

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	101.9375	101.300	4.855
ZF	104.9375	104.300	4.721
ZN	107.3281	107.105	4.723
Blank			
2y	99.803	99.2570	4.851
5y	99.553	99.1770	4.725
10y	99.094	99.0300	4.739

*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	94.645	5.355	61	0.167	MAR	White Pack
F.EDAM07	94.720	5.280	152	0.416	JUN	
F.EDAU07	94.840	5.160	243	0.665	SEP	
F.EDAZ07	94.965	5.035	334	0.914	DEC	
F.EDAH08	95.040	4.960	425	1.164	MAR	Red Pack
F.EDAM08	95.070	4.930	516	1.413	JUN	
F.EDAU08	95.090	4.910	607	1.662	SEP	
F.EDAZ08	95.090	4.910	698	1.912	DEC	Green Pack
F.EDAH09	95.095	4.905	789	2.161	MAR	
F.EDAM09	95.075	4.925	880	2.410	JUN	
F.EDAU09	95.030	4.970	971	2.660	SEP	
F.EDAZ09	95.000	5.000	1062	2.909	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

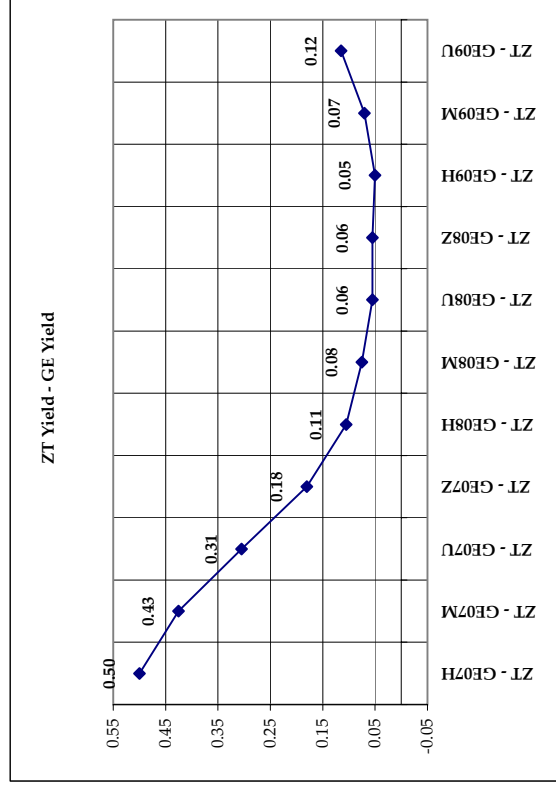
	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.292	0.50	ZT - GE07H
F.EDAM07	7.217	0.43	ZT - GE07M
F.EDAU07	7.097	0.31	ZT - GE07U
F.EDAZ07	6.972	0.18	ZT - GE07Z
F.EDAH08	6.897	0.11	ZT - GE08H
F.EDAM08	6.867	0.08	ZT - GE08M
F.EDAU08	6.847	0.06	ZT - GE08U
F.EDAZ08	6.847	0.06	ZT - GE08Z
F.EDAH09	6.842	0.05	ZT - GE09H
F.EDAM09	6.862	0.07	ZT - GE09M
F.EDAU09	6.907	0.12	ZT - GE09U
F.EDAZ09	6.937	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	ZT		Spread	
	Duration	Yield	Duration	Yield
F.EDAH07	0.167	1.84	1.67	ZT - GE07H
F.EDAM07	0.416	1.84	1.42	ZT - GE07M
F.EDAU07	0.665	1.84	1.17	ZT - GE07U
F.EDAZ07	0.914	1.84	0.92	ZT - GE07Z
F.EDAH08	1.164	1.84	0.67	ZT - GE08H
F.EDAM08	1.413	1.84	0.42	ZT - GE08M
F.EDAU08	1.662	1.84	0.17	ZT - GE08U
F.EDAZ08	1.912	1.84	(0.07)	ZT - GE08Z
F.EDAH09	2.161	1.84	(0.32)	ZT - GE09H
F.EDAM09	2.410	1.84	(0.57)	ZT - GE09M
F.EDAU09	2.660	1.84	(0.82)	ZT - GE09U
F.EDAZ09	2.909	1.84	(1.07)	ZT - GE09Z

