

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.7188	101.230	5.098
ZF	104.3438	104.110	4.857
ZN	106.4531	106.145	4.863
Blank			
2y	99.828	99.2650	4.967
5y	99.500	99.1600	4.864
10y	98.063	98.0200	4.875

*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	52	0.142	MAR	White Pack
F.EDAM07	94.645	5.355	143	0.391	JUN	
F.EDAU07	94.705	5.295	234	0.640	SEP	
F.EDAZ07	94.790	5.210	325	0.890	DEC	
F.EDAH08	94.855	5.145	416	1.139	MAR	Red Pack
F.EDAM08	94.895	5.105	507	1.388	JUN	
F.EDAU08	94.920	5.080	598	1.638	SEP	
F.EDAZ08	94.925	5.075	689	1.887	DEC	Green Pack
F.EDAH09	94.925	5.075	780	2.136	MAR	
F.EDAM09	94.910	5.090	871	2.386	JUN	
F.EDAU09	94.885	5.115	962	2.635	SEP	
F.EDAZ09	94.850	5.150	1053	2.884	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

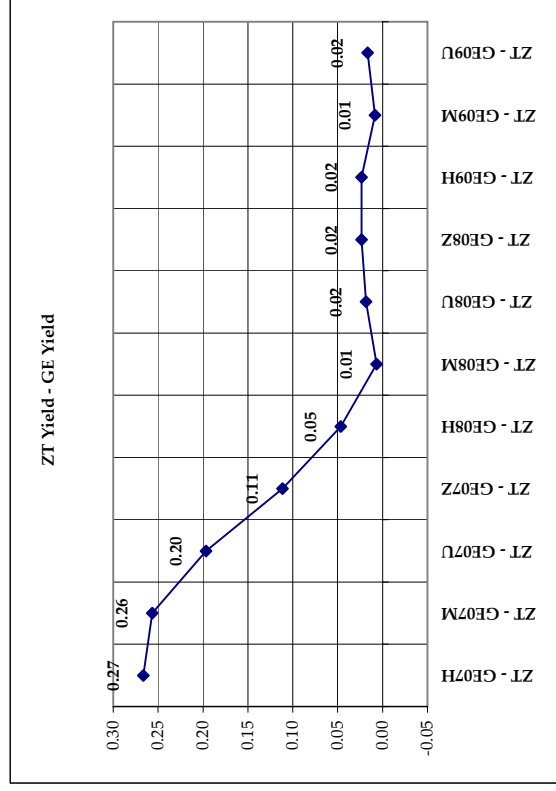
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.084	0.27	ZT - GE07H
F.EDAM07	7.074	0.26	ZT - GE07M
F.EDAU07	7.014	0.20	ZT - GE07U
F.EDAZ07	6.929	0.11	ZT - GE07Z
F.EDAH08	6.864	0.05	ZT - GE08H
F.EDAM08	6.824	0.01	ZT - GE08M
F.EDAU08	6.799	0.02	ZT - GE08U
F.EDAZ08	6.794	0.02	ZT - GE08Z
F.EDAH09	6.794	0.02	ZT - GE09H
F.EDAM09	6.809	0.01	ZT - GE09M
F.EDAU09	6.834	0.02	ZT - GE09U
F.EDAZ09	6.869	0.05	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
	Duration	Duration	
F.EDAH07	0.142	1.81	1.66
F.EDAM07	0.391	1.81	1.41
F.EDAU07	0.640	1.81	1.16
F.EDAZ07	0.890	1.81	0.92
F.EDAH08	1.139	1.81	0.67
F.EDAM08	1.388	1.81	0.42
F.EDAU08	1.638	1.81	0.17
F.EDAZ08	1.887	1.81	(0.08)
F.EDAH09	2.136	1.81	(0.33)
F.EDAM09	2.386	1.81	(0.58)
F.EDAU09	2.635	1.81	(0.83)
F.EDAZ09	2.884	1.81	(1.08)

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

Dirty TED: ZF vs Eurodollar Contracts

ZF

Spread Price Spread Spread Yield Name

	Spread	Price	Spread	Spread	Yield	Name
F.EDAH07		9.71		0.51		ZF - GE07H
F.EDAM07		9.70		0.50		ZF - GE07M
F.EDAU07		9.64		0.44		ZF - GE07U
F.EDAZ07		9.55		0.35		ZF - GE07Z
F.EDAH08		9.49		0.29		ZF - GE08H
F.EDAM08		9.45		0.25		ZF - GE08M
F.EDAU08		9.42		0.22		ZF - GE08U
F.EDAZ08		9.42		0.22		ZF - GE08Z
F.EDAH09		9.42		0.22		ZF - GE09H
F.EDAM09		9.43		0.23		ZF - GE09M
F.EDAU09		9.46		0.26		ZF - GE09U
F.EDAZ09		9.49		0.29		ZF - GE09U

