

Morning Email: TERM TEDS & Dirty TEDS

Table of Contents

Pg1	Overview and hedges
Pg2	Dirty TED: ZT vs Eurodollar Contracts
Pg3	Dirty TED: ZF vs Eurodollar Contracts
Pg4	Dirty TED: ZN vs Eurodollar Contracts
Pg5	TERM TED: 2y vs Eurodollar Contracts
Pg6	TERM TED: 5y vs Eurodollar Contracts
Pg7	TERM TED: 10y vs Eurodollar Contracts

Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.0938	102.030	4.774
ZF	105.2188	105.070	4.647
ZN	107.7656	107.245	4.669
Blank			
2y	99.944	99.3020	4.775
5y	99.844	99.2700	4.659
10y	99.703	99.2250	4.660

*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	94.670	5.330	70	0.191	MAR	White Pack
F.EDAM07	94.805	5.195	161	0.440	JUN	
F.EDAU07	94.970	5.030	252	0.690	SEP	
F.EDAZ07	95.105	4.895	343	0.939	DEC	
F.EDAH08	95.170	4.830	434	1.188	MAR	Red Pack
F.EDAM08	95.205	4.795	525	1.438	JUN	
F.EDAU08	95.225	4.775	616	1.687	SEP	
F.EDAZ08	95.220	4.780	707	1.936	DEC	Green Pack
F.EDAH09	95.215	4.785	798	2.186	MAR	
F.EDAM09	95.180	4.820	889	2.435	JUN	
F.EDAU09	95.150	4.850	980	2.684	SEP	
F.EDAZ09	95.100	4.900	1071	2.934	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.

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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

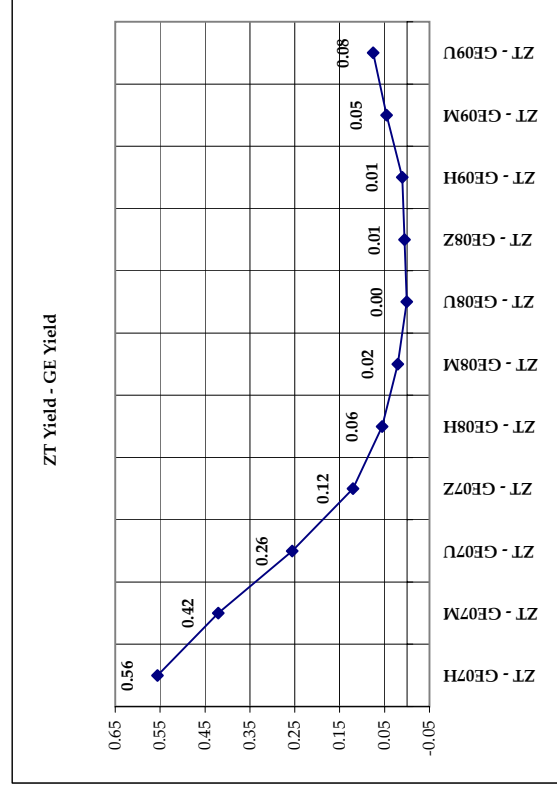
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.424	0.56	ZT - GE07H
F.EDAM07	7.289	0.42	ZT - GE07M
F.EDAU07	7.124	0.26	ZT - GE07U
F.EDAZ07	6.989	0.12	ZT - GE07Z
F.EDAH08	6.924	0.06	ZT - GE08H
F.EDAM08	6.889	0.02	ZT - GE08M
F.EDAU08	6.869	0.00	ZT - GE08U
F.EDAZ08	6.874	0.01	ZT - GE08Z
F.EDAH09	6.879	0.01	ZT - GE09H
F.EDAM09	6.914	0.05	ZT - GE09M
F.EDAU09	6.944	0.08	ZT - GE09U
F.EDAZ09	6.994	0.13	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	0.191	1.86	1.67
F.EDAM07	0.440	1.86	1.42
F.EDAU07	0.690	1.86	1.17
F.EDAZ07	0.939	1.86	0.92
F.EDAH08	1.188	1.86	0.67
F.EDAM08	1.438	1.86	0.42
F.EDAU08	1.687	1.86	0.18
F.EDAZ08	1.936	1.86	(0.07)
F.EDAH09	2.186	1.86	(0.32)
F.EDAM09	2.435	1.86	(0.57)
F.EDAU09	2.684	1.86	(0.82)
F.EDAZ09	2.934	1.86	(1.07)

