

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.3438	102.1100	4.689%
ZF	105.8125	105.2600	4.517%
ZN	108.55	108.175	4.526%
Blank			
2y	100.391	100.1250	4.659%
3y	100.852	100.2725	4.555%
5y	100.445	100.1425	4.522%
10y	102.453	102.1450	4.563%

*Futures use CTD for Last Yield

	Eurodollars (GE)			
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year
@GE06Z	94.710	5.290	83	0.227
@GE07H	94.870	5.130	174	0.476
@GE07M	95.040	4.960	265	0.725
@GE07U	95.185	4.815	356	0.975
@GE07Z	95.275	4.725	447	1.224
@GE08H	95.315	4.685	538	1.473
@GE08M	95.305	4.695	629	1.723
@GE08U	95.290	4.710	720	1.972
@GE08Z	95.250	4.750	811	2.221
@GE09H	95.210	4.790	902	2.471
@GE09M	95.175	4.825	993	2.720
@GE09U	95.135	4.865	1084	2.969

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:

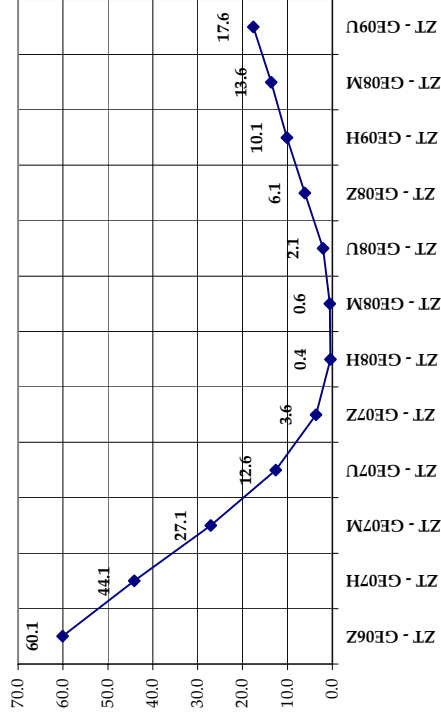
Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZT vs Eurodollar Contracts

ZT		Spread Price	Spread Yield	Spread Name
@GE06Z		7.634	60.1	ZT - GE06Z
@GE07H		7.474	44.1	ZT - GE07H
@GE07M		7.304	27.1	ZT - GE07M
@GE07U		7.159	12.6	ZT - GE07U
@GE07Z		7.069	3.6	ZT - GE07Z
@GE08H		7.029	0.4	ZT - GE08H
@GE08M		7.039	0.6	ZT - GE08M
@GE08U		7.054	2.1	ZT - GE08U
@GE08Z		7.094	6.1	ZT - GE08Z
@GE09H		7.134	10.1	ZT - GE09H
@GE09M		7.169	13.6	ZT - GE09M
@GE09U		7.209	17.6	ZT - GE09U

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

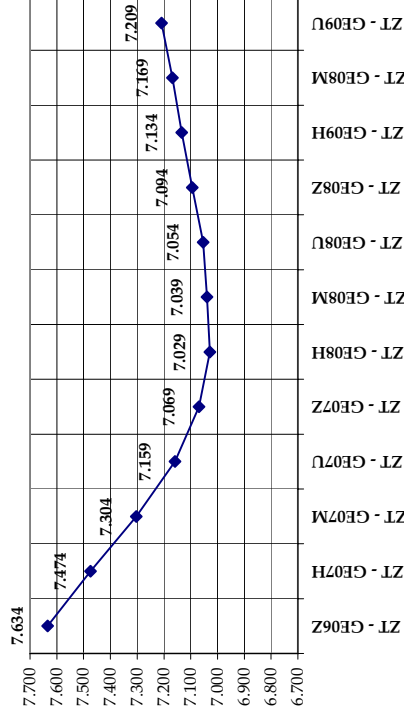


GE Duration as

GE Duration as Fraction of year	ZT Duration	Spread Duration
@GE06Z	0.227	1.88
@GE07H	0.476	1.88
@GE07M	0.725	1.88
@GE07U	0.975	1.88
@GE07Z	1.224	1.88
@GE08H	1.473	1.88
@GE08M	1.723	1.88
@GE08U	1.972	1.88
@GE08Z	2.221	1.88
@GE09H	2.471	1.88
@GE09M	2.720	1.88
@GE09U	2.969	1.88