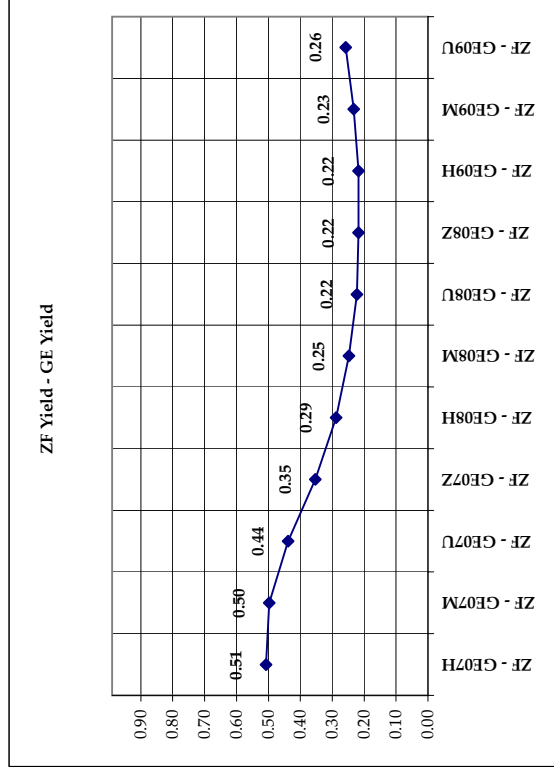
Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	ZF Spread	ZF Duration
F.EDAH07	0.142	3.84	3.69	ZF - GE07H
F.EDAM07	0.391	3.84	3.45	ZF - GE07M
F.EDAU07	0.640	3.84	3.20	ZF - GE07U
F.EDAZ07	0.890	3.84	2.95	ZF - GE07Z
F.EDAH08	1.139	3.84	2.70	ZF - GE08H
F.EDAM08	1.388	3.84	2.45	ZF - GE08M
F.EDAU08	1.638	3.84	2.20	ZF - GE08U
F.EDAZ08	1.887	3.84	1.95	ZF - GE08Z
F.EDAH09	2.136	3.84	1.70	ZF - GE09H
F.EDAM09	2.386	3.84	1.45	ZF - GE09M
F.EDAU09	2.635	3.84	1.20	ZF - GE09U
F.EDAZ09	2.884	3.84	0.95	ZF - GE09U

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

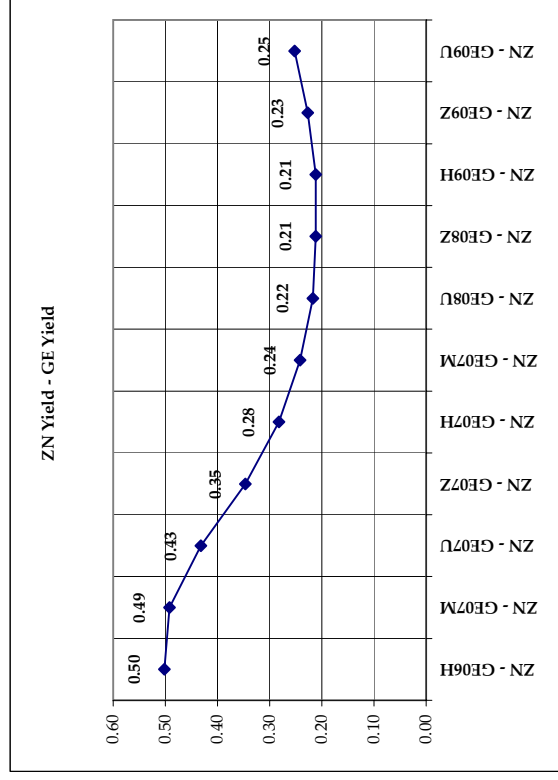


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAH07	11.82	0.50	ZN - GE06H
F.EDAM07	11.81	0.49	ZN - GE07M
F.EDAU07	11.75	0.43	ZN - GE07U
F.EDAZ07	11.66	0.35	ZN - GE07Z
F.EDAH08	11.60	0.28	ZN - GE07H
F.EDAM08	11.56	0.24	ZN - GE07M
F.EDAU08	11.53	0.22	ZN - GE08U
F.EDAZ08	11.53	0.21	ZN - GE08Z
F.EDAH09	11.53	0.21	ZN - GE09H
F.EDAM09	11.54	0.23	ZN - GE09M
F.EDAU09	11.57	0.25	ZN - GE09U
F.EDAZ09	11.60	0.29	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	0.142	5.62
F.EDAM07	0.391	5.37
F.EDAU07	0.640	5.12
F.EDAZ07	0.890	4.87
F.EDAH08	1.139	4.62
F.EDAM08	1.388	4.37
F.EDAU08	1.638	4.12
F.EDAZ08	1.887	3.87
F.EDAH09	2.136	3.62
F.EDAM09	2.386	3.38
F.EDAU09	2.635	3.13
F.EDAZ09	2.884	2.88

