

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	101.7813	101.250	4.937
ZF	104.5938	104.190	4.803
ZN	106.8594	106.275	4.801
Blank			
2y	99.647	99.2070	4.938
5y	99.194	99.0620	4.804
10y	98.594	98.1900	4.804

*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	94.635	5.365	54	0.147	MAR	White Pack
F.EDAM07	94.655	5.345	145	0.397	JUN	
F.EDAU07	94.750	5.250	236	0.646	SEP	
F.EDAZ07	94.865	5.135	327	0.895	DEC	
F.EDAH08	94.950	5.050	418	1.145	MAR	Red Pack
F.EDAM08	94.995	5.005	509	1.394	JUN	
F.EDAU08	95.025	4.975	600	1.643	SEP	
F.EDAZ08	95.025	4.975	691	1.893	DEC	Green Pack
F.EDAH09	95.035	4.965	782	2.142	MAR	
F.EDAM09	95.020	4.980	873	2.391	JUN	
F.EDAU09	95.000	5.000	964	2.640	SEP	
F.EDAZ09	94.960	5.040	1055	2.890	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

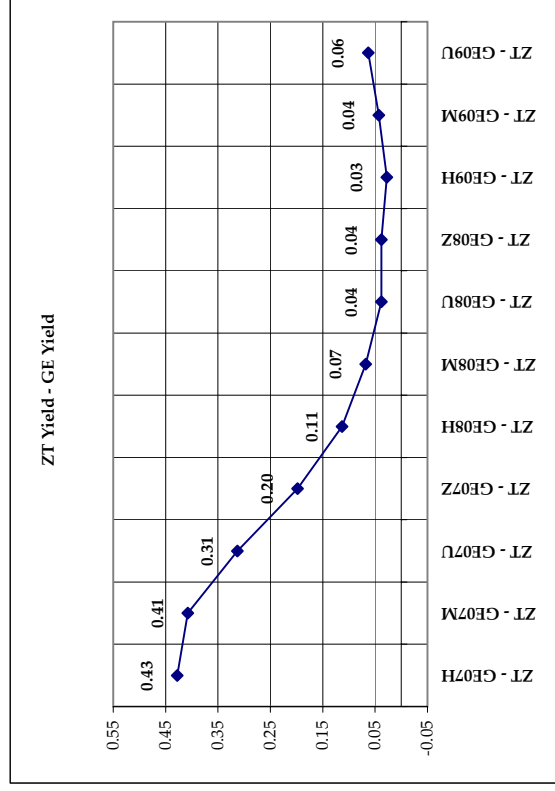
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.146	0.43	ZT - GE07H
F.EDAM07	7.126	0.41	ZT - GE07M
F.EDAU07	7.031	0.31	ZT - GE07U
F.EDAZ07	6.916	0.20	ZT - GE07Z
F.EDAH08	6.831	0.11	ZT - GE08H
F.EDAM08	6.786	0.07	ZT - GE08M
F.EDAU08	6.756	0.04	ZT - GE08U
F.EDAZ08	6.756	0.04	ZT - GE08Z
F.EDAH09	6.746	0.03	ZT - GE09H
F.EDAM09	6.761	0.04	ZT - GE09M
F.EDAU09	6.781	0.06	ZT - GE09U
F.EDAZ09	6.821	0.10	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	0.147	1.82	1.67
F.EDAM07	0.397	1.82	1.42
F.EDAU07	0.646	1.82	1.17
F.EDAZ07	0.895	1.82	0.92
F.EDAH08	1.145	1.82	0.67
F.EDAM08	1.394	1.82	0.42
F.EDAU08	1.643	1.82	0.17
F.EDAZ08	1.893	1.82	(0.08)
F.EDAH09	2.142	1.82	(0.32)
F.EDAM09	2.391	1.82	(0.57)
F.EDAU09	2.640	1.82	(0.82)
F.EDAZ09	2.890	1.82	(1.07)

