

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.8906	101.285	4.877
ZF	104.8594	104.275	4.735
ZN	107.2656	107.085	4.704
Blank			
2y	99.766	99.2450	4.877
5y	99.484	99.1550	4.739
10y	99.063	99.0200	4.743

*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	59	0.161	MAR	White Pack
F.EDAM07	94.705	5.295	150	0.410	JUN	
F.EDAU07	94.820	5.180	241	0.660	SEP	
F.EDAZ07	94.935	5.065	332	0.909	DEC	
F.EDAH08	95.005	4.995	423	1.158	MAR	Red Pack
F.EDAM08	95.040	4.960	514	1.408	JUN	
F.EDAU08	95.065	4.935	605	1.657	SEP	
F.EDAZ08	95.070	4.930	696	1.906	DEC	Green Pack
F.EDAH09	95.085	4.915	787	2.156	MAR	
F.EDAM09	95.070	4.930	878	2.405	JUN	
F.EDAU09	95.035	4.965	969	2.654	SEP	
F.EDAZ09	95.015	4.985	1060	2.903	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:

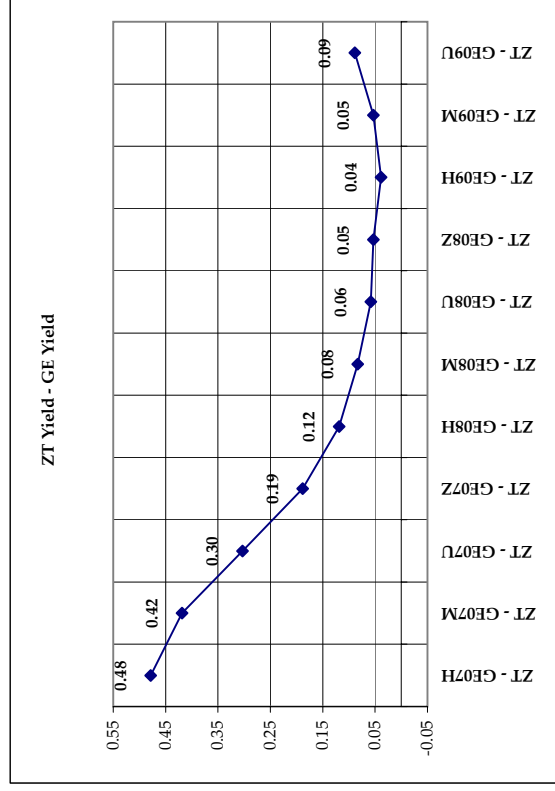
Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZT vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.246	0.48	ZT - GE07H
F.EDAM07	7.186	0.42	ZT - GE07M
F.EDAU07	7.071	0.30	ZT - GE07U
F.EDAZ07	6.956	0.19	ZT - GE07Z
F.EDAH08	6.886	0.12	ZT - GE08H
F.EDAM08	6.851	0.08	ZT - GE08M
F.EDAU08	6.826	0.06	ZT - GE08U
F.EDAZ08	6.821	0.05	ZT - GE08Z
F.EDAH09	6.806	0.04	ZT - GE09H
F.EDAM09	6.821	0.05	ZT - GE09M
F.EDAU09	6.856	0.09	ZT - GE09U
F.EDAZ09	6.876	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	0.161	1.83	1.67
F.EDAM07	0.410	1.83	1.42
F.EDAU07	0.660	1.83	1.17
F.EDAZ07	0.909	1.83	0.92
F.EDAH08	1.158	1.83	0.67
F.EDAM08	1.408	1.83	0.42
F.EDAU08	1.657	1.83	0.17
F.EDAZ08	1.906	1.83	(0.08)
F.EDAH09	2.156	1.83	(0.33)
F.EDAM09	2.405	1.83	(0.58)
F.EDAU09	2.654	1.83	(0.83)
F.EDAZ09	2.903	1.83	(1.08)

