

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	4.835%
ZF	104.9844	104.3150	4.699%
ZN	107.33	107.105	4.721%
Blank			
2y	100.125	100.0400	4.806%
3y	100.398	100.1275	4.726%
5y	99.672	99.2150	4.699%
10y	100.906	100.2900	4.759%

MDuration
1.91
3.70
5.74
1.76
2.68
4.27
7.77

	Eurodollars (GE)			
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year
@GE06U	94.603	5.397	4	0.010
@GE06Z	94.620	5.380	95	0.260
@GE07H	94.740	5.260	186	0.509
@GE07M	94.875	5.125	277	0.758
@GE07U	94.995	5.005	368	1.008
@GE07Z	95.070	4.930	459	1.257
@GE08H	95.105	4.895	550	1.506
@GE08M	95.110	4.890	641	1.756
@GE08U	95.090	4.910	732	2.005
@GE08Z	95.050	4.950	823	2.254
@GE09H	95.015	4.985	914	2.503
@GE09M	94.975	5.025	1005	2.753

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

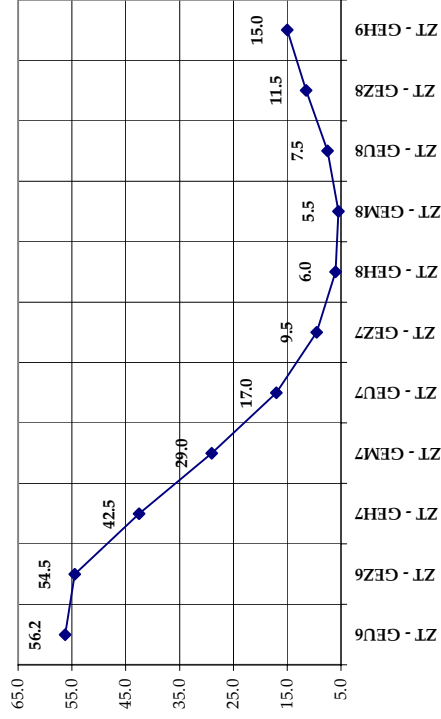
	Spread Price	Spread Yield	Spread Name
@GE06U	-94.603	56.2	ZT - GEU6
@GE06Z	-94.620	54.5	ZT - GEZ6
@GE07H	-94.740	42.5	ZT - GEH7
@GE07M	-94.875	29.0	ZT - GEM7
@GE07U	-94.995	17.0	ZT - GEU7
@GE07Z	-95.070	9.5	ZT - GEZ7
@GE08H	-95.105	6.0	ZT - GEH8
@GE08M	-95.110	5.5	ZT - GEM8
@GE08U	-95.090	7.5	ZT - GEU8
@GE08Z	-95.050	11.5	ZT - GEZ8
@GE09H	-95.015	15.0	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

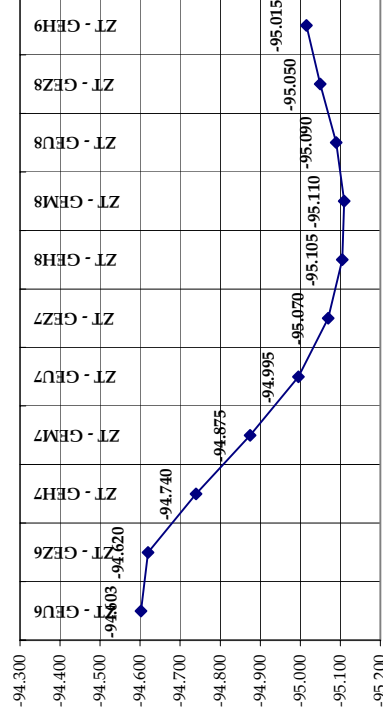
Fraction of year

	Duration	ZT Duration	Spread Duration
@GE06U	0.010	1.91	1.90
@GE06Z	0.260	1.91	1.65
@GE07H	0.509	1.91	1.40
@GE07M	0.758	1.91	1.15
@GE07U	1.008	1.91	0.90
@GE07Z	1.257	1.91	0.65
@GE08H	1.506	1.91	0.40
@GE08M	1.756	1.91	0.15
@GE08U	2.005	1.91	(0.10)
@GE08Z	2.254	1.91	(0.36)
@GE09H	2.503	1.91	(0.60)

The farther away from 0 the spread duration is

the riskier the trade.

