

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	0.0000	0.0000	4.849%
ZF	104.9531	104.3050	4.717%
ZN	107.28	107.090	4.737%
Blank			
2y	100.094	100.0300	4.823%
3y	100.359	100.1150	4.740%
5y	99.633	99.2025	4.708%
10y	100.813	100.2600	4.771%

*Futures use CTD for Last Yield

Eurodollars (GE)				
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year
@GE06U	94.605	5.395	5	0.013
@GE06Z	94.615	5.385	96	0.262
@GE07H	94.730	5.270	187	0.512
@GE07M	94.860	5.140	278	0.761
@GE07U	94.975	5.025	369	1.010
@GE07Z	95.050	4.950	460	1.260
@GE08H	95.085	4.915	551	1.509
@GE08M	95.090	4.910	642	1.758
@GE08U	95.070	4.930	733	2.008
@GE08Z	95.035	4.965	824	2.257
@GE09H	95.010	4.990	915	2.506
@GE09M	94.965	5.035	1006	2.756

Whites

Reds

Greens

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

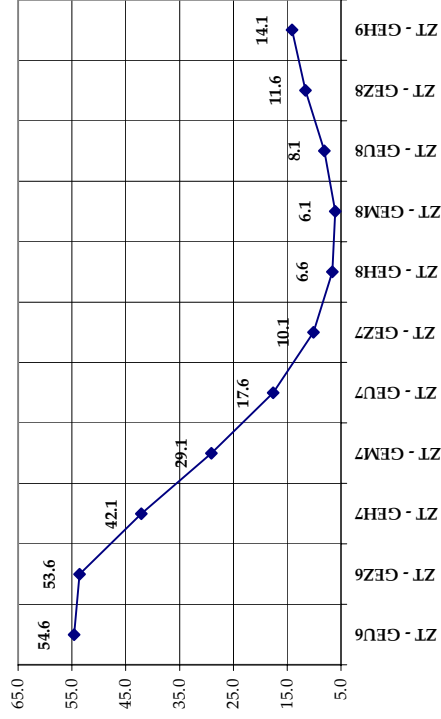
	Spread Price	Spread Yield	Spread Name
@GE06U	-94.605	54.6	ZT - GEU6
@GE06Z	-94.615	53.6	ZT - GEZ6
@GE07H	-94.730	42.1	ZT - GEH7
@GE07M	-94.860	29.1	ZT - GEM7
@GE07U	-94.975	17.6	ZT - GEU7
@GE07Z	-95.050	10.1	ZT - GEZ7
@GE08H	-95.085	6.6	ZT - GEH8
@GE08M	-95.090	6.1	ZT - GEM8
@GE08U	-95.070	8.1	ZT - GEU8
@GE08Z	-95.035	11.6	ZT - GEZ8
@GE09H	-95.010	14.1	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

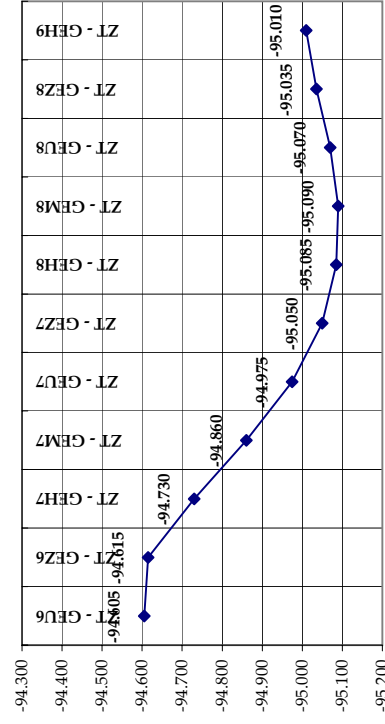


GE Duration as

GE Duration as Fraction of year	ZT Duration	Spread Duration
@GE06U	0.013	1.87
@GE06Z	0.262	1.62
@GE07H	0.512	1.37
@GE07M	0.761	1.12
@GE07U	1.010	0.87
@GE07Z	1.260	0.62
@GE08H	1.509	0.37
@GE08M	1.758	0.12
@GE08U	2.008	(0.13)
@GE08Z	2.257	(0.38)
@GE09H	2.506	(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