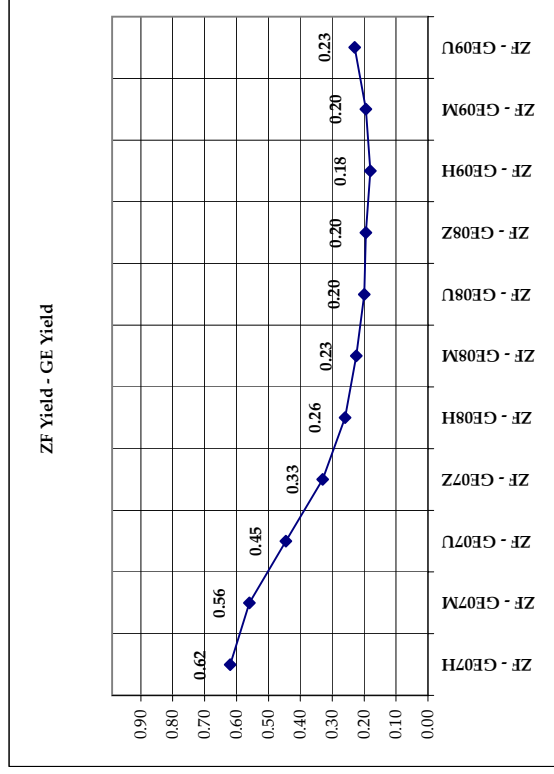
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF		ZF	
	Spread Price	Spread Yield	Spread Name	Spread Name
F.EDAH07	10.21	0.62	ZF - GE07H	ZF - GE07H
F.EDAM07	10.15	0.56	ZF - GE07M	ZF - GE07M
F.EDAU07	10.04	0.45	ZF - GE07U	ZF - GE07U
F.EDAZ07	9.92	0.33	ZF - GE07Z	ZF - GE07Z
F.EDAH08	9.85	0.26	ZF - GE08H	ZF - GE08H
F.EDAM08	9.82	0.23	ZF - GE08M	ZF - GE08M
F.EDAU08	9.79	0.20	ZF - GE08U	ZF - GE08U
F.EDAZ08	9.79	0.20	ZF - GE08Z	ZF - GE08Z
F.EDAH09	9.77	0.18	ZF - GE09H	ZF - GE09H
F.EDAM09	9.79	0.20	ZF - GE09M	ZF - GE09M
F.EDAU09	9.82	0.23	ZF - GE09U	ZF - GE09U
F.EDAZ09	9.84	0.25	ZF - GE09Z	ZF - GE09Z

Price = Outright Decimal Price - Euro Contract Price

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



	ZF		ZF	
	GE Duration as Fraction of year	Duration	Spread Duration	Duration
F.EDAH07	0.161	3.86	3.70	ZF - GE07H
F.EDAM07	0.410	3.86	3.45	ZF - GE07M
F.EDAU07	0.660	3.86	3.20	ZF - GE07U
F.EDAZ07	0.909	3.86	2.95	ZF - GE07Z
F.EDAH08	1.158	3.86	2.70	ZF - GE08H
F.EDAM08	1.408	3.86	2.45	ZF - GE08M
F.EDAU08	1.657	3.86	2.20	ZF - GE08U
F.EDAZ08	1.906	3.86	1.95	ZF - GE08Z
F.EDAH09	2.156	3.86	1.70	ZF - GE09H
F.EDAM09	2.405	3.86	1.45	ZF - GE09M
F.EDAU09	2.654	3.86	1.20	ZF - GE09U
F.EDAZ09	2.903	3.86	0.96	ZF - GE09Z

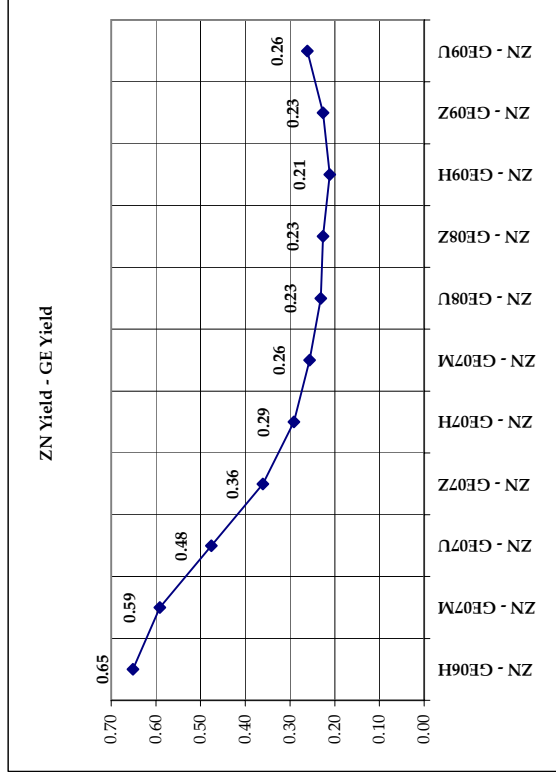
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Yield	Spread Yield	Spread Name
F.EDAH07	12.62	0.65	ZN - GE06H	
F.EDAM07	12.56	0.59	ZN - GE07M	
F.EDAU07	12.45	0.48	ZN - GE07U	
F.EDAZ07	12.33	0.36	ZN - GE07Z	
F.EDAH08	12.26	0.29	ZN - GE07H	
F.EDAM08	12.23	0.26	ZN - GE07M	
F.EDAU08	12.20	0.23	ZN - GE08U	
F.EDAZ08	12.20	0.23	ZN - GE08Z	
F.EDAH09	12.18	0.21	ZN - GE09H	
F.EDAM09	12.20	0.23	ZN - GE09M	
F.EDAU09	12.23	0.26	ZN - GE09U	
F.EDAZ09	12.25	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

