

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.0313	102.0100	4.854%
ZF	105.0313	105.0100	4.702%
ZN	107.34	107.110	4.708%
Blank			
2y	100.078	100.0250	4.831%
3y	100.375	100.1200	4.733%
5y	99.648	99.2075	4.705%
10y	101.078	101.0250	4.737%

MDuration
1.89
3.68
5.73
1.74
2.66
4.26
7.76

	Eurodollars (GE)			
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year
@GE06U	94.610	5.390	-3	-0.009
@GE06Z	94.615	5.385	88	0.240
@GE07H	94.695	5.305	179	0.490
@GE07M	94.815	5.185	270	0.739
@GE07U	94.955	5.045	361	0.988
@GE07Z	95.050	4.950	452	1.238
@GE08H	95.100	4.900	543	1.487
@GE08M	95.100	4.900	634	1.736
@GE08U	95.085	4.915	725	1.986
@GE08Z	95.045	4.955	816	2.235
@GE09H	95.015	4.985	907	2.484
@GE09M	94.985	5.015	998	2.734

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

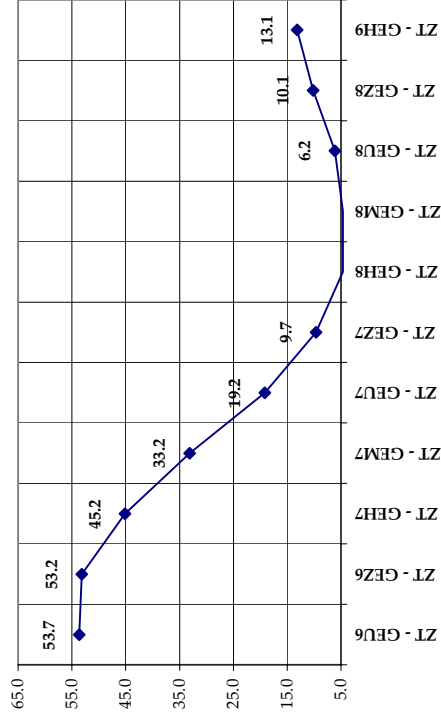
	Spread Price	Spread Yield	Spread Name
@GE06U	7.421	53.7	ZT - GEU6
@GE06Z	7.416	53.2	ZT - GEZ6
@GE07H	7.336	45.2	ZT - GEH7
@GE07M	7.216	33.2	ZT - GEM7
@GE07U	7.076	19.2	ZT - GEU7
@GE07Z	6.981	9.7	ZT - GEZ7
@GE08H	6.931	4.7	ZT - GEH8
@GE08M	6.931	4.7	ZT - GEM8
@GE08U	6.946	6.2	ZT - GEU8
@GE08Z	6.986	10.1	ZT - GEZ8
@GE09H	7.016	13.1	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

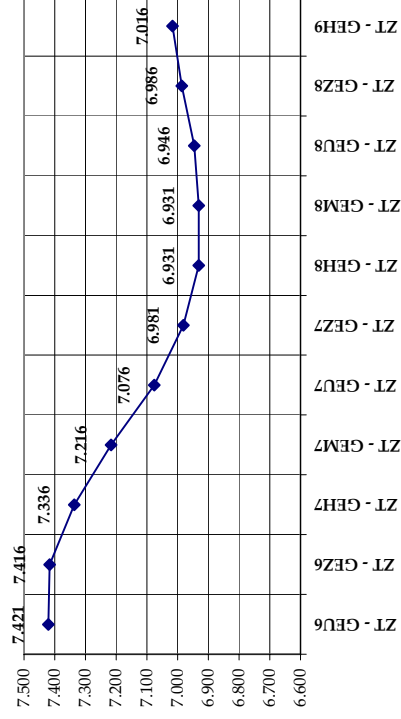
Fraction of year

	Duration	ZT Duration	Spread Duration
@GE06U	-0.009	1.89	1.90
@GE06Z	0.240	1.89	1.65
@GE07H	0.490	1.89	1.40
@GE07M	0.739	1.89	1.15
@GE07U	0.988	1.89	0.90
@GE07Z	1.238	1.89	0.65
@GE08H	1.487	1.89	0.40
@GE08M	1.736	1.89	0.15
@GE08U	1.986	1.89	(0.10)
@GE08Z	2.235	1.89	(0.36)
@GE09H	2.484	1.89	(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