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

Dirty TED: ZF vs Eurodollar Contracts

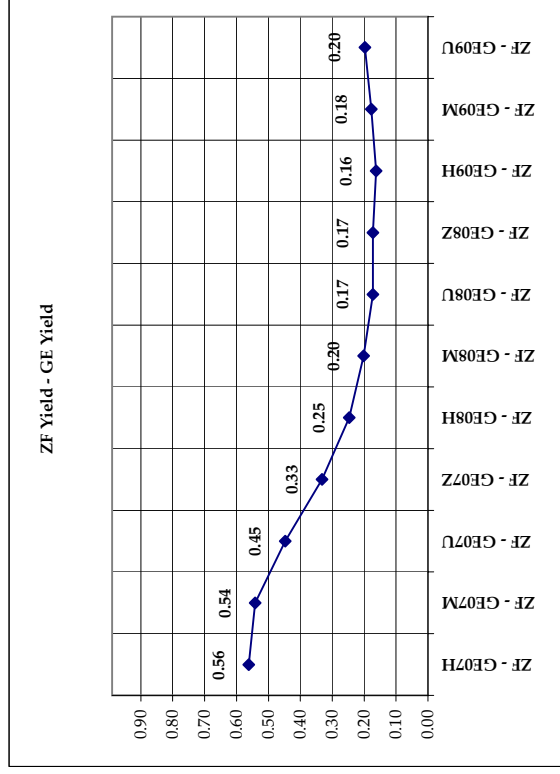
	ZF	
	Spread Price	Spread Yield
	Price	Name
F.EDAH07	9.96	ZF - GE07H
F.EDAM07	9.94	ZF - GE07M
F.EDAU07	9.84	ZF - GE07U
F.EDAZ07	9.73	ZF - GE07Z
F.EDAH08	9.64	ZF - GE08H
F.EDAM08	9.60	ZF - GE08M
F.EDAU08	9.57	ZF - GE08U
F.EDAZ08	9.57	ZF - GE08Z
F.EDAH09	9.56	ZF - GE09H
F.EDAM09	9.57	ZF - GE09M
F.EDAU09	9.59	ZF - GE09U
F.EDAZ09	9.63	ZF - GE09U

Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year	ZF	
	Duration	Spread Duration
F.EDAH07	0.147	3.70
F.EDAM07	0.397	3.45
F.EDAU07	0.646	3.20
F.EDAZ07	0.895	2.95
F.EDAH08	1.145	2.70
F.EDAM08	1.394	2.46
F.EDAU08	1.643	2.21
F.EDAZ08	1.893	1.96
F.EDAH09	2.142	1.71
F.EDAM09	2.391	1.46
F.EDAU09	2.640	1.21
F.EDAZ09	2.890	0.96

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

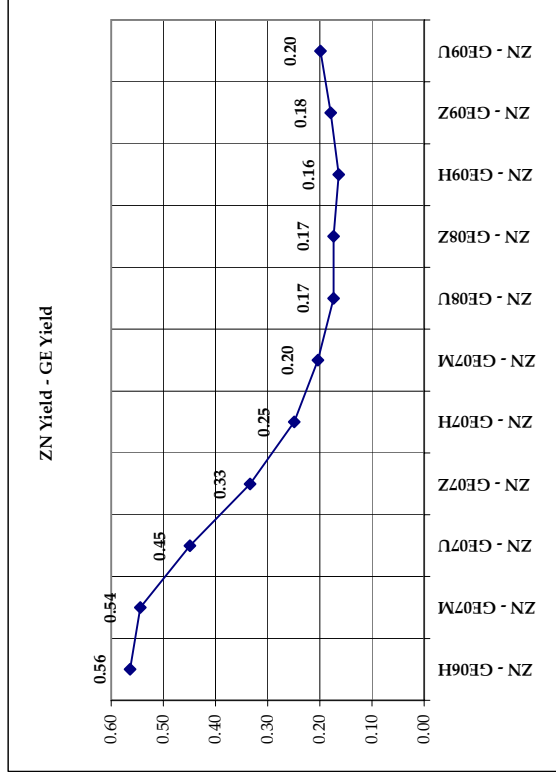


Dirty TED: ZN vs Eurodollar Contracts

Spread		ZN	
Price	Yield	Spread	Yield
Contract Name	Contract Name	Contract Name	Contract Name
F.EDAH07	12.22	0.56	ZN - GE06H
F.EDAM07	12.20	0.54	ZN - GE07M
F.EDAU07	12.11	0.45	ZN - GE07U
F.EDAZ07	11.99	0.33	ZN - GE07Z
F.EDA+H08	11.91	0.25	ZN - GE07H
F.EDAM08	11.86	0.20	ZN - GE07M
F.EDAU08	11.83	0.17	ZN - GE08U
F.EDAZ08	11.83	0.17	ZN - GE08Z
F.EDA+H09	11.82	0.16	ZN - GE09H
F.EDAM09	11.84	0.18	ZN - GE09Z
F.EDAU09	11.86	0.20	ZN - GE09U
F.EDAZ09	11.90	0.24	ZN - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as		ZN		Spread	
Fraction	Duration	Fraction	Duration	Fraction	Duration
of year	of year	of year	of year	of year	of year
F.EDAH07	0.147	5.78	5.63	ZN - GE06H	5.63
F.EDAM07	0.397	5.78	5.38	ZN - GE07M	5.38
F.EDAU07	0.646	5.78	5.13	ZN - GE07U	5.13
F.EDAZ07	0.895	5.78	4.88	ZN - GE07Z	4.88
F.EDA+H08	1.145	5.78	4.63	ZN - GE07H	4.63
F.EDAM08	1.394	5.78	4.38	ZN - GE07M	4.38
F.EDAU08	1.643	5.78	4.13	ZN - GE08U	4.13
F.EDAZ08	1.893	5.78	3.88	ZN - GE08Z	3.88
F.EDA+H09	2.142	5.78	3.63	ZN - GE09H	3.63
F.EDAM09	2.391	5.78	3.38	ZN - GE09Z	3.38
F.EDAU09	2.640	5.78	3.13	ZN - GE09U	3.13
F.EDAZ09	2.890	5.78	2.89	ZN - GE09U	2.89

