

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.8281	101.2650	4.913%
ZF	104.6719	104.2150	4.787%
ZN	106.88	106.280	4.797%
Blank			
2y	99.977	99.3125	4.886%
3y	100.172	100.0550	4.809%
5y	99.297	99.0950	4.786%
10y	100.406	100.1300	4.822%

MDuration
1.89
3.68
5.73
1.75
2.67
4.26
7.75

	Eurodollars (GE)			
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year
@GE06U	94.610	5.390	-1	-0.003
@GE06Z	94.585	5.415	90	0.246
@GE07H	94.650	5.350	181	0.495
@GE07M	94.750	5.250	272	0.745
@GE07U	94.865	5.135	363	0.994
@GE07Z	94.945	5.055	454	1.243
@GE08H	94.995	5.005	545	1.493
@GE08M	95.000	5.000	636	1.742
@GE08U	94.985	5.015	727	1.991
@GE08Z	94.945	5.055	818	2.240
@GE09H	94.920	5.080	909	2.490
@GE09M	94.880	5.120	1000	2.739

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:

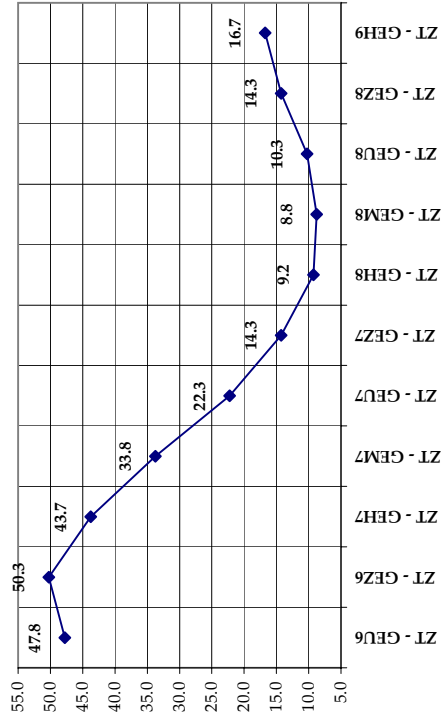
Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZT vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
@GE06U	7.218	47.8	ZT - GEU6
@GE06Z	7.243	50.3	ZT - GEZ6
@GE07H	7.178	43.7	ZT - GEH7
@GE07M	7.078	33.8	ZT - GEM7
@GE07U	6.963	22.3	ZT - GEU7
@GE07Z	6.883	14.3	ZT - GEZ7
@GE08H	6.833	9.2	ZT - GEH8
@GE08M	6.828	8.8	ZT - GEM8
@GE08U	6.843	10.3	ZT - GEU8
@GE08Z	6.883	14.3	ZT - GEZ8
@GE09H	6.908	16.7	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

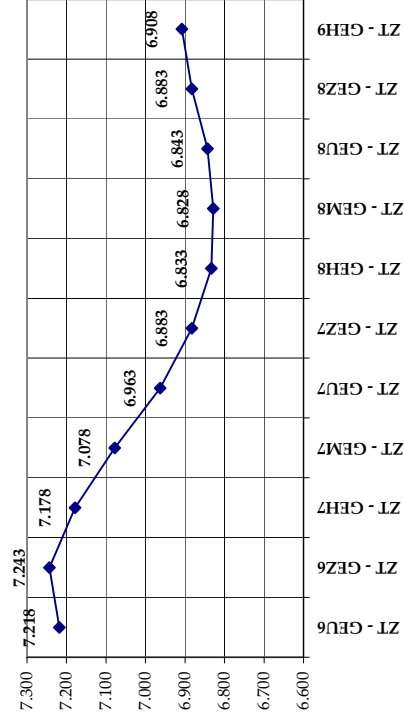


GE Duration as

GE Duration as Fraction of year	ZT Duration	Spread Duration
@GE06U	-0.003	1.90
@GE06Z	0.246	1.65
@GE07H	0.495	1.40
@GE07M	0.745	1.15
@GE07U	0.994	0.90
@GE07Z	1.243	0.65
@GE08H	1.493	0.40
@GE08M	1.742	0.15
@GE08U	1.991	(0.10)
@GE08Z	2.240	(0.35)
@GE09H	2.490	(0.60)

