

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	4.863%
ZF	104.8594	104.2750	4.742%
ZN	107.11	107.035	4.759%
Blank			
2y	100.063	100.0200	4.840%
3y	100.289	100.0925	4.766%
5y	99.484	99.1550	4.743%
10y	100.656	100.2100	4.790%

*Futures use CTD for Last Yield

	Eurodollars (GE)			
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year
@GE06U	94.608	5.393	3	0.008
@GE06Z	94.595	5.405	94	0.257
@GE07H	94.695	5.305	185	0.506
@GE07M	94.825	5.175	276	0.756
@GE07U	94.940	5.060	367	1.005
@GE07Z	95.015	4.985	458	1.254
@GE08H	95.060	4.940	549	1.503
@GE08M	95.060	4.940	640	1.753
@GE08U	95.040	4.960	731	2.002
@GE08Z	95.005	4.995	822	2.251
@GE09H	94.970	5.030	913	2.501
@GE09M	94.925	5.075	1004	2.750

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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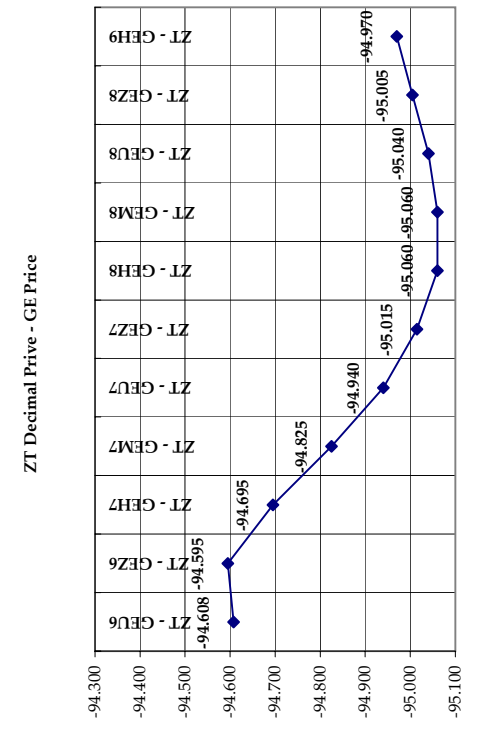
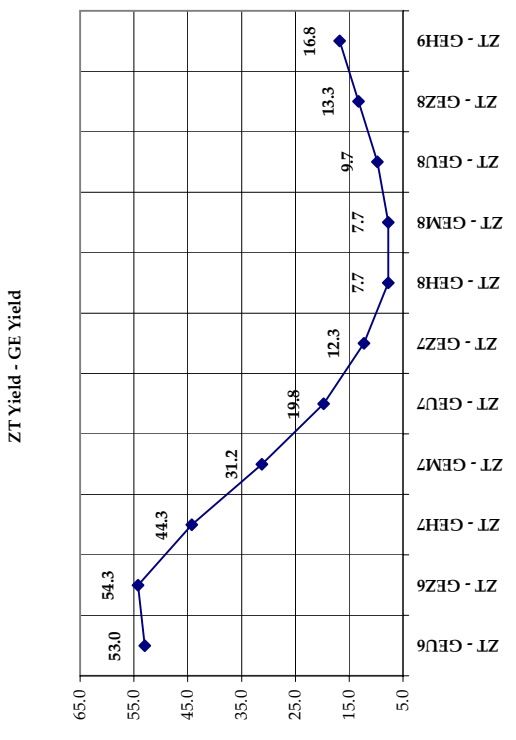
Eurodollar Color Codes for Individual Year Strips:

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	-94.608	53.0	ZT - GEU6
@GE06Z	-94.595	54.3	ZT - GEZ6
@GE07H	-94.695	44.3	ZT - GEH7
@GE07M	-94.825	31.2	ZT - GEM7
@GE07U	-94.940	19.8	ZT - GEU7
@GE07Z	-95.015	12.3	ZT - GEZ7
@GE08H	-95.060	7.7	ZT - GEH8
@GE08M	-95.060	7.7	ZT - GEM8
@GE08U	-95.040	9.7	ZT - GEU8
@GE08Z	-95.005	13.3	ZT - GEZ8
@GE09H	-94.970	16.8	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)