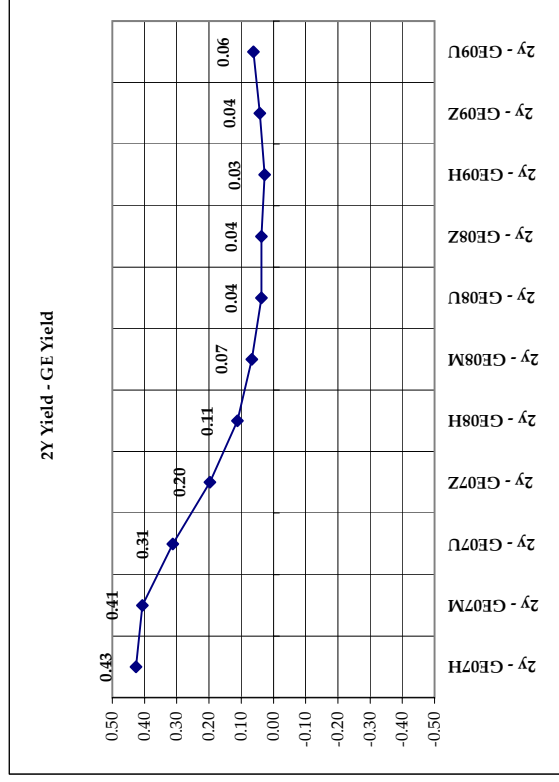
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Yield	Spread Yield	Spread Name
F.EDAH07	5.01	0.43	2y - GE07H	
F.EDAM07	4.99	0.41	2y - GE07M	
F.EDAU07	4.90	0.31	2y - GE07U	
F.EDAZ07	4.78	0.20	2y - GE07Z	
F.EDAH08	4.70	0.11	2y - GE08H	
F.EDAM08	4.65	0.07	2y - GE08M	
F.EDAU08	4.62	0.04	2y - GE08U	
F.EDAZ08	4.62	0.04	2y - GE08Z	
F.EDAH09	4.61	0.03	2y - GE09H	
F.EDAM09	4.63	0.04	2y - GE09Z	
F.EDAU09	4.65	0.06	2y - GE09U	
F.EDAZ09	4.69	0.10	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	0.147	1.67
F.EDAM07	0.397	1.42
F.EDAU07	0.646	1.17
F.EDAZ07	0.895	0.92
F.EDAH08	1.145	0.67
F.EDAM08	1.394	0.42
F.EDAU08	1.643	0.17
F.EDAZ08	1.893	(0.08)
F.EDAH09	2.142	(0.32)
F.EDAM09	2.391	(0.57)
F.EDAU09	2.640	(0.82)
F.EDAZ09	2.890	(1.07)

