

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.2969	102.0950	4.720%
ZF	105.6563	105.2100	4.554%
ZN	108.36	108.115	4.555%
Blank			
2y	100.320	100.1025	4.697%
3y	100.766	100.2450	4.586%
5y	100.289	100.0925	4.558%
10y	102.250	102.0800	4.589%

*Futures use CTD for Last Yield

Eurodollars (GE)				
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year
@GE06Z	94.685	5.315	82	0.224
@GE07H	94.845	5.155	173	0.473
@GE07M	95.010	4.990	264	0.723
@GE07U	95.150	4.850	355	0.972
@GE07Z	95.240	4.760	446	1.221
@GE08H	95.265	4.735	537	1.471
@GE08M	95.265	4.735	628	1.720
@GE08U	95.250	4.750	719	1.969
@GE08Z	95.215	4.785	810	2.219
@GE09H	95.185	4.815	901	2.468
@GE09M	95.140	4.860	992	2.717
@GE09U	95.110	4.890	1083	2.966

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

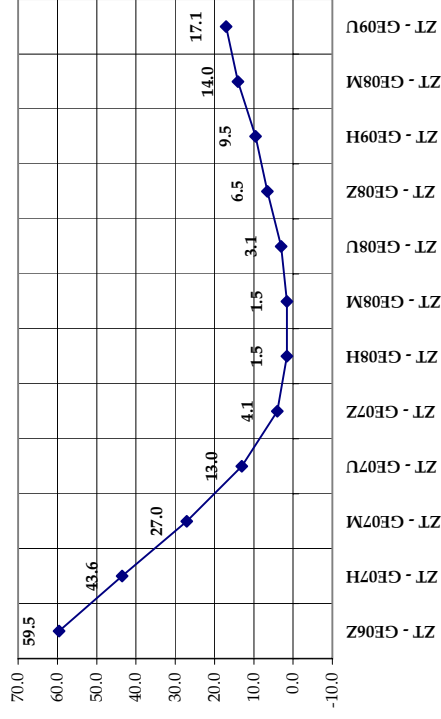
	Spread Price	Spread Yield	Spread Name
@GE06Z	7.612	59.5	ZT - GE06Z
@GE07H	7.452	43.6	ZT - GE07H
@GE07M	7.287	27.0	ZT - GE07M
@GE07U	7.147	13.0	ZT - GE07U
@GE07Z	7.057	4.1	ZT - GE07Z
@GE08H	7.032	1.5	ZT - GE08H
@GE08M	7.032	1.5	ZT - GE08M
@GE08U	7.047	3.1	ZT - GE08U
@GE08Z	7.082	6.5	ZT - GE08Z
@GE09H	7.112	9.5	ZT - GE09H
@GE09M	7.157	14.0	ZT - GE09M
@GE09U	7.187	17.1	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



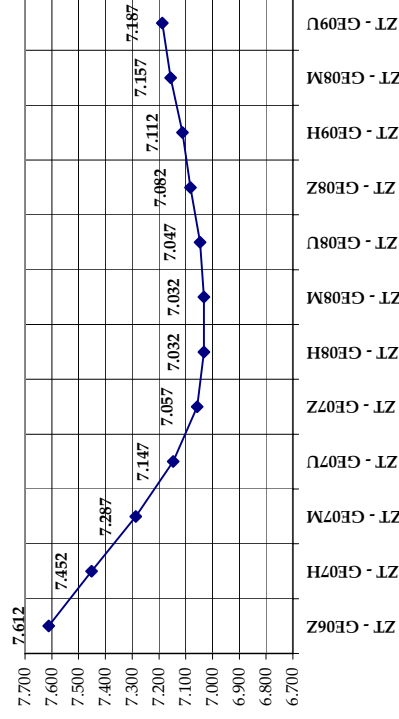
GE Duration as

GE Duration as Fraction of year	ZT Duration	Spread Duration
@GE06Z	0.224	1.87
@GE07H	0.473	1.87
@GE07M	0.723	1.87
@GE07U	0.972	1.87
@GE07Z	1.221	1.87
@GE08H	1.471	1.87
@GE08M	1.720	1.87
@GE08U	1.969	1.87
@GE08Z	2.219	1.87
@GE09H	2.468	1.87
@GE09M	2.717	1.87
@GE09U	2.966	1.87

The farther away from 0 the spread duration is

the riskier the trade.

