

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	4.906%
ZF	104.7031	104.2250	4.778%
ZN	106.94	106.300	4.788%
Blank			
2y	99.984	99.3150	4.882%
3y	100.195	100.0625	4.801%
5y	99.336	99.1075	4.777%
10y	100.453	100.1450	4.816%

MDuration
1.90
3.69
5.73
1.75
2.67
4.26
7.76

	Eurodollars (GE)			
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year
@GE06U	94.610	5.390	0	-0.001
@GE06Z	94.585	5.415	91	0.249
@GE07H	94.655	5.345	182	0.498
@GE07M	94.755	5.245	273	0.747
@GE07U	94.870	5.130	364	0.997
@GE07Z	94.945	5.055	455	1.246
@GE08H	94.995	5.005	546	1.495
@GE08M	95.005	4.995	637	1.745
@GE08U	94.990	5.010	728	1.994
@GE08Z	94.955	5.045	819	2.243
@GE09H	94.930	5.070	910	2.493
@GE09M	94.900	5.100	1001	2.742

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

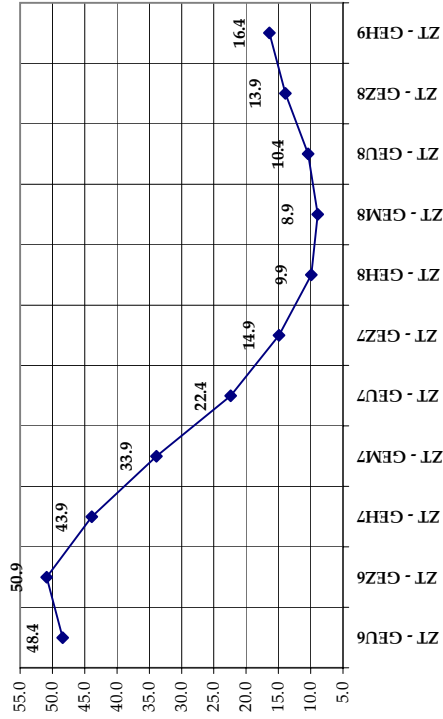
	Spread Price	Spread Yield	Spread Name
@GE06U	-94.610	48.4	ZT - GEU6
@GE06Z	-94.585	50.9	ZT - GEZ6
@GE07H	-94.655	43.9	ZT - GEH7
@GE07M	-94.755	33.9	ZT - GEM7
@GE07U	-94.870	22.4	ZT - GEU7
@GE07Z	-94.945	14.9	ZT - GEZ7
@GE08H	-94.995	9.9	ZT - GEH8
@GE08M	-95.005	8.9	ZT - GEM8
@GE08U	-94.990	10.4	ZT - GEU8
@GE08Z	-94.955	13.9	ZT - GEZ8
@GE09H	-94.930	16.4	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



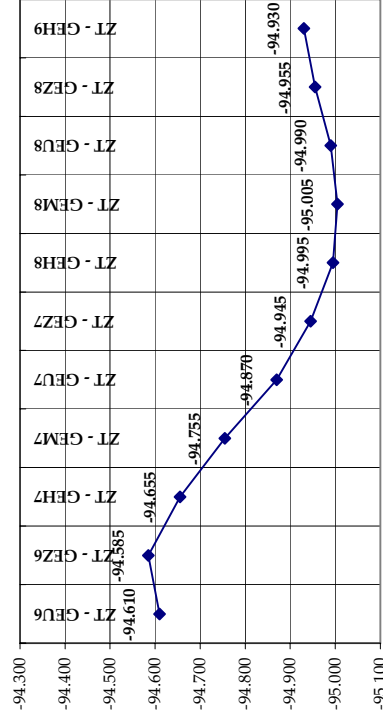
GE Duration as

Fraction of year

	Duration	ZT Duration	Spread Duration
@GE06U	-0.001	1.90	1.90
@GE06Z	0.249	1.90	1.65
@GE07H	0.498	1.90	1.40
@GE07M	0.747	1.90	1.15
@GE07U	0.997	1.90	0.90
@GE07Z	1.246	1.90	0.65
@GE08H	1.495	1.90	0.40
@GE08M	1.745	1.90	0.15
@GE08U	1.994	1.90	(0.10)
@GE08Z	2.243	1.90	(0.35)
@GE09H	2.493	1.90	(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