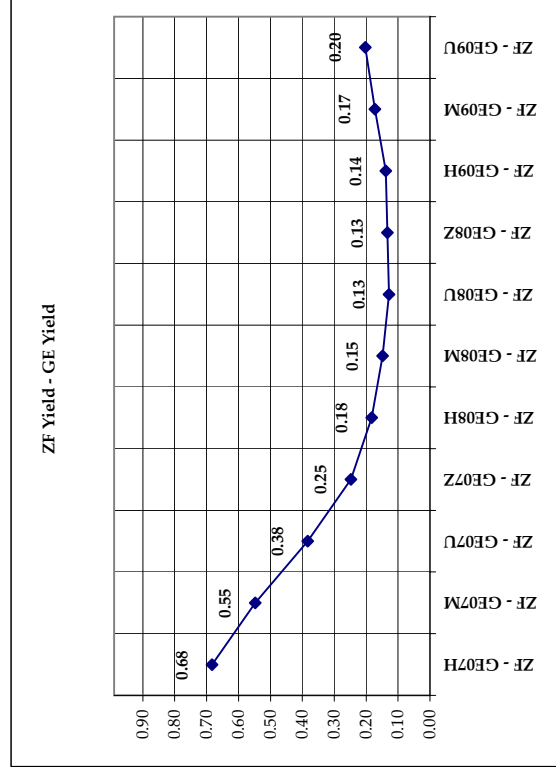
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF	
	Spread Price	Spread Yield
	Price	Yield
	Spread	Spread
	Price	Yield
	Name	Name
F.EDAH07	10.55	0.68
F.EDAM07	10.41	0.55
F.EDAU07	10.25	0.38
F.EDAZ07	10.11	0.25
F.EDAH08	10.05	0.18
F.EDAM08	10.01	0.15
F.EDAU08	9.99	0.13
F.EDAZ08	10.00	0.13
F.EDAH09	10.00	0.14
F.EDAM09	10.04	0.17
F.EDAU09	10.07	0.20
F.EDAZ09	10.12	0.25

Price = Outright Decimal Price - Euro Contract Price

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



	GE Duration as Fraction of year		ZF	
	Duration	Duration	Duration	Duration
F.EDAH07	0.191	3.90	3.71	ZF - GE07H
F.EDAM07	0.440	3.90	3.46	ZF - GE07M
F.EDAU07	0.690	3.90	3.21	ZF - GE07U
F.EDAZ07	0.939	3.90	2.96	ZF - GE07Z
F.EDAH08	1.188	3.90	2.71	ZF - GE08H
F.EDAM08	1.438	3.90	2.46	ZF - GE08M
F.EDAU08	1.687	3.90	2.21	ZF - GE08U
F.EDAZ08	1.936	3.90	1.96	ZF - GE08Z
F.EDAH09	2.186	3.90	1.71	ZF - GE09H
F.EDAM09	2.435	3.90	1.46	ZF - GE09M
F.EDAU09	2.684	3.90	1.21	ZF - GE09U
F.EDAZ09	2.934	3.90	0.96	ZF - GE09U

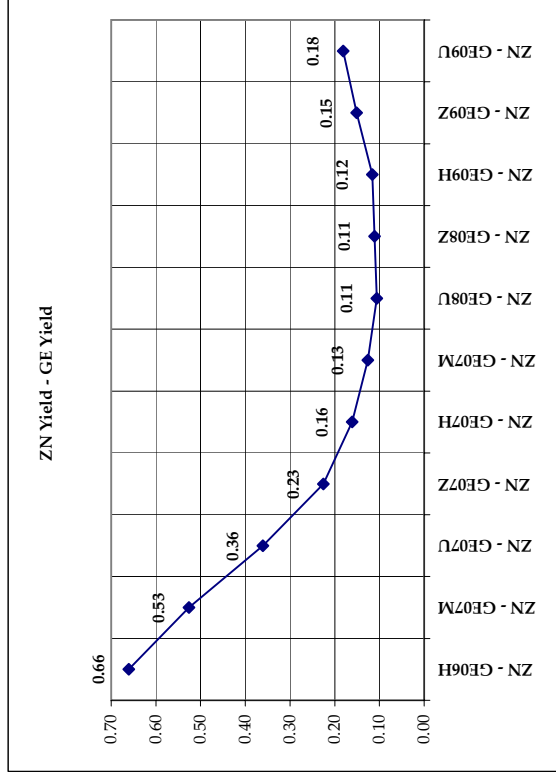
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAH07	13.10	0.66	ZN - GE06H
F.EDAM07	12.96	0.53	ZN - GE07M
F.EDAU07	12.80	0.36	ZN - GE07U
F.EDAZ07	12.66	0.23	ZN - GE07Z
F.EDAH08	12.60	0.16	ZN - GE07H
F.EDAM08	12.56	0.13	ZN - GE07M
F.EDAU08	12.54	0.11	ZN - GE08U
F.EDAZ08	12.55	0.11	ZN - GE08Z
F.EDAH09	12.55	0.12	ZN - GE09H
F.EDAM09	12.59	0.15	ZN - GE09M
F.EDAU09	12.62	0.18	ZN - GE09U
F.EDAZ09	12.67	0.23	ZN - GE09Z