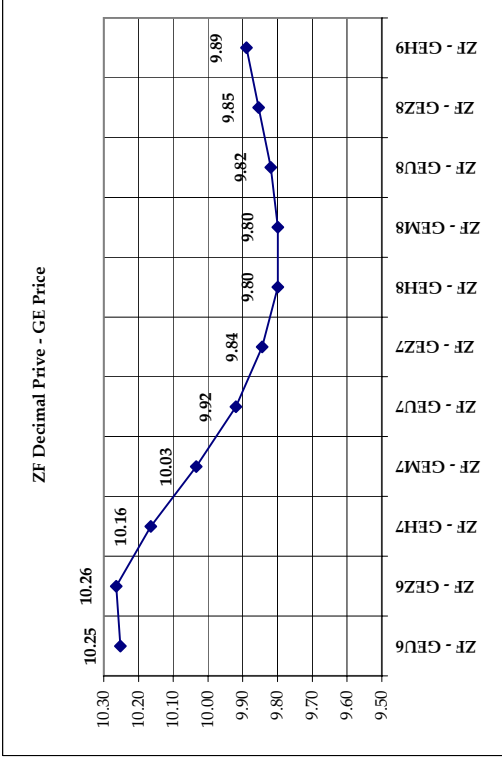
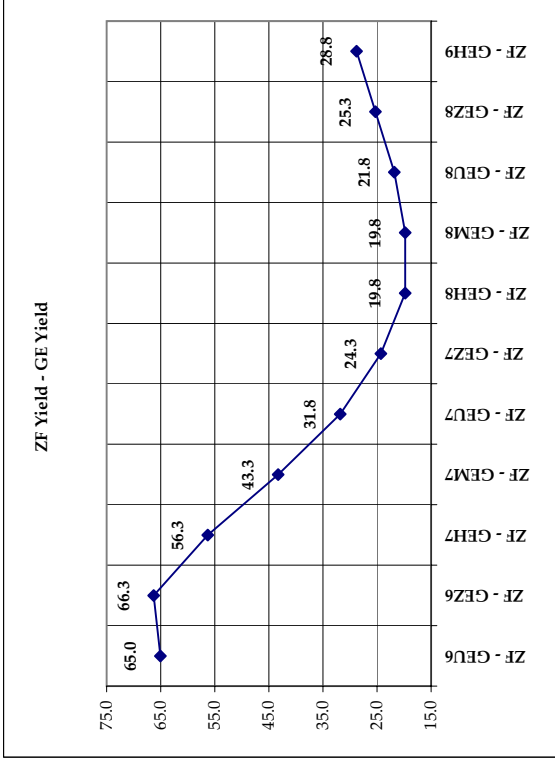
GE Duration as Fraction of year	ZT		Spread Duration
	Duration	Duration	
@GE06U	0.008	1.90	1.89
@GE06Z	0.257	1.90	1.64
@GE07H	0.506	1.90	1.39
@GE07M	0.756	1.90	1.14
@GE07U	1.005	1.90	0.89
@GE07Z	1.254	1.90	0.65
@GE08H	1.503	1.90	0.40
@GE08M	1.753	1.90	0.15
@GE08U	2.002	1.90	(0.10)
@GE08Z	2.251	1.90	(0.36)
@GE09H	2.501	1.90	(0.60)

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

Dirty TED: ZF vs Eurodollar Contracts

	ZF	
	Spread Price	Spread Yield
	Price	Name
@GE06U	10.25	ZF - GEU6
@GE06Z	10.26	ZF - GEZ6
@GE07H	10.16	ZF - GEH7
@GE07M	10.03	ZF - GEM7
@GE07U	9.92	ZF - GEU7
@GE07Z	9.84	ZF - GEZ7
@GE08H	9.80	ZF - GEH8
@GE08M	9.80	ZF - GEM8
@GE08J	9.82	ZF - GEU8
@GE08Z	9.85	ZF - GEZ8
@GE09H	9.89	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)