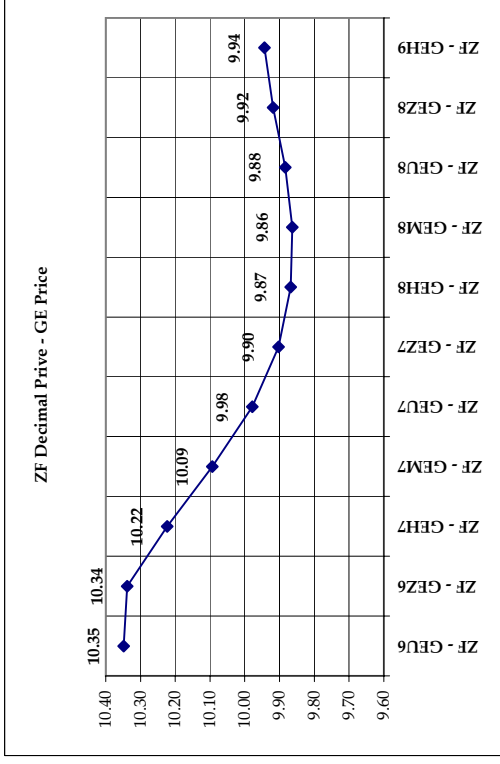
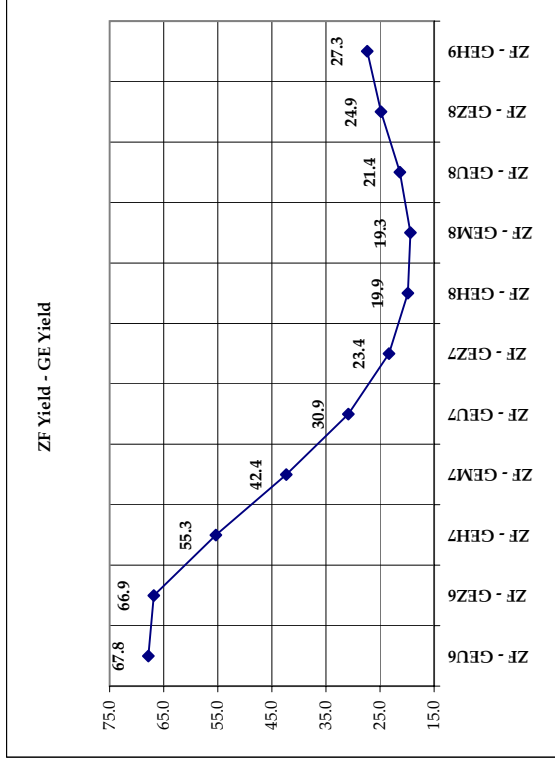
ZF

	Spread Price	Spread Yield	Spread Name
@GE06U	10.35	67.8	ZF - GEU6
@GE06Z	10.34	66.9	ZF - GEZ6
@GE07H	10.22	55.3	ZF - GEH7
@GE07M	10.09	42.4	ZF - GEM7
@GE07U	9.98	30.9	ZF - GEU7
@GE07Z	9.90	23.4	ZF - GEZ7
@GE08H	9.87	19.9	ZF - GEH8
@GE08M	9.86	19.3	ZF - GEM8
@GE08J	9.88	21.4	ZF - GEU8
@GE08Z	9.92	24.9	ZF - GEZ8
@GE09H	9.94	27.3	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 Duration		Spread Duration	
	Fraction	of year	Duration	Duration	Duration	Duration
@GE06U	0.013		3.70		3.69	ZF - GEU6
@GE06Z	0.262		3.70		3.44	ZF - GEZ6
@GE07H	0.512		3.70		3.19	ZF - GEH7
@GE07M	0.761		3.70		2.94	ZF - GEM7
@GE07U	1.010		3.70		2.69	ZF - GEU7
@GE07Z	1.260		3.70		2.44	ZF - GEZ7
@GE08H	1.509		3.70		2.19	ZF - GEH8
@GE08M	1.758		3.70		1.94	ZF - GEM8
@GE08J	2.008		3.70		1.70	ZF - GEU8
@GE08Z	2.257		3.70		1.45	ZF - GEZ8
@GE09H	2.506		3.70		1.20	ZF - GEH9