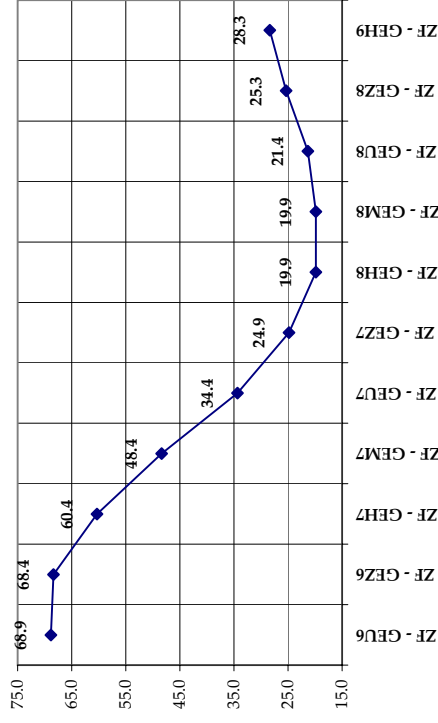
	Spread Price	Spread Yield	Spread Name
@GE06U	10.42	68.9	ZF - GEU6
@GE06Z	10.42	68.4	ZF - GEZ6
@GE07H	10.34	60.4	ZF - GEH7
@GE07M	10.22	48.4	ZF - GEM7
@GE07U	10.08	34.4	ZF - GEU7
@GE07Z	9.98	24.9	ZF - GEZ7
@GE08H	9.93	19.9	ZF - GEH8
@GE08M	9.93	19.9	ZF - GEM8
@GE08J	9.95	21.4	ZF - GEU8
@GE08Z	9.99	25.3	ZF - GEZ8
@GE09H	10.02	28.3	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)

ZF Yield - GE Yield



GE Duration as

Fraction of year

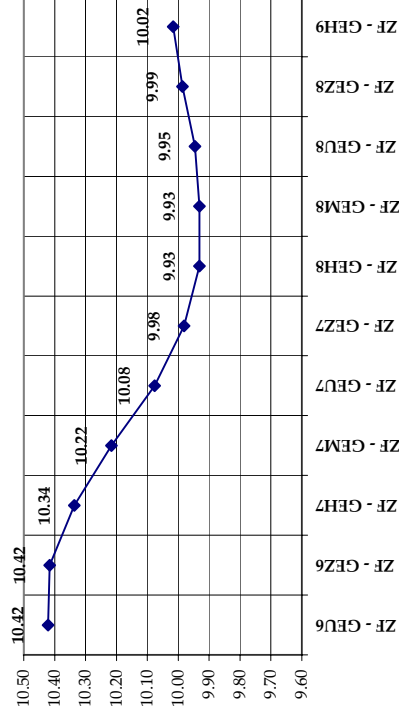
ZF Duration

Spread Duration

	Fraction of year	ZF Duration	Spread Duration
@GE06U	-0.009	3.68	3.69
@GE06Z	0.240	3.68	3.44
@GE07H	0.490	3.68	3.19
@GE07M	0.739	3.68	2.94
@GE07U	0.988	3.68	2.69
@GE07Z	1.238	3.68	2.44
@GE08H	1.487	3.68	2.19
@GE08M	1.736	3.68	1.95
@GE08U	1.986	3.68	1.70
@GE08Z	2.235	3.68	1.45
@GE09H	2.484	3.68	1.20