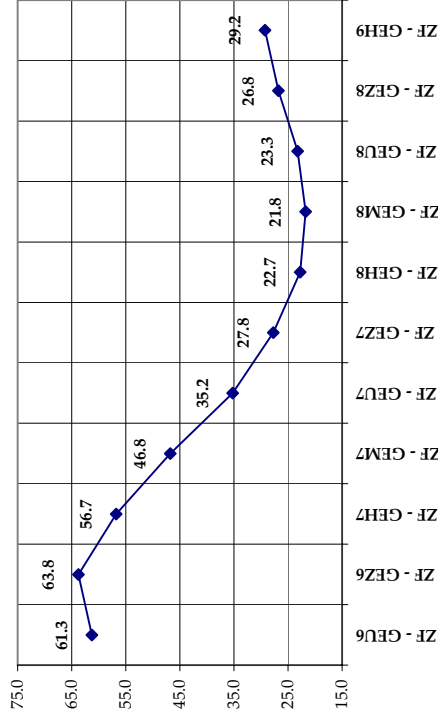
	Spread Price	Spread Yield	Spread Name
@GE06U	10.09	61.3	ZF - GEU6
@GE06Z	10.12	63.8	ZF - GEZ6
@GE07H	10.05	56.7	ZF - GEH7
@GE07M	9.95	46.8	ZF - GEM7
@GE07U	9.83	35.2	ZF - GEU7
@GE07Z	9.76	27.8	ZF - GEZ7
@GE08H	9.71	22.7	ZF - GEH8
@GE08M	9.70	21.8	ZF - GEM8
@GE08U	9.71	23.3	ZF - GEU8
@GE08Z	9.75	26.8	ZF - GEZ8
@GE09H	9.77	29.2	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



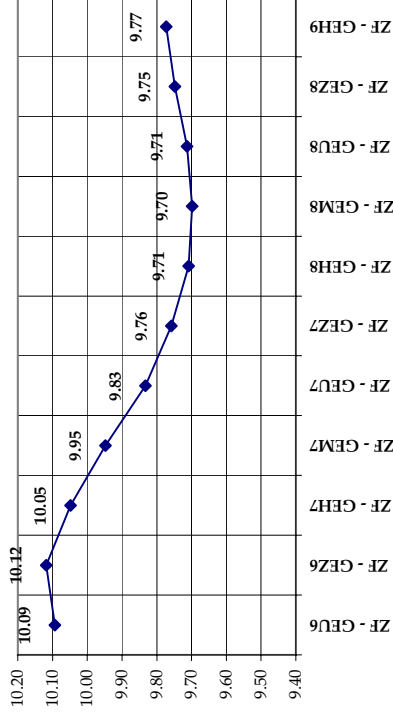
GE Duration as

Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration
@GE06U	-0.001	3.69	3.69
@GE06Z	0.249	3.69	3.44
@GE07H	0.498	3.69	3.19
@GE07M	0.747	3.69	2.94
@GE07U	0.997	3.69	2.69
@GE07Z	1.246	3.69	2.44
@GE08H	1.495	3.69	2.19
@GE08M	1.745	3.69	1.94
@GE08U	1.994	3.69	1.69
@GE08Z	2.243	3.69	1.44
@GE09H	2.493	3.69	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

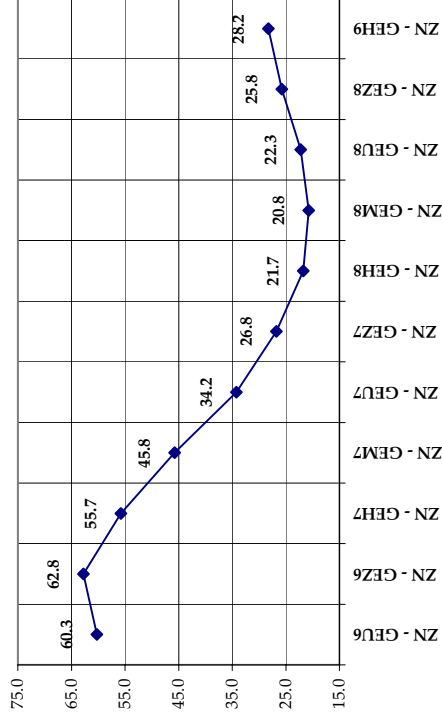
	Spread Price	ZN Yield	Spread Name
@GE06U	12.33	60.3	ZN - GEU6
@GE06Z	12.35	62.8	ZN - GEZ6
@GE07H	12.28	55.7	ZN - GEH7
@GE07M	12.18	45.8	ZN - GEM7
@GE07U	12.07	34.2	ZN - GEU7
@GE07Z	11.99	26.8	ZN - GEZ7
@GE08H	11.94	21.7	ZN - GEH8
@GE08M	11.93	20.8	ZN - GEM8
@GE08J	11.95	22.3	ZN - GEU8
@GE08Z	11.98	25.8	ZN - GEZ8
@GE09H	12.01	28.2	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