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	0.191	5.64
F.EDAM07	0.440	5.39
F.EDAU07	0.690	5.14
F.EDAZ07	0.939	4.89
F.EDAH08	1.188	4.64
F.EDAM08	1.438	4.39
F.EDAU08	1.687	4.14
F.EDAZ08	1.936	3.89
F.EDAH09	2.186	3.64
F.EDAM09	2.435	3.39
F.EDAU09	2.684	3.14
F.EDAZ09	2.934	2.89

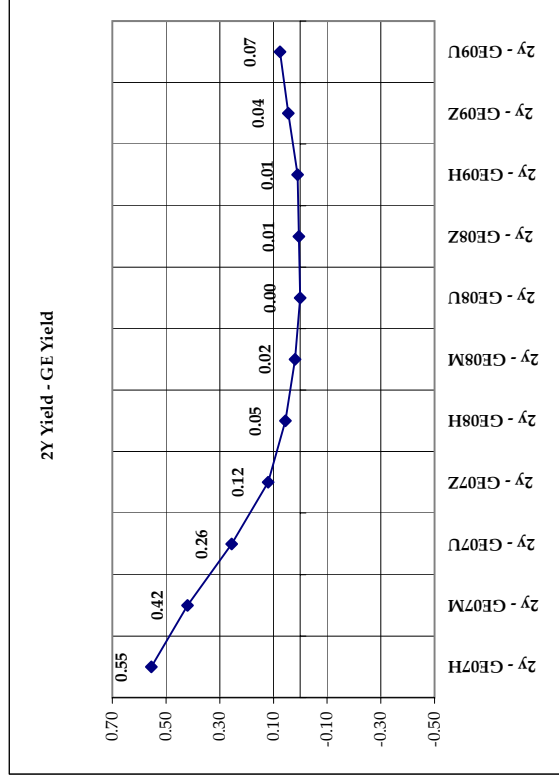
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.27	0.55	2y - GE07H
F.EDAM07	5.14	0.42	2y - GE07M
F.EDAU07	4.97	0.26	2y - GE07U
F.EDAZ07	4.84	0.12	2y - GE07Z
F.EDAH08	4.77	0.05	2y - GE08H
F.EDAM08	4.74	0.02	2y - GE08M
F.EDAU08	4.72	0.00	2y - GE08U
F.EDAZ08	4.72	0.01	2y - GE08Z
F.EDAH09	4.73	0.01	2y - GE09H
F.EDAM09	4.76	0.04	2y - GE09Z
F.EDAU09	4.79	0.07	2y - GE09U
F.EDAZ09	4.84	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	0.191	1.67
F.EDAM07	0.440	1.42
F.EDAU07	0.690	1.17
F.EDAZ07	0.939	0.92
F.EDAH08	1.188	0.67
F.EDAM08	1.438	0.42
F.EDAU08	1.687	0.18
F.EDAZ08	1.936	(0.07)
F.EDAH09	2.186	(0.32)
F.EDAM09	2.435	(0.57)
F.EDAU09	2.684	(0.82)
F.EDAZ09	2.934	(1.07)

