

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

		F.I. Futures and Cash			
		Last Decimal	Last 32	Last Yield*	**MDuration
Blank	ZT	101.9063	101.290	4.858	1.76
	ZF	104.9531	104.305	4.702	3.79
	ZN	107.3594	107.115	4.711	5.72
	2y	100.006	100.0020	4.866	1.84
	5y	100.147	100.0470	4.714	4.36
	10y	99.188	99.0600	4.726	7.92

*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.EDAH07	94.640	5.360	32	0.087	MAR	} White Pack
	F.EDAM07	94.670	5.330	123	0.336	JUN	
	F.EDAU07	94.770	5.230	214	0.586	SEP	
	F.EDAZ07	94.915	5.085	305	0.835	DEC	} Red Pack
	F.EDAH08	95.020	4.980	396	1.084	MAR	
	F.EDAM08	95.085	4.915	487	1.334	JUN	
	F.EDAU08	95.120	4.880	578	1.583	SEP	
	F.EDAZ08	95.130	4.870	669	1.832	DEC	} Green Pack
	F.EDAH09	95.125	4.875	760	2.082	MAR	
	F.EDAM09	95.105	4.895	851	2.331	JUN	
	F.EDAU09	95.080	4.920	942	2.580	SEP	
	F.EDAZ09	95.045	4.955	1033	2.830	DEC	

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.

jgoulding@ghco.com

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

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Dirty TED: ZT vs Eurodollar Contracts

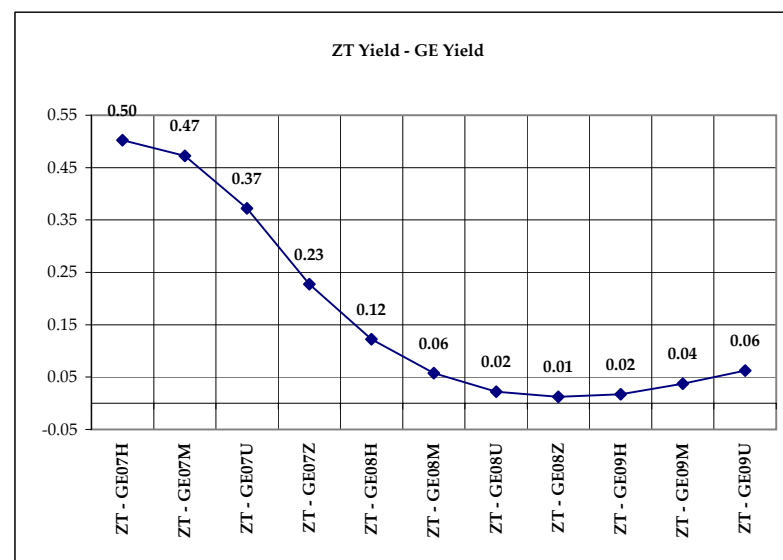
ZT			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.266	0.50	ZT - GE07H
F.EDAM07	7.236	0.47	ZT - GE07M
F.EDAU07	7.136	0.37	ZT - GE07U
F.EDAZ07	6.991	0.23	ZT - GE07Z
F.EDAH08	6.886	0.12	ZT - GE08H
F.EDAM08	6.821	0.06	ZT - GE08M
F.EDAU08	6.786	0.02	ZT - GE08U
F.EDAZ08	6.776	0.01	ZT - GE08Z
F.EDAH09	6.781	0.02	ZT - GE09H
F.EDAM09	6.801	0.04	ZT - GE09M
F.EDAU09	6.826	0.06	ZT - GE09U
F.EDAZ09	6.861	0.10	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.EDAH07	0.087	1.76	1.67
F.EDAM07	0.336	1.76	1.42
F.EDAU07	0.586	1.76	1.17
F.EDAZ07	0.835	1.76	0.92
F.EDAH08	1.084	1.76	0.67
F.EDAM08	1.334	1.76	0.43
F.EDAU08	1.583	1.76	0.18
F.EDAZ08	1.832	1.76	(0.07)
F.EDAH09	2.082	1.76	(0.32)
F.EDAM09	2.331	1.76	(0.57)
F.EDAU09	2.580	1.76	(0.82)
F.EDAZ09	2.830	1.76	(1.07)

