

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

		F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*	**MDuration	
ZT	102.4063	102.130	4.622	1.86	
ZF	105.7344	105.235	4.539	3.93	
ZN	108.0625	108.020	4.608	5.89	
Blank					
2y	99.813	99.2600	4.596	1.88	
5y	99.788	99.2520	4.546	4.42	
10y	99.750	99.2400	4.652	7.80	

*Futures use CTD for Last Yield

**Mduration = Modified Macaulay Duration

		Eurodollars (ED)					
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
F.EDAU07	94.725	5.275	76	0.208	JUN	} White Pack	
F.EDAZ07	94.900	5.100	167	0.457	SEP		
F.EDAH08	95.100	4.900	258	0.706	DEC		
F.EDAM08	95.250	4.750	349	0.956	MAR	} Red Pack	
F.EDAU08	95.320	4.680	440	1.205	JUN		
F.EDAZ08	95.340	4.660	531	1.454	SEP		
F.EDAH09	95.325	4.675	622	1.703	DEC	} Green Pack	
F.EDAM09	95.300	4.700	713	1.953	MAR		
F.EDAU09	95.255	4.745	804	2.202	JUN		
F.EDAZ09	95.210	4.790	895	2.451	SEP		
F.EDAH10	95.155	4.845	986	2.701	DEC		
F.EDAM10	95.120	4.880	1077	2.950	MAR		

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
F.EDAM07	7.681	0.65	ZT - GE07H
F.EDAU07	7.506	0.48	ZT - GE07M
F.EDAZ07	7.306	0.28	ZT - GE07U
F.EDAH08	7.156	0.13	ZT - GE07Z
F.EDAM08	7.086	0.06	ZT - GE08H
F.EDAU08	7.066	0.04	ZT - GE08M
F.EDAZ08	7.081	0.05	ZT - GE08U
F.EDAH09	7.106	0.08	ZT - GE08Z
F.EDAM09	7.151	0.12	ZT - GE09H
F.EDAU09	7.196	0.17	ZT - GE09M
F.EDAZ09	7.251	0.22	ZT - GE09U
F.EDAH10	7.286	0.26	ZT - GE09Z

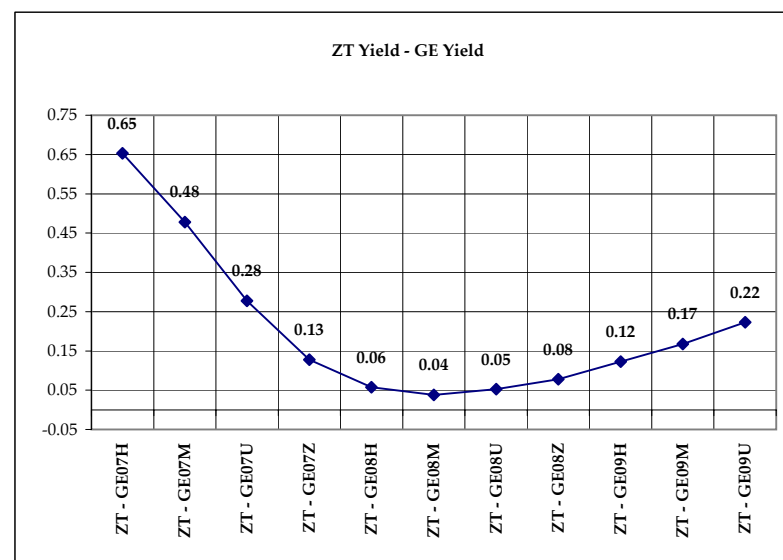
Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Proxy Yield - Implied Euro Contract yield)

GE Duration as Fraction of year

	ZT Duration	Spread Duration	
F.EDAM07	0.208	1.86	ZT - GE07H
F.EDAU07	0.457	1.86	ZT - GE07M
F.EDAZ07	0.706	1.86	ZT - GE07U
F.EDAH08	0.956	1.86	ZT - GE07Z
F.EDAM08	1.205	1.86	ZT - GE08H
F.EDAU08	1.454	1.86	ZT - GE08M
F.EDAZ08	1.703	1.86	ZT - GE08U
F.EDAH09	1.953	1.86	(0.09) ZT - GE08Z
F.EDAM09	2.202	1.86	(0.34) ZT - GE09H
F.EDAU09	2.451	1.86	(0.59) ZT - GE09M
F.EDAZ09	2.701	1.86	(0.84) ZT - GE09U
F.EDAH10	2.950	1.86	(1.09) ZT - GE09Z