ZT Decimal Price - GE Price



Dirty TED: ZF vs Eurodollar Contracts

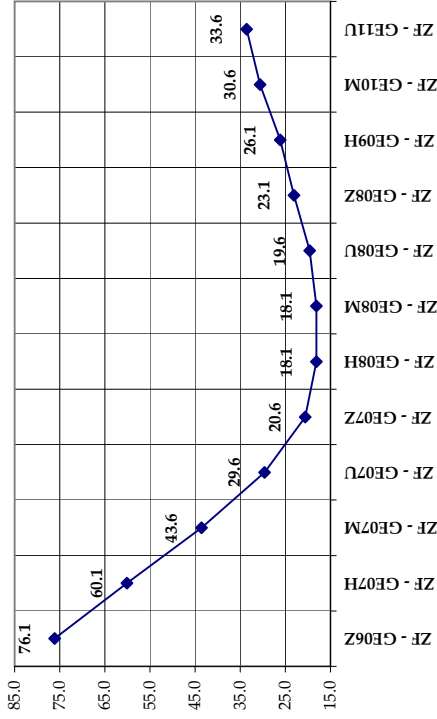
	Spread Price	Spread Yield	Spread Name
@GE06Z	10.97	76.1	ZF - GE06Z
@GE07H	10.81	60.1	ZF - GE07H
@GE07M	10.65	43.6	ZF - GE07M
@GE07U	10.51	29.6	ZF - GE07U
@GE07Z	10.42	20.6	ZF - GE07Z
@GE08H	10.39	18.1	ZF - GE08H
@GE08M	10.39	18.1	ZF - GE08M
@GE08U	10.41	19.6	ZF - GE08U
@GE08Z	10.44	23.1	ZF - GE08Z
@GE09H	10.47	26.1	ZF - GE09H
@GE09M	10.52	30.6	ZF - GE09M
@GE09U	10.55	33.6	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

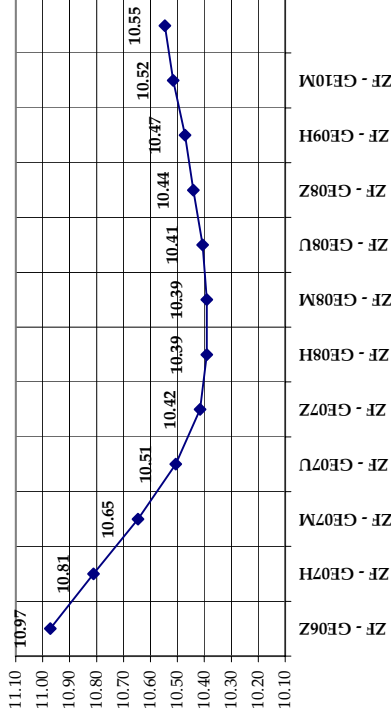


GE Duration as Fraction of year

	Fraction of year	ZF Duration	Spread Duration
@GE06Z	0.224	3.67	3.45
@GE07H	0.473	3.67	3.20
@GE07M	0.723	3.67	2.95
@GE07U	0.972	3.67	2.70
@GE07Z	1.221	3.67	2.45
@GE08H	1.471	3.67	2.20
@GE08M	1.720	3.67	1.95
@GE08U	1.969	3.67	1.70
@GE08Z	2.219	3.67	1.45
@GE09H	2.468	3.67	1.20
@GE09M	2.717	3.67	0.95
@GE09U	2.966	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