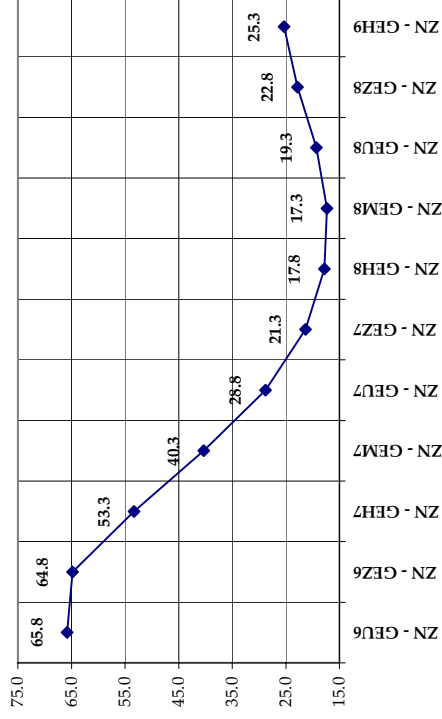
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Yield	Spread Name
@GE06U	12.68	65.8	ZN - GEU6
@GE06Z	12.67	64.8	ZN - GEZ6
@GE07H	12.55	53.3	ZN - GEH7
@GE07M	12.42	40.3	ZN - GEM7
@GE07U	12.31	28.8	ZN - GEU7
@GE07Z	12.23	21.3	ZN - GEZ7
@GE08H	12.20	17.8	ZN - GEH8
@GE08M	12.19	17.3	ZN - GEM8
@GE08J	12.21	19.3	ZN - GEU8
@GE08Z	12.25	22.8	ZN - GEZ8
@GE09H	12.27	25.3	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

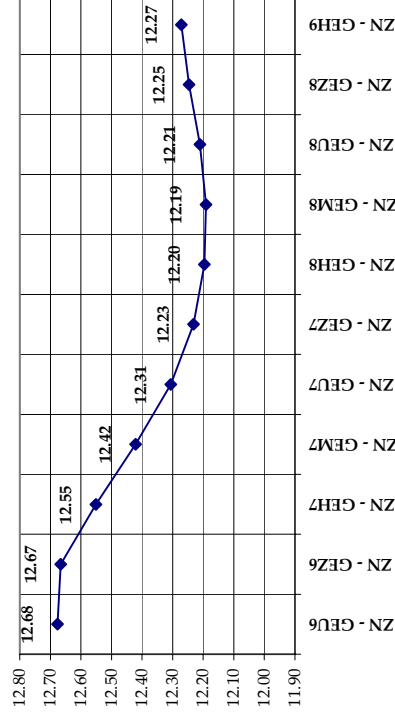


GE Duration as Fraction of year

	GE Duration as Fraction of year	ZN Duration	Spread Duration
@GE06U	0.013	5.75	5.73
@GE06Z	0.262	5.75	5.48
@GE07H	0.512	5.75	5.23
@GE07M	0.761	5.75	4.98
@GE07U	1.010	5.75	4.73
@GE07Z	1.260	5.75	4.49
@GE08H	1.509	5.75	4.24
@GE08M	1.758	5.75	3.99
@GE08U	2.008	5.75	3.74
@GE08Z	2.257	5.75	3.49
@GE09H	2.506	5.75	3.24

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

ZN Decimal Price - GE Price

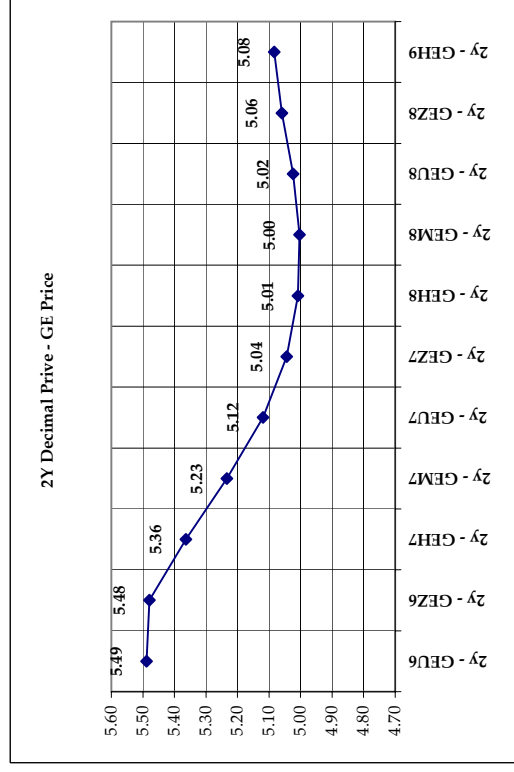
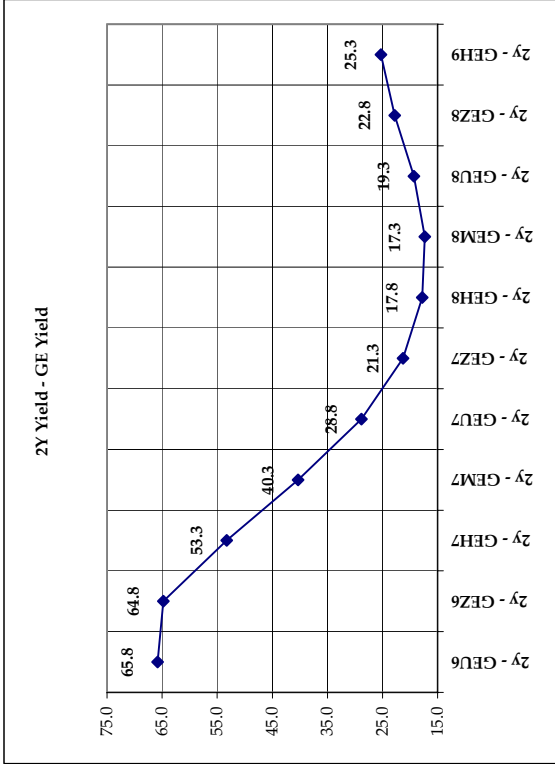


