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	101.9281	101.297	4.845	1.74
ZF	105.0156	105.005	4.695	3.77
ZN	107.4844	107.155	4.693	5.70
Blank				
2y	99.850	99.2720	4.830	1.82
5y	100.225	100.0720	4.696	4.34
10y	99.359	99.1150	4.704	7.90

*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	94.638	5.363	25	0.068	MAR	White Pack
F.EDAM07	94.670	5.330	116	0.317	JUN	
F.EDAU07	94.775	5.225	207	0.566	SEP	
F.EDAZ07	94.915	5.085	298	0.816	DEC	
F.EDAH08	95.040	4.960	389	1.065	MAR	Red Pack
F.EDAM08	95.100	4.900	480	1.314	JUN	
F.EDAU08	95.135	4.865	571	1.564	SEP	
F.EDAZ08	95.145	4.855	662	1.813	DEC	
F.EDAH09	95.145	4.855	753	2.062	MAR	Green Pack
F.EDAM09	95.120	4.880	844	2.312	JUN	
F.EDAU09	95.095	4.905	935	2.561	SEP	
F.EDAZ09	95.045	4.955	1026	2.810	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

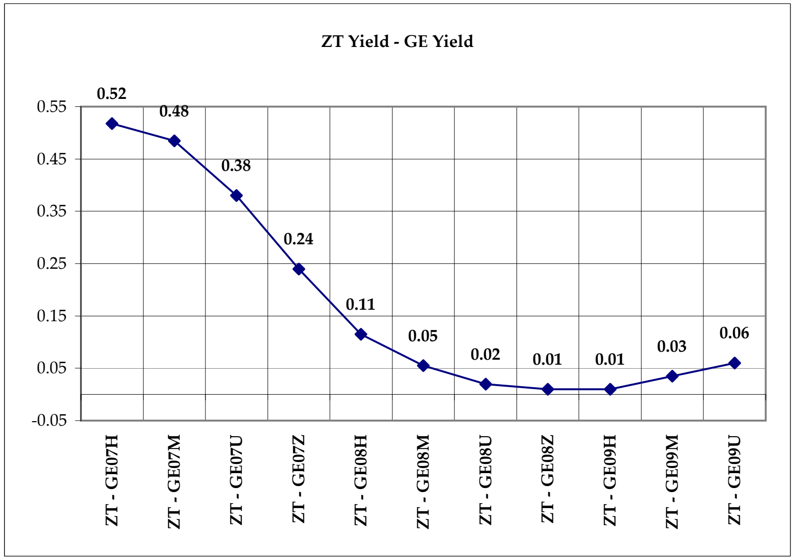
	ZT		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.291	0.52	ZT - GE07H
F.EDAM07	7.258	0.48	ZT - GE07M
F.EDAU07	7.153	0.38	ZT - GE07U
F.EDAZ07	7.013	0.24	ZT - GE07Z
F.EDAH08	6.888	0.11	ZT - GE08H
F.EDAM08	6.828	0.05	ZT - GE08M
F.EDAU08	6.793	0.02	ZT - GE08U
F.EDAZ08	6.783	0.01	ZT - GE08Z
F.EDAH09	6.783	0.01	ZT - GE09H
F.EDAM09	6.808	0.03	ZT - GE09M
F.EDAU09	6.833	0.06	ZT - GE09U
F.EDAZ09	6.883	0.11	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	0.068	1.74	1.67	ZT - GE07H
F.EDAM07	0.317	1.74	1.42	ZT - GE07M
F.EDAU07	0.566	1.74	1.17	ZT - GE07U
F.EDAZ07	0.816	1.74	0.92	ZT - GE07Z
F.EDAH08	1.065	1.74	0.67	ZT - GE08H
F.EDAM08	1.314	1.74	0.43	ZT - GE08M
F.EDAU08	1.564	1.74	0.18	ZT - GE08U
F.EDAZ08	1.813	1.74	(0.07)	ZT - GE08Z
F.EDAH09	2.062	1.74	(0.32)	ZT - GE09H
F.EDAM09	2.312	1.74	(0.57)	ZT - GE09M
F.EDAU09	2.561	1.74	(0.82)	ZT - GE09U
F.EDAZ09	2.810	1.74	(1.07)	ZT - GE09Z