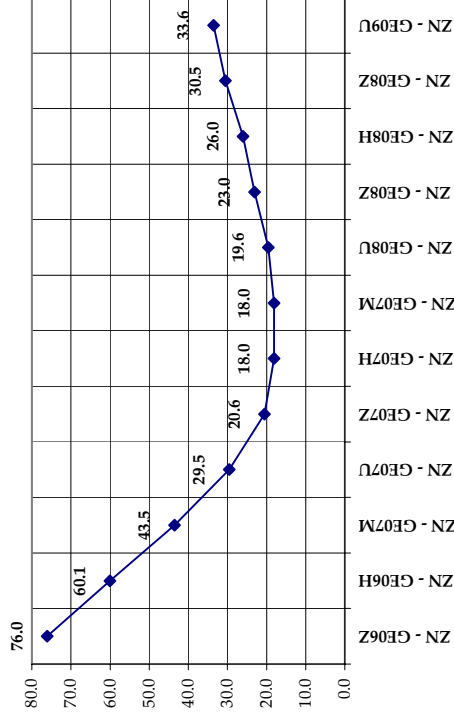
	Spread Price	ZN Yield	Spread Yield	Spread Name
@GE06Z	13.67	76.0	ZN - GE06Z	
@GE07H	13.51	60.1	ZN - GE06H	
@GE07M	13.35	43.5	ZN - GE07M	
@GE07U	13.21	29.5	ZN - GE07U	
@GE07Z	13.12	20.6	ZN - GE07Z	
@GE08H	13.09	18.0	ZN - GE07H	
@GE08M	13.09	18.0	ZN - GE07M	
@GE08U	13.11	19.6	ZN - GE08U	
@GE08Z	13.14	23.0	ZN - GE08Z	
@GE09H	13.17	26.0	ZN - GE08H	
@GE09M	13.22	30.5	ZN - GE08M	
@GE09U	13.25	33.6	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

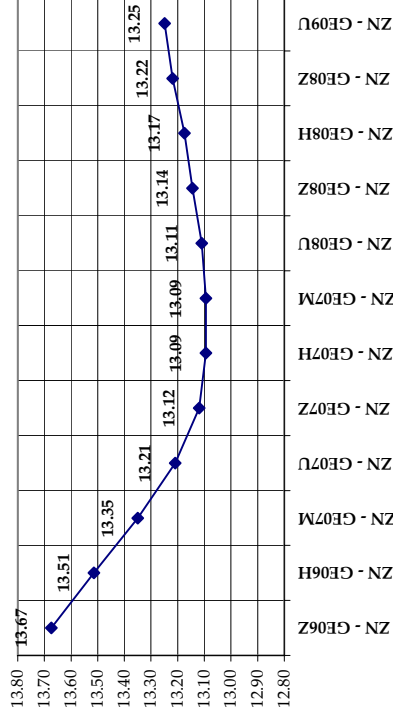


GE Duration as Fraction of year

	Fraction of year	ZN Duration	Spread Duration
@GE06Z	0.224	5.72	5.49
@GE07H	0.473	5.72	5.25
@GE07M	0.723	5.72	5.00
@GE07U	0.972	5.72	4.75
@GE07Z	1.221	5.72	4.50
@GE08H	1.471	5.72	4.25
@GE08M	1.720	5.72	4.00
@GE08U	1.969	5.72	3.75
@GE08Z	2.219	5.72	3.50
@GE09H	2.468	5.72	3.25
@GE09M	2.717	5.72	3.00
@GE09U	2.966	5.72	2.75