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

ZT Decimal Price - GE Price



Dirty TED: ZF vs Eurodollar Contracts

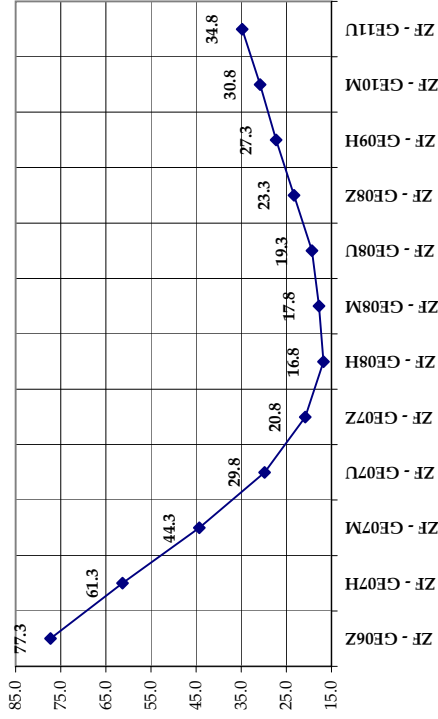
	ZF		
	Spread Price	Spread Yield	Spread Name
@GE06Z	11.10	77.3	ZF - GE06Z
@GE07H	10.94	61.3	ZF - GE07H
@GE07M	10.77	44.3	ZF - GE07M
@GE07U	10.63	29.8	ZF - GE07U
@GE07Z	10.54	20.8	ZF - GE07Z
@GE08H	10.50	16.8	ZF - GE08H
@GE08M	10.51	17.8	ZF - GE08M
@GE08U	10.52	19.3	ZF - GE08U
@GE08Z	10.56	23.3	ZF - GE08Z
@GE09H	10.60	27.3	ZF - GE09H
@GE09M	10.64	30.8	ZF - GE09M
@GE09U	10.68	34.8	ZF - GE09U

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 - GF Yield

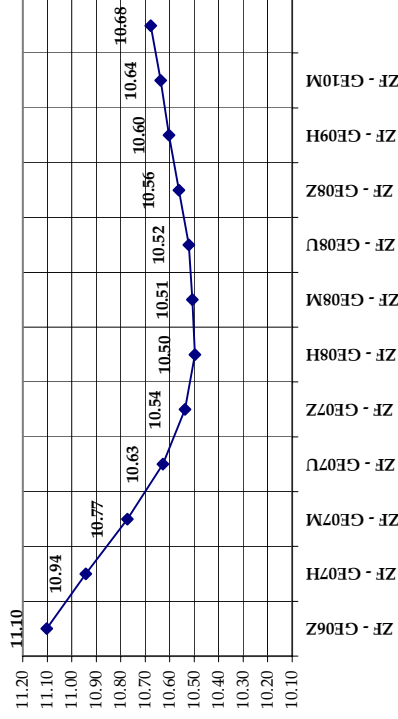


GE Duration as Fraction of year

	Fraction of year	ZF Duration	Spread Duration
@GE06Z	0.227	3.67	3.45
@GE07H	0.476	3.67	3.20
@GE07M	0.725	3.67	2.95
@GE07U	0.975	3.67	2.70
@GE07Z	1.224	3.67	2.45
@GE08H	1.473	3.67	2.20
@GE08M	1.723	3.67	1.95
@GE08U	1.972	3.67	1.70
@GE08Z	2.221	3.67	1.45
@GE09H	2.471	3.67	1.20
@GE09M	2.720	3.67	0.95
@GE09U	2.969	3.67	0.70