	Fraction of year	ZN Duration	Spread Duration
F.EDAH07	0.161	5.79	5.63
F.EDAM07	0.410	5.79	5.38
F.EDAU07	0.660	5.79	5.13
F.EDAZ07	0.909	5.79	4.88
F.EDAH08	1.158	5.79	4.63
F.EDAM08	1.408	5.79	4.38
F.EDAU08	1.657	5.79	4.13
F.EDAZ08	1.906	5.79	3.88
F.EDAH09	2.156	5.79	3.63
F.EDAM09	2.405	5.79	3.38
F.EDAU09	2.654	5.79	3.13
F.EDAZ09	2.903	5.79	2.89

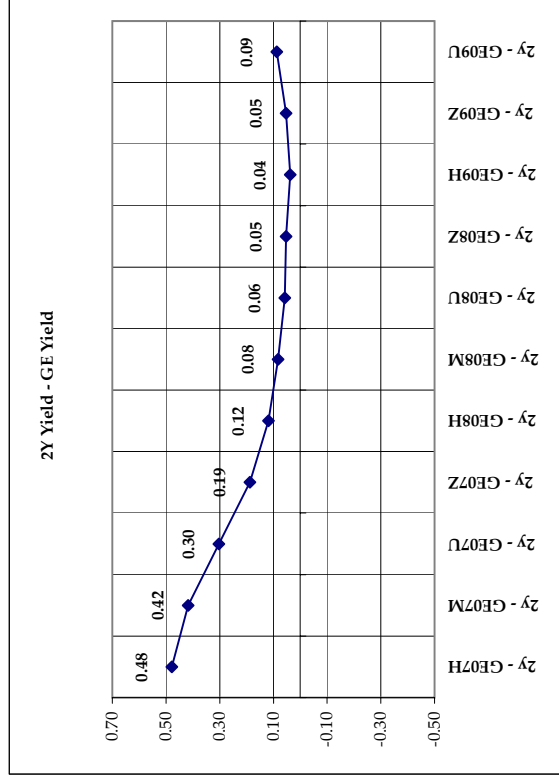
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAH07	5.12	0.48	2y - GE07H
F.EDAM07	5.06	0.42	2y - GE07M
F.EDAU07	4.95	0.30	2y - GE07U
F.EDAZ07	4.83	0.19	2y - GE07Z
F.EDAH08	4.76	0.12	2y - GE08H
F.EDAM08	4.73	0.08	2y - GE08M
F.EDAU08	4.70	0.06	2y - GE08U
F.EDAZ08	4.70	0.05	2y - GE08Z
F.EDAH09	4.68	0.04	2y - GE09H
F.EDAM09	4.70	0.05	2y - GE09Z
F.EDAU09	4.73	0.09	2y - GE09U
F.EDAZ09	4.75	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	0.161	1.67
F.EDAM07	0.410	1.42
F.EDAU07	0.660	1.17
F.EDAZ07	0.909	0.92
F.EDAH08	1.158	0.67
F.EDAM08	1.408	0.42
F.EDAU08	1.657	0.17
F.EDAZ08	1.906	(0.08)
F.EDAH09	2.156	(0.33)
F.EDAM09	2.405	(0.58)
F.EDAU09	2.654	(0.83)
F.EDAZ09	2.903	(1.08)

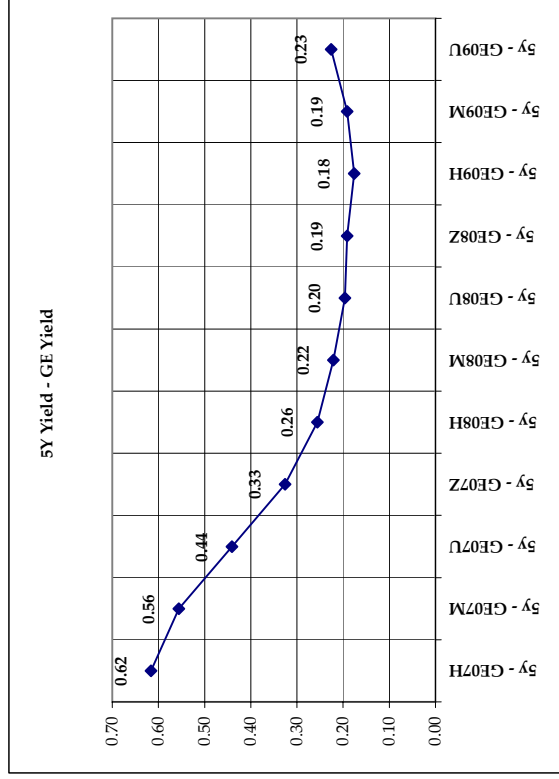
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAH07	4.84	0.62	5y - GE07H
F.EDAM07	4.78	0.56	5y - GE07M
F.EDAU07	4.66	0.44	5y - GE07U
F.EDAZ07	4.55	0.33	5y - GE07Z
F.EDAH08	4.48	0.26	5y - GE08H
F.EDAM08	4.44	0.22	5y - GE08M
F.EDAU08	4.42	0.20	5y - GE08U
F.EDAZ08	4.41	0.19	5y - GE08Z
F.EDAH09	4.40	0.18	5y - GE09H
F.EDAM09	4.41	0.19	5y - GE09M
F.EDAU09	4.45	0.23	5y - GE09U
F.EDAZ09	4.47	0.25	5y - GE09U