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



Dirty TED: ZF vs Eurodollar Contracts

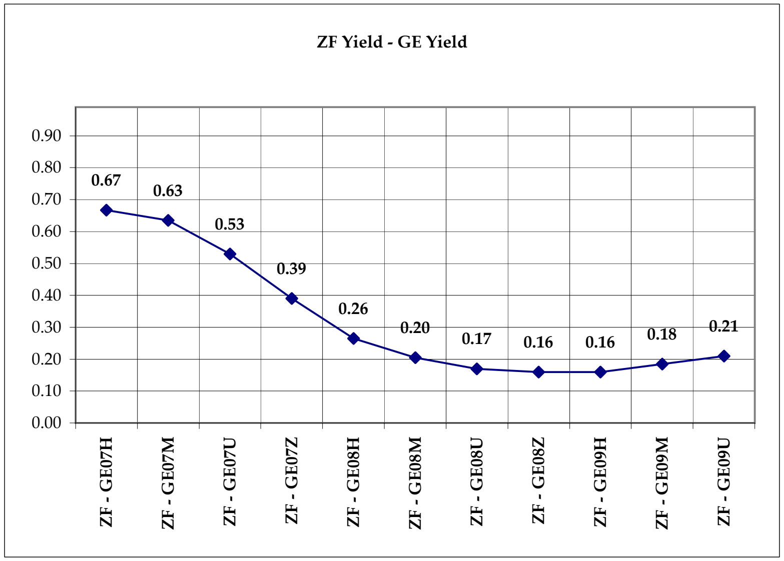
	ZF		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	10.38	0.67	ZF - GE07H
F.EDAM07	10.35	0.63	ZF - GE07M
F.EDAU07	10.24	0.53	ZF - GE07U
F.EDAZ07	10.10	0.39	ZF - GE07Z
F.EDAH08	9.98	0.26	ZF - GE08H
F.EDAM08	9.92	0.20	ZF - GE08M
F.EDAU08	9.88	0.17	ZF - GE08U
F.EDAZ08	9.87	0.16	ZF - GE08Z
F.EDAH09	9.87	0.16	ZF - GE09H
F.EDAM09	9.90	0.18	ZF - GE09M
F.EDAU09	9.92	0.21	ZF - GE09U
F.EDAZ09	9.97	0.26	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	0.068	3.77	3.71	ZF - GE07H
F.EDAM07	0.317	3.77	3.46	ZF - GE07M
F.EDAU07	0.566	3.77	3.21	ZF - GE07U
F.EDAZ07	0.816	3.77	2.96	ZF - GE07Z
F.EDAH08	1.065	3.77	2.71	ZF - GE08H
F.EDAM08	1.314	3.77	2.46	ZF - GE08M
F.EDAU08	1.564	3.77	2.21	ZF - GE08U
F.EDAZ08	1.813	3.77	1.96	ZF - GE08Z
F.EDAH09	2.062	3.77	1.71	ZF - GE09H
F.EDAM09	2.312	3.77	1.46	ZF - GE09M
F.EDAU09	2.561	3.77	1.21	ZF - GE09U
F.EDAZ09	2.810	3.77	0.96	ZF - GE09U

