

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.9281	101.297	4.859
ZF	104.8750	104.280	4.733
ZN	107.2031	107.065	4.744
Blank			
2y	99.797	99.2550	4.860
5y	99.500	99.1600	4.737
10y	98.984	98.3150	4.751

*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	62	0.169	MAR	White Pack
F.EDAM07	94.715	5.285	153	0.419	JUN	
F.EDAU07	94.835	5.165	244	0.668	SEP	
F.EDAZ07	94.955	5.045	335	0.917	DEC	
F.EDAH08	95.030	4.970	426	1.166	MAR	Red Pack
F.EDAM08	95.060	4.940	517	1.416	JUN	
F.EDAU08	95.085	4.915	608	1.665	SEP	
F.EDAZ08	95.080	4.920	699	1.914	DEC	Green Pack
F.EDAH09	95.085	4.915	790	2.164	MAR	
F.EDAM09	95.065	4.935	881	2.413	JUN	
F.EDAU09	95.035	4.965	972	2.662	SEP	
F.EDAZ09	94.990	5.010	1063	2.912	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

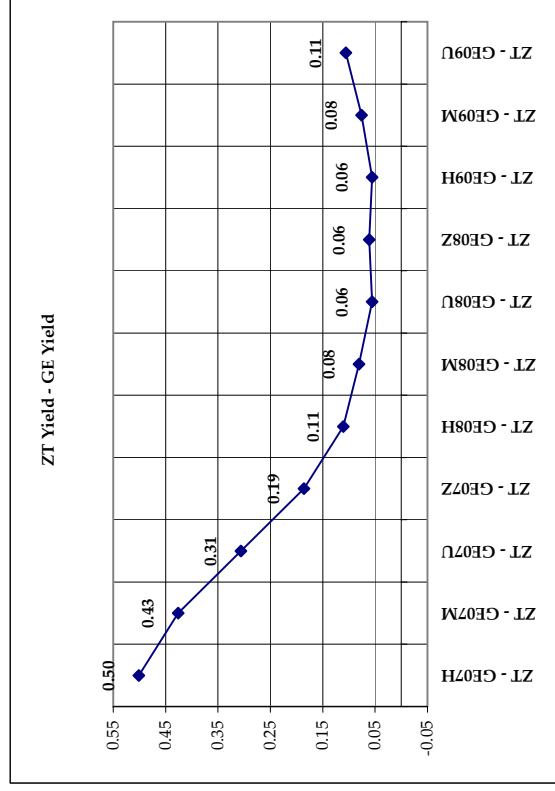
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.288	0.50	ZT - GE07H
F.EDAM07	7.213	0.43	ZT - GE07M
F.EDAU07	7.093	0.31	ZT - GE07U
F.EDAZ07	6.973	0.19	ZT - GE07Z
F.EDAH08	6.898	0.11	ZT - GE08H
F.EDAM08	6.868	0.08	ZT - GE08M
F.EDAU08	6.843	0.06	ZT - GE08U
F.EDAZ08	6.848	0.06	ZT - GE08Z
F.EDAH09	6.843	0.06	ZT - GE09H
F.EDAM09	6.863	0.08	ZT - GE09M
F.EDAU09	6.893	0.11	ZT - GE09U
F.EDAZ09	6.938	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	0.169	1.84	1.67
F.EDAM07	0.419	1.84	1.42
F.EDAU07	0.668	1.84	1.17
F.EDAZ07	0.917	1.84	0.92
F.EDAH08	1.166	1.84	0.67
F.EDAM08	1.416	1.84	0.42
F.EDAU08	1.665	1.84	0.17
F.EDAZ08	1.914	1.84	(0.07)
F.EDAH09	2.164	1.84	(0.32)
F.EDAM09	2.413	1.84	(0.57)
F.EDAU09	2.662	1.84	(0.82)
F.EDAZ09	2.912	1.84	(1.07)