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



Dirty TED: ZF vs Eurodollar Contracts

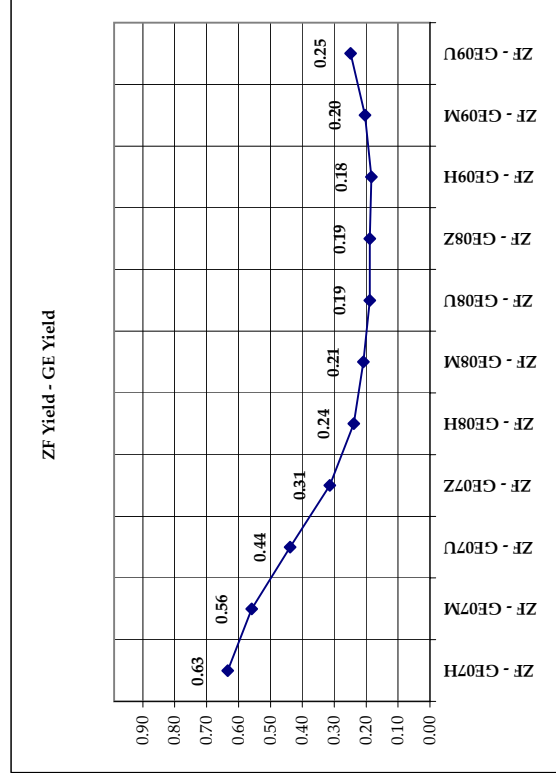
ZF

Spread Price Spread Spread

	Price	Yield	Name
F.EDAH07	10.29	0.63	ZF - GE07H
F.EDAM07	10.22	0.56	ZF - GE07M
F.EDAU07	10.10	0.44	ZF - GE07U
F.EDAZ07	9.97	0.31	ZF - GE07Z
F.EDAH08	9.90	0.24	ZF - GE08H
F.EDAM08	9.87	0.21	ZF - GE08M
F.EDAU08	9.85	0.19	ZF - GE08U
F.EDAZ08	9.85	0.19	ZF - GE08Z
F.EDAH09	9.84	0.18	ZF - GE09H
F.EDAM09	9.86	0.20	ZF - GE09M
F.EDAU09	9.91	0.25	ZF - GE09U
F.EDAZ09	9.94	0.28	ZF - GE09Z

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	Duration	ZF Duration	Spread Duration
F.EDAH07	0.167	3.87	3.70
F.EDAM07	0.416	3.87	3.45
F.EDAU07	0.665	3.87	3.21
F.EDAZ07	0.914	3.87	2.96
F.EDAH08	1.164	3.87	2.71
F.EDAM08	1.413	3.87	2.46
F.EDAU08	1.662	3.87	2.21
F.EDAZ08	1.912	3.87	1.96
F.EDAH09	2.161	3.87	1.71
F.EDAM09	2.410	3.87	1.46
F.EDAU09	2.660	3.87	1.21
F.EDAZ09	2.909	3.87	0.96

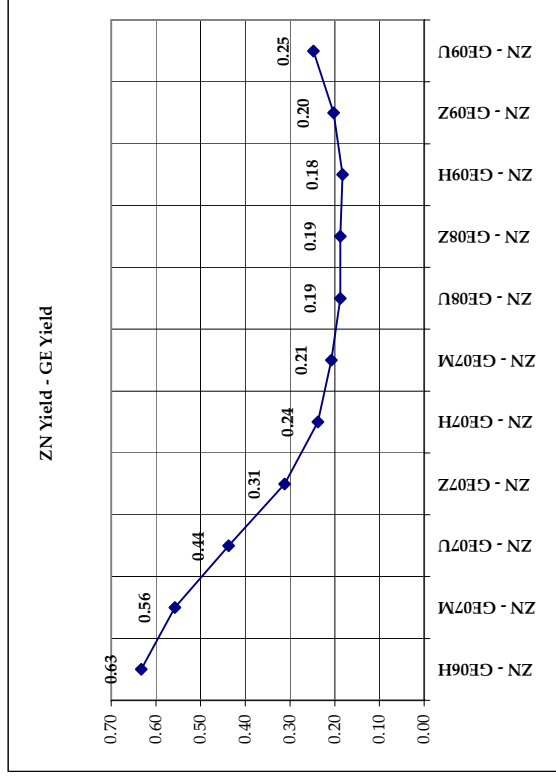
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAH07	12.68	0.63	ZN - GE06H
F.EDAM07	12.61	0.56	ZN - GE07M
F.EDAU07	12.49	0.44	ZN - GE07U
F.EDAZ07	12.36	0.31	ZN - GE07Z
F.EDAH08	12.29	0.24	ZN - GE07H
F.EDAM08	12.26	0.21	ZN - GE07M
F.EDAU08	12.24	0.19	ZN - GE08U
F.EDAZ08	12.24	0.19	ZN - GE08Z
F.EDAH09	12.23	0.18	ZN - GE09H
F.EDAM09	12.25	0.20	ZN - GE09M
F.EDAU09	12.30	0.25	ZN - GE09U
F.EDAZ09	12.33	0.28	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	0.167	5.63
F.EDAM07	0.416	5.38
F.EDAU07	0.665	5.13
F.EDAZ07	0.914	4.88
F.EDAH08	1.164	4.64
F.EDAM08	1.413	4.39
F.EDAU08	1.662	4.14
F.EDAZ08	1.912	3.89
F.EDAH09	2.161	3.64
F.EDAM09	2.410	3.39
F.EDAU09	2.660	3.14
F.EDAZ09	2.909	2.89