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

TERM TED: 2y vs Eurodollar Contracts

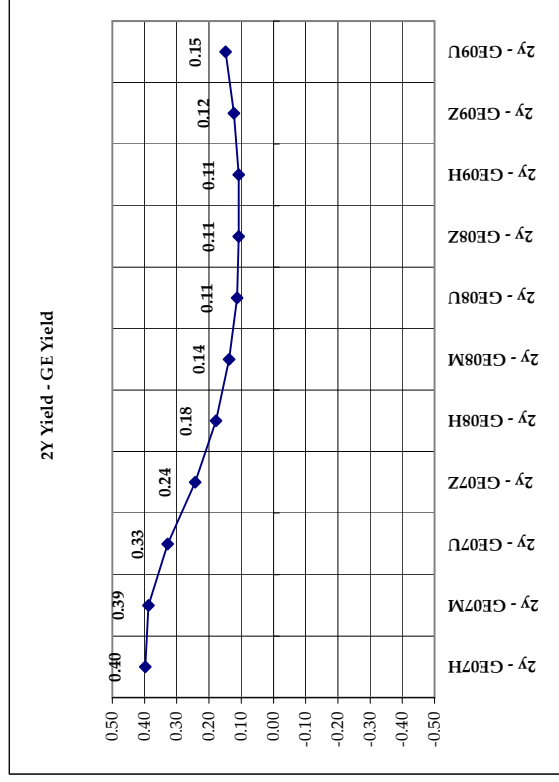
2y

Spread Price Spread Spread
Yield Name

Contract Name	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.19	0.40	2y - GE07H
F.EDAM07	5.18	0.39	2y - GE07M
F.EDAU07	5.12	0.33	2y - GE07U
F.EDAZ07	5.04	0.24	2y - GE07Z
F.EDAH08	4.97	0.18	2y - GE08H
F.EDAM08	4.93	0.14	2y - GE08M
F.EDAU08	4.91	0.11	2y - GE08U
F.EDAZ08	4.90	0.11	2y - GE08Z
F.EDAH09	4.90	0.11	2y - GE09H
F.EDAM09	4.92	0.12	2y - GE09Z
F.EDAU09	4.94	0.15	2y - GE09U
F.EDAZ09	4.98	0.18	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

Contract Name	GE Duration as Fraction of year	2Y Duration	Spread Duration
F.EDAH07	0.142	1.84	1.70
F.EDAM07	0.391	1.84	1.45
F.EDAU07	0.640	1.84	1.20
F.EDAZ07	0.890	1.84	0.95
F.EDAH08	1.139	1.84	0.70
F.EDAM08	1.388	1.84	0.45
F.EDAU08	1.638	1.84	0.21
F.EDAZ08	1.887	1.84	(0.04)
F.EDAH09	2.136	1.84	(0.29)
F.EDAM09	2.386	1.84	(0.54)
F.EDAU09	2.635	1.84	(0.79)
F.EDAZ09	2.884	1.84	(1.04)