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

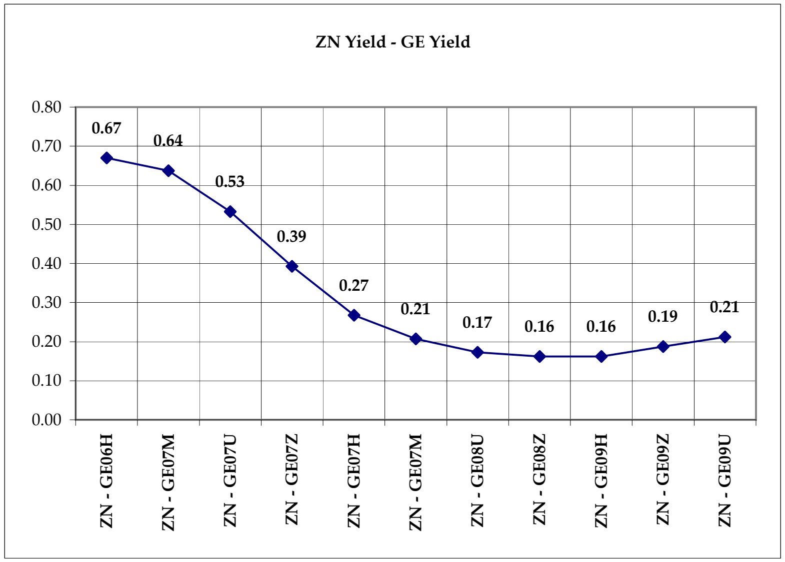


Dirty TED: ZN vs Eurodollar Contracts

	ZN		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	12.85	0.67	ZN - GE06H
F.EDAM07	12.81	0.64	ZN - GE07M
F.EDAU07	12.71	0.53	ZN - GE07U
F.EDAZ07	12.57	0.39	ZN - GE07Z
F.EDAH08	12.44	0.27	ZN - GE07H
F.EDAM08	12.38	0.21	ZN - GE07M
F.EDAU08	12.35	0.17	ZN - GE08U
F.EDAZ08	12.34	0.16	ZN - GE08Z
F.EDAH09	12.34	0.16	ZN - GE09H
F.EDAM09	12.36	0.19	ZN - GE09Z
F.EDAU09	12.39	0.21	ZN - GE09U
F.EDAZ09	12.44	0.26	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	0.068	5.70	5.64	ZN - GE06H
F.EDAM07	0.317	5.70	5.39	ZN - GE07M
F.EDAU07	0.566	5.70	5.14	ZN - GE07U
F.EDAZ07	0.816	5.70	4.89	ZN - GE07Z
F.EDAH08	1.065	5.70	4.64	ZN - GE07H
F.EDAM08	1.314	5.70	4.39	ZN - GE07M
F.EDAU08	1.564	5.70	4.14	ZN - GE08U
F.EDAZ08	1.813	5.70	3.89	ZN - GE08Z
F.EDAH09	2.062	5.70	3.64	ZN - GE09H
F.EDAM09	2.312	5.70	3.39	ZN - GE09Z
F.EDAU09	2.561	5.70	3.14	ZN - GE09U
F.EDAZ09	2.810	5.70	2.89	ZN - GE09U

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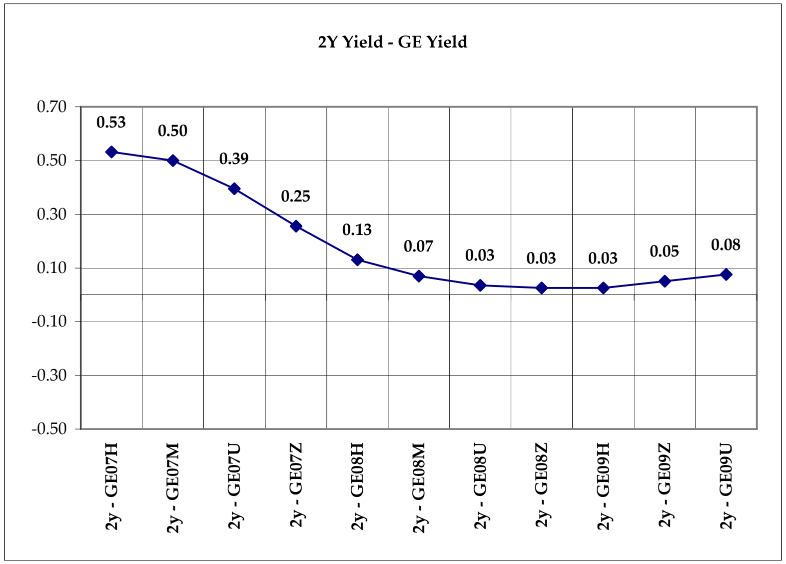
TERM TED: 2y vs Eurodollar Contracts