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

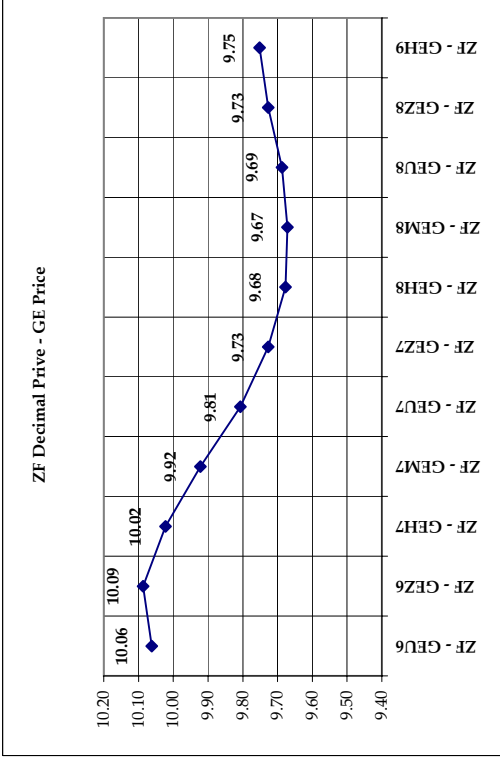
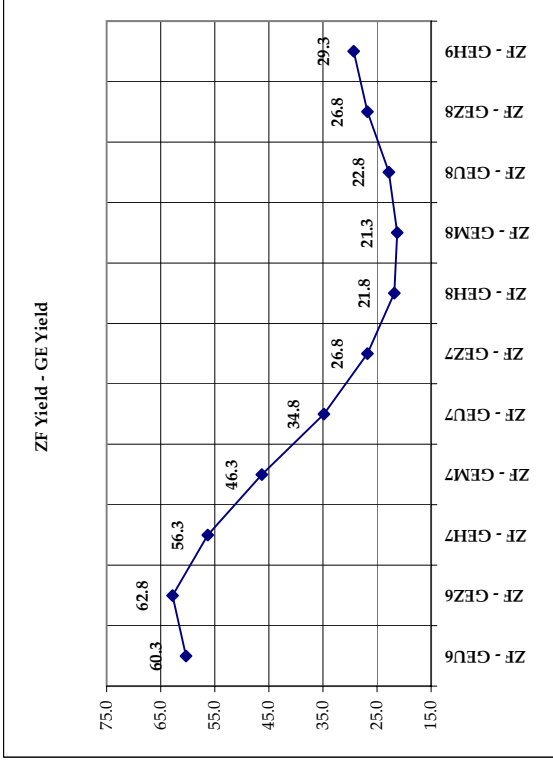
ZT Decimal Price - GE Price



Dirty TED: ZF vs Eurodollar Contracts

	ZF	
	Spread Price	Spread Yield
	Price	Name
@GE06U	10.06	ZF - GEU6
@GE06Z	10.09	ZF - GEZ6
@GE07H	10.02	ZF - GEH7
@GE07M	9.92	ZF - GEM7
@GE07U	9.81	ZF - GEU7
@GE07Z	9.73	ZF - GEZ7
@GE08H	9.68	ZF - GEH8
@GE08M	9.67	ZF - GEM8
@GE08U	9.69	ZF - GEU8
@GE08Z	9.73	ZF - GEZ8
@GE09H	9.75	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	-0.003	3.68	3.68	3.69		
@GE06Z	0.246	3.68	3.68	3.44		
@GE07H	0.495	3.68	3.68	3.19		
@GE07M	0.745	3.68	3.68	2.94		
@GE07U	0.994	3.68	3.68	2.69		
@GE07Z	1.243	3.68	3.68	2.44		
@GE08H	1.493	3.68	3.68	2.19		
@GE08M	1.742	3.68	3.68	1.94		
@GE08U	1.991	3.68	3.68	1.69		
@GE08Z	2.240	3.68	3.68	1.44		
@GE09H	2.490	3.68	3.68	1.20		