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

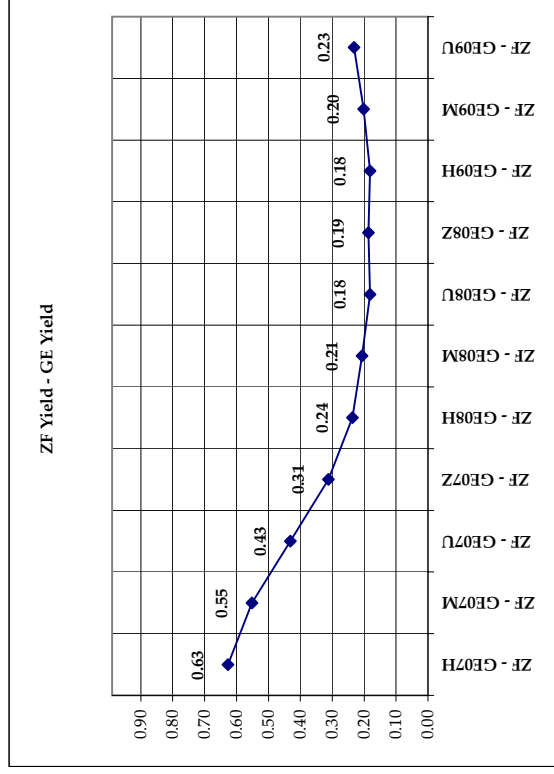
Dirty TED: ZF vs Eurodollar Contracts

ZF

	Spread Price	Spread Yield	Spread Name
F.EDAH07	10.24	0.63	ZF - GE07H
F.EDAM07	10.16	0.55	ZF - GE07M
F.EDAU07	10.04	0.43	ZF - GE07U
F.EDAZ07	9.92	0.31	ZF - GE07Z
F.EDAH08	9.85	0.24	ZF - GE08H
F.EDAM08	9.82	0.21	ZF - GE08M
F.EDAU08	9.79	0.18	ZF - GE08U
F.EDAZ08	9.80	0.19	ZF - GE08Z
F.EDAH09	9.79	0.18	ZF - GE09H
F.EDAM09	9.81	0.20	ZF - GE09M
F.EDAU09	9.84	0.23	ZF - GE09U
F.EDAZ09	9.89	0.28	ZF - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	Fraction of year	ZF Duration	Spread Duration
F.EDAH07	0.169	3.87	3.70
F.EDAM07	0.419	3.87	3.45
F.EDAU07	0.668	3.87	3.20
F.EDAZ07	0.917	3.87	2.96
F.EDAH08	1.166	3.87	2.71
F.EDAM08	1.416	3.87	2.46
F.EDAU08	1.665	3.87	2.21
F.EDAZ08	1.914	3.87	1.96
F.EDAH09	2.164	3.87	1.71
F.EDAM09	2.413	3.87	1.46
F.EDAU09	2.662	3.87	1.21
F.EDAZ09	2.912	3.87	0.96

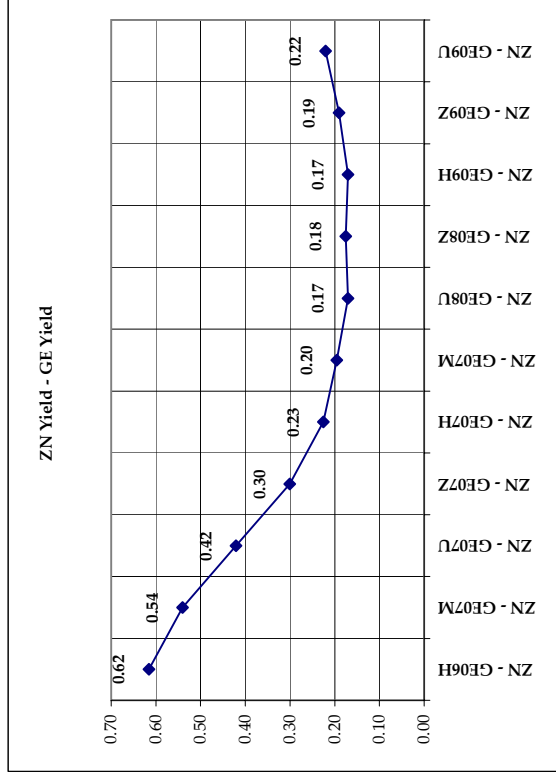
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Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAH07	12.56	0.62	ZN - GE06H
F.EDAM07	12.49	0.54	ZN - GE07M
F.EDAU07	12.37	0.42	ZN - GE07U
F.EDAZ07	12.25	0.30	ZN - GE07Z
F.EDA+H08	12.17	0.23	ZN - GE07H
F.EDAM08	12.14	0.20	ZN - GE07M
F.EDAU08	12.12	0.17	ZN - GE08U
F.EDAZ08	12.12	0.18	ZN - GE08Z
F.EDA+H09	12.12	0.17	ZN - GE09H
F.EDAM09	12.14	0.19	ZN - GE09M
F.EDAU09	12.17	0.22	ZN - GE09U
F.EDAZ09	12.21	0.27	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	0.169	5.63
F.EDAM07	0.419	5.38
F.EDAU07	0.668	5.13
F.EDAZ07	0.917	4.88
F.EDA+H08	1.166	4.63
F.EDAM08	1.416	4.38
F.EDAU08	1.665	4.14
F.EDAZ08	1.914	3.89
F.EDA+H09	2.164	3.64
F.EDAM09	2.413	3.39
F.EDAU09	2.662	3.14
F.EDAZ09	2.912	2.89