	2y		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.21	0.53	2y - GE07H
F.EDAM07	5.18	0.50	2y - GE07M
F.EDAU07	5.08	0.39	2y - GE07U
F.EDAZ07	4.94	0.25	2y - GE07Z
F.EDAH08	4.81	0.13	2y - GE08H
F.EDAM08	4.75	0.07	2y - GE08M
F.EDAU08	4.72	0.03	2y - GE08U
F.EDAZ08	4.71	0.03	2y - GE08Z
F.EDAH09	4.71	0.03	2y - GE09H
F.EDAM09	4.73	0.05	2y - GE09Z
F.EDAU09	4.76	0.08	2y - GE09U
F.EDAZ09	4.81	0.12	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	0.068	1.82	1.75	2y - GE07H
F.EDAM07	0.317	1.82	1.51	2y - GE07M
F.EDAU07	0.566	1.82	1.26	2y - GE07U
F.EDAZ07	0.816	1.82	1.01	2y - GE07Z
F.EDAH08	1.065	1.82	0.76	2y - GE08H
F.EDAM08	1.314	1.82	0.51	2y - GE08M
F.EDAU08	1.564	1.82	0.26	2y - GE08U
F.EDAZ08	1.813	1.82	0.01	2y - GE08Z
F.EDAH09	2.062	1.82	(0.24)	2y - GE09H
F.EDAM09	2.312	1.82	(0.49)	2y - GE09Z
F.EDAU09	2.561	1.82	(0.74)	2y - GE09U
F.EDAZ09	2.810	1.82	(0.99)	2y - GE09U

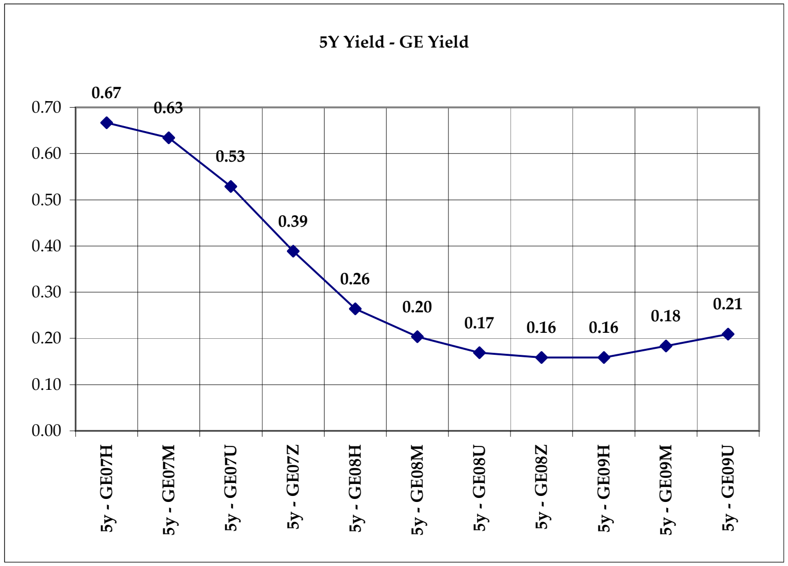
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	5y		
	Spread Price	**Spread Yield**	**Spread Name**
F.EDAH07	5.59	0.67	5y - GE07H
F.EDAM07	5.56	0.63	5y - GE07M
F.EDAU07	5.45	0.53	5y - GE07U
F.EDAZ07	5.31	0.39	5y - GE07Z
F.EDAH08	5.19	0.26	5y - GE08H
F.EDAM08	5.13	0.20	5y - GE08M
F.EDAU08	5.09	0.17	5y - GE08U
F.EDAZ08	5.08	0.16	5y - GE08Z
F.EDAH09	5.08	0.16	5y - GE09H
F.EDAM09	5.11	0.18	5y - GE09M
F.EDAU09	5.13	0.21	5y - GE09U
F.EDAZ09	5.18	0.26	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	0.068	4.34	4.28	5y - GE07H
F.EDAM07	0.317	4.34	4.03	5y - GE07M
F.EDAU07	0.566	4.34	3.78	5y - GE07U
F.EDAZ07	0.816	4.34	3.53	5y - GE07Z
F.EDAH08	1.065	4.34	3.28	5y - GE08H
F.EDAM08	1.314	4.34	3.03	5y - GE08M
F.EDAU08	1.564	4.34	2.78	5y - GE08U
F.EDAZ08	1.813	4.34	2.53	5y - GE08Z
F.EDAH09	2.062	4.34	2.28	5y - GE09H
F.EDAM09	2.312	4.34	2.03	5y - GE09M
F.EDAU09	2.561	4.34	1.78	5y - GE09U
F.EDAZ09	2.810	4.34	1.53	5y - GE09U