ZT Decimal Price - GE Price



Dirty TED: ZF vs Eurodollar Contracts

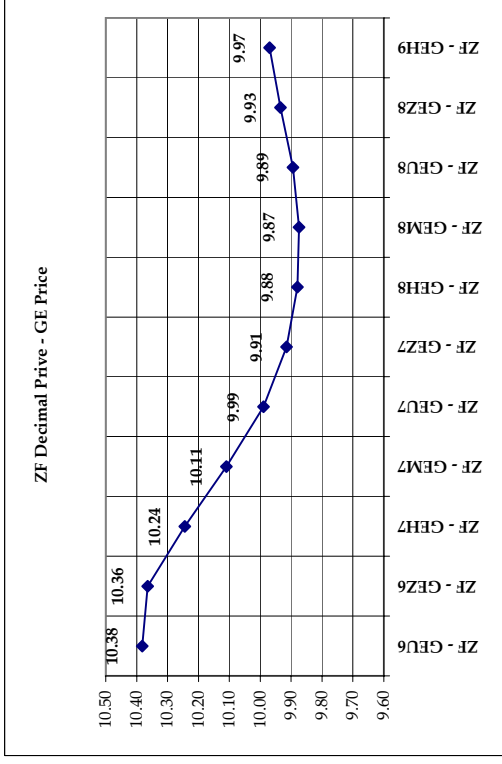
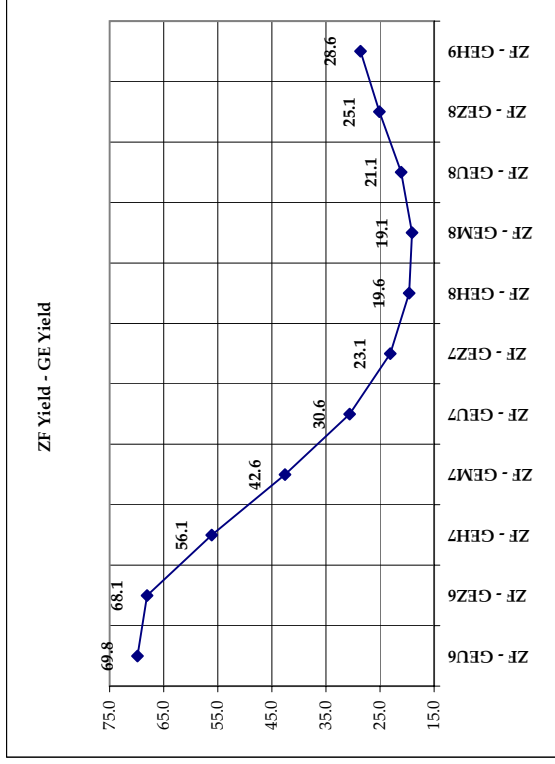
ZF

	Spread Price	Spread Yield	Spread Name
@GE06U	10.38	69.8	ZF - GEU6
@GE06Z	10.36	68.1	ZF - GEZ6
@GE07H	10.24	56.1	ZF - GEH7
@GE07M	10.11	42.6	ZF - GEM7
@GE07U	9.99	30.6	ZF - GEU7
@GE07Z	9.91	23.1	ZF - GEZ7
@GE08H	9.88	19.6	ZF - GEH8
@GE08M	9.87	19.1	ZF - GEM8
@GE08J	9.89	21.1	ZF - GEU8
@GE08Z	9.93	25.1	ZF - GEZ8
@GE09H	9.97	28.6	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
	Duration	Duration	
@GE06U	0.010	3.70	3.69
@GE06Z	0.260	3.70	3.44
@GE07H	0.509	3.70	3.19
@GE07M	0.758	3.70	2.94
@GE07U	1.008	3.70	2.69
@GE07Z	1.257	3.70	2.44
@GE08H	1.506	3.70	2.19
@GE08M	1.756	3.70	1.95
@GE08J	2.005	3.70	1.70
@GE08Z	2.254	3.70	1.45
@GE09H	2.503	3.70	1.20