TERM TED: 2y vs Eurodollar Contracts

2y

	Spread Price	Spread Yield	Spread Name
@GE06U	5.49	65.8	2y - GEU6
@GE06Z	5.48	64.8	2y - GEZ6
@GE07H	5.36	53.3	2y - GEH7
@GE07M	5.23	40.3	2y - GEM7
@GE07U	5.12	28.8	2y - GEU7
@GE07Z	5.04	21.3	2y - GEZ7
@GE08H	5.01	17.8	2y - GEH8
@GE08M	5.00	17.3	2y - GEM8
@GE08J	5.02	19.3	2y - GEU8
@GE08Z	5.06	22.8	2y - GEZ8
@GE09H	5.08	25.3	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	0.013	1.76
@GE06Z	0.262	1.76
@GE07H	0.512	1.76
@GE07M	0.761	1.76
@GE07U	1.010	1.76
@GE07Z	1.260	1.76
@GE08H	1.509	1.76
@GE08M	1.758	1.76
@GE08U	2.008	1.76
@GE08Z	2.257	1.76
@GE09H	2.506	1.76

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

TERM TED: 5y vs Eurodollar Contracts

5y

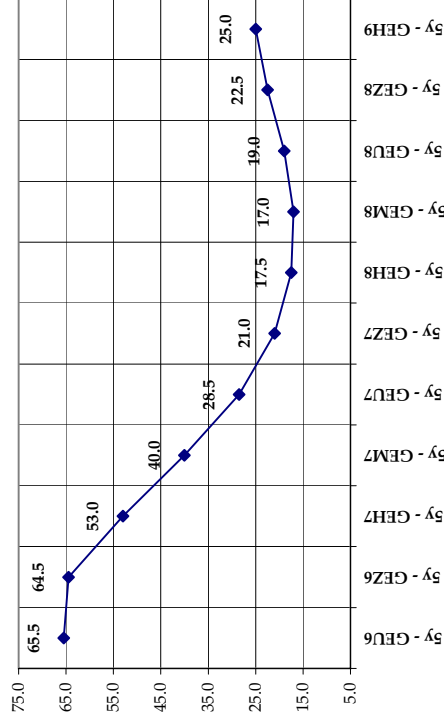
	Spread Price	Spread Yield	Spread Name
@GE06U	5.75	65.5	5y - GEU6
@GE06Z	5.74	64.5	5y - GEZ6
@GE07H	5.63	53.0	5y - GEH7
@GE07M	5.50	40.0	5y - GEM7
@GE07U	5.38	28.5	5y - GEU7
@GE07Z	5.31	21.0	5y - GEZ7
@GE08H	5.27	17.5	5y - GEH8
@GE08M	5.27	17.0	5y - GEM8
@GE08J	5.29	19.0	5y - GEU8
@GE08Z	5.32	22.5	5y - GEZ8
@GE09H	5.35	25.0	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

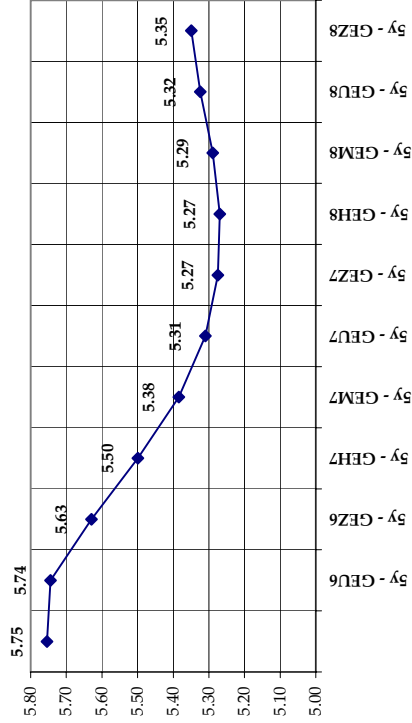


GE Duration as Fraction of year

	5Y Duration	Spread Duration
@GE06U	0.013	4.26
@GE06Z	0.262	4.01
@GE07H	0.512	3.76
@GE07M	0.761	3.51
@GE07U	1.010	3.27
@GE07Z	1.260	3.02
@GE08H	1.509	2.77
@GE08M	1.758	2.52
@GE08U	2.008	2.27
@GE08Z	2.257	2.02
@GE09H	2.506	1.77

