

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last Yield*	**MDuration
ZT	102.0469	4.795	1.86
ZF	105.2031	4.653	3.89
ZN	107.7813	4.656	5.82
Blank			
2y	99.913	4.796	1.86
5y	99.819	4.664	4.39
10y	99.688	4.662	7.78

*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	94.665	5.335	69	0.188	MAR	White Pack
F.EDAM07	94.780	5.220	160	0.438	JUN	
F.EDAU07	94.940	5.060	251	0.687	SEP	
F.EDAZ07	95.075	4.925	342	0.936	DEC	
F.EDAH08	95.155	4.845	433	1.186	MAR	Red Pack
F.EDAM08	95.195	4.805	524	1.435	JUN	
F.EDAU08	95.220	4.780	615	1.684	SEP	
F.EDAZ08	95.215	4.785	706	1.934	DEC	Green Pack
F.EDAH09	95.215	4.785	797	2.183	MAR	
F.EDAM09	95.185	4.815	888	2.432	JUN	
F.EDAU09	95.145	4.855	979	2.682	SEP	
F.EDAZ09	95.095	4.905	1070	2.931	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

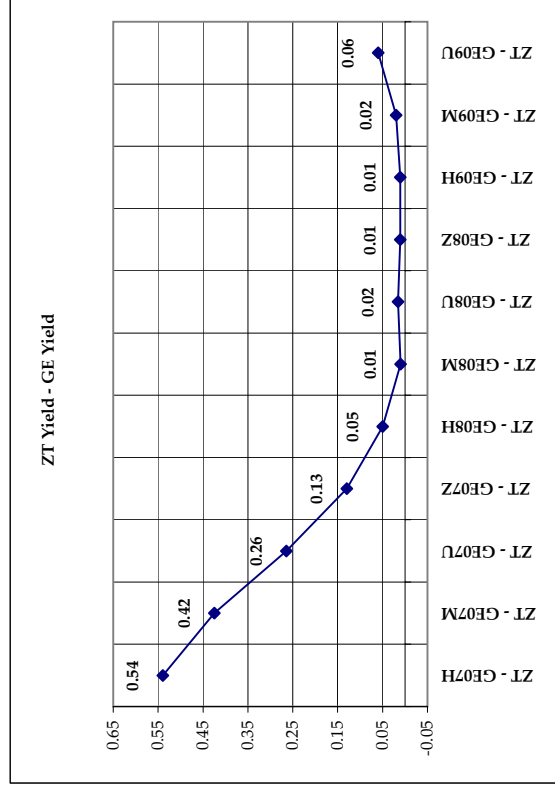
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.382	0.54	ZT - GE07H
F.EDAM07	7.267	0.42	ZT - GE07M
F.EDAU07	7.107	0.26	ZT - GE07U
F.EDAZ07	6.972	0.13	ZT - GE07Z
F.EDAH08	6.892	0.05	ZT - GE08H
F.EDAM08	6.852	0.01	ZT - GE08M
F.EDAU08	6.827	0.02	ZT - GE08U
F.EDAZ08	6.832	0.01	ZT - GE08Z
F.EDAH09	6.832	0.01	ZT - GE09H
F.EDAM09	6.862	0.02	ZT - GE09M
F.EDAU09	6.902	0.06	ZT - GE09U
F.EDAZ09	6.952	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

	Duration	ZT Duration	Spread Duration
F.EDAH07	0.188	1.86	1.67
F.EDAM07	0.438	1.86	1.42
F.EDAU07	0.687	1.86	1.17
F.EDAZ07	0.936	1.86	0.92
F.EDAH08	1.186	1.86	0.67
F.EDAM08	1.435	1.86	0.42
F.EDAU08	1.684	1.86	0.17
F.EDAZ08	1.934	1.86	(0.07)
F.EDAH09	2.183	1.86	(0.32)
F.EDAM09	2.432	1.86	(0.57)
F.EDAU09	2.682	1.86	(0.82)
F.EDAZ09	2.931	1.86	(1.07)