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



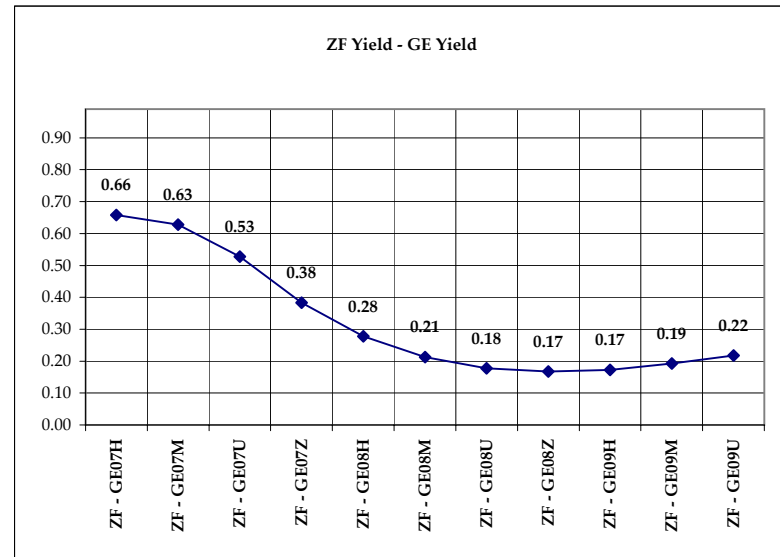
Dirty TED: ZF vs Eurodollar Contracts

ZF			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	10.31	0.66	ZF - GE07H
F.EDAM07	10.28	0.63	ZF - GE07M
F.EDAU07	10.18	0.53	ZF - GE07U
F.EDAZ07	10.04	0.38	ZF - GE07Z
F.EDAH08	9.93	0.28	ZF - GE08H
F.EDAM08	9.87	0.21	ZF - GE08M
F.EDAU08	9.83	0.18	ZF - GE08U
F.EDAZ08	9.82	0.17	ZF - GE08Z
F.EDAH09	9.83	0.17	ZF - GE09H
F.EDAM09	9.85	0.19	ZF - GE09M
F.EDAU09	9.87	0.22	ZF - GE09U
F.EDAZ09	9.91	0.25	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.EDAH07	0.087	3.79	3.71	ZF - GE07H
F.EDAM07	0.336	3.79	3.46	ZF - GE07M
F.EDAU07	0.586	3.79	3.21	ZF - GE07U
F.EDAZ07	0.835	3.79	2.96	ZF - GE07Z
F.EDAH08	1.084	3.79	2.71	ZF - GE08H
F.EDAM08	1.334	3.79	2.46	ZF - GE08M
F.EDAU08	1.583	3.79	2.21	ZF - GE08U
F.EDAZ08	1.832	3.79	1.96	ZF - GE08Z
F.EDAH09	2.082	3.79	1.71	ZF - GE09H
F.EDAM09	2.331	3.79	1.46	ZF - GE09M
F.EDAU09	2.580	3.79	1.21	ZF - GE09U
F.EDAZ09	2.830	3.79	0.96	ZF - GE09U