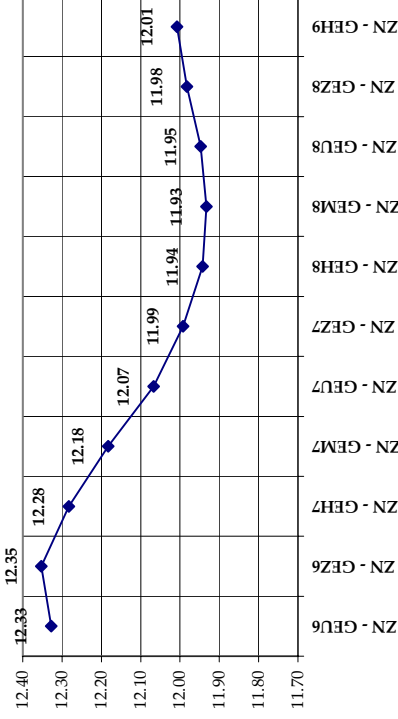


GE Duration as Fraction of year

	GE Duration as Fraction of year	ZN Duration	Spread Duration
@GE06U	-0.001	5.73	5.73
@GE06Z	0.249	5.73	5.48
@GE07H	0.498	5.73	5.23
@GE07M	0.747	5.73	4.98
@GE07U	0.997	5.73	4.73
@GE07Z	1.246	5.73	4.48
@GE08H	1.495	5.73	4.23
@GE08M	1.745	5.73	3.98
@GE08U	1.994	5.73	3.74
@GE08Z	2.243	5.73	3.49
@GE09H	2.493	5.73	3.24