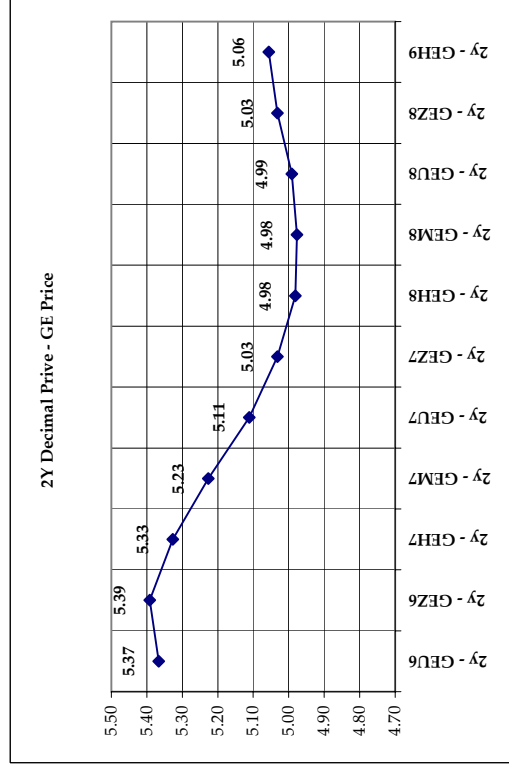
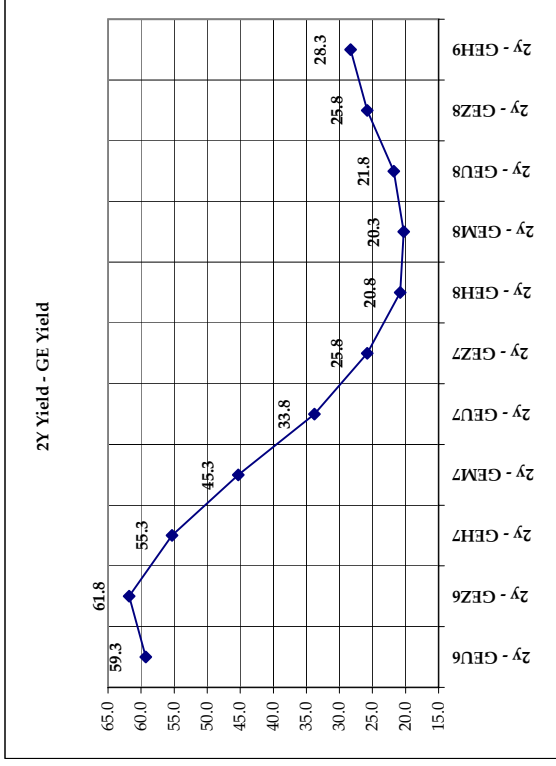
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

2y

Spread Price	Spread Yield	Spread Name
5.37	59.3	2y - GEU6
5.39	61.8	2y - GEZ6
5.33	55.3	2y - GEH7
5.23	45.3	2y - GEM7
5.11	33.8	2y - GEU7
5.03	25.8	2y - GEZ7
4.98	20.8	2y - GEH8
4.98	20.3	2y - GEM8
4.99	21.8	2y - GEU8
5.03	25.8	2y - GEZ8
5.06	28.3	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	1.75	1.75
@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	(0.24)
@GE08Z	1.75	(0.49)
@GE09H	1.75	(0.74)

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

TERM TED: 5y vs Eurodollar Contracts

5y

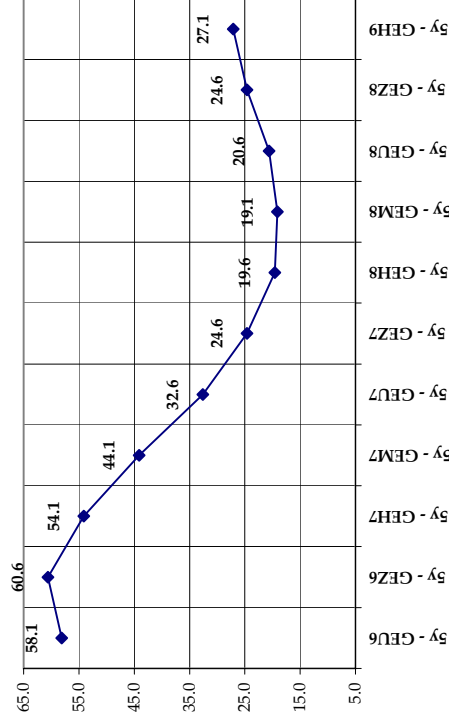
	Spread Price	Spread Yield	Spread Name
@GE06U	5.56	58.1	5y - GEU6
@GE06Z	5.59	60.6	5y - GEZ6
@GE07H	5.52	54.1	5y - GEH7
@GE07M	5.42	44.1	5y - GEM7
@GE07U	5.31	32.6	5y - GEU7
@GE07Z	5.23	24.6	5y - GEZ7
@GE08H	5.18	19.6	5y - GEH8
@GE08M	5.17	19.1	5y - GEM8
@GE08J	5.19	20.6	5y - GEU8
@GE08Z	5.23	24.6	5y - GEZ8
@GE09H	5.25	27.1	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