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



Dirty TED: ZF vs Eurodollar Contracts

ZF			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	11.01	0.74	ZF - GE07H
F.EDAU07	10.83	0.56	ZF - GE07M
F.EDAZ07	10.63	0.36	ZF - GE07U
F.EDAH08	10.48	0.21	ZF - GE07Z
F.EDAM08	10.41	0.14	ZF - GE08H
F.EDAU08	10.39	0.12	ZF - GE08M
F.EDAZ08	10.41	0.14	ZF - GE08U
F.EDAH09	10.43	0.16	ZF - GE08Z
F.EDAM09	10.48	0.21	ZF - GE09H
F.EDAU09	10.52	0.25	ZF - GE09M
F.EDAZ09	10.58	0.31	ZF - GE09U
F.EDAH10	10.61	0.34	ZF - GE09U

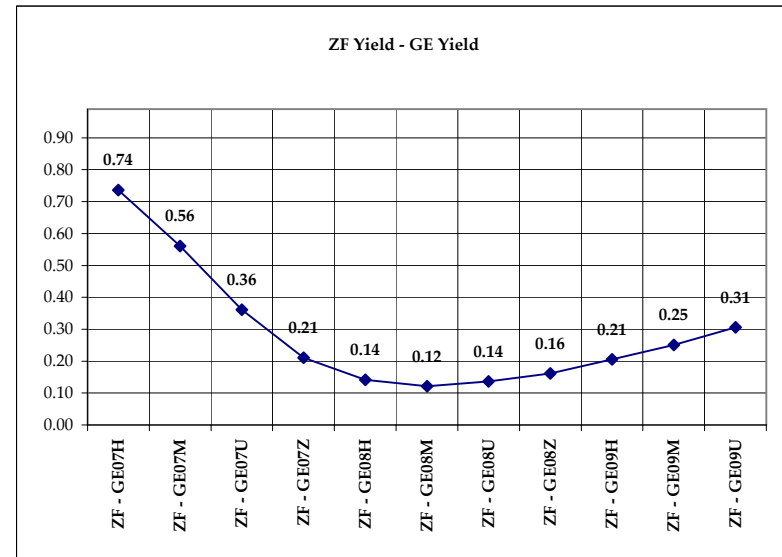
Price = Outright Decimal Price - Euro Contract Price

Yield = ABS(Proxy Yield - Implied Euro Contract yield)

GE Duration as Fraction of year

	ZF Duration	Spread Duration	
F.EDAM07	0.208	3.93	ZF - GE07H
F.EDAU07	0.457	3.93	ZF - GE07M
F.EDAZ07	0.706	3.93	ZF - GE07U
F.EDAH08	0.956	3.93	ZF - GE07Z
F.EDAM08	1.205	3.93	ZF - GE08H
F.EDAU08	1.454	3.93	ZF - GE08M
F.EDAZ08	1.703	3.93	ZF - GE08U
F.EDAH09	1.953	3.93	ZF - GE08Z
F.EDAM09	2.202	3.93	ZF - GE09H
F.EDAU09	2.451	3.93	ZF - GE09M
F.EDAZ09	2.701	3.93	ZF - GE09U
F.EDAH10	2.950	3.93	ZF - GE09U