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

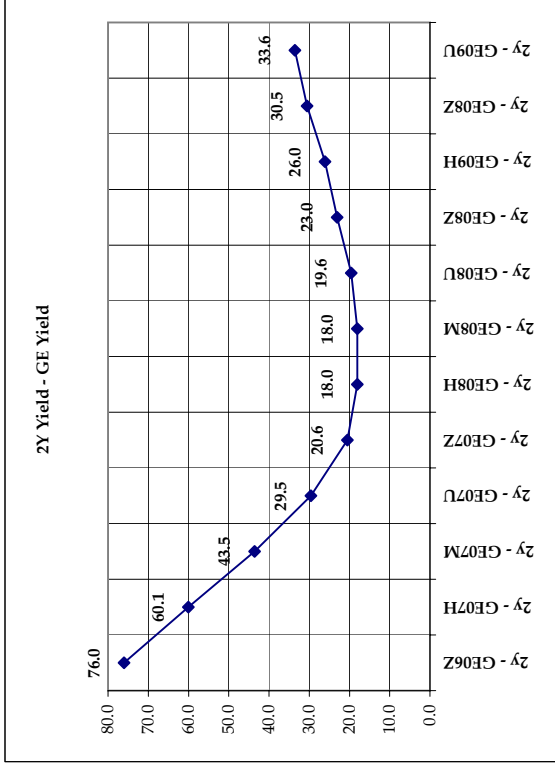
ZN Decimal Price - GE Price



TERM TED: 2y vs Eurodollar Contracts

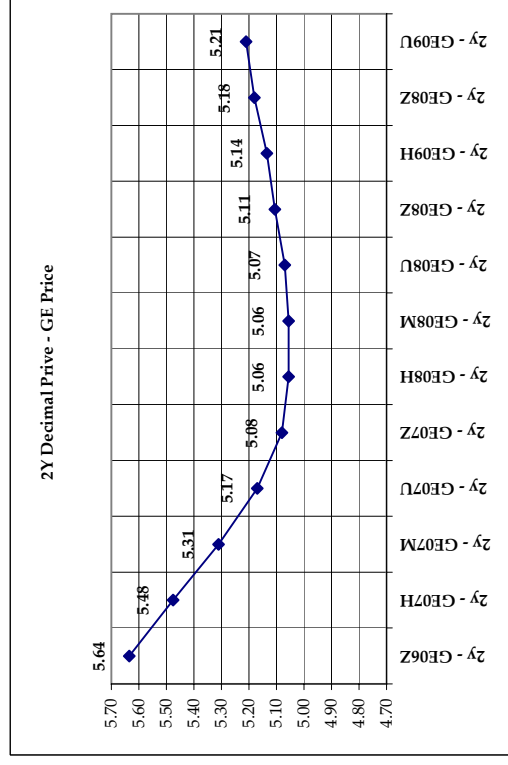
	Spread Price	2y Spread Yield	Spread Name
@GE06Z	5.64	76.0	2y - GE06Z
@GE07H	5.48	60.1	2y - GE07H
@GE07M	5.31	43.5	2y - GE07M
@GE07U	5.17	29.5	2y - GE07U
@GE07Z	5.08	20.6	2y - GE07Z
@GE08H	5.06	18.0	2y - GE08H
@GE08M	5.06	18.0	2y - GE08M
@GE08U	5.07	19.6	2y - GE08U
@GE08Z	5.11	23.0	2y - GE08Z
@GE09H	5.14	26.0	2y - GE09H
@GE09M	5.18	30.5	2y - GE09M
@GE09U	5.21	33.6	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	0.224	1.50
@GE07H	0.473	1.25
@GE07M	0.723	1.00
@GE07U	0.972	0.76
@GE07Z	1.221	0.51
@GE08H	1.471	0.26
@GE08M	1.720	0.01
@GE08U	1.969	(0.24)
@GE08Z	2.219	(0.49)
@GE09H	2.468	(0.74)
@GE09M	2.717	(0.99)
@GE09U	2.966	(1.24)

