spread Price	ZN Spread Yield	Spread Name
@GE06U	12.29	61.2	ZN - GEU6
@GE06Z	12.29	61.5	ZN - GEZ6
@GE07H	12.19	51.4	ZN - GEH7
@GE07M	12.07	38.9	ZN - GEM7
@GE07U	11.96	28.4	ZN - GEU7
@GE07Z	11.89	21.5	ZN - GEZ7
@GE08H	11.86	18.0	ZN - GEH8
@GE08M	11.86	18.0	ZN - GEM8
@GE08J	11.88	20.0	ZN - GEU8
@GE08Z	11.92	24.0	ZN - GEZ8
@GE09H	11.94	26.0	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)

ZN Yield - GE Yield

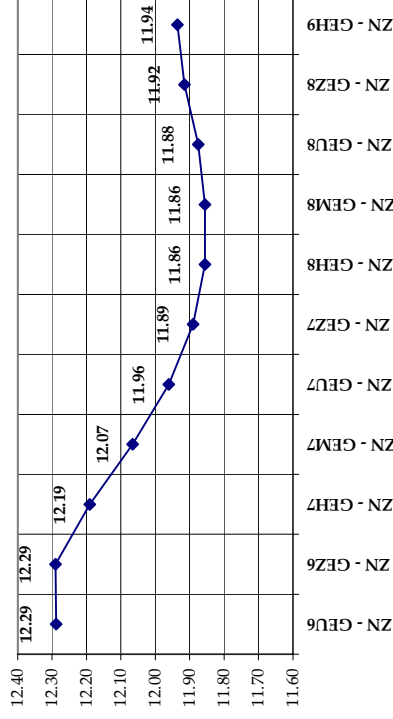


GE Duration as Fraction of year

	GE Duration as Fraction of year	ZN Duration	Spread Duration
@GE06U	0.016	5.75	5.73
@GE06Z	0.265	5.75	5.48
@GE07H	0.514	5.75	5.23
@GE07M	0.764	5.75	4.98
@GE07U	1.013	5.75	4.73
@GE07Z	1.262	5.75	4.48
@GE08H	1.512	5.75	4.23
@GE08M	1.761	5.75	3.98
@GE08U	2.010	5.75	3.73
@GE08Z	2.260	5.75	3.49
@GE09H	2.509	5.75	3.24

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

ZN Decimal Price - GE Price



TERM TED: 2y vs Eurodollar Contracts

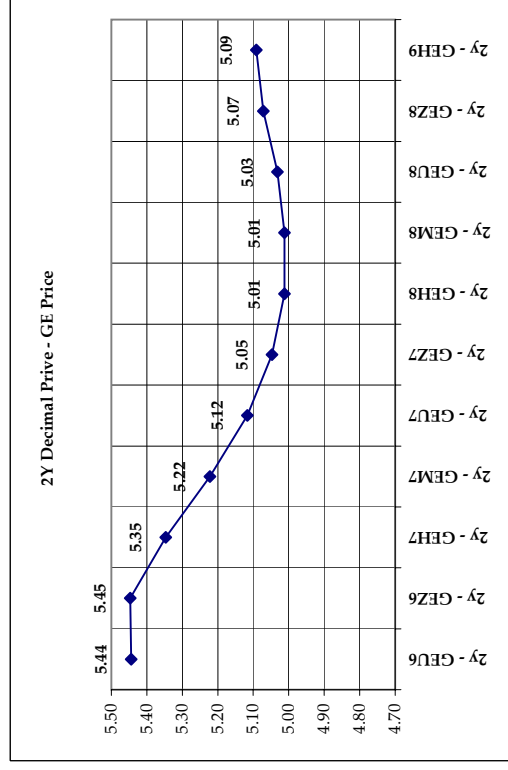
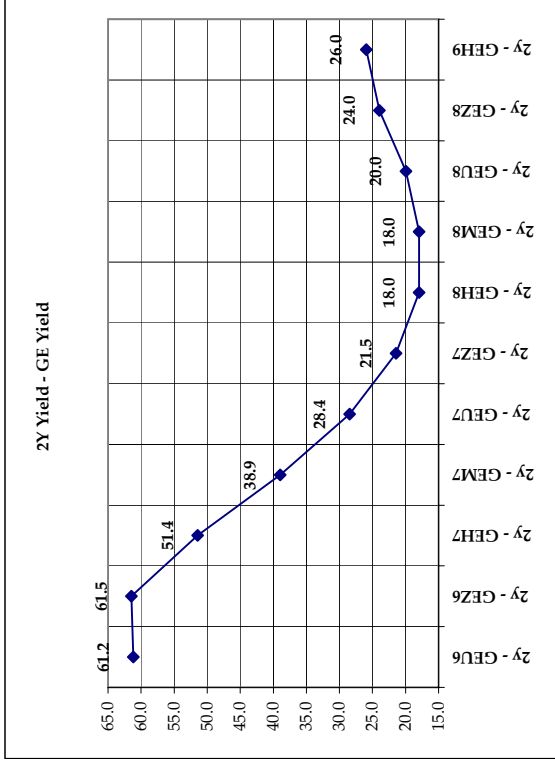
2y