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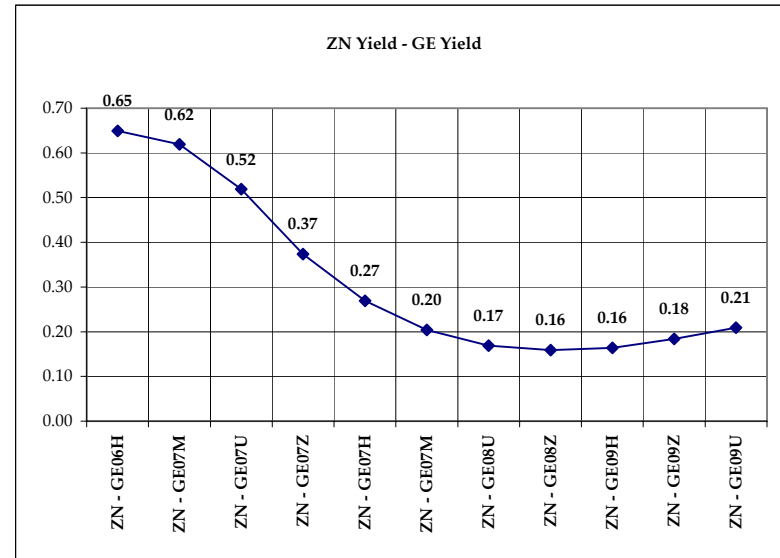
Dirty TED: ZN vs Eurodollar Contracts

ZN			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	12.72	0.65	ZN - GE06H
F.EDAM07	12.69	0.62	ZN - GE07M
F.EDAU07	12.59	0.52	ZN - GE07U
F.EDAZ07	12.44	0.37	ZN - GE07Z
F.EDAH08	12.34	0.27	ZN - GE07H
F.EDAM08	12.27	0.20	ZN - GE07M
F.EDAU08	12.24	0.17	ZN - GE08U
F.EDAZ08	12.23	0.16	ZN - GE08Z
F.EDAH09	12.23	0.16	ZN - GE09H
F.EDAM09	12.25	0.18	ZN - GE09Z
F.EDAU09	12.28	0.21	ZN - GE09U
F.EDAZ09	12.31	0.24	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.EDAH07	0.087	5.72	5.63	ZN - GE06H
F.EDAM07	0.336	5.72	5.38	ZN - GE07M
F.EDAU07	0.586	5.72	5.14	ZN - GE07U
F.EDAZ07	0.835	5.72	4.89	ZN - GE07Z
F.EDAH08	1.084	5.72	4.64	ZN - GE07H
F.EDAM08	1.334	5.72	4.39	ZN - GE07M
F.EDAU08	1.583	5.72	4.14	ZN - GE08U
F.EDAZ08	1.832	5.72	3.89	ZN - GE08Z
F.EDAH09	2.082	5.72	3.64	ZN - GE09H
F.EDAM09	2.331	5.72	3.39	ZN - GE09Z
F.EDAU09	2.580	5.72	3.14	ZN - GE09U
F.EDAZ09	2.830	5.72	2.89	ZN - GE09U