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



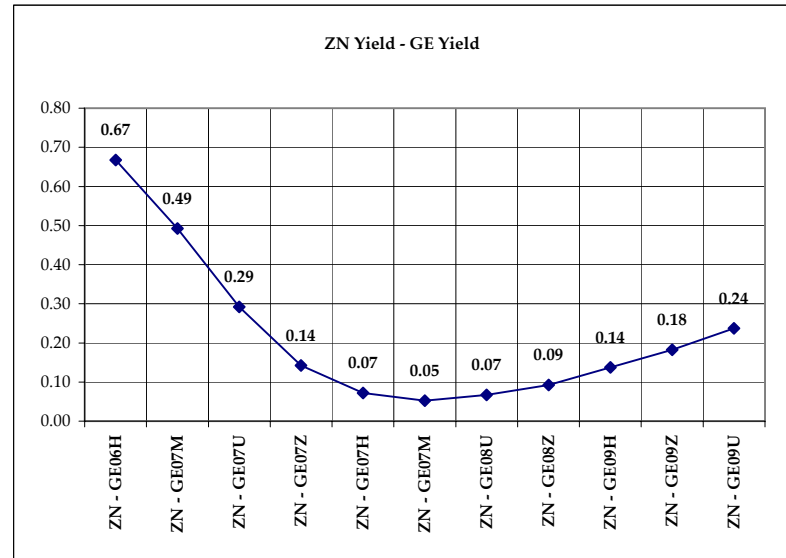
Dirty TED: ZN vs Eurodollar Contracts

ZN			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	13.34	0.67	ZN - GE06H
F.EDAU07	13.16	0.49	ZN - GE07M
F.EDAZ07	12.96	0.29	ZN - GE07U
F.EDAH08	12.81	0.14	ZN - GE07Z
F.EDAM08	12.74	0.07	ZN - GE07H
F.EDAU08	12.72	0.05	ZN - GE07M
F.EDAZ08	12.74	0.07	ZN - GE08U
F.EDAH09	12.76	0.09	ZN - GE08Z
F.EDAM09	12.81	0.14	ZN - GE09H
F.EDAU09	12.85	0.18	ZN - GE09Z
F.EDAZ09	12.91	0.24	ZN - GE09U
F.EDAH10	12.94	0.27	ZN - GE09U

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)

	GE Duration as Fraction of year	ZN Duration	Spread Duration	
F.EDAM07	0.208	5.89	5.68	ZN - GE06H
F.EDAU07	0.457	5.89	5.43	ZN - GE07M
F.EDAZ07	0.706	5.89	5.18	ZN - GE07U
F.EDAH08	0.956	5.89	4.93	ZN - GE07Z
F.EDAM08	1.205	5.89	4.68	ZN - GE07H
F.EDAU08	1.454	5.89	4.43	ZN - GE07M
F.EDAZ08	1.703	5.89	4.18	ZN - GE08U
F.EDAH09	1.953	5.89	3.93	ZN - GE08Z
F.EDAM09	2.202	5.89	3.69	ZN - GE09H
F.EDAU09	2.451	5.89	3.44	ZN - GE09Z
F.EDAZ09	2.701	5.89	3.19	ZN - GE09U
F.EDAH10	2.950	5.89	2.94	ZN - GE09U

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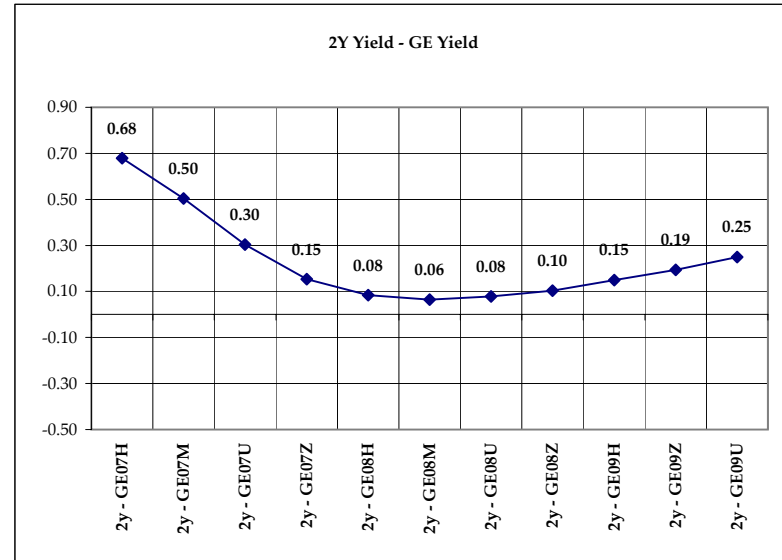
TERM TED: 2y vs Eurodollar Contracts