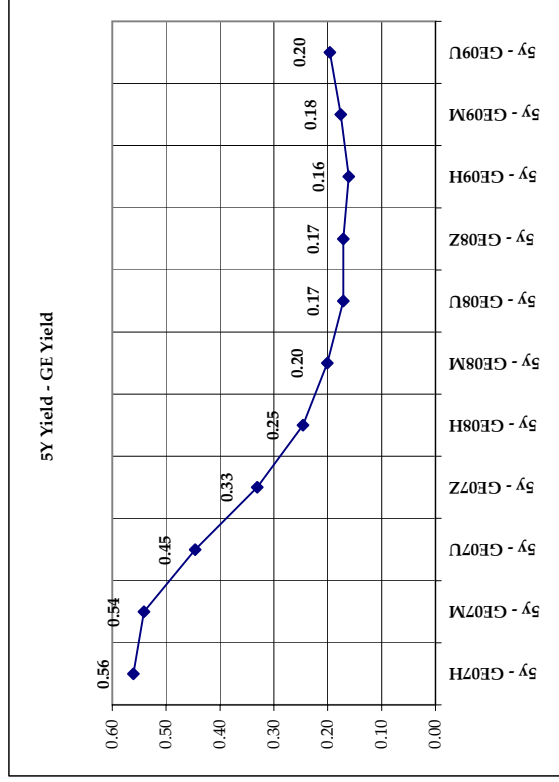
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	5y	
	Spread Price	Spread Yield Name
F.EDAH07	4.56	5y - GE07H
F.EDAM07	4.54	5y - GE07M
F.EDAU07	4.44	5y - GE07U
F.EDAZ07	4.33	5y - GE07Z
F.EDAH08	4.24	5y - GE08H
F.EDAM08	4.20	5y - GE08M
F.EDAU08	4.17	5y - GE08U
F.EDAZ08	4.17	5y - GE08Z
F.EDAH09	4.16	5y - GE09H
F.EDAM09	4.17	5y - GE09M
F.EDAU09	4.19	5y - GE09U
F.EDAZ09	4.23	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



	5Y	
	GE Duration as Fraction of year	Spread Duration
F.EDAH07	0.147	4.20
F.EDAM07	0.397	3.95
F.EDAU07	0.646	3.70
F.EDAZ07	0.895	3.45
F.EDAH08	1.145	3.20
F.EDAM08	1.394	2.95
F.EDAU08	1.643	2.70
F.EDAZ08	1.893	2.45
F.EDAH09	2.142	2.20
F.EDAM09	2.391	1.95
F.EDAU09	2.640	1.70
F.EDAZ09	2.890	1.46

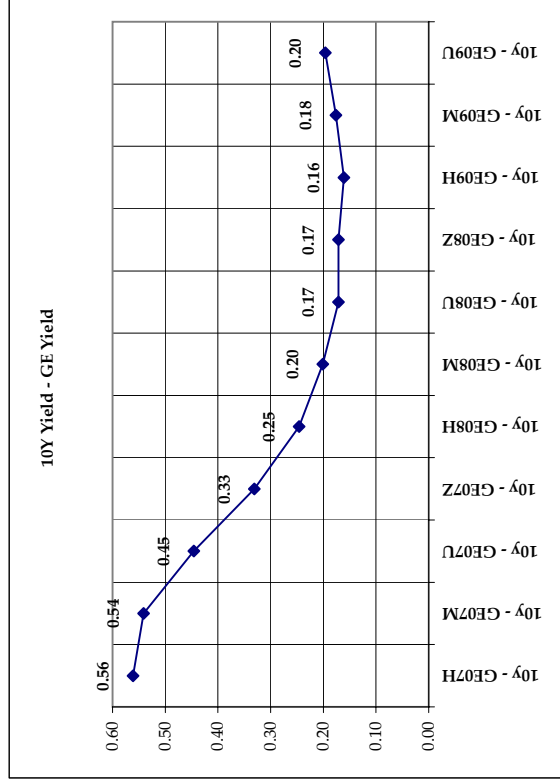
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

		10y	
Spread	Spread	Spread	Spread
Price	Yield	Yield	Name
F.EDAH07	4.56	0.56	10y - GE07H
F.EDAM07	4.54	0.54	10y - GE07M
F.EDAU07	4.44	0.45	10y - GE07U
F.EDAZ07	4.33	0.33	10y - GE07Z
F.EDA+H08	4.24	0.25	10y - GE08H
F.EDAM08	4.20	0.20	10y - GE08M
F.EDAU08	4.17	0.17	10y - GE08U
F.EDAZ08	4.17	0.17	10y - GE08Z
F.EDA+H09	4.16	0.16	10y - GE09H
F.EDAM09	4.17	0.18	10y - GE09M
F.EDAU09	4.19	0.20	10y - GE09U
F.EDAZ09	4.23	0.24	10y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as		10Y	
Fraction	Duration	Duration	Spread
of year	Duration	Duration	Duration
F.EDAH07	0.147	7.72	7.57
F.EDAM07	0.397	7.72	7.32
F.EDAU07	0.646	7.72	7.07
F.EDAZ07	0.895	7.72	6.82
F.EDA+H08	1.145	7.72	6.58
F.EDAM08	1.394	7.72	6.33
F.EDAU08	1.643	7.72	6.08
F.EDAZ08	1.893	7.72	5.83
F.EDA+H09	2.142	7.72	5.58
F.EDAM09	2.391	7.72	5.33
F.EDAU09	2.640	7.72	5.08
F.EDAZ09	2.890	7.72	4.83

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