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

ZF Decimal Price - GE Price



Dirty TED: ZN vs Eurodollar Contracts

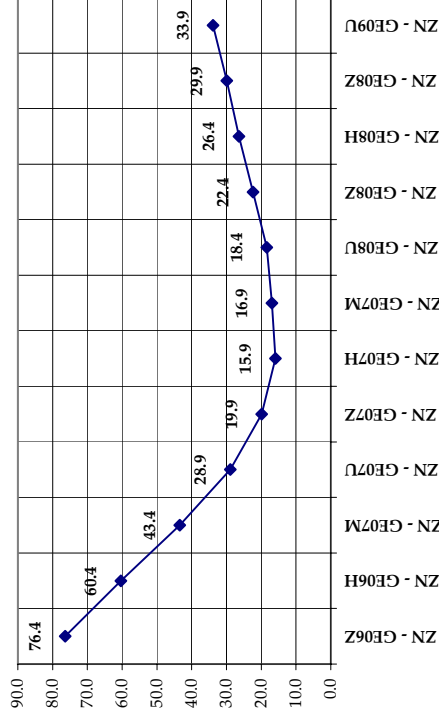
	Spread Price	ZN Yield	Spread Yield	Spread Name
@GE06Z	13.84	76.4	ZN - GE06Z	
@GE07H	13.68	60.4	ZN - GE06H	
@GE07M	13.51	43.4	ZN - GE07M	
@GE07U	13.36	28.9	ZN - GE07U	
@GE07Z	13.27	19.9	ZN - GE07Z	
@GE08H	13.23	15.9	ZN - GE07H	
@GE08M	13.24	16.9	ZN - GE07M	
@GE08U	13.26	18.4	ZN - GE08U	
@GE08Z	13.30	22.4	ZN - GE08Z	
@GE09H	13.34	26.4	ZN - GE08H	
@GE09M	13.37	29.9	ZN - GE08M	
@GE09U	13.41	33.9	ZN - GE09U	

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

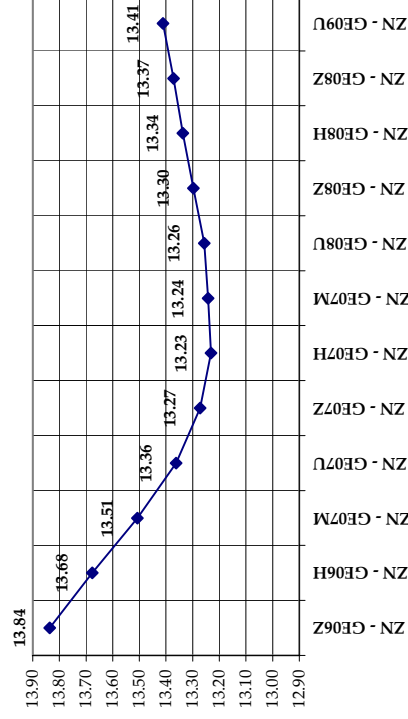


GE Duration as Fraction of year

	Fraction of year	ZN Duration	Spread Duration
@GE06Z	0.227	5.72	5.50
@GE07H	0.476	5.72	5.25
@GE07M	0.725	5.72	5.00
@GE07U	0.975	5.72	4.75
@GE07Z	1.224	5.72	4.50
@GE08H	1.473	5.72	4.25
@GE08M	1.723	5.72	4.00
@GE08U	1.972	5.72	3.75
@GE08Z	2.221	5.72	3.50
@GE09H	2.471	5.72	3.25
@GE09M	2.720	5.72	3.00
@GE09U	2.969	5.72	2.75