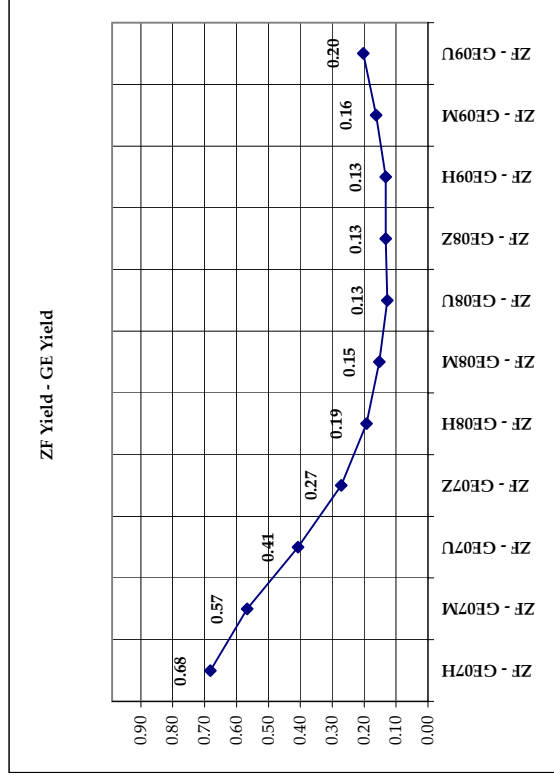
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF	
	Spread Price	Spread Yield
	Price	Yield
	Spread	Spread
	Price	Yield
	Name	Name
F.EDAH07	10.54	0.68
F.EDAM07	10.42	0.57
F.EDAU07	10.26	0.41
F.EDAZ07	10.13	0.27
F.EDAH08	10.05	0.19
F.EDAM08	10.01	0.15
F.EDAU08	9.98	0.13
F.EDAZ08	9.99	0.13
F.EDAH09	9.99	0.13
F.EDAM09	10.02	0.16
F.EDAU09	10.06	0.20
F.EDAZ09	10.11	0.25

Price = Outright Decimal Price - Euro Contract Price

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



	GE Duration as Fraction of year		ZF	
	Fraction of year	Duration	Duration	Spread
F.EDAH07	0.188	3.89	3.71	ZF - GE07H
F.EDAM07	0.438	3.89	3.46	ZF - GE07M
F.EDAU07	0.687	3.89	3.21	ZF - GE07U
F.EDAZ07	0.936	3.89	2.96	ZF - GE07Z
F.EDAH08	1.186	3.89	2.71	ZF - GE08H
F.EDAM08	1.435	3.89	2.46	ZF - GE08M
F.EDAU08	1.684	3.89	2.21	ZF - GE08U
F.EDAZ08	1.934	3.89	1.96	ZF - GE08Z
F.EDAH09	2.183	3.89	1.71	ZF - GE09H
F.EDAM09	2.432	3.89	1.46	ZF - GE09M
F.EDAU09	2.682	3.89	1.21	ZF - GE09U
F.EDAZ09	2.931	3.89	0.96	ZF - GE09U

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

Dirty TED: ZN vs Eurodollar Contracts

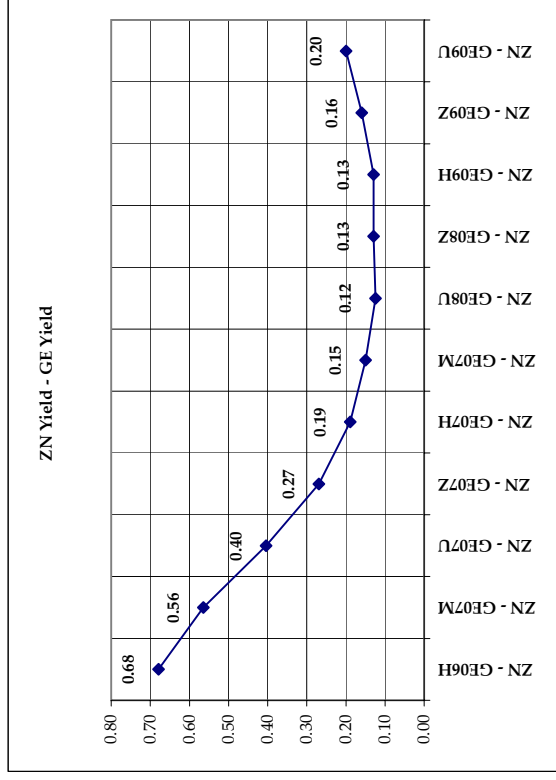
ZN

Spread Price Spread Spread Yield Name

	Spread	Price	Spread	Spread	Yield	Name
F.EDAH07	13.12		0.68		ZN - GE06H	
F.EDAM07	13.00		0.56		ZN - GE07M	
F.EDAU07	12.84		0.40		ZN - GE07U	
F.EDAZ07	12.71		0.27		ZN - GE07Z	
F.EDAH08	12.63		0.19		ZN - GE07H	
F.EDAM08	12.59		0.15		ZN - GE07M	
F.EDAU08	12.56		0.12		ZN - GE08U	
F.EDAZ08	12.57		0.13		ZN - GE08Z	
F.EDAH09	12.57		0.13		ZN - GE09H	
F.EDAM09	12.60		0.16		ZN - GE09Z	
F.EDAU09	12.64		0.20		ZN - GE09U	
F.EDAZ09	12.69		0.25		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