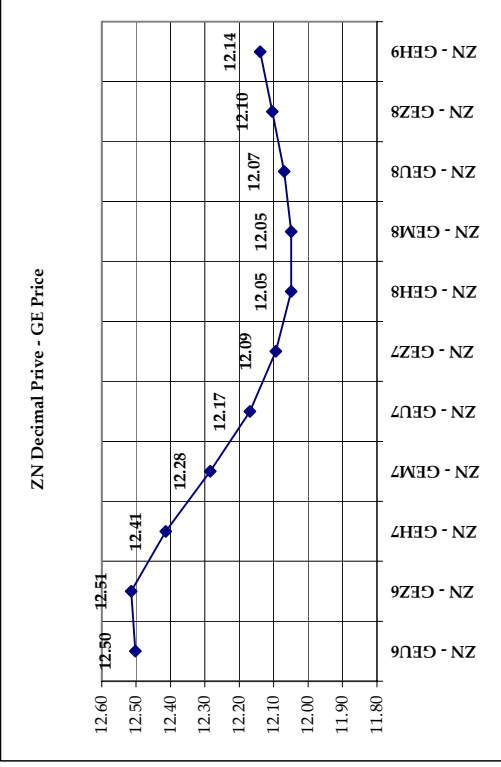
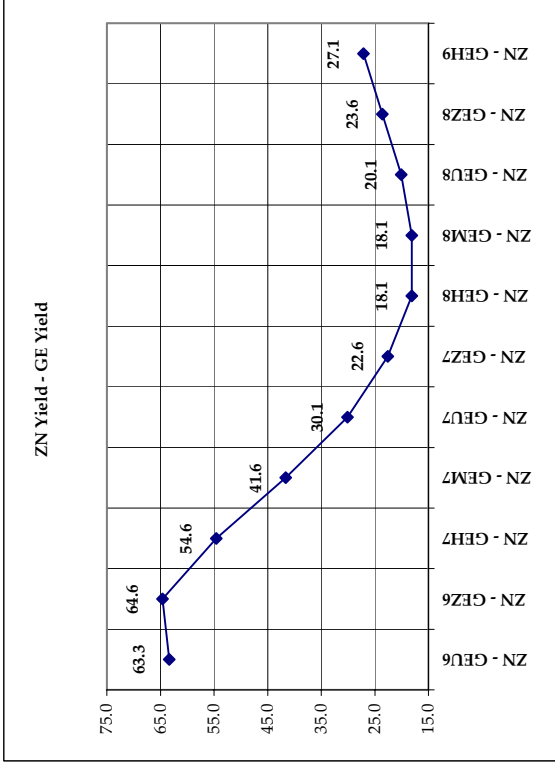
	GE Duration as		ZF		Spread	
	Fraction of year	Duration	Duration	Duration		
@GE06U	0.008	3.69	3.69	3.68		
@GE06Z	0.257	3.69	3.69	3.43		
@GE07H	0.506	3.69	3.69	3.19		
@GE07M	0.756	3.69	3.69	2.94		
@GE07U	1.005	3.69	3.69	2.69		
@GE07Z	1.254	3.69	3.69	2.44		
@GE08H	1.503	3.69	3.69	2.19		
@GE08M	1.753	3.69	3.69	1.94		
@GE08J	2.002	3.69	3.69	1.69		
@GE08Z	2.251	3.69	3.69	1.44		
@GE09H	2.501	3.69	3.69	1.19		

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	12.50	63.3	ZN - GEU6
@GE06Z	12.51	64.6	ZN - GEZ6
@GE07H	12.41	54.6	ZN - GEH7
@GE07M	12.28	41.6	ZN - GEM7
@GE07U	12.17	30.1	ZN - GEU7
@GE07Z	12.09	22.6	ZN - GEZ7
@GE08H	12.05	18.1	ZN - GEH8
@GE08M	12.05	18.1	ZN - GEM8
@GE08J	12.07	20.1	ZN - GEU8
@GE08Z	12.10	23.6	ZN - GEZ8
@GE09H	12.14	27.1	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	0.008	5.73
@GE06Z	0.257	5.48
@GE07H	0.506	5.23
@GE07M	0.756	4.98
@GE07U	1.005	4.73
@GE07Z	1.254	4.48
@GE08H	1.503	4.23
@GE08M	1.753	3.98
@GE08U	2.002	3.73
@GE08Z	2.251	3.48
@GE09H	2.501	3.23