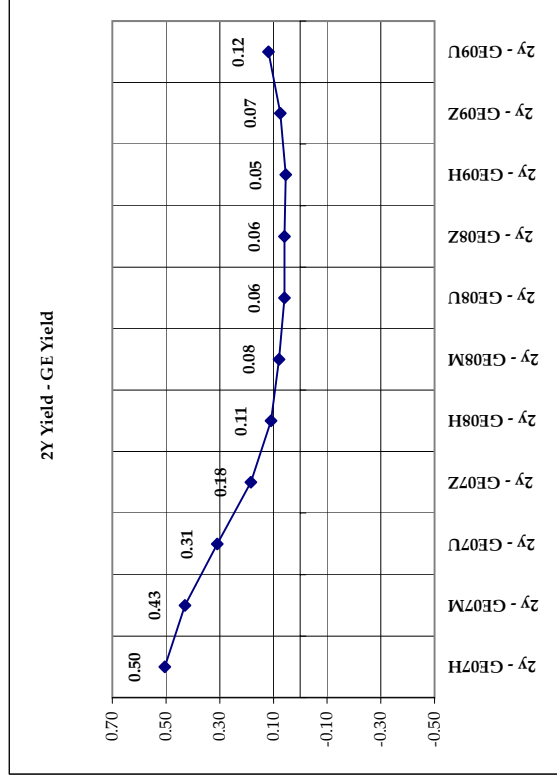
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.16	0.50	2y - GE07H
F.EDAM07	5.08	0.43	2y - GE07M
F.EDAU07	4.96	0.31	2y - GE07U
F.EDAZ07	4.84	0.18	2y - GE07Z
F.EDAH08	4.76	0.11	2y - GE08H
F.EDAM08	4.73	0.08	2y - GE08M
F.EDAU08	4.71	0.06	2y - GE08U
F.EDAZ08	4.71	0.06	2y - GE08Z
F.EDAH09	4.71	0.05	2y - GE09H
F.EDAM09	4.73	0.07	2y - GE09Z
F.EDAU09	4.77	0.12	2y - GE09U
F.EDAZ09	4.80	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	0.167	1.67
F.EDAM07	0.416	1.42
F.EDAU07	0.665	1.17
F.EDAZ07	0.914	0.92
F.EDAH08	1.164	0.67
F.EDAM08	1.413	0.42
F.EDAU08	1.662	0.17
F.EDAZ08	1.912	0.07
F.EDAH09	2.161	0.32
F.EDAM09	2.410	0.57
F.EDAU09	2.660	0.82
F.EDAZ09	2.909	1.07