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

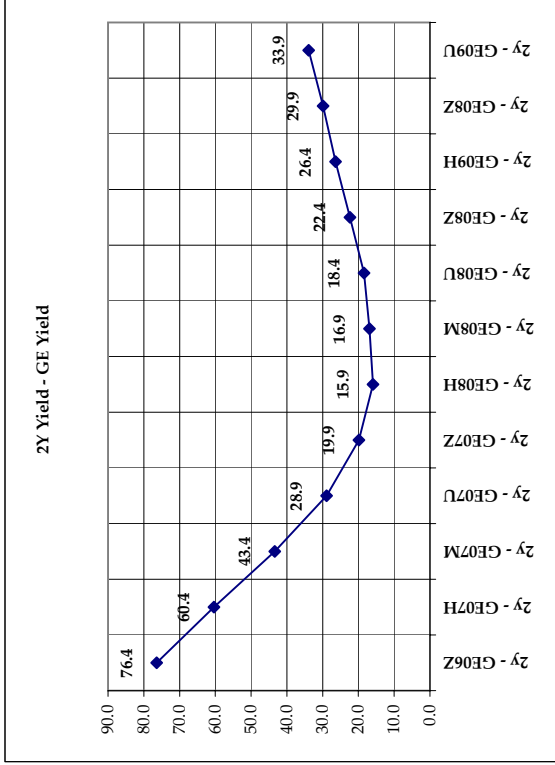
ZN Decimal Price - GE Price



TERM TED: 2y vs Eurodollar Contracts

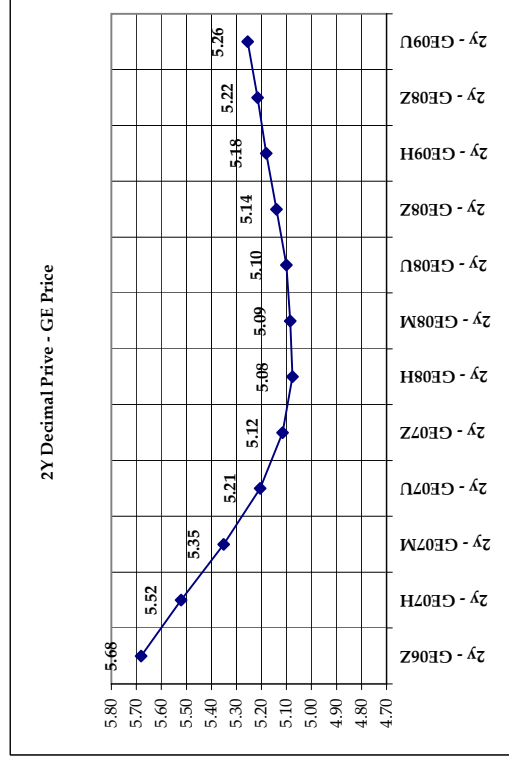
	Spread Price	Spread Yield	Spread Name
@GE06Z	5.68	76.4	2y - GE06Z
@GE07H	5.52	60.4	2y - GE07H
@GE07M	5.35	43.4	2y - GE07M
@GE07U	5.21	28.9	2y - GE07U
@GE07Z	5.12	19.9	2y - GE07Z
@GE08H	5.08	15.9	2y - GE08H
@GE08M	5.09	16.9	2y - GE08M
@GE08U	5.10	18.4	2y - GE08U
@GE08Z	5.14	22.4	2y - GE08Z
@GE09H	5.18	26.4	2y - GE09H
@GE09M	5.22	29.9	2y - GE09M
@GE09U	5.26	33.9	2y - GE09U

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
@GE06Z	0.227	1.50
@GE07H	0.476	1.25
@GE07M	0.725	1.00
@GE07U	0.975	0.76
@GE07Z	1.224	0.51
@GE08H	1.473	0.26
@GE08M	1.723	0.01
@GE08U	1.972	(0.24)
@GE08Z	2.221	(0.49)
@GE09H	2.471	(0.74)
@GE09M	2.720	(0.99)
@GE09U	2.969	(1.24)

