

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.2563	102.082	4.691
ZF	105.5781	105.185	4.566
ZN	108.2344	108.075	4.566
Blank			
2y	100.116	100.0370	4.687
5y	100.194	100.0620	4.577
10y	100.250	100.0800	4.592

*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	94.705	5.295	73	0.199	MAR	White Pack
F.EDAM07	94.900	5.100	164	0.449	JUN	
F.EDAU07	95.070	4.930	255	0.698	SEP	
F.EDAZ07	95.205	4.795	346	0.947	DEC	
F.EDAH08	95.275	4.725	437	1.197	MAR	Red Pack
F.EDAM08	95.305	4.695	528	1.446	JUN	
F.EDAU08	95.320	4.680	619	1.695	SEP	
F.EDAZ08	95.305	4.695	710	1.945	DEC	Green Pack
F.EDAH09	95.295	4.705	801	2.194	MAR	
F.EDAM09	95.265	4.735	892	2.443	JUN	
F.EDAU09	95.235	4.765	983	2.693	SEP	
F.EDAZ09	95.160	4.840	1074	2.942	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.

igoulding@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

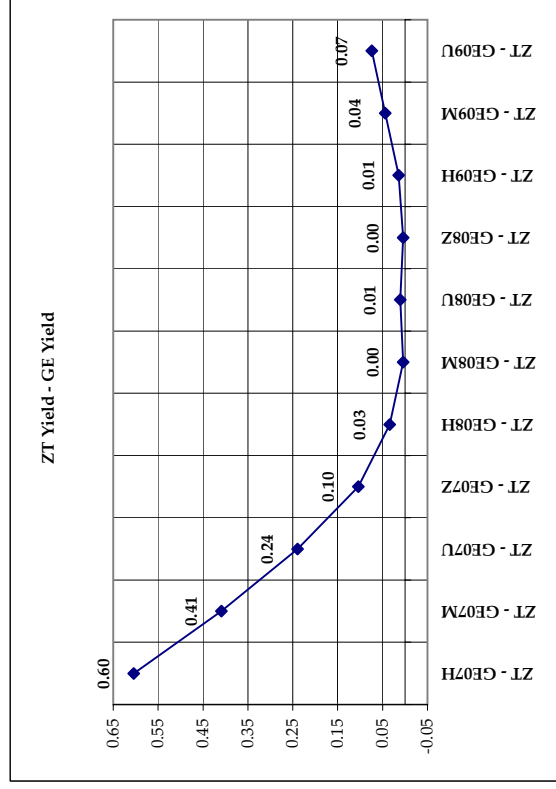
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.551	0.60	ZT - GE07H
F.EDAM07	7.356	0.41	ZT - GE07M
F.EDAU07	7.186	0.24	ZT - GE07U
F.EDAZ07	7.051	0.10	ZT - GE07Z
F.EDAH08	6.981	0.03	ZT - GE08H
F.EDAM08	6.951	0.00	ZT - GE08M
F.EDAU08	6.936	0.01	ZT - GE08U
F.EDAZ08	6.951	0.00	ZT - GE08Z
F.EDAH09	6.961	0.01	ZT - GE09H
F.EDAM09	6.991	0.04	ZT - GE09M
F.EDAU09	7.021	0.07	ZT - GE09U
F.EDAZ09	7.096	0.15	ZT - GE09Z

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	Duration	ZT Duration	Spread Duration
F.EDAH07	0.199	1.87	1.67
F.EDAM07	0.449	1.87	1.42
F.EDAU07	0.698	1.87	1.17
F.EDAZ07	0.947	1.87	0.92
F.EDAH08	1.197	1.87	0.67
F.EDAM08	1.446	1.87	0.42
F.EDAU08	1.695	1.87	0.17
F.EDAZ08	1.945	1.87	(0.08)
F.EDAH09	2.194	1.87	(0.33)
F.EDAM09	2.443	1.87	(0.58)
F.EDAU09	2.693	1.87	(0.83)
F.EDAZ09	2.942	1.87	(1.08)