	Spread Price	Spread Yield	Spread Name
@GE06U	5.44	61.2	2y - GEU6
@GE06Z	5.45	61.5	2y - GEZ6
@GE07H	5.35	51.4	2y - GEH7
@GE07M	5.22	38.9	2y - GEM7
@GE07U	5.12	28.4	2y - GEU7
@GE07Z	5.05	21.5	2y - GEZ7
@GE08H	5.01	18.0	2y - GEH8
@GE08M	5.01	18.0	2y - GEM8
@GE08J	5.03	20.0	2y - GEU8
@GE08Z	5.07	24.0	2y - GEZ8
@GE09H	5.09	26.0	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	1.77	1.75
@GE06Z	1.77	1.50
@GE07H	1.77	1.25
@GE07M	1.77	1.00
@GE07U	1.77	0.75
@GE07Z	1.77	0.50
@GE08H	1.77	0.25
@GE08M	1.77	0.00
@GE08U	1.77	(0.24)
@GE08Z	1.77	(0.49)
@GE09H	1.77	(0.74)

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

TERM TED: 5y vs Eurodollar Contracts

5y

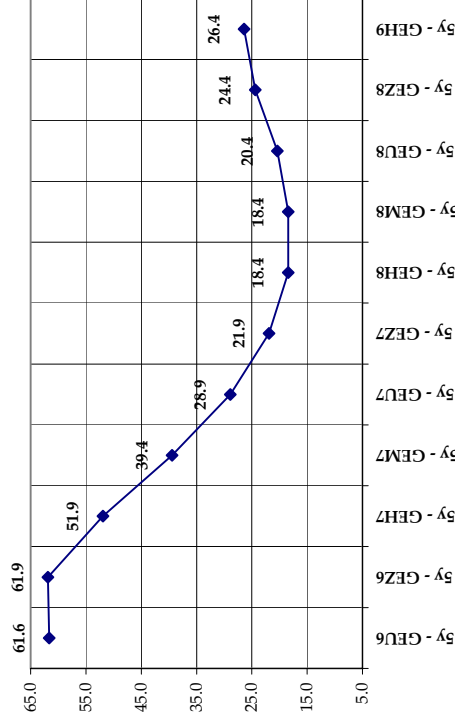
Spread Price	Spread Yield	Spread Name
5.65	61.6	5y - GEU6
5.65	61.9	5y - GEZ6
5.55	51.9	5y - GEH7
5.43	39.4	5y - GEM7
5.32	28.9	5y - GEU7
5.25	21.9	5y - GEZ7
5.22	18.4	5y - GEH8
5.22	18.4	5y - GEM8
5.24	20.4	5y - GEU8
5.28	24.4	5y - GEZ8
5.30	26.4	5y - GEH9

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

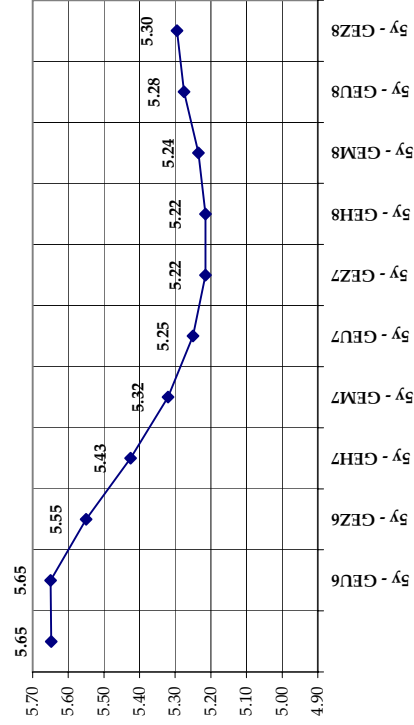


GE Duration as Fraction of year

GE Duration as Fraction of year	5Y Duration	Spread Duration
0.016	4.28	4.26
0.265	4.28	4.01
0.514	4.28	3.76
0.764	4.28	3.51
1.013	4.28	3.26
1.262	4.28	3.01
1.512	4.28	2.77
1.761	4.28	2.52
2.010	4.28	2.27
2.260	4.28	2.02
2.509	4.28	1.77