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

TERM TED: 2y vs Eurodollar Contracts

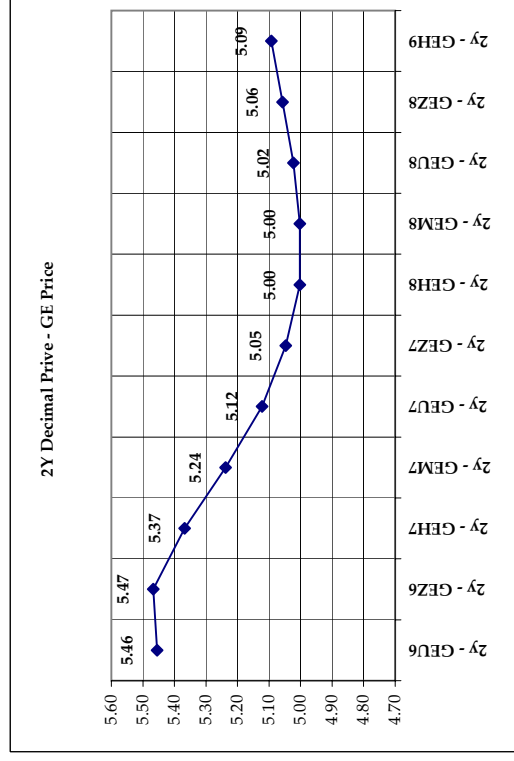
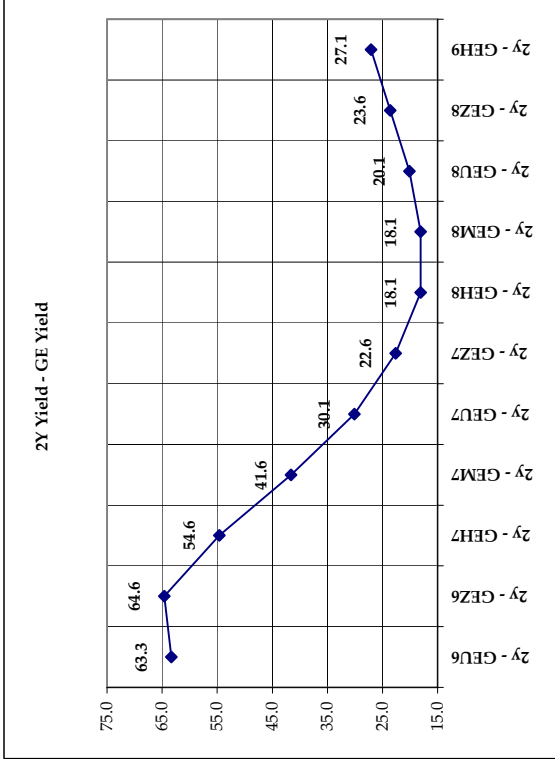
2y

Spread Price	Spread Yield	Spread Name
5.46	63.3	2y - GEU6
5.47	64.6	2y - GEZ6
5.37	54.6	2y - GEH7
5.24	41.6	2y - GEM7
5.12	30.1	2y - GEU7
5.05	22.6	2y - GEZ7
5.00	18.1	2y - GEH8
5.00	18.1	2y - GEM8
5.02	20.1	2y - GEU8
5.06	23.6	2y - GEZ8
5.09	27.1	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	1.75	1.74
@GE06Z	1.75	1.50
@GE07H	1.75	1.25
@GE07M	1.75	1.00
@GE07U	1.75	0.75
@GE07Z	1.75	0.50
@GE08H	1.75	0.25
@GE08M	1.75	(0.00)
@GE08U	1.75	(0.25)
@GE08Z	1.75	(0.50)
@GE09H	1.75	(0.75)

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

TERM TED: 5y vs Eurodollar Contracts

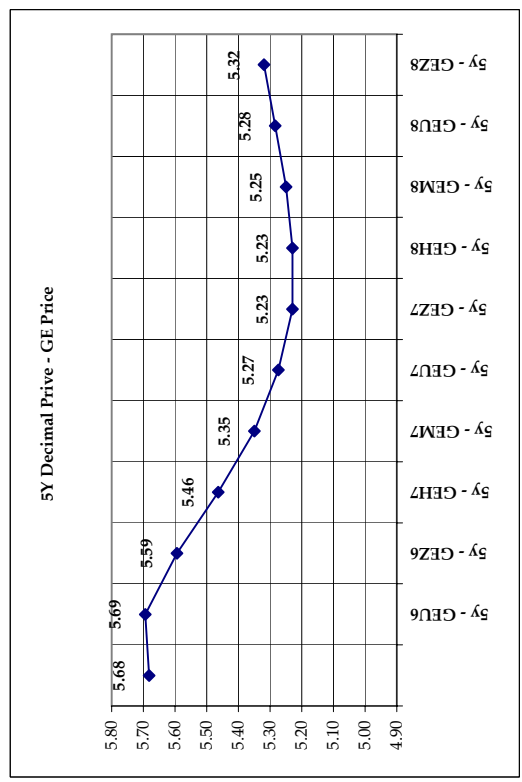
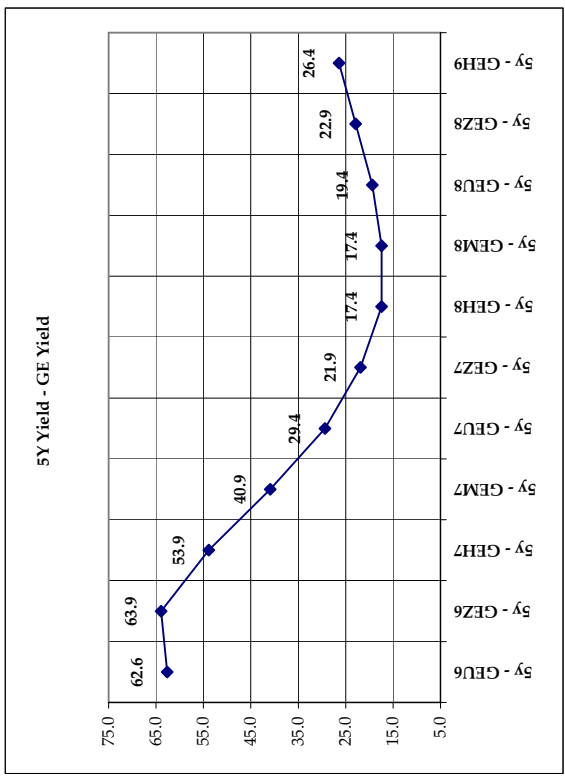
5y