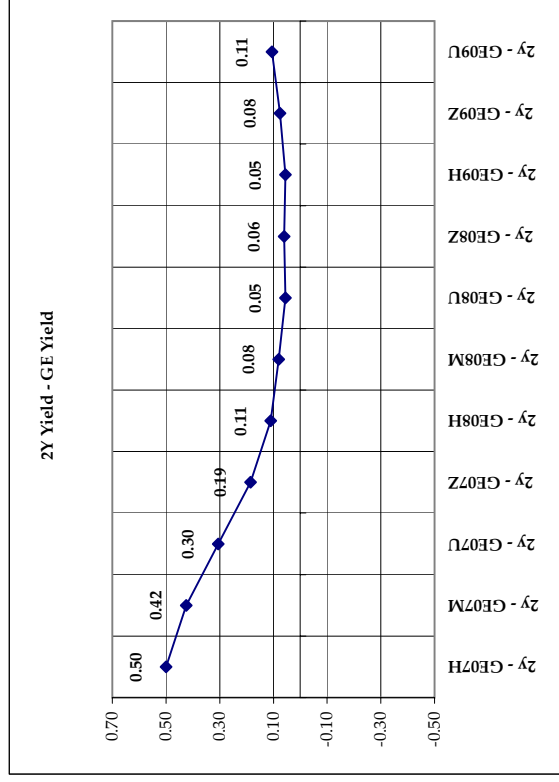
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TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAH07	5.16	0.50	2y - GE07H
F.EDAM07	5.08	0.42	2y - GE07M
F.EDAU07	4.96	0.30	2y - GE07U
F.EDAZ07	4.84	0.19	2y - GE07Z
F.EDAH08	4.77	0.11	2y - GE08H
F.EDAM08	4.74	0.08	2y - GE08M
F.EDAU08	4.71	0.05	2y - GE08U
F.EDAZ08	4.72	0.06	2y - GE08Z
F.EDAH09	4.71	0.05	2y - GE09H
F.EDAM09	4.73	0.08	2y - GE09Z
F.EDAU09	4.76	0.11	2y - GE09U
F.EDAZ09	4.81	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	0.169	1.67
F.EDAM07	0.419	1.42
F.EDAU07	0.668	1.17
F.EDAZ07	0.917	0.92
F.EDAH08	1.166	0.67
F.EDAM08	1.416	0.42
F.EDAU08	1.665	0.17
F.EDAZ08	1.914	(0.07)
F.EDAH09	2.164	(0.32)
F.EDAM09	2.413	(0.57)
F.EDAU09	2.662	(0.82)
F.EDAZ09	2.912	(1.07)

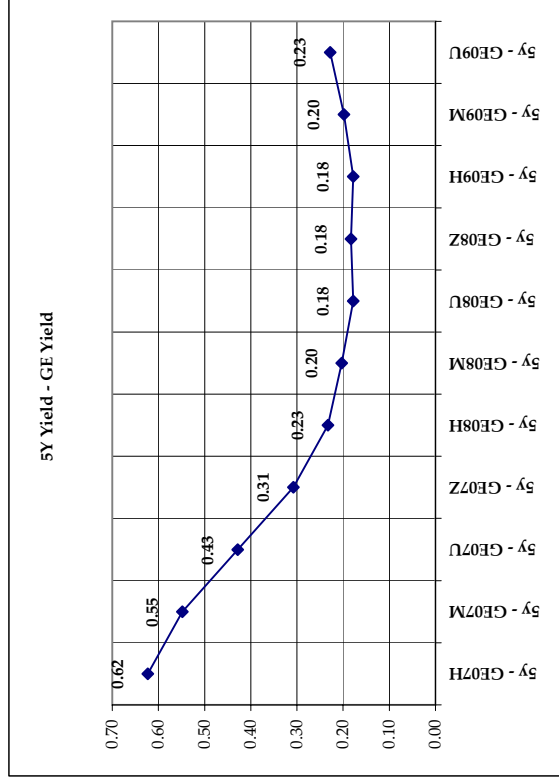
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TERM TED: 5y vs Eurodollar Contracts