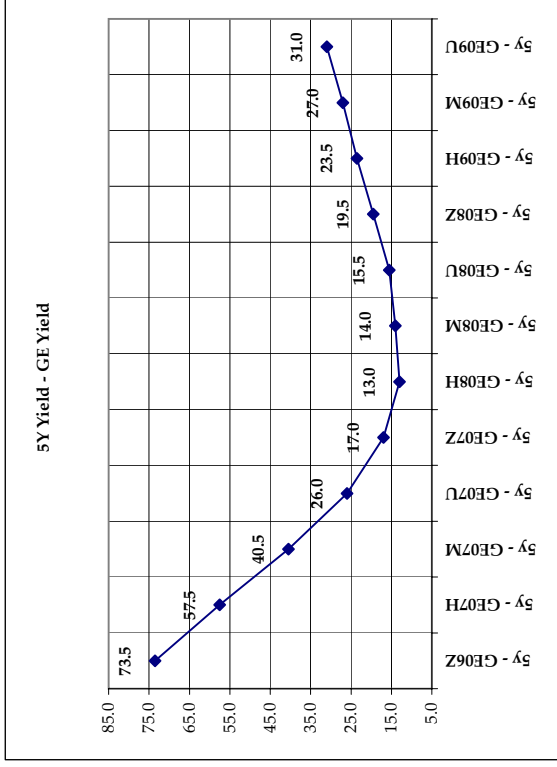
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 5y vs Eurodollar Contracts

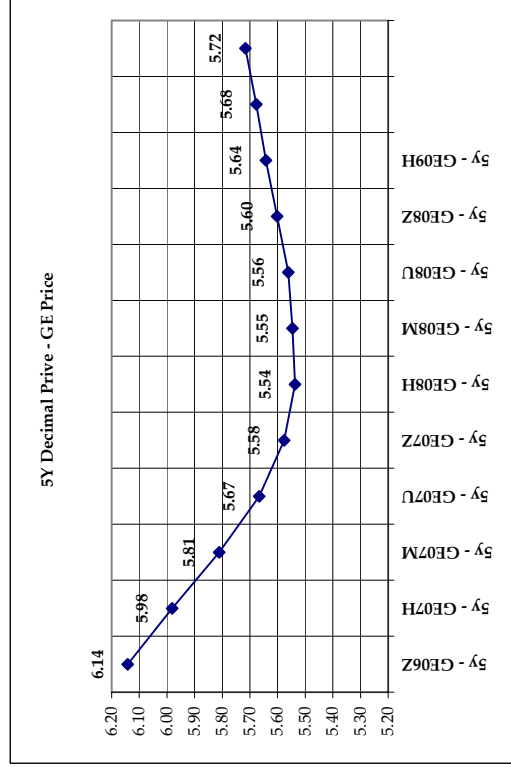
	Spread Price	Spread Yield	Spread Name
@GE06Z	6.14	73.5	5y - GE06Z
@GE07H	5.98	57.5	5y - GE07H
@GE07M	5.81	40.5	5y - GE07M
@GE07U	5.67	26.0	5y - GE07U
@GE07Z	5.58	17.0	5y - GE07Z
@GE08H	5.54	13.0	5y - GE08H
@GE08M	5.55	14.0	5y - GE08M
@GE08U	5.56	15.5	5y - GE08U
@GE08Z	5.60	19.5	5y - GE08Z
@GE09H	5.64	23.5	5y - GE09H
@GE09M	5.68	27.0	5y - GE09M
@GE09U	5.72	31.0	5y - GE09U

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
@GE06Z	0.227	4.02
@GE07H	0.476	3.77
@GE07M	0.725	3.52
@GE07U	0.975	3.27
@GE07Z	1.224	3.02
@GE08H	1.473	2.77
@GE08M	1.723	2.53
@GE08U	1.972	2.28
@GE08Z	2.221	2.03
@GE09H	2.471	1.78
@GE09M	2.720	1.53
@GE09U	2.969	1.28