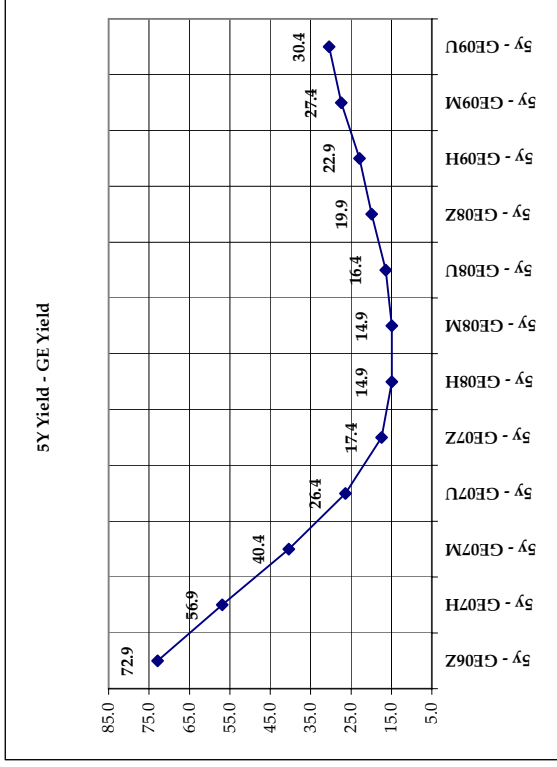
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 5y vs Eurodollar Contracts

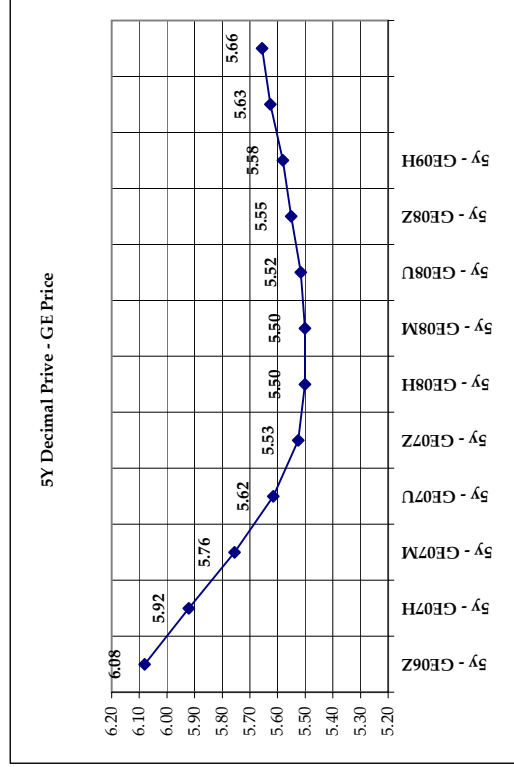
	Spread Price	5y Spread Yield	Spread Yield Name
@GE06Z	6.08	72.9	5y - GE06Z
@GE07H	5.92	56.9	5y - GE07H
@GE07M	5.76	40.4	5y - GE07M
@GE07U	5.62	26.4	5y - GE07U
@GE07Z	5.53	17.4	5y - GE07Z
@GE08H	5.50	14.9	5y - GE08H
@GE08M	5.50	14.9	5y - GE08M
@GE08U	5.52	16.4	5y - GE08U
@GE08Z	5.55	19.9	5y - GE08Z
@GE09H	5.58	22.9	5y - GE09H
@GE09M	5.63	27.4	5y - GE09M
@GE09U	5.66	30.4	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	0.224	4.24
@GE07H	0.473	4.24
@GE07M	0.723	4.24
@GE07U	0.972	4.24
@GE07Z	1.221	4.24
@GE08H	1.471	4.24
@GE08M	1.720	4.24
@GE08U	1.969	4.24
@GE08Z	2.219	4.24
@GE09H	2.468	4.24
@GE09M	2.717	4.24
@GE09U	2.966	4.24