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

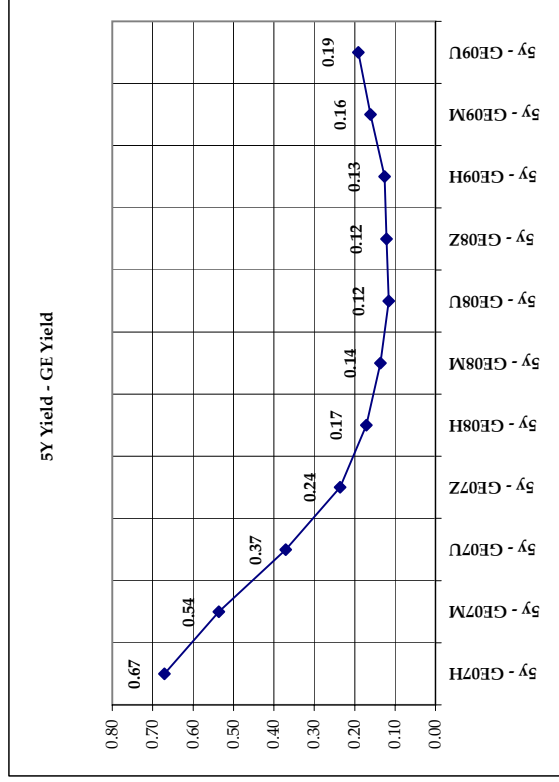
TERM TED: 5y vs Eurodollar Contracts

5y

	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.17	0.67	5y - GE07H
F.EDAM07	5.04	0.54	5y - GE07M
F.EDAU07	4.87	0.37	5y - GE07U
F.EDAZ07	4.74	0.24	5y - GE07Z
F.EDAH08	4.67	0.17	5y - GE08H
F.EDAM08	4.64	0.14	5y - GE08M
F.EDAU08	4.62	0.12	5y - GE08U
F.EDAZ08	4.62	0.12	5y - GE08Z
F.EDAH09	4.63	0.13	5y - GE09H
F.EDAM09	4.66	0.16	5y - GE09M
F.EDAU09	4.69	0.19	5y - GE09U
F.EDAZ09	4.74	0.24	5y - GE09Z

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	5Y Fraction of year	5Y Duration	Spread Duration
F.EDAH07	0.191	4.39	4.20
F.EDAM07	0.440	4.39	3.95
F.EDAU07	0.690	4.39	3.70
F.EDAZ07	0.939	4.39	3.45
F.EDAH08	1.188	4.39	3.20
F.EDAM08	1.438	4.39	2.96
F.EDAU08	1.687	4.39	2.71
F.EDAZ08	1.936	4.39	2.46
F.EDAH09	2.186	4.39	2.21
F.EDAM09	2.435	4.39	1.96
F.EDAU09	2.684	4.39	1.71
F.EDAZ09	2.934	4.39	1.46

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

TERM TED: 10y vs Eurodollar Contracts

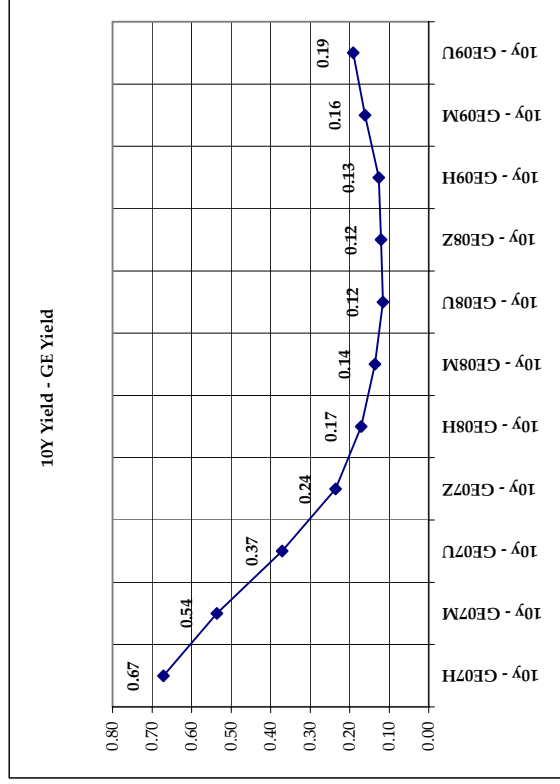
10y

Spread Price Spread Spread
Yield Name

Contract	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.17	0.67	10y - GE07H
F.EDAM07	5.04	0.54	10y - GE07M
F.EDAU07	4.87	0.37	10y - GE07U
F.EDAZ07	4.74	0.24	10y - GE07Z
F.EDAH08	4.67	0.17	10y - GE08H
F.EDAM08	4.64	0.14	10y - GE08M
F.EDAU08	4.62	0.12	10y - GE08U
F.EDAZ08	4.62	0.12	10y - GE08Z
F.EDAH09	4.63	0.13	10y - GE09H
F.EDAM09	4.66	0.16	10y - GE09M
F.EDAU09	4.69	0.19	10y - GE09U
F.EDAZ09	4.74	0.24	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

Contract	Fraction of year	10Y Duration	Spread Duration
F.EDAH07	0.191	7.78	7.59
F.EDAM07	0.440	7.78	7.34
F.EDAU07	0.690	7.78	7.09
F.EDAZ07	0.939	7.78	6.84
F.EDAH08	1.188	7.78	6.59
F.EDAM08	1.438	7.78	6.34
F.EDAU08	1.687	7.78	6.09
F.EDAZ08	1.936	7.78	5.85
F.EDAH09	2.186	7.78	5.60
F.EDAM09	2.435	7.78	5.35
F.EDAU09	2.684	7.78	5.10
F.EDAZ09	2.934	7.78	4.85

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