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

ZN Decimal Price - GE Price

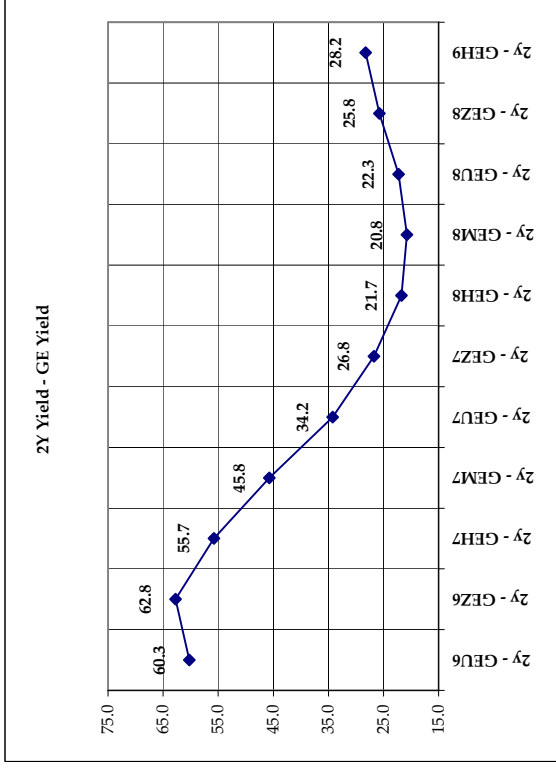


TERM TED: 2y vs Eurodollar Contracts

2y

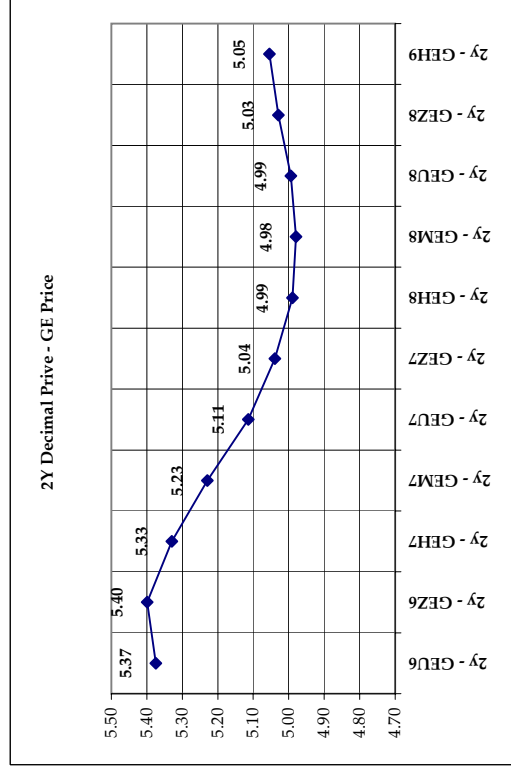
Spread Price	Spread Yield	Spread Name
5.37	60.3	2y - GEU6
5.40	62.8	2y - GEZ6
5.33	55.7	2y - GEH7
5.23	45.8	2y - GEM7
5.11	34.2	2y - GEU7
5.04	26.8	2y - GEZ7
4.99	21.7	2y - GEH8
4.98	20.8	2y - GEM8
4.99	22.3	2y - GEU8
5.03	25.8	2y - GEZ8
5.05	28.2	2y - GEH9

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	-0.001	1.75
@GE06Z	0.249	1.50
@GE07H	0.498	1.25
@GE07M	0.747	1.00
@GE07U	0.997	0.75
@GE07Z	1.246	0.50
@GE08H	1.495	0.25
@GE08M	1.745	0.00
@GE08U	1.994	(0.24)
@GE08Z	2.243	(0.49)
@GE09H	2.493	(0.74)

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



TERM TED: 5y vs Eurodollar Contracts

5y

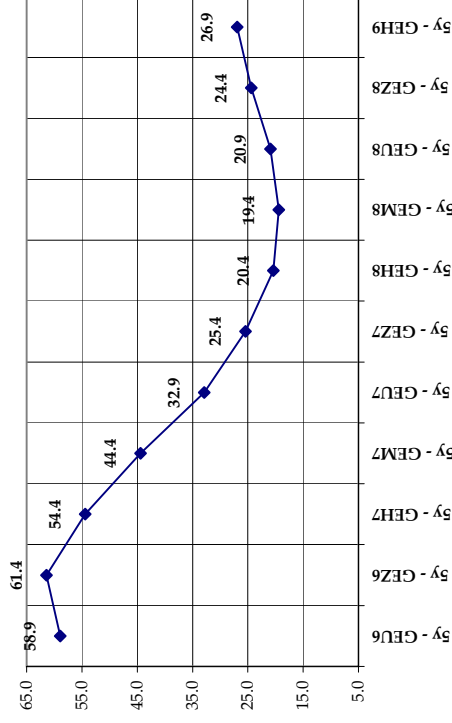
	Spread Price	Spread Yield	Spread Name
@GE06U	5.59	58.9	5y - GEU6
@GE06Z	5.61	61.4	5y - GEZ6
@GE07H	5.54	54.4	5y - GEH7
@GE07M	5.44	44.4	5y - GEM7
@GE07U	5.33	32.9	5y - GEU7
@GE07Z	5.25	25.4	5y - GEZ7
@GE08H	5.20	20.4	5y - GEH8
@GE08M	5.19	19.4	5y - GEM8
@GE08J	5.21	20.9	5y - GEU8
@GE08Z	5.24	24.4	5y - GEZ8
@GE09H	5.27	26.9	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

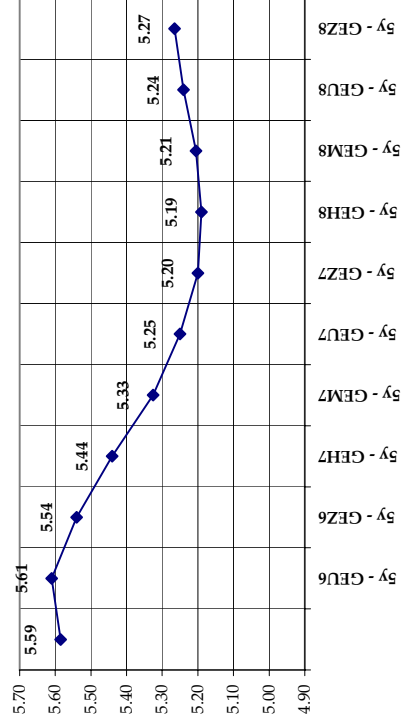
5Y Duration

Spread Duration

	Fraction of year	5Y Duration	Spread Duration
@GE06U	-0.001	4.26	4.26
@GE06Z	0.249	4.26	4.01
@GE07H	0.498	4.26	3.76
@GE07M	0.747	4.26	3.51
@GE07U	0.997	4.26	3.26
@GE07Z	1.246	4.26	3.01
@GE08H	1.495	4.26	2.77
@GE08M	1.745	4.26	2.52
@GE08U	1.994	4.26	2.27
@GE08Z	2.243	4.26	2.02
@GE09H	2.493	4.26	1.77