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	0.161	4.36	4.19
F.EDAM07	0.410	4.36	3.95
F.EDAU07	0.660	4.36	3.70
F.EDAZ07	0.909	4.36	3.45
F.EDAH08	1.158	4.36	3.20
F.EDAM08	1.408	4.36	2.95
F.EDAU08	1.657	4.36	2.70
F.EDAZ08	1.906	4.36	2.45
F.EDAH09	2.156	4.36	2.20
F.EDAM09	2.405	4.36	1.95
F.EDAU09	2.654	4.36	1.70
F.EDAZ09	2.903	4.36	1.45

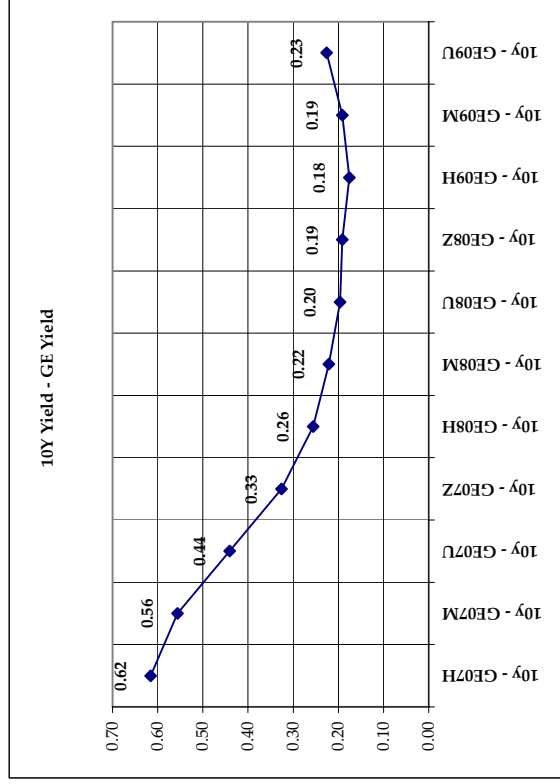
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TERM TED: 10y vs Eurodollar Contracts

10y Spread		10y Spread		10y Spread	
Price	Yield	Price	Yield	Price	Yield
F.EDAH07	4.84	0.62	10y - GE07H		
F.EDAM07	4.78	0.56	10y - GE07M		
F.EDAU07	4.66	0.44	10y - GE07U		
F.EDAZ07	4.55	0.33	10y - GE07Z		
F.EDAH08	4.48	0.26	10y - GE08H		
F.EDAM08	4.44	0.22	10y - GE08M		
F.EDAU08	4.42	0.20	10y - GE08U		
F.EDAZ08	4.41	0.19	10y - GE08Z		
F.EDAH09	4.40	0.18	10y - GE09H		
F.EDAM09	4.41	0.19	10y - GE09M		
F.EDAU09	4.45	0.23	10y - GE09U		
F.EDAZ09	4.47	0.25	10y - GE09U		

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	
Fraction of year	Duration	Duration	Duration	Spread	Duration
F.EDAH07	0.161	7.74	7.58	10y - GE07H	
F.EDAM07	0.410	7.74	7.33	10y - GE07M	
F.EDAU07	0.660	7.74	7.08	10y - GE07U	
F.EDAZ07	0.909	7.74	6.83	10y - GE07Z	
F.EDAH08	1.158	7.74	6.58	10y - GE08H	
F.EDAM08	1.408	7.74	6.33	10y - GE08M	
F.EDAU08	1.657	7.74	6.08	10y - GE08U	
F.EDAZ08	1.906	7.74	5.83	10y - GE08Z	
F.EDAH09	2.156	7.74	5.58	10y - GE09H	
F.EDAM09	2.405	7.74	5.33	10y - GE09M	
F.EDAU09	2.654	7.74	5.08	10y - GE09U	
F.EDAZ09	2.903	7.74	4.83	10y - GE09U	

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