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



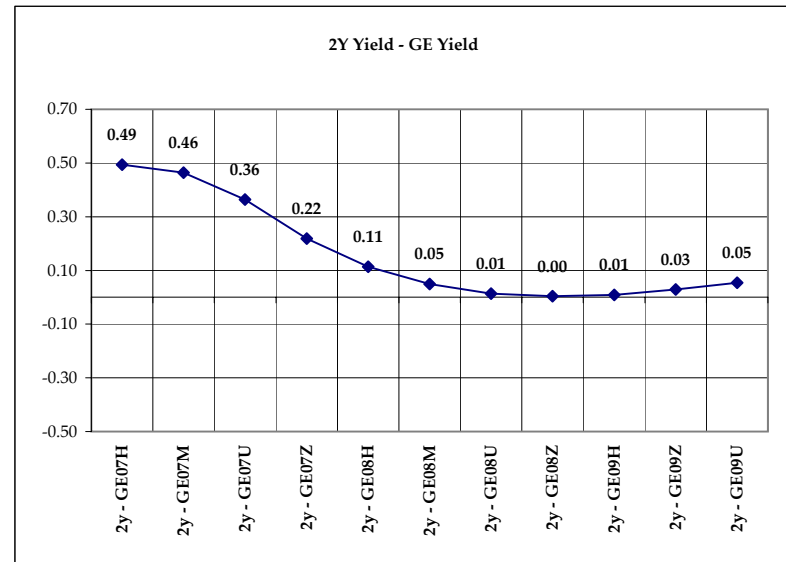
TERM TED: 2y vs Eurodollar Contracts

	2y		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.37	0.49	2y - GE07H
F.EDAM07	5.34	0.46	2y - GE07M
F.EDAU07	5.24	0.36	2y - GE07U
F.EDAZ07	5.09	0.22	2y - GE07Z
F.EDAH08	4.99	0.11	2y - GE08H
F.EDAM08	4.92	0.05	2y - GE08M
F.EDAU08	4.89	0.01	2y - GE08U
F.EDAZ08	4.88	0.00	2y - GE08Z
F.EDAH09	4.88	0.01	2y - GE09H
F.EDAM09	4.90	0.03	2y - GE09Z
F.EDAU09	4.93	0.05	2y - GE09U
F.EDAZ09	4.96	0.09	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.EDAH07	0.087	1.84	1.75	2y - GE07H
F.EDAM07	0.336	1.84	1.50	2y - GE07M
F.EDAU07	0.586	1.84	1.26	2y - GE07U
F.EDAZ07	0.835	1.84	1.01	2y - GE07Z
F.EDAH08	1.084	1.84	0.76	2y - GE08H
F.EDAM08	1.334	1.84	0.51	2y - GE08M
F.EDAU08	1.583	1.84	0.26	2y - GE08U
F.EDAZ08	1.832	1.84	0.01	2y - GE08Z
F.EDAH09	2.082	1.84	(0.24)	2y - GE09H
F.EDAM09	2.331	1.84	(0.49)	2y - GE09Z
F.EDAU09	2.580	1.84	(0.74)	2y - GE09U
F.EDAZ09	2.830	1.84	(0.99)	2y - GE09U

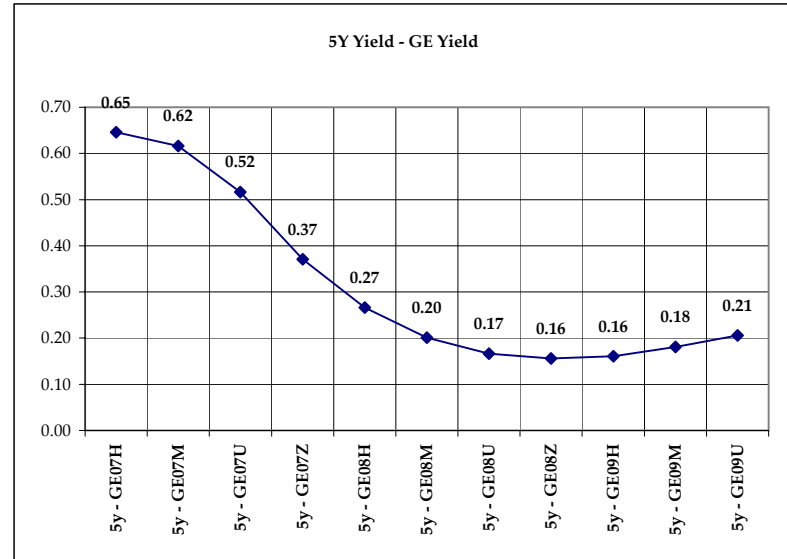
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 5y vs Eurodollar Contracts

5y			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.51	0.65	5y - GE07H
F.EDAM07	5.48	0.62	5y - GE07M
F.EDAU07	5.38	0.52	5y - GE07U
F.EDAZ07	5.23	0.37	5y - GE07Z
F.EDAH08	5.13	0.27	5y - GE08H
F.EDAM08	5.06	0.20	5y - GE08M
F.EDAU08	5.03	0.17	5y - GE08U
F.EDAZ08	5.02	0.16	5y - GE08Z
F.EDAH09	5.02	0.16	5y - GE09H
F.EDAM09	5.04	0.18	5y - GE09M
F.EDAU09	5.07	0.21	5y - GE09U
F.EDAZ09	5.10	0.24	5y - GE09U