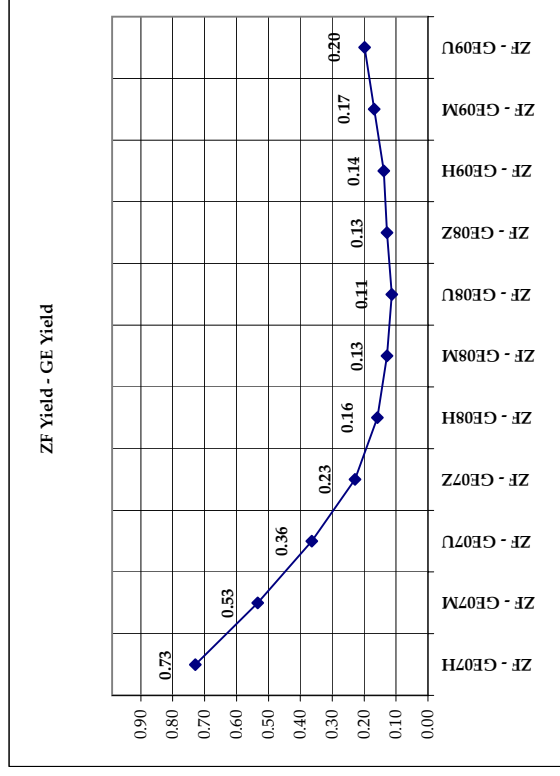
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	10.87	0.73	ZF - GE07H
F.EDAM07	10.68	0.53	ZF - GE07M
F.EDAU07	10.51	0.36	ZF - GE07U
F.EDAZ07	10.37	0.23	ZF - GE07Z
F.EDAH08	10.30	0.16	ZF - GE08H
F.EDAM08	10.27	0.13	ZF - GE08M
F.EDAU08	10.26	0.11	ZF - GE08U
F.EDAZ08	10.27	0.13	ZF - GE08Z
F.EDAH09	10.28	0.14	ZF - GE09H
F.EDAM09	10.31	0.17	ZF - GE09M
F.EDAU09	10.34	0.20	ZF - GE09U
F.EDAZ09	10.42	0.27	ZF - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	ZF		Spread Duration
	Fraction of year	Duration	
F.EDAH07	0.199	3.90	3.70
F.EDAM07	0.449	3.90	3.45
F.EDAU07	0.698	3.90	3.20
F.EDAZ07	0.947	3.90	2.95
F.EDAH08	1.197	3.90	2.70
F.EDAM08	1.446	3.90	2.46
F.EDAU08	1.695	3.90	2.21
F.EDAZ08	1.945	3.90	1.96
F.EDAH09	2.194	3.90	1.71
F.EDAM09	2.443	3.90	1.46
F.EDAU09	2.693	3.90	1.21
F.EDAZ09	2.942	3.90	0.96

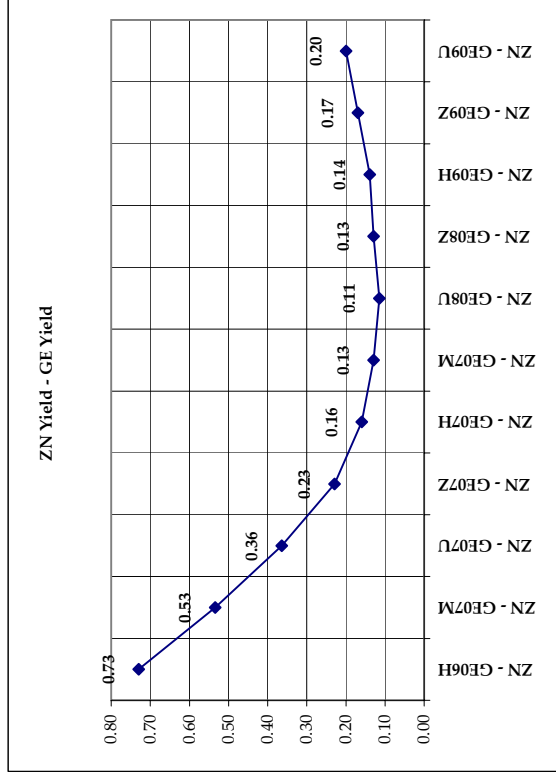
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Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAH07	13.53	0.73	ZN - GE06H
F.EDAM07	13.33	0.53	ZN - GE07M
F.EDAU07	13.16	0.36	ZN - GE07U
F.EDAZ07	13.03	0.23	ZN - GE07Z
F.EDA+H08	12.96	0.16	ZN - GE07H
F.EDAM08	12.93	0.13	ZN - GE07M
F.EDAU08	12.91	0.11	ZN - GE08U
F.EDAZ08	12.93	0.13	ZN - GE08Z
F.EDA+H09	12.94	0.14	ZN - GE09H
F.EDAM09	12.97	0.17	ZN - GE09Z
F.EDAU09	13.00	0.20	ZN - GE09U
F.EDAZ09	13.07	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.EDAH07	0.199	5.84	5.64
F.EDAM07	0.449	5.84	5.39
F.EDAU07	0.698	5.84	5.14
F.EDAZ07	0.947	5.84	4.89
F.EDA+H08	1.197	5.84	4.64
F.EDAM08	1.446	5.84	4.39
F.EDAU08	1.695	5.84	4.14
F.EDAZ08	1.945	5.84	3.89
F.EDA+H09	2.194	5.84	3.64
F.EDAM09	2.443	5.84	3.39
F.EDAU09	2.693	5.84	3.14
F.EDAZ09	2.942	5.84	2.89