2y			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	5.09	0.68	2y - GE07H
F.EDAU07	4.91	0.50	2y - GE07M
F.EDAZ07	4.71	0.30	2y - GE07U
F.EDAH08	4.56	0.15	2y - GE07Z
F.EDAM08	4.49	0.08	2y - GE08H
F.EDAU08	4.47	0.06	2y - GE08M
F.EDAZ08	4.49	0.08	2y - GE08U
F.EDAH09	4.51	0.10	2y - GE08Z
F.EDAM09	4.56	0.15	2y - GE09H
F.EDAU09	4.60	0.19	2y - GE09Z
F.EDAZ09	4.66	0.25	2y - GE09U
F.EDAH10	4.69	0.28	2y - GE09U

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Cash Yield - Implied Euro Contract yield)

	GE Duration as Fraction of year	2Y Duration	Spread Duration	
F.EDAM07	0.208	1.88	1.67	2y - GE07H
F.EDAU07	0.457	1.88	1.42	2y - GE07M
F.EDAZ07	0.706	1.88	1.17	2y - GE07U
F.EDAH08	0.956	1.88	0.93	2y - GE07Z
F.EDAM08	1.205	1.88	0.68	2y - GE08H
F.EDAU08	1.454	1.88	0.43	2y - GE08M
F.EDAZ08	1.703	1.88	0.18	2y - GE08U
F.EDAH09	1.953	1.88	(0.07)	2y - GE08Z
F.EDAM09	2.202	1.88	(0.32)	2y - GE09H
F.EDAU09	2.451	1.88	(0.57)	2y - GE09Z
F.EDAZ09	2.701	1.88	(0.82)	2y - GE09U
F.EDAH10	2.950	1.88	(1.07)	2y - GE09U

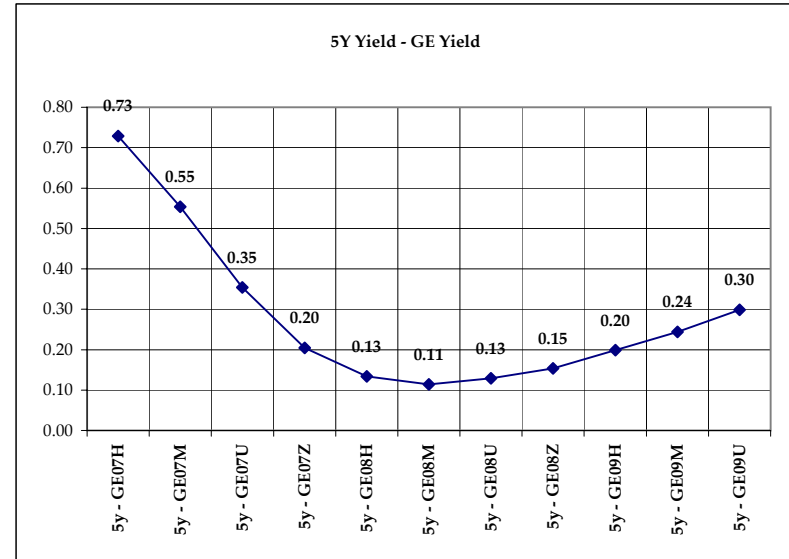
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TERM TED: 5y vs Eurodollar Contracts

5y			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	5.06	0.73	5y - GE07H
F.EDAU07	4.89	0.55	5y - GE07M
F.EDAZ07	4.69	0.35	5y - GE07U
F.EDAH08	4.54	0.20	5y - GE07Z
F.EDAM08	4.47	0.13	5y - GE08H
F.EDAU08	4.45	0.11	5y - GE08M
F.EDAZ08	4.46	0.13	5y - GE08U
F.EDAH09	4.49	0.15	5y - GE08Z
F.EDAM09	4.53	0.20	5y - GE09H
F.EDAU09	4.58	0.24	5y - GE09M
F.EDAZ09	4.63	0.30	5y - GE09U
F.EDAH10	4.67	0.33	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Cash Yield - Implied Euro Contract yield)