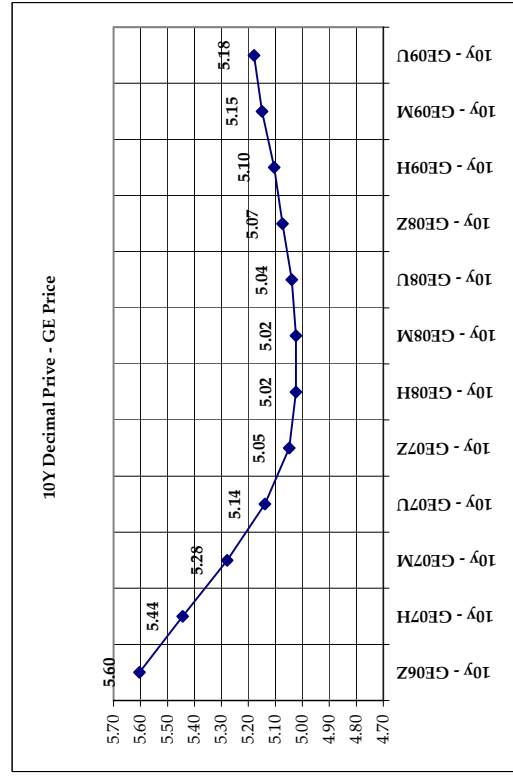
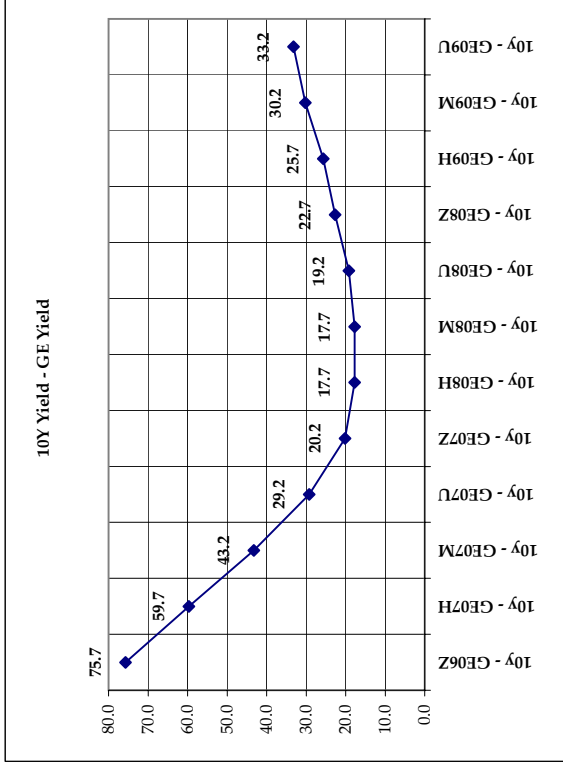
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Yield	Spread Yield	10y Name
@GE06Z	5.60	75.7	10y - GE06Z	
@GE07H	5.44	59.7	10y - GE07H	
@GE07M	5.28	43.2	10y - GE07M	
@GE07U	5.14	29.2	10y - GE07U	
@GE07Z	5.05	20.2	10y - GE07Z	
@GE08H	5.02	17.7	10y - GE08H	
@GE08M	5.02	17.7	10y - GE08M	
@GE08U	5.04	19.2	10y - GE08U	
@GE08Z	5.07	22.7	10y - GE08Z	
@GE09H	5.10	25.7	10y - GE09H	
@GE09M	5.15	30.2	10y - GE09M	
@GE09U	5.18	33.2	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	0.224	7.54
@GE07H	0.473	7.29
@GE07M	0.723	7.04
@GE07U	0.972	6.79
@GE07Z	1.221	6.54
@GE08H	1.471	6.29
@GE08M	1.720	6.04
@GE08U	1.969	5.79
@GE08Z	2.219	5.54
@GE09H	2.468	5.29
@GE09M	2.717	5.04
@GE09U	2.966	4.79

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