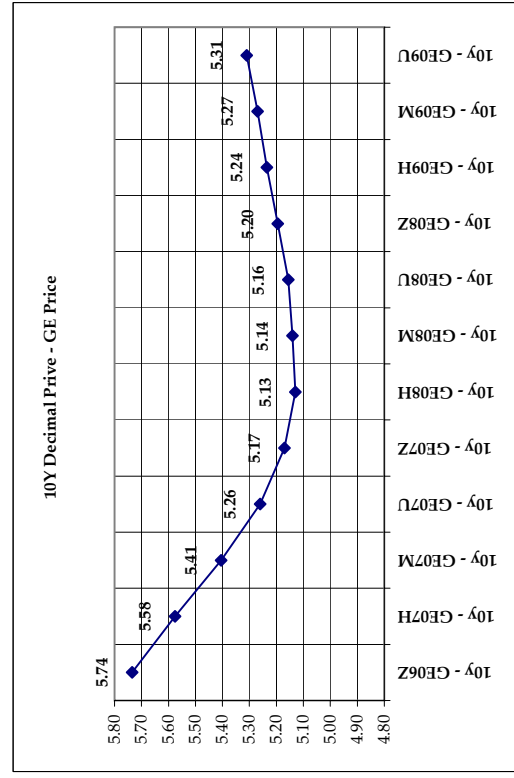
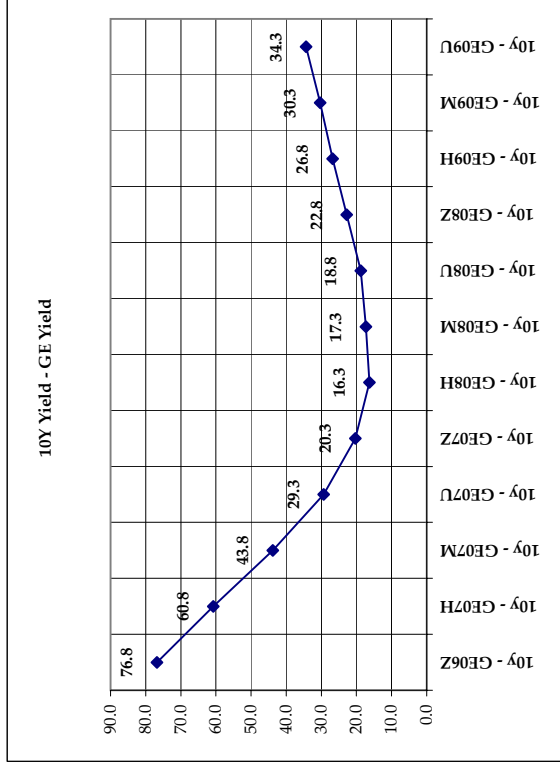
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Yield	Spread Yield	10y Name
@GE06Z	5.74	76.8	10y - GE06Z	
@GE07H	5.58	60.8	10y - GE07H	
@GE07M	5.41	43.8	10y - GE07M	
@GE07U	5.26	29.3	10y - GE07U	
@GE07Z	5.17	20.3	10y - GE07Z	
@GE08H	5.13	16.3	10y - GE08H	
@GE08M	5.14	17.3	10y - GE08M	
@GE08U	5.16	18.8	10y - GE08U	
@GE08Z	5.20	22.8	10y - GE08Z	
@GE09H	5.24	26.8	10y - GE09H	
@GE09M	5.27	30.3	10y - GE09M	
@GE09U	5.31	34.3	10y - GE09U	

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
@GE06Z	0.227	7.54
@GE07H	0.476	7.29
@GE07M	0.725	7.04
@GE07U	0.975	6.79
@GE07Z	1.224	6.54
@GE08H	1.473	6.29
@GE08M	1.723	6.04
@GE08U	1.972	5.79
@GE08Z	2.221	5.55
@GE09H	2.471	5.30
@GE09M	2.720	5.05
@GE09U	2.969	4.80

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