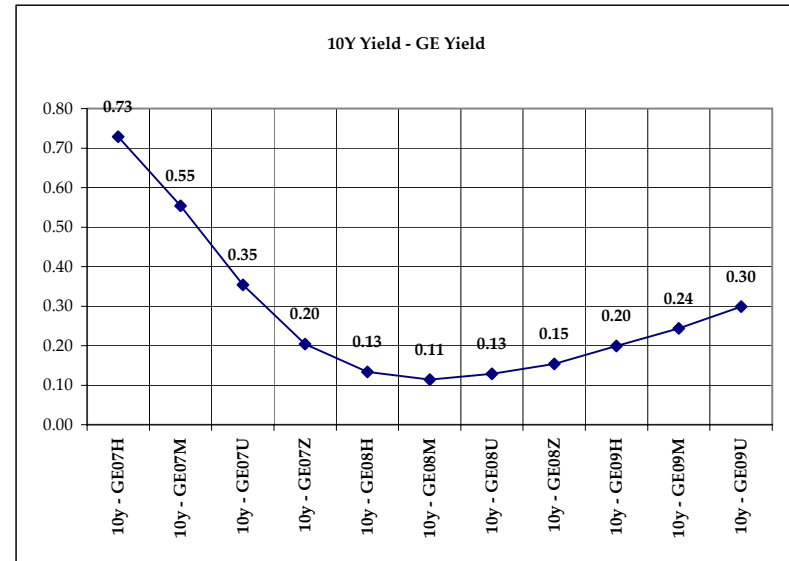
	GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAM07	0.208	4.42	4.21	5y - GE07H
F.EDAU07	0.457	4.42	3.96	5y - GE07M
F.EDAZ07	0.706	4.42	3.71	5y - GE07U
F.EDAH08	0.956	4.42	3.47	5y - GE07Z
F.EDAM08	1.205	4.42	3.22	5y - GE08H
F.EDAU08	1.454	4.42	2.97	5y - GE08M
F.EDAZ08	1.703	4.42	2.72	5y - GE08U
F.EDAH09	1.953	4.42	2.47	5y - GE08Z
F.EDAM09	2.202	4.42	2.22	5y - GE09H
F.EDAU09	2.451	4.42	1.97	5y - GE09M
F.EDAZ09	2.701	4.42	1.72	5y - GE09U
F.EDAH10	2.950	4.42	1.47	5y - GE09U

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

TERM TED: 10y vs Eurodollar Contracts

	10y		
	Spread Price	Spread Yield	Spread Name
F.EDAM07	5.06	0.73	10y - GE07H
F.EDAU07	4.89	0.55	10y - GE07M
F.EDAZ07	4.69	0.35	10y - GE07U
F.EDAH08	4.54	0.20	10y - GE07Z
F.EDAM08	4.47	0.13	10y - GE08H
F.EDAU08	4.45	0.11	10y - GE08M
F.EDAZ08	4.46	0.13	10y - GE08U
F.EDAH09	4.49	0.15	10y - GE08Z
F.EDAM09	4.53	0.20	10y - GE09H
F.EDAU09	4.58	0.24	10y - GE09M
F.EDAZ09	4.63	0.30	10y - GE09U
F.EDAH10	4.67	0.33	10y - GE09U

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Cash Yield - Implied Euro Contract yield)



	GE Duration as Fraction of year	10Y Duration	Spread Duration	
F.EDAM07	0.208	7.80	7.59	10y - GE07H
F.EDAU07	0.457	7.80	7.34	10y - GE07M
F.EDAZ07	0.706	7.80	7.10	10y - GE07U
F.EDAH08	0.956	7.80	6.85	10y - GE07Z
F.EDAM08	1.205	7.80	6.60	10y - GE08H
F.EDAU08	1.454	7.80	6.35	10y - GE08M
F.EDAZ08	1.703	7.80	6.10	10y - GE08U
F.EDAH09	1.953	7.80	5.85	10y - GE08Z
F.EDAM09	2.202	7.80	5.60	10y - GE09H
F.EDAU09	2.451	7.80	5.35	10y - GE09M
F.EDAZ09	2.701	7.80	5.10	10y - GE09U
F.EDAH10	2.950	7.80	4.85	10y - GE09U

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