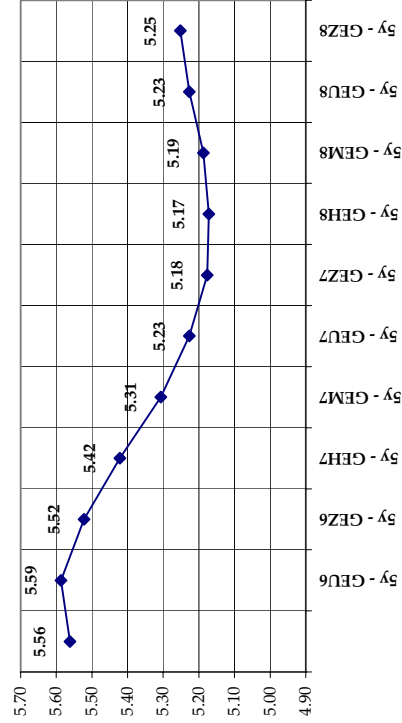


GE Duration as Fraction of year

	5Y Duration	Spread Duration
@GE06U	-0.003	4.26
@GE06Z	0.246	4.01
@GE07H	0.495	3.76
@GE07M	0.745	3.51
@GE07U	0.994	3.26
@GE07Z	1.243	3.01
@GE08H	1.493	2.77
@GE08M	1.742	2.52
@GE08U	1.991	2.27
@GE08Z	2.240	2.02
@GE09H	2.490	1.77

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

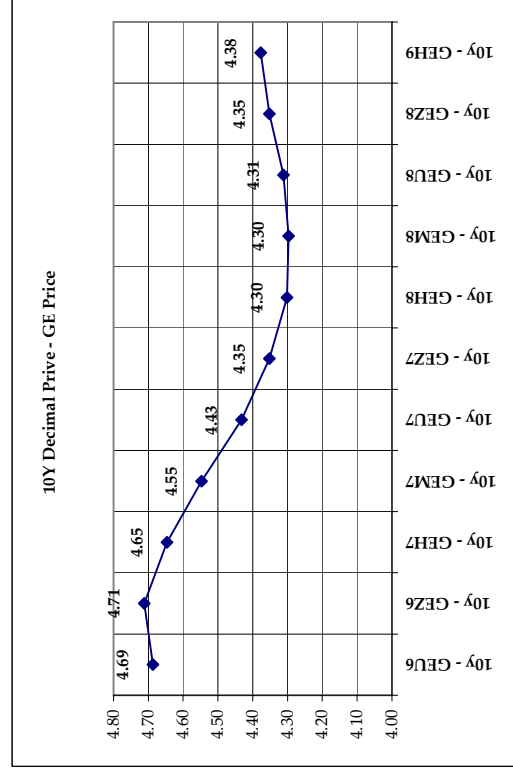
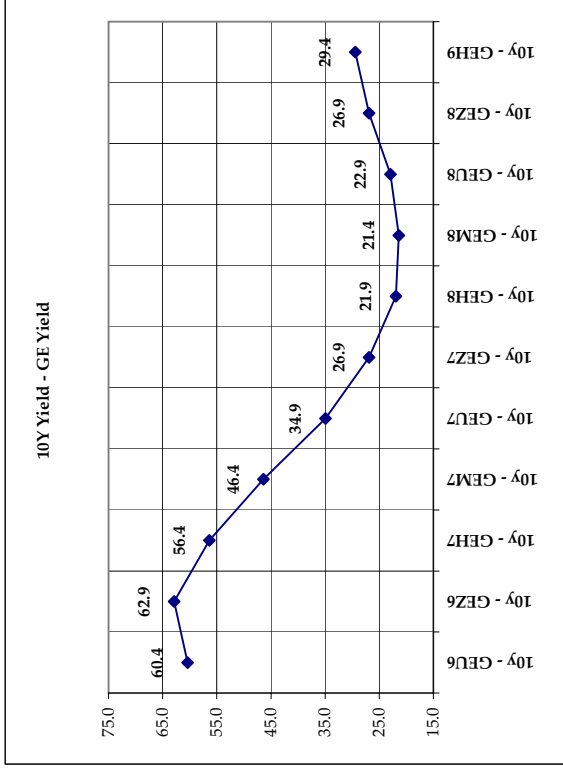
5Y Decimal Price - GE Price



TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	10y Spread Name
@GE06U	4.69	60.4	10y - GEU6
@GE06Z	4.71	62.9	10y - GEZ6
@GE07H	4.65	56.4	10y - GEH7
@GE07M	4.55	46.4	10y - GEM7
@GE07U	4.43	34.9	10y - GEU7
@GE07Z	4.35	26.9	10y - GEZ7
@GE08H	4.30	21.9	10y - GEH8
@GE08M	4.30	21.4	10y - GEM8
@GE08J	4.31	22.9	10y - GEU8
@GE08Z	4.35	26.9	10y - GEZ8
@GE09H	4.38	29.4	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	-0.003	7.75
@GE06Z	0.246	7.75
@GE07H	0.495	7.75
@GE07M	0.745	7.75
@GE07U	0.994	7.75
@GE07Z	1.243	7.75
@GE08H	1.493	7.75
@GE08M	1.742	7.75
@GE08U	1.991	7.75
@GE08Z	2.240	7.75
@GE09H	2.490	7.75

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