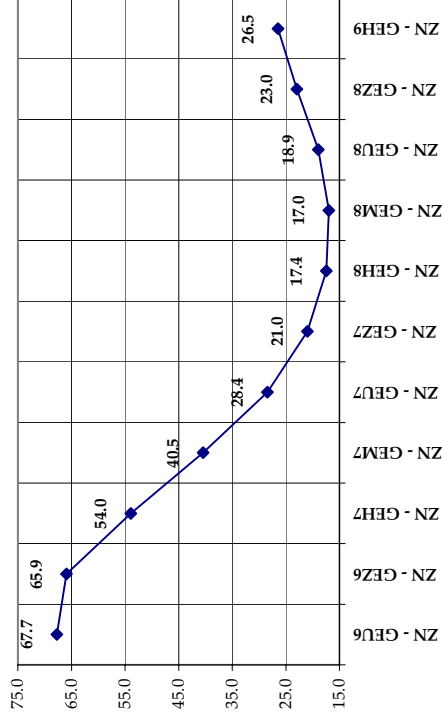
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
@GE06U	12.73	67.7	ZN - GEU6
@GE06Z	12.71	65.9	ZN - GEZ6
@GE07H	12.59	54.0	ZN - GEH7
@GE07M	12.45	40.5	ZN - GEM7
@GE07U	12.33	28.4	ZN - GEU7
@GE07Z	12.26	21.0	ZN - GEZ7
@GE08H	12.22	17.4	ZN - GEH8
@GE08M	12.22	17.0	ZN - GEM8
@GE08J	12.24	18.9	ZN - GEU8
@GE08Z	12.28	23.0	ZN - GEZ8
@GE09H	12.31	26.5	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

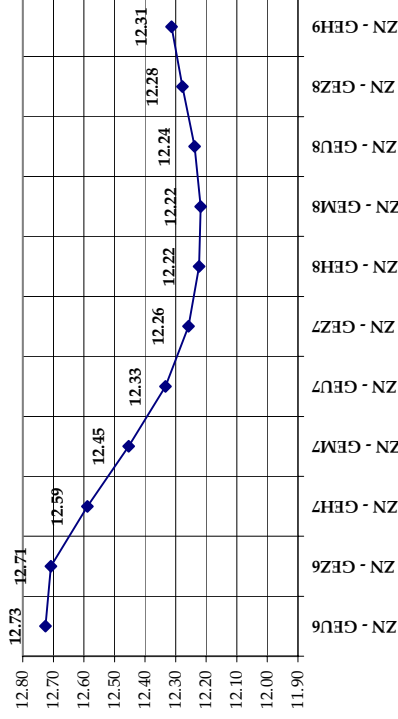


GE Duration as Fraction of year

	GE Duration as Fraction of year	ZN Duration	Spread Duration
@GE06U	0.010	5.74	5.73
@GE06Z	0.260	5.74	5.48
@GE07H	0.509	5.74	5.23
@GE07M	0.758	5.74	4.99
@GE07U	1.008	5.74	4.74
@GE07Z	1.257	5.74	4.49
@GE08H	1.506	5.74	4.24
@GE08M	1.756	5.74	3.99
@GE08U	2.005	5.74	3.74
@GE08Z	2.254	5.74	3.49
@GE09H	2.503	5.74	3.24