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

5Y Decimal Prive - GE Price

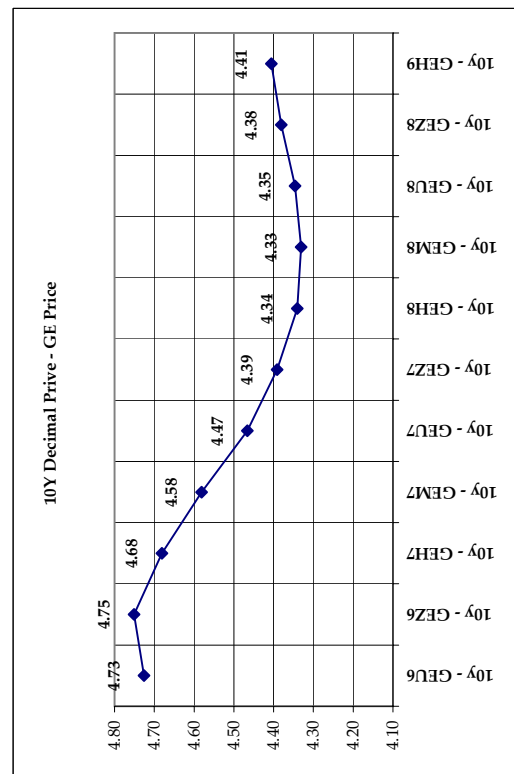
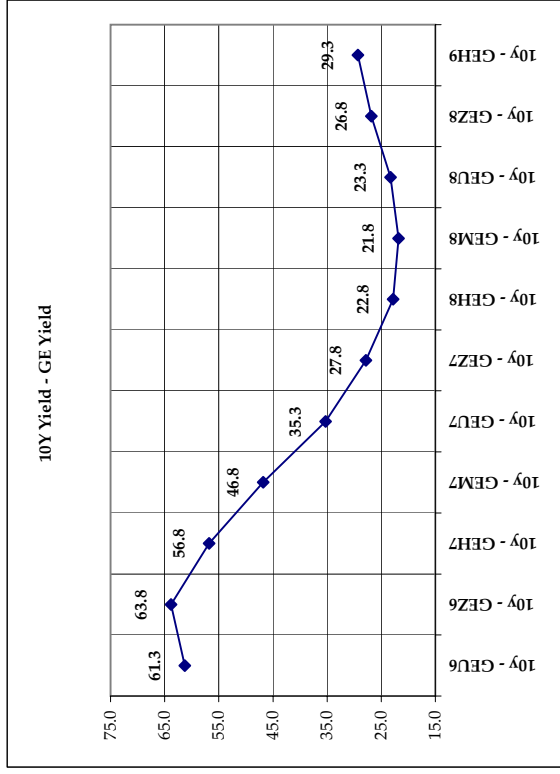


TERM TED: 10y vs Eurodollar Contracts

10y

	Spread Price	Spread Yield	Spread Name
@GE06U	4.73	61.3	10y - GEU6
@GE06Z	4.75	63.8	10y - GEZ6
@GE07H	4.68	56.8	10y - GEH7
@GE07M	4.58	46.8	10y - GEM7
@GE07U	4.47	35.3	10y - GEU7
@GE07Z	4.39	27.8	10y - GEZ7
@GE08H	4.34	22.8	10y - GEH8
@GE08M	4.33	21.8	10y - GEM8
@GE08J	4.35	23.3	10y - GEU8
@GE08Z	4.38	26.8	10y - GEZ8
@GE09H	4.41	29.3	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	7.76	7.76
@GE06Z	7.76	7.51
@GE07H	7.76	7.26
@GE07M	7.76	7.01
@GE07U	7.76	6.76
@GE07Z	7.76	6.51
@GE08H	7.76	6.26
@GE08M	7.76	6.01
@GE08U	7.76	5.76
@GE08Z	7.76	5.51
@GE09H	7.76	5.26

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