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

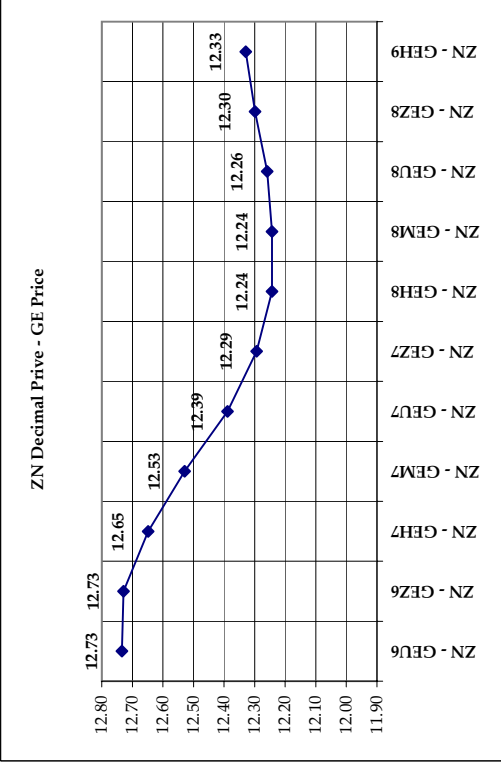
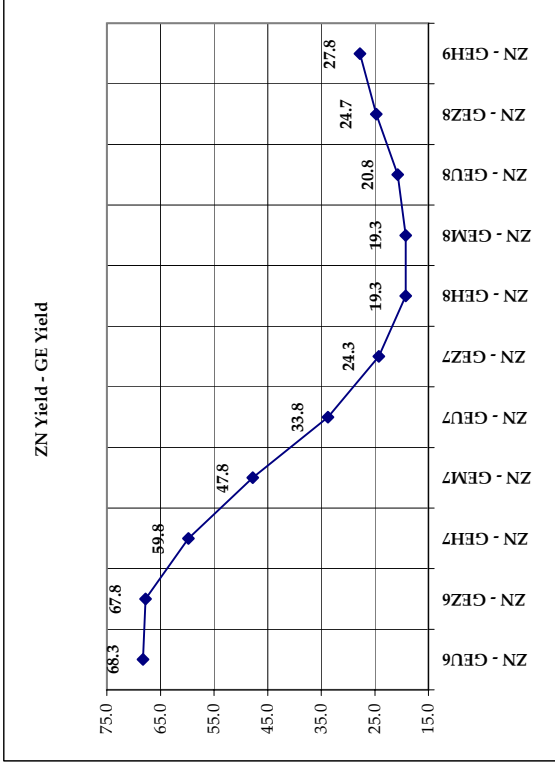
ZF Decimal Price - GE Price



Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Yield	Spread Name
@GE06U	12.73	68.3	ZN - GEU6
@GE06Z	12.73	67.8	ZN - GEZ6
@GE07H	12.65	59.8	ZN - GEH7
@GE07M	12.53	47.8	ZN - GEM7
@GE07U	12.39	33.8	ZN - GEU7
@GE07Z	12.29	24.3	ZN - GEZ7
@GE08H	12.24	19.3	ZN - GEH8
@GE08M	12.24	19.3	ZN - GEM8
@GE08J	12.26	20.8	ZN - GEU8
@GE08Z	12.30	24.7	ZN - GEZ8
@GE09H	12.33	27.8	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	-0.009	5.73
@GE06Z	0.240	5.49
@GE07H	0.490	5.24
@GE07M	0.739	4.99
@GE07U	0.988	4.74
@GE07Z	1.238	4.49
@GE08H	1.487	4.24
@GE08M	1.736	3.99
@GE08U	1.986	3.74
@GE08Z	2.235	3.49
@GE09H	2.484	3.24

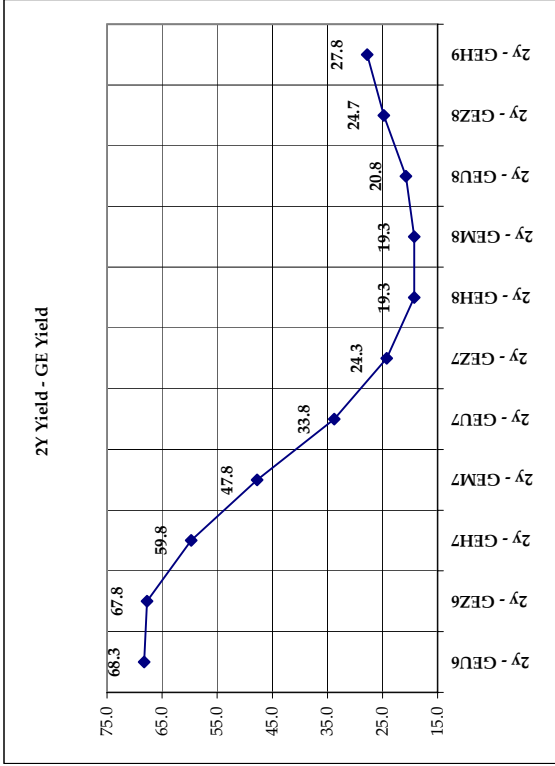
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