	5y	
	Spread Price	Spread Yield
	Price	Name
F.EDAH07	4.86	5y - GE07H
F.EDAM07	4.78	5y - GE07M
F.EDAU07	4.66	5y - GE07U
F.EDAZ07	4.54	5y - GE07Z
F.EDA+H08	4.47	5y - GE08H
F.EDAM08	4.44	5y - GE08M
F.EDAU08	4.41	5y - GE08U
F.EDAZ08	4.42	5y - GE08Z
F.EDA+H09	4.41	5y - GE09H
F.EDAM09	4.43	5y - GE09M
F.EDAU09	4.46	5y - GE09U
F.EDAZ09	4.51	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	0.169	4.20
F.EDAM07	0.419	3.95
F.EDAU07	0.668	3.70
F.EDAZ07	0.917	3.45
F.EDA+H08	1.166	3.20
F.EDAM08	1.416	2.95
F.EDAU08	1.665	2.70
F.EDAZ08	1.914	2.45
F.EDA+H09	2.164	2.21
F.EDAM09	2.413	1.96
F.EDAU09	2.662	1.71
F.EDAZ09	2.912	1.46

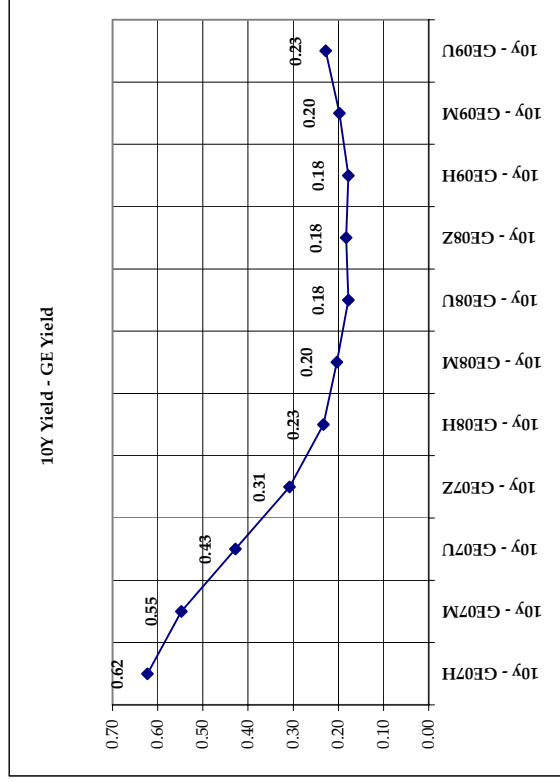
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

		10y	
Spread	Spread	Spread	Spread
Price	Yield	Yield	Name
F.EDAH07	4.86	0.62	10y - GE07H
F.EDAM07	4.78	0.55	10y - GE07M
F.EDAU07	4.66	0.43	10y - GE07U
F.EDAZ07	4.54	0.31	10y - GE07Z
F.EDAH08	4.47	0.23	10y - GE08H
F.EDAM08	4.44	0.20	10y - GE08M
F.EDAU08	4.41	0.18	10y - GE08U
F.EDAZ08	4.42	0.18	10y - GE08Z
F.EDAH09	4.41	0.18	10y - GE09H
F.EDAM09	4.43	0.20	10y - GE09M
F.EDAU09	4.46	0.23	10y - GE09U
F.EDAZ09	4.51	0.27	10y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as		10Y		Spread	
Fraction	Duration	Duration	Duration	Duration	Duration
of year					
F.EDAH07	0.169	7.75	7.58	7.58	10y - GE07H
F.EDAM07	0.419	7.75	7.33	7.33	10y - GE07M
F.EDAU07	0.668	7.75	7.08	7.08	10y - GE07U
F.EDAZ07	0.917	7.75	6.83	6.83	10y - GE07Z
F.EDAH08	1.166	7.75	6.58	6.58	10y - GE08H
F.EDAM08	1.416	7.75	6.33	6.33	10y - GE08M
F.EDAU08	1.665	7.75	6.08	6.08	10y - GE08U
F.EDAZ08	1.914	7.75	5.83	5.83	10y - GE08Z
F.EDAH09	2.164	7.75	5.58	5.58	10y - GE09H
F.EDAM09	2.413	7.75	5.34	5.34	10y - GE09M
F.EDAU09	2.662	7.75	5.09	5.09	10y - GE09U
F.EDAZ09	2.912	7.75	4.84	4.84	10y - GE09U

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