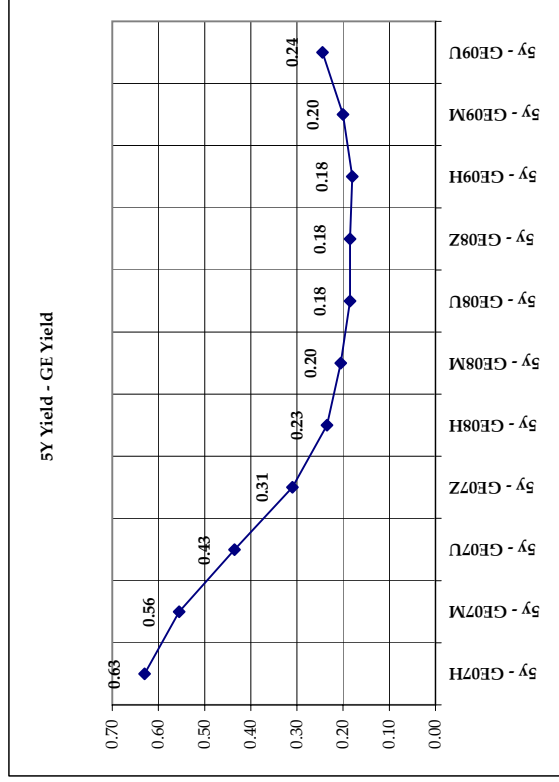
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	5y Spread Price	5y Spread Yield	5y Spread Name
F.EDAH07	4.91	0.63	5y - GE07H
F.EDAM07	4.83	0.56	5y - GE07M
F.EDAU07	4.71	0.43	5y - GE07U
F.EDAZ07	4.59	0.31	5y - GE07Z
F.EDAH08	4.51	0.23	5y - GE08H
F.EDAM08	4.48	0.20	5y - GE08M
F.EDAU08	4.46	0.18	5y - GE08U
F.EDAZ08	4.46	0.18	5y - GE08Z
F.EDAH09	4.46	0.18	5y - GE09H
F.EDAM09	4.48	0.20	5y - GE09M
F.EDAU09	4.52	0.24	5y - GE09U
F.EDAZ09	4.55	0.27	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	5Y Spread
F.EDAH07	0.167	4.20
F.EDAM07	0.416	3.95
F.EDAU07	0.665	3.70
F.EDAZ07	0.914	3.45
F.EDAH08	1.164	3.20
F.EDAM08	1.413	2.95
F.EDAU08	1.662	2.70
F.EDAZ08	1.912	2.46
F.EDAH09	2.161	2.21
F.EDAM09	2.410	1.96
F.EDAU09	2.660	1.71
F.EDAZ09	2.909	1.46

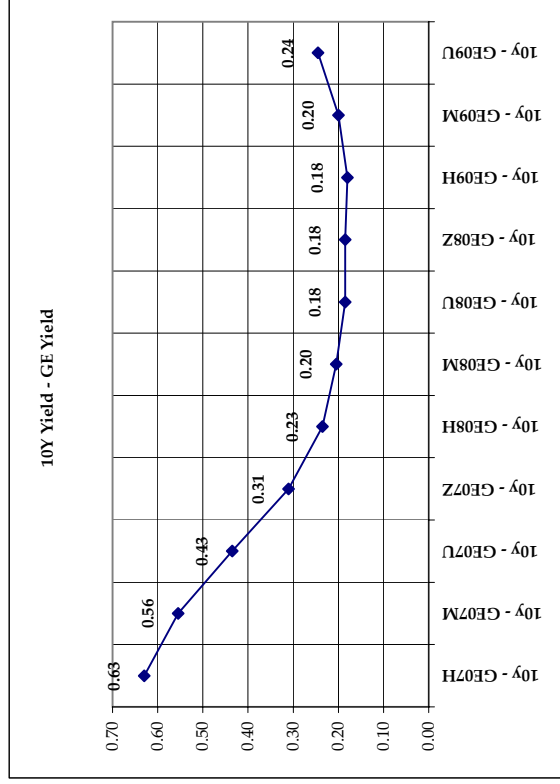
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

		10y	
Spread	Spread	Spread	Spread
Price	Yield	Yield	Name
F.EDAH07	4.91	0.63	10y - GE07H
F.EDAM07	4.83	0.56	10y - GE07M
F.EDAU07	4.71	0.43	10y - GE07U
F.EDAZ07	4.59	0.31	10y - GE07Z
F.EDA+08	4.51	0.23	10y - GE08H
F.EDAM08	4.48	0.20	10y - GE08M
F.EDAU08	4.46	0.18	10y - GE08U
F.EDAZ08	4.46	0.18	10y - GE08Z
F.EDA+09	4.46	0.18	10y - GE09H
F.EDAM09	4.48	0.20	10y - GE09M
F.EDAU09	4.52	0.24	10y - GE09U
F.EDAZ09	4.55	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	0.167	7.75	7.58	10y - GE07H	7.58
F.EDAM07	0.416	7.75	7.33	10y - GE07M	7.33
F.EDAU07	0.665	7.75	7.08	10y - GE07U	7.08
F.EDAZ07	0.914	7.75	6.83	10y - GE07Z	6.83
F.EDA+08	1.164	7.75	6.58	10y - GE08H	6.58
F.EDAM08	1.413	7.75	6.33	10y - GE08M	6.33
F.EDAU08	1.662	7.75	6.08	10y - GE08U	6.08
F.EDAZ08	1.912	7.75	5.84	10y - GE08Z	5.84
F.EDA+09	2.161	7.75	5.59	10y - GE09H	5.59
F.EDAM09	2.410	7.75	5.34	10y - GE09M	5.34
F.EDAU09	2.660	7.75	5.09	10y - GE09U	5.09
F.EDAZ09	2.909	7.75	4.84	10y - GE09U	4.84

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