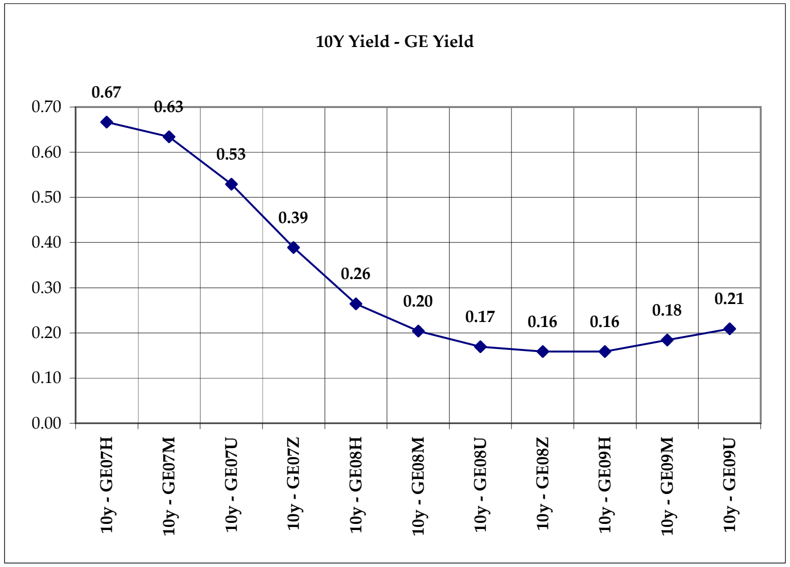
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	10y		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.59	0.67	10y - GE07H
F.EDAM07	5.56	0.63	10y - GE07M
F.EDAU07	5.45	0.53	10y - GE07U
F.EDAZ07	5.31	0.39	10y - GE07Z
F.EDAH08	5.19	0.26	10y - GE08H
F.EDAM08	5.13	0.20	10y - GE08M
F.EDAU08	5.09	0.17	10y - GE08U
F.EDAZ08	5.08	0.16	10y - GE08Z
F.EDAH09	5.08	0.16	10y - GE09H
F.EDAM09	5.11	0.18	10y - GE09M
F.EDAU09	5.13	0.21	10y - GE09U
F.EDAZ09	5.18	0.26	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	0.068	7.90	7.83	10y - GE07H
F.EDAM07	0.317	7.90	7.59	10y - GE07M
F.EDAU07	0.566	7.90	7.34	10y - GE07U
F.EDAZ07	0.816	7.90	7.09	10y - GE07Z
F.EDAH08	1.065	7.90	6.84	10y - GE08H
F.EDAM08	1.314	7.90	6.59	10y - GE08M
F.EDAU08	1.564	7.90	6.34	10y - GE08U
F.EDAZ08	1.813	7.90	6.09	10y - GE08Z
F.EDAH09	2.062	7.90	5.84	10y - GE09H
F.EDAM09	2.312	7.90	5.59	10y - GE09M
F.EDAU09	2.561	7.90	5.34	10y - GE09U
F.EDAZ09	2.810	7.90	5.09	10y - GE09U

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