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



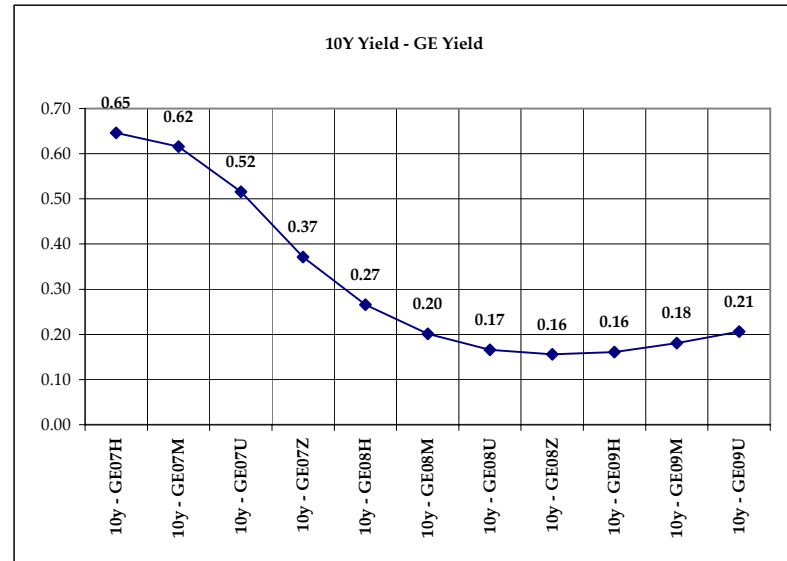
	GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAH07	0.087	4.36	4.28	5y - GE07H
F.EDAM07	0.336	4.36	4.03	5y - GE07M
F.EDAU07	0.586	4.36	3.78	5y - GE07U
F.EDAZ07	0.835	4.36	3.53	5y - GE07Z
F.EDAH08	1.084	4.36	3.28	5y - GE08H
F.EDAM08	1.334	4.36	3.03	5y - GE08M
F.EDAU08	1.583	4.36	2.78	5y - GE08U
F.EDAZ08	1.832	4.36	2.53	5y - GE08Z
F.EDAH09	2.082	4.36	2.28	5y - GE09H
F.EDAM09	2.331	4.36	2.03	5y - GE09M
F.EDAU09	2.580	4.36	1.78	5y - GE09U
F.EDAZ09	2.830	4.36	1.53	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.EDAH07	5.51	0.65	10y - GE07H
F.EDAM07	5.48	0.62	10y - GE07M
F.EDAU07	5.38	0.52	10y - GE07U
F.EDAZ07	5.23	0.37	10y - GE07Z
F.EDAH08	5.13	0.27	10y - GE08H
F.EDAM08	5.06	0.20	10y - GE08M
F.EDAU08	5.03	0.17	10y - GE08U
F.EDAZ08	5.02	0.16	10y - GE08Z
F.EDAH09	5.02	0.16	10y - GE09H
F.EDAM09	5.04	0.18	10y - GE09M
F.EDAU09	5.07	0.21	10y - GE09U
F.EDAZ09	5.10	0.24	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.EDAH07	0.087	7.92	7.83	10y - GE07H
F.EDAM07	0.336	7.92	7.58	10y - GE07M
F.EDAU07	0.586	7.92	7.33	10y - GE07U
F.EDAZ07	0.835	7.92	7.08	10y - GE07Z
F.EDAH08	1.084	7.92	6.83	10y - GE08H
F.EDAM08	1.334	7.92	6.59	10y - GE08M
F.EDAU08	1.583	7.92	6.34	10y - GE08U
F.EDAZ08	1.832	7.92	6.09	10y - GE08Z
F.EDAH09	2.082	7.92	5.84	10y - GE09H
F.EDAM09	2.331	7.92	5.59	10y - GE09M
F.EDAU09	2.580	7.92	5.34	10y - GE09U
F.EDAZ09	2.830	7.92	5.09	10y - GE09U

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