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

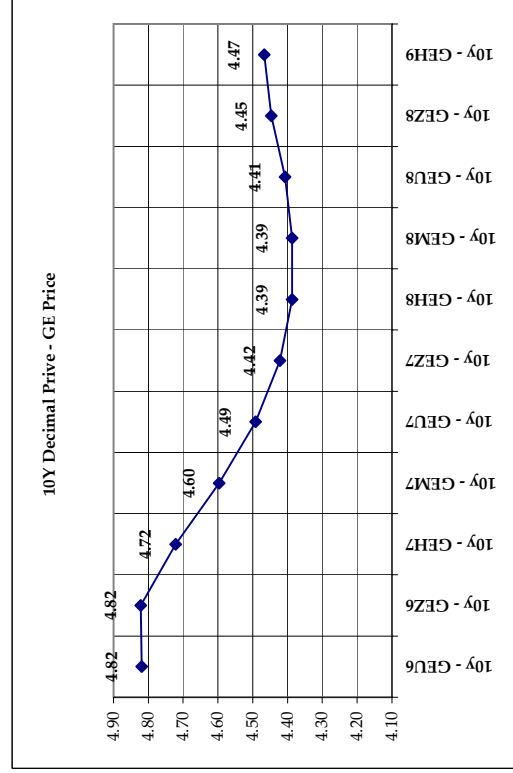
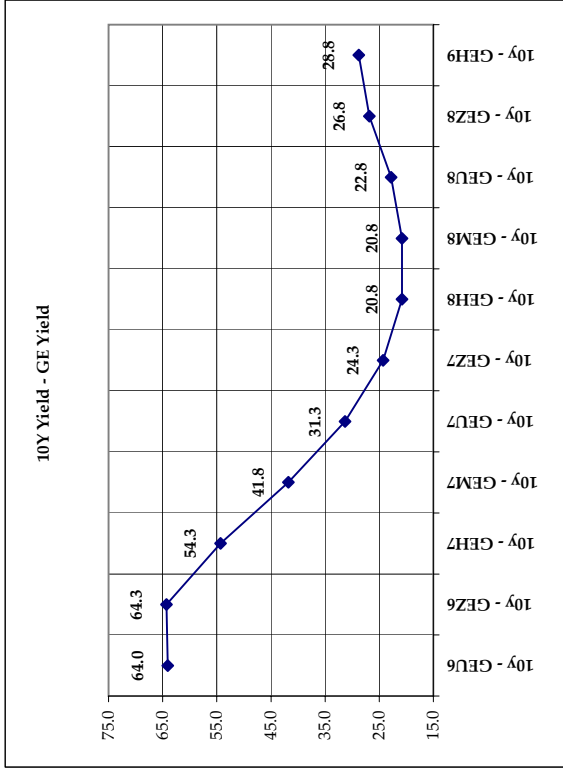
5Y Decimal Price - GE Price



TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Yield	Spread	10y	Spread	10y
@GE06U	4.82	64.0		10y - GEU6		
@GE06Z	4.82	64.3		10y - GEZ6		
@GE07H	4.72	54.3		10y - GEH7		
@GE07M	4.60	41.8		10y - GEM7		
@GE07U	4.49	31.3		10y - GEU7		
@GE07Z	4.42	24.3		10y - GEZ7		
@GE08H	4.39	20.8		10y - GEH8		
@GE08M	4.39	20.8		10y - GEM8		
@GE08J	4.41	22.8		10y - GEU8		
@GE08Z	4.45	26.8		10y - GEZ8		
@GE09H	4.47	28.8		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	0.016	7.77
@GE06Z	0.265	7.77
@GE07H	0.514	7.77
@GE07M	0.764	7.77
@GE07U	1.013	7.77
@GE07Z	1.262	7.77
@GE08H	1.512	7.77
@GE08M	1.761	7.77
@GE08U	2.010	7.77
@GE08Z	2.260	7.77
@GE09H	2.509	7.77

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