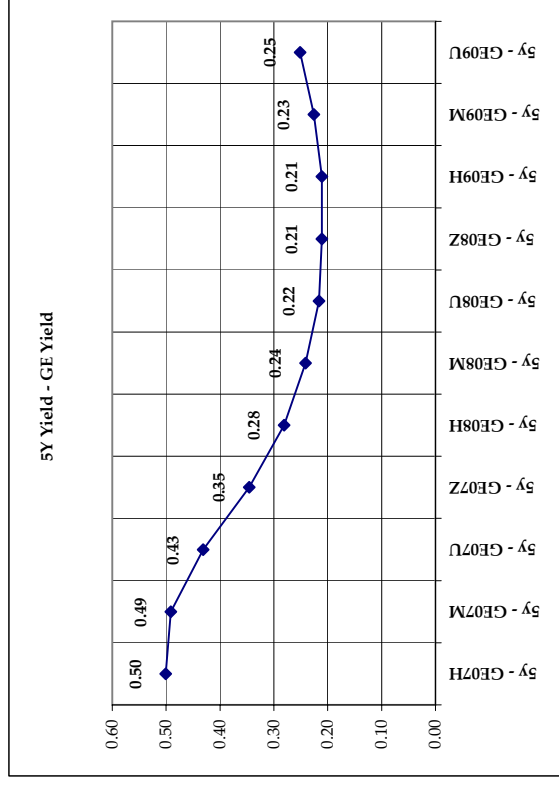
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAH07	4.86	0.50	5y - GE07H
F.EDAM07	4.85	0.49	5y - GE07M
F.EDAU07	4.79	0.43	5y - GE07U
F.EDAZ07	4.71	0.35	5y - GE07Z
F.EDAH08	4.64	0.28	5y - GE08H
F.EDAM08	4.60	0.24	5y - GE08M
F.EDAU08	4.58	0.22	5y - GE08U
F.EDAZ08	4.57	0.21	5y - GE08Z
F.EDAH09	4.57	0.21	5y - GE09H
F.EDAM09	4.59	0.23	5y - GE09M
F.EDAU09	4.61	0.25	5y - GE09U
F.EDAZ09	4.65	0.29	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	0.142	4.30	4.16	5y - GE07H
F.EDAM07	0.391	4.30	3.91	5y - GE07M
F.EDAU07	0.640	4.30	3.66	5y - GE07U
F.EDAZ07	0.890	4.30	3.41	5y - GE07Z
F.EDAH08	1.139	4.30	3.16	5y - GE08H
F.EDAM08	1.388	4.30	2.91	5y - GE08M
F.EDAU08	1.638	4.30	2.67	5y - GE08U
F.EDAZ08	1.887	4.30	2.42	5y - GE08Z
F.EDAH09	2.136	4.30	2.17	5y - GE09H
F.EDAM09	2.386	4.30	1.92	5y - GE09M
F.EDAU09	2.635	4.30	1.67	5y - GE09U
F.EDAZ09	2.884	4.30	1.42	5y - GE09U

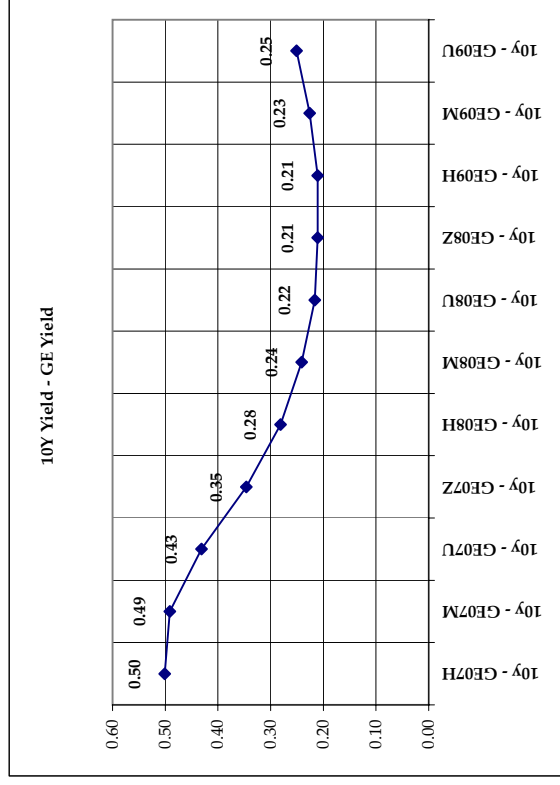
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAH07	4.86	0.50	10y - GE07H
F.EDAM07	4.85	0.49	10y - GE07M
F.EDAU07	4.79	0.43	10y - GE07U
F.EDAZ07	4.71	0.35	10y - GE07Z
F.EDAH08	4.64	0.28	10y - GE08H
F.EDAM08	4.60	0.24	10y - GE08M
F.EDAU08	4.58	0.22	10y - GE08U
F.EDAZ08	4.57	0.21	10y - GE08Z
F.EDAH09	4.57	0.21	10y - GE09H
F.EDAM09	4.59	0.23	10y - GE09M
F.EDAU09	4.61	0.25	10y - GE09U
F.EDAZ09	4.65	0.29	10y - GE09Z

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		
F.EDAH07	0.142	7.70	7.56	10y - GE07H
F.EDAM07	0.391	7.70	7.31	10y - GE07M
F.EDAU07	0.640	7.70	7.06	10y - GE07U
F.EDAZ07	0.890	7.70	6.81	10y - GE07Z
F.EDAH08	1.139	7.70	6.56	10y - GE08H
F.EDAM08	1.388	7.70	6.31	10y - GE08M
F.EDAU08	1.638	7.70	6.06	10y - GE08U
F.EDAZ08	1.887	7.70	5.81	10y - GE08Z
F.EDAH09	2.136	7.70	5.56	10y - GE09H
F.EDAM09	2.386	7.70	5.31	10y - GE09M
F.EDAU09	2.635	7.70	5.07	10y - GE09U
F.EDAZ09	2.884	7.70	4.82	10y - GE09Z

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