2y

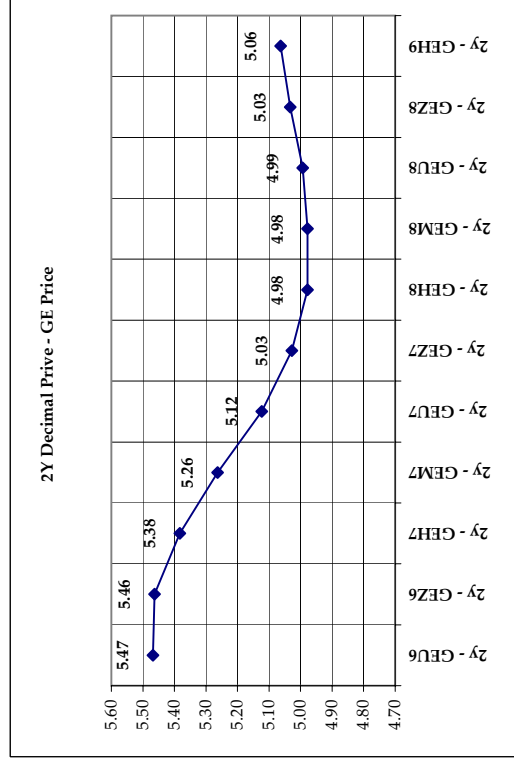
Spread Price	Spread Yield	Spread Name
5.47	68.3	2y - GEU6
5.46	67.8	2y - GEZ6
5.38	59.8	2y - GEH7
5.26	47.8	2y - GEM7
5.12	33.8	2y - GEU7
5.03	24.3	2y - GEZ7
4.98	19.3	2y - GEH8
4.98	19.3	2y - GEM8
4.99	20.8	2y - GEU8
5.03	24.7	2y - GEZ8
5.06	27.8	2y - GEH9

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
-0.009	1.74	1.75
0.240	1.74	1.50
0.490	1.74	1.25
0.739	1.74	1.00
0.988	1.74	0.75
1.238	1.74	0.50
1.487	1.74	0.25
1.736	1.74	0.01
1.986	1.74	(0.24)
2.235	1.74	(0.49)
2.484	1.74	(0.74)

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



TERM TED: 5y vs Eurodollar Contracts

5y

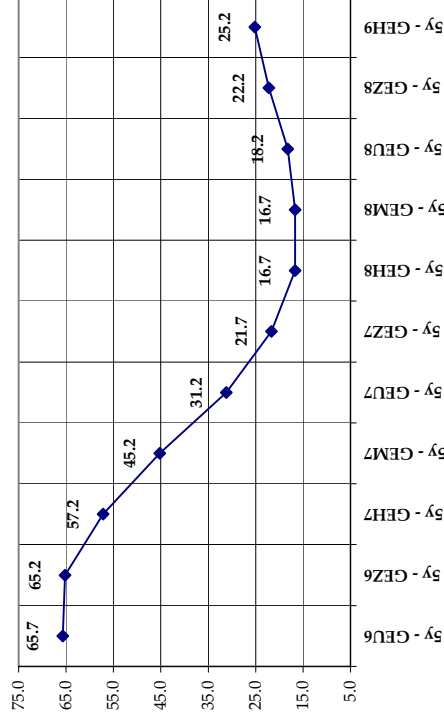
	Spread Price	Spread Yield	Spread Name
@GE06U	5.77	65.7	5y - GEU6
@GE06Z	5.76	65.2	5y - GEZ6
@GE07H	5.68	57.2	5y - GEH7
@GE07M	5.56	45.2	5y - GEM7
@GE07U	5.42	31.2	5y - GEU7
@GE07Z	5.33	21.7	5y - GEZ7
@GE08H	5.28	16.7	5y - GEH8
@GE08M	5.28	16.7	5y - GEM8
@GE08J	5.29	18.2	5y - GEU8
@GE08Z	5.33	22.2	5y - GEZ8
@GE09H	5.36	25.2	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

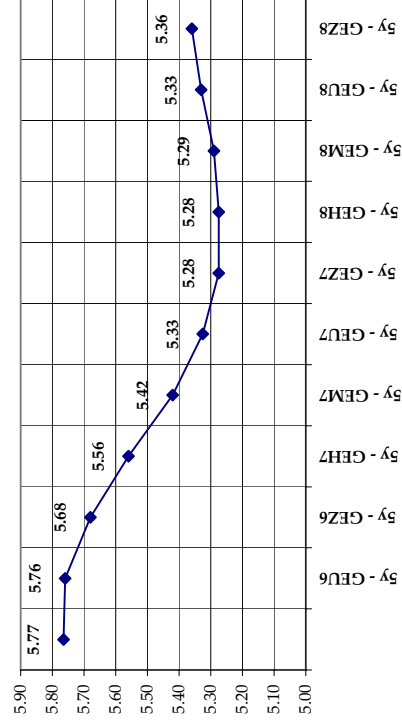


GE Duration as Fraction of year

	5Y Duration	Spread Duration
@GE06U	-0.009	4.26
@GE06Z	0.240	4.01
@GE07H	0.490	3.77
@GE07M	0.739	3.52
@GE07U	0.988	3.27
@GE07Z	1.238	3.02
@GE08H	1.487	2.77
@GE08M	1.736	2.52
@GE08U	1.986	2.27
@GE08Z	2.235	2.02
@GE09H	2.484	1.77