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

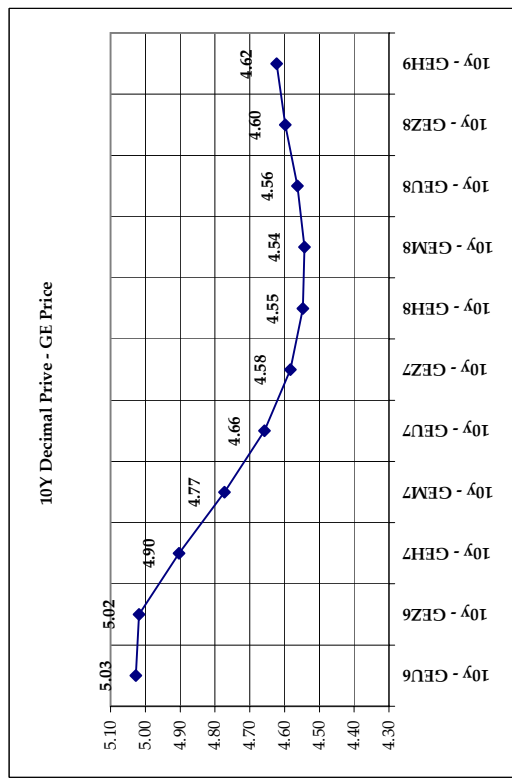
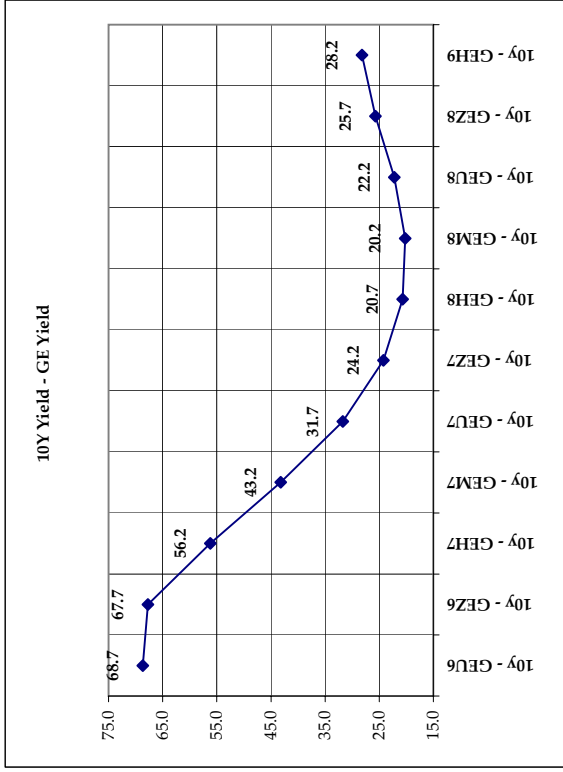
5Y Decimal Prive - GE Price



TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Yield	Spread	10y	Spread
					Name
@GE06U	5.03	68.7			10y - GEU6
@GE06Z	5.02	67.7			10y - GEZ6
@GE07H	4.90	56.2			10y - GEH7
@GE07M	4.77	43.2			10y - GEM7
@GE07U	4.66	31.7			10y - GEU7
@GE07Z	4.58	24.2			10y - GEZ7
@GE08H	4.55	20.7			10y - GEH8
@GE08M	4.54	20.2			10y - GEM8
@GE08J	4.56	22.2			10y - GEU8
@GE08Z	4.60	25.7			10y - GEZ8
@GE09H	4.62	28.2			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	0.013	7.76
@GE06Z	0.262	7.51
@GE07H	0.512	7.26
@GE07M	0.761	7.01
@GE07U	1.010	6.76
@GE07Z	1.260	6.51
@GE08H	1.509	6.27
@GE08M	1.758	6.02
@GE08U	2.008	5.77
@GE08Z	2.257	5.52
@GE09H	2.506	5.27

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