	GE Duration as Fraction of year	ZN Duration	Spread	Duration
F.EDAH07	0.188	5.82	5.64	ZN - GE06H
F.EDAM07	0.438	5.82	5.39	ZN - GE07M
F.EDAU07	0.687	5.82	5.14	ZN - GE07U
F.EDAZ07	0.936	5.82	4.89	ZN - GE07Z
F.EDAH08	1.186	5.82	4.64	ZN - GE07H
F.EDAM08	1.435	5.82	4.39	ZN - GE07M
F.EDAU08	1.684	5.82	4.14	ZN - GE08U
F.EDAZ08	1.934	5.82	3.89	ZN - GE08Z
F.EDAH09	2.183	5.82	3.64	ZN - GE09H
F.EDAM09	2.432	5.82	3.39	ZN - GE09Z
F.EDAU09	2.682	5.82	3.14	ZN - GE09U
F.EDAZ09	2.931	5.82	2.89	ZN - GE09U

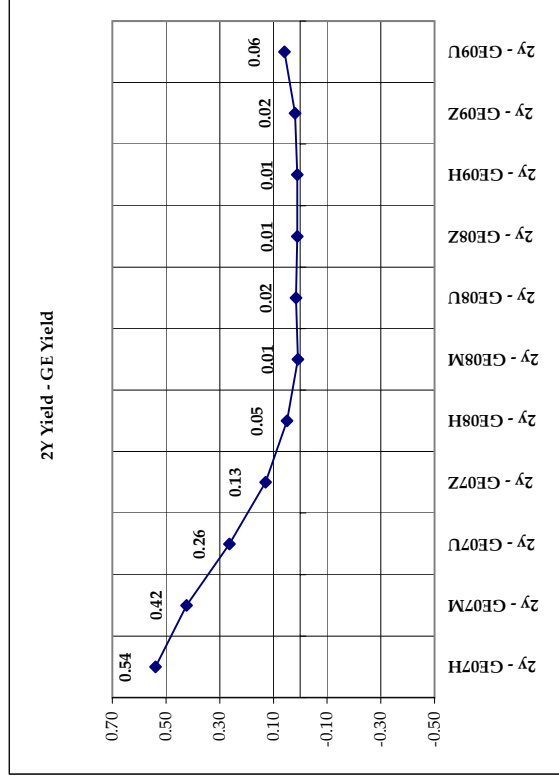
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAH07	5.25	0.54	2y - GE07H
F.EDAM07	5.13	0.42	2y - GE07M
F.EDAU07	4.97	0.26	2y - GE07U
F.EDAZ07	4.84	0.13	2y - GE07Z
F.EDAH08	4.76	0.05	2y - GE08H
F.EDAM08	4.72	0.01	2y - GE08M
F.EDAU08	4.69	0.02	2y - GE08U
F.EDAZ08	4.70	0.01	2y - GE08Z
F.EDAH09	4.70	0.01	2y - GE09H
F.EDAM09	4.73	0.02	2y - GE09Z
F.EDAU09	4.77	0.06	2y - GE09U
F.EDAZ09	4.82	0.11	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	0.188	1.67
F.EDAM07	0.438	1.42
F.EDAU07	0.687	1.17
F.EDAZ07	0.936	0.92
F.EDAH08	1.186	0.67
F.EDAM08	1.435	0.42
F.EDAU08	1.684	0.17
F.EDAZ08	1.934	(0.07)
F.EDAH09	2.183	(0.32)
F.EDAM09	2.432	(0.57)
F.EDAU09	2.682	(0.82)
F.EDAZ09	2.931	(1.07)