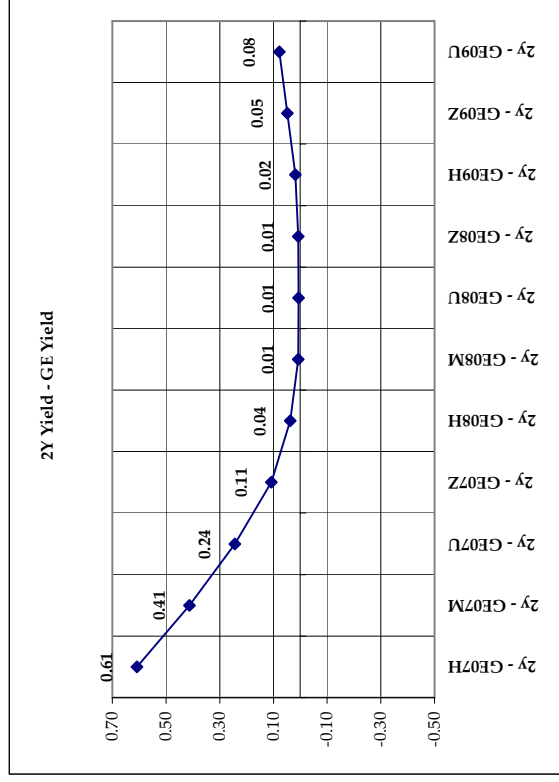
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAH07	5.41	0.61	2y - GE07H
F.EDAM07	5.22	0.41	2y - GE07M
F.EDAU07	5.05	0.24	2y - GE07U
F.EDAZ07	4.91	0.11	2y - GE07Z
F.EDAH08	4.84	0.04	2y - GE08H
F.EDAM08	4.81	0.01	2y - GE08M
F.EDAU08	4.80	0.01	2y - GE08U
F.EDAZ08	4.81	0.01	2y - GE08Z
F.EDAH09	4.82	0.02	2y - GE09H
F.EDAM09	4.85	0.05	2y - GE09Z
F.EDAU09	4.88	0.08	2y - GE09U
F.EDAZ09	4.96	0.15	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	0.199	1.67
F.EDAM07	0.449	1.42
F.EDAU07	0.698	1.17
F.EDAZ07	0.947	0.92
F.EDAH08	1.197	0.67
F.EDAM08	1.446	0.42
F.EDAU08	1.695	0.17
F.EDAZ08	1.945	(0.08)
F.EDAH09	2.194	(0.33)
F.EDAM09	2.443	(0.58)
F.EDAU09	2.693	(0.83)
F.EDAZ09	2.942	(1.08)