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

ZN Decimal Price - GE Price

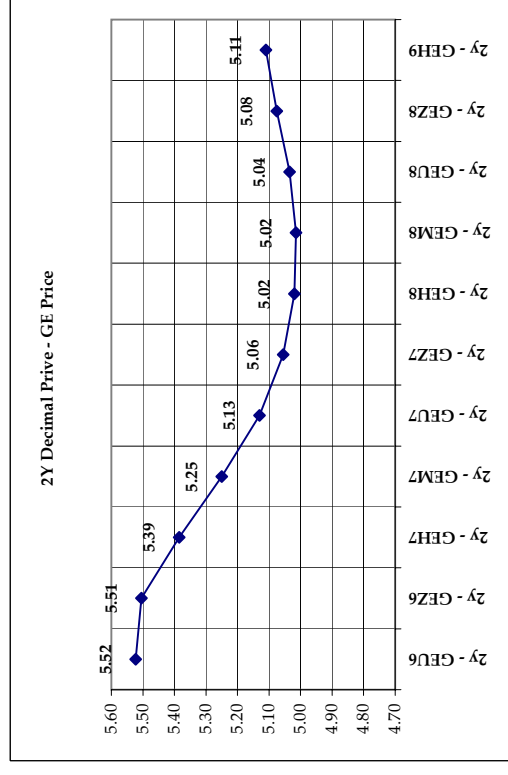
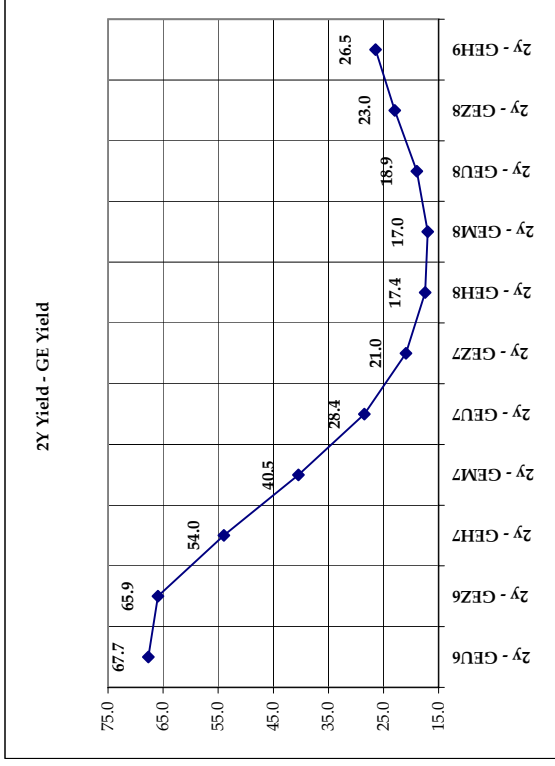


TERM TED: 2y vs Eurodollar Contracts

2y

Spread Price	Spread Yield	Spread Name
5.52	67.7	2y - GEU6
5.51	65.9	2y - GEZ6
5.39	54.0	2y - GEH7
5.25	40.5	2y - GEM7
5.13	28.4	2y - GEU7
5.06	21.0	2y - GEZ7
5.02	17.4	2y - GEH8
5.02	17.0	2y - GEM8
5.04	18.9	2y - GEU8
5.08	23.0	2y - GEZ8
5.11	26.5	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
0.010	1.76	1.75
0.260	1.76	1.50
0.509	1.76	1.25
0.758	1.76	1.00
1.008	1.76	0.75
1.257	1.76	0.50
1.506	1.76	0.25
1.756	1.76	0.01
2.005	1.76	(0.24)
2.254	1.76	(0.49)
2.503	1.76	(0.74)

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

TERM TED: 5y vs Eurodollar Contracts

5y

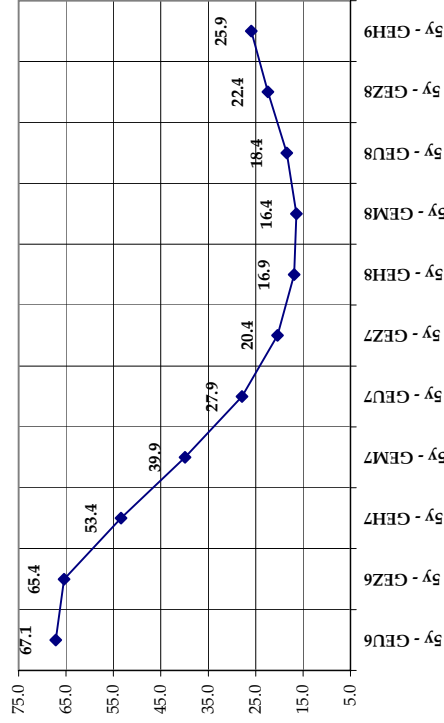
	Spread Price	Spread Yield	Spread Name
@GE06U	5.80	67.1	5y - GEU6
@GE06Z	5.78	65.4	5y - GEZ6
@GE07H	5.66	53.4	5y - GEH7
@GE07M	5.52	39.9	5y - GEM7
@GE07U	5.40	27.9	5y - GEU7
@GE07Z	5.33	20.4	5y - GEZ7
@GE08H	5.29	16.9	5y - GEH8
@GE08M	5.29	16.4	5y - GEM8
@GE08J	5.31	18.4	5y - GEU8
@GE08Z	5.35	22.4	5y - GEZ8
@GE09H	5.38	25.9	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