Spread Price	Spread Yield	Spread Name
5.68	62.6	5y - GEU6
5.69	63.9	5y - GEZ6
5.59	53.9	5y - GEH7
5.46	40.9	5y - GEM7
5.35	29.4	5y - GEU7
5.27	21.9	5y - GEZ7
5.23	17.4	5y - GEH8
5.23	17.4	5y - GEM8
5.25	19.4	5y - GEU8
5.28	22.9	5y - GEZ8
5.32	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)



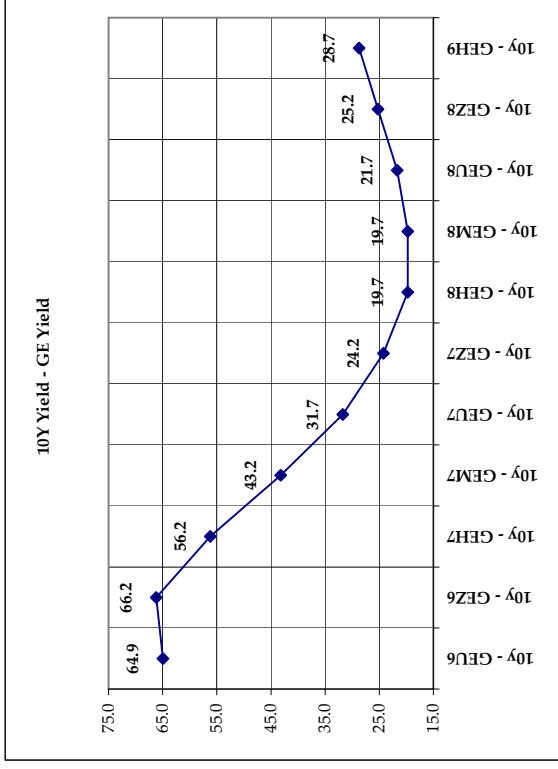
GE Duration as Fraction of year	5Y Duration	Spread Duration
@GE06U	0.008	4.26
@GE06Z	0.257	4.01
@GE07H	0.506	3.76
@GE07M	0.756	3.51
@GE07U	1.005	3.26
@GE07Z	1.254	3.01
@GE08H	1.503	2.76
@GE08M	1.753	2.51
@GE08U	2.002	2.26
@GE08Z	2.251	2.01
@GE09H	2.501	1.76

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

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Yield	Spread	10y	Spread
					Name
@GE06U	4.88	64.9			10y - GEU6
@GE06Z	4.89	66.2			10y - GEZ6
@GE07H	4.79	56.2			10y - GEH7
@GE07M	4.66	43.2			10y - GEM7
@GE07U	4.54	31.7			10y - GEU7
@GE07Z	4.47	24.2			10y - GEZ7
@GE08H	4.42	19.7			10y - GEH8
@GE08M	4.42	19.7			10y - GEM8
@GE08J	4.44	21.7			10y - GEU8
@GE08Z	4.48	25.2			10y - GEZ8
@GE09H	4.51	28.7			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	0.008	7.76
@GE06Z	0.257	7.76
@GE07H	0.506	7.76
@GE07M	0.756	7.76
@GE07U	1.005	7.76
@GE07Z	1.254	7.76
@GE08H	1.503	7.76
@GE08M	1.753	7.76
@GE08U	2.002	7.76
@GE08Z	2.251	7.76
@GE09H	2.501	7.76

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