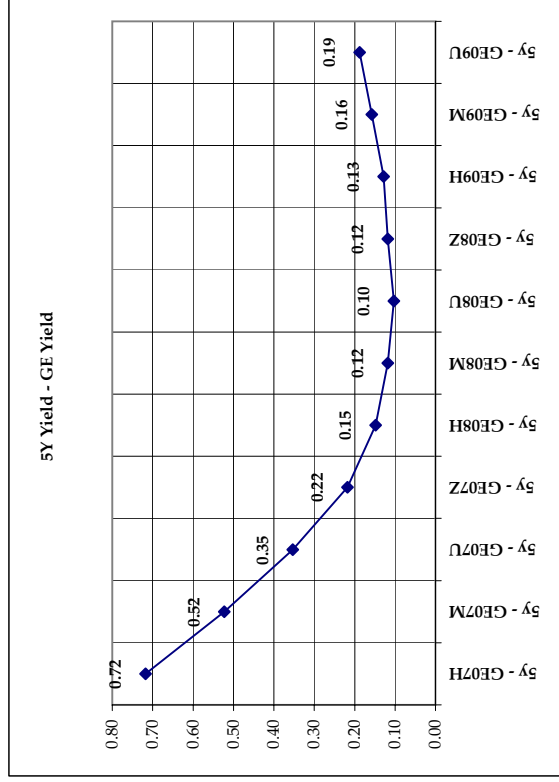
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.49	0.72	5y - GE07H
F.EDAM07	5.29	0.52	5y - GE07M
F.EDAU07	5.12	0.35	5y - GE07U
F.EDAZ07	4.99	0.22	5y - GE07Z
F.EDAH08	4.92	0.15	5y - GE08H
F.EDAM08	4.89	0.12	5y - GE08M
F.EDAU08	4.87	0.10	5y - GE08U
F.EDAZ08	4.89	0.12	5y - GE08Z
F.EDAH09	4.90	0.13	5y - GE09H
F.EDAM09	4.93	0.16	5y - GE09M
F.EDAU09	4.96	0.19	5y - GE09U
F.EDAZ09	5.03	0.26	5y - GE09Z

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	0.199	4.20
F.EDAM07	0.449	3.95
F.EDAU07	0.698	3.70
F.EDAZ07	0.947	3.45
F.EDAH08	1.197	3.20
F.EDAM08	1.446	2.95
F.EDAU08	1.695	2.70
F.EDAZ08	1.945	2.45
F.EDAH09	2.194	2.20
F.EDAM09	2.443	1.96
F.EDAU09	2.693	1.71
F.EDAZ09	2.942	1.46

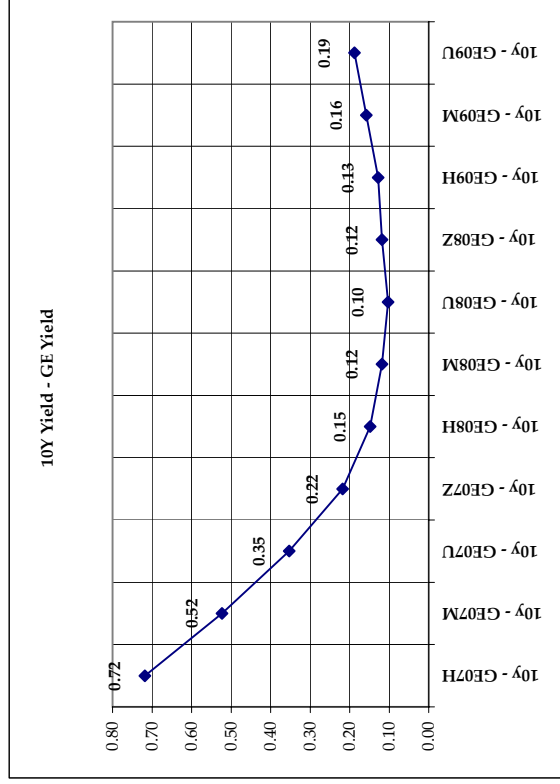
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAH07	5.49	0.72	10y - GE07H
F.EDAM07	5.29	0.52	10y - GE07M
F.EDAU07	5.12	0.35	10y - GE07U
F.EDAZ07	4.99	0.22	10y - GE07Z
F.EDA+H08	4.92	0.15	10y - GE08H
F.EDAM08	4.89	0.12	10y - GE08M
F.EDAU08	4.87	0.10	10y - GE08U
F.EDAZ08	4.89	0.12	10y - GE08Z
F.EDA+H09	4.90	0.13	10y - GE09H
F.EDAM09	4.93	0.16	10y - GE09M
F.EDAU09	4.96	0.19	10y - GE09U
F.EDAZ09	5.03	0.26	10y - GE09Z

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	0.199	7.79
F.EDAM07	0.449	7.79
F.EDAU07	0.698	7.79
F.EDAZ07	0.947	7.79
F.EDA+H08	1.197	7.79
F.EDAM08	1.446	7.79
F.EDAU08	1.695	7.79
F.EDAZ08	1.945	7.79
F.EDA+H09	2.194	7.79
F.EDAM09	2.443	7.79
F.EDAU09	2.693	7.79
F.EDAZ09	2.942	7.79

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