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

5Y Decimal Prive - GE Price

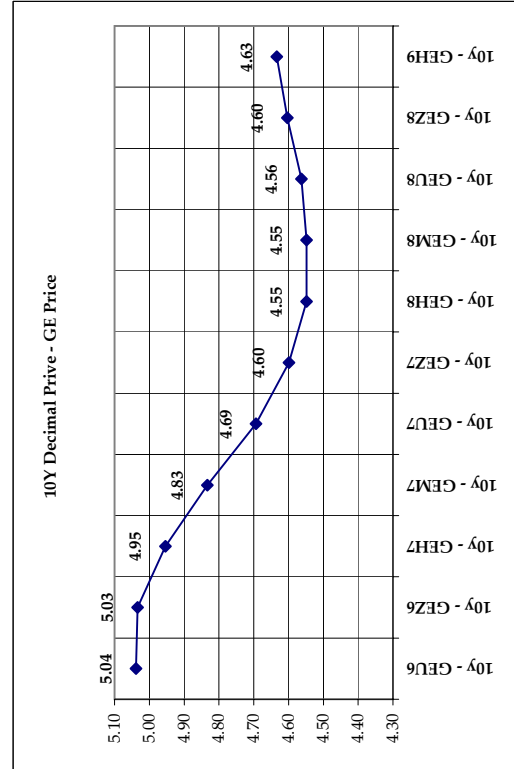
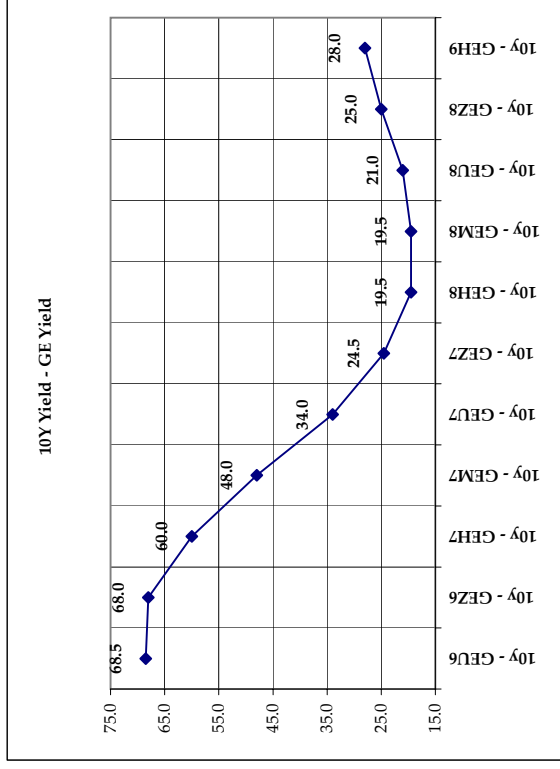


TERM TED: 10y vs Eurodollar Contracts

10y

	Spread Price	Spread Yield	Spread Name
@GE06U	5.04	68.5	10y - GEU6
@GE06Z	5.03	68.0	10y - GEZ6
@GE07H	4.95	60.0	10y - GEH7
@GE07M	4.83	48.0	10y - GEM7
@GE07U	4.69	34.0	10y - GEU7
@GE07Z	4.60	24.5	10y - GEZ7
@GE08H	4.55	19.5	10y - GEH8
@GE08M	4.55	19.5	10y - GEM8
@GE08J	4.56	21.0	10y - GEU8
@GE08Z	4.60	25.0	10y - GEZ8
@GE09H	4.63	28.0	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	7.77
@GE06Z	7.76	7.52
@GE07H	7.76	7.27
@GE07M	7.76	7.02
@GE07U	7.76	6.77
@GE07Z	7.76	6.52
@GE08H	7.76	6.27
@GE08M	7.76	6.02
@GE08U	7.76	5.77
@GE08Z	7.76	5.52
@GE09H	7.76	5.27

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