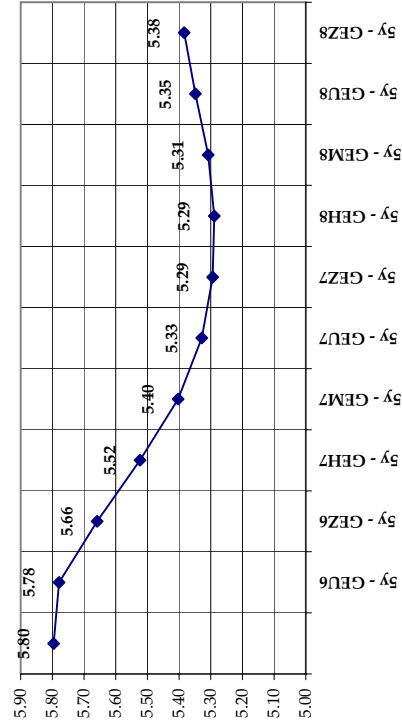


GE Duration as Fraction of year

	5Y Duration	Spread Duration
@GE06U	0.010	4.27
@GE06Z	0.260	4.27
@GE07H	0.509	4.27
@GE07M	0.758	4.27
@GE07U	1.008	4.27
@GE07Z	1.257	4.27
@GE08H	1.506	4.27
@GE08M	1.756	4.27
@GE08U	2.005	4.27
@GE08Z	2.254	4.27
@GE09H	2.503	4.27

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

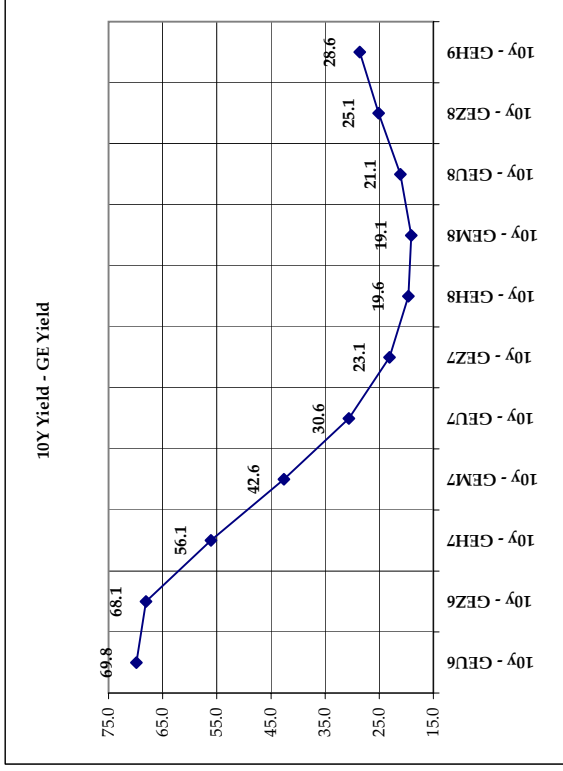
5Y Decimal Prive - GE Price



TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	10y Spread Name
@GE06U	5.07	69.8	10y - GEU6
@GE06Z	5.05	68.1	10y - GEZ6
@GE07H	4.93	56.1	10y - GEH7
@GE07M	4.80	42.6	10y - GEM7
@GE07U	4.68	30.6	10y - GEU7
@GE07Z	4.60	23.1	10y - GEZ7
@GE08H	4.57	19.6	10y - GEH8
@GE08M	4.56	19.1	10y - GEM8
@GE08J	4.58	21.1	10y - GEU8
@GE08Z	4.62	25.1	10y - GEZ8
@GE09H	4.66	28.6	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	0.010	7.77
@GE06Z	0.260	7.77
@GE07H	0.509	7.77
@GE07M	0.758	7.77
@GE07U	1.008	7.77
@GE07Z	1.257	7.77
@GE08H	1.506	7.77
@GE08M	1.756	7.77
@GE08U	2.005	7.77
@GE08Z	2.254	7.77
@GE09H	2.503	7.77

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