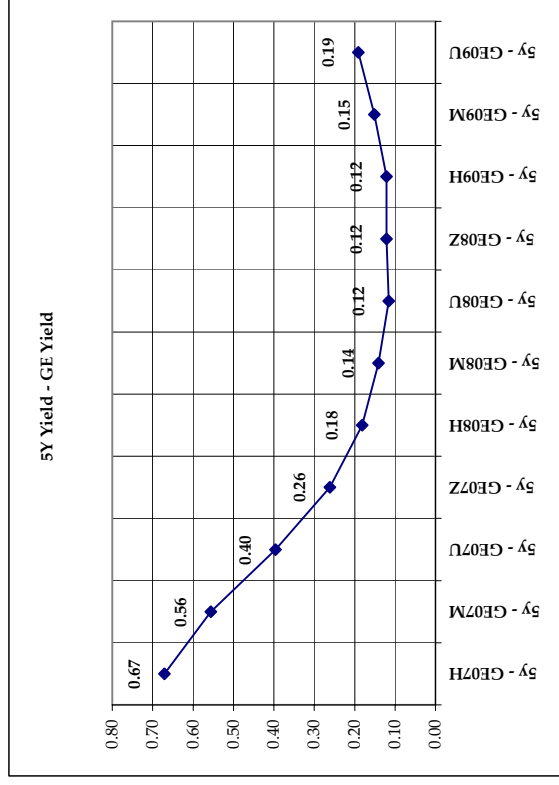
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAH07	5.15	0.67	5y - GE07H
F.EDAM07	5.04	0.56	5y - GE07M
F.EDAU07	4.88	0.40	5y - GE07U
F.EDAZ07	4.74	0.26	5y - GE07Z
F.EDAH08	4.66	0.18	5y - GE08H
F.EDAM08	4.62	0.14	5y - GE08M
F.EDAU08	4.60	0.12	5y - GE08U
F.EDAZ08	4.60	0.12	5y - GE08Z
F.EDAH09	4.60	0.12	5y - GE09H
F.EDAM09	4.63	0.15	5y - GE09M
F.EDAU09	4.67	0.19	5y - GE09U
F.EDAZ09	4.72	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 Duration	Spread Duration
F.EDAH07	0.188	4.20
F.EDAM07	0.438	3.95
F.EDAU07	0.687	3.70
F.EDAZ07	0.936	3.45
F.EDAH08	1.186	3.20
F.EDAM08	1.435	2.96
F.EDAU08	1.684	2.71
F.EDAZ08	1.934	2.46
F.EDAH09	2.183	2.21
F.EDAM09	2.432	1.96
F.EDAU09	2.682	1.71
F.EDAZ09	2.931	1.46

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

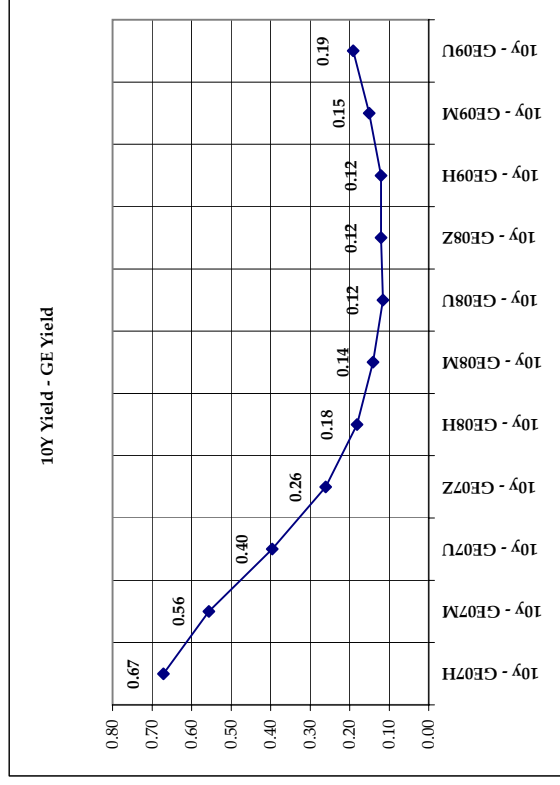
TERM TED: 10y vs Eurodollar Contracts

10y

	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.15	0.67	10y - GE07H
F.EDAM07	5.04	0.56	10y - GE07M
F.EDAU07	4.88	0.40	10y - GE07U
F.EDAZ07	4.74	0.26	10y - GE07Z
F.EDAH08	4.66	0.18	10y - GE08H
F.EDAM08	4.62	0.14	10y - GE08M
F.EDAU08	4.60	0.12	10y - GE08U
F.EDAZ08	4.60	0.12	10y - GE08Z
F.EDAH09	4.60	0.12	10y - GE09H
F.EDAM09	4.63	0.15	10y - GE09M
F.EDAU09	4.67	0.19	10y - GE09U
F.EDAZ09	4.72	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

	Fraction of year	10Y Duration	Spread Duration
F.EDAH07	0.188	7.78	7.59
F.EDAM07	0.438	7.78	7.34
F.EDAU07	0.687	7.78	7.09
F.EDAZ07	0.936	7.78	6.84
F.EDAH08	1.186	7.78	6.59
F.EDAM08	1.435	7.78	6.34
F.EDAU08	1.684	7.78	6.09
F.EDAZ08	1.934	7.78	5.84
F.EDAH09	2.183	7.78	5.60
F.EDAM09	2.432	7.78	5.35
F.EDAU09	2.682	7.78	5.10
F.EDAZ09	2.931	7.78	4.85

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