

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.7031	101.225	4.956
ZF	104.2969	104.095	4.869
ZN	106.3750	106.120	4.883
Blank			
2y	99.813	99.2600	4.971
5y	99.453	99.1450	4.875
10y	97.969	97.3100	4.888

*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	94.625	5.375	48	0.131	MAR	White Pack
F.EDAM07	94.645	5.355	139	0.380	JUN	
F.EDAU07	94.705	5.295	230	0.630	SEP	
F.EDAZ07	94.765	5.235	321	0.879	DEC	
F.EDAH08	94.810	5.190	412	1.128	MAR	Red Pack
F.EDAM08	94.840	5.160	503	1.377	JUN	
F.EDAU08	94.870	5.130	594	1.627	SEP	
F.EDAZ08	94.875	5.125	685	1.876	DEC	
F.EDAH09	94.875	5.125	776	2.125	MAR	Green Pack
F.EDAM09	94.865	5.135	867	2.375	JUN	
F.EDAU09	94.845	5.155	958	2.624	SEP	
F.EDAZ09	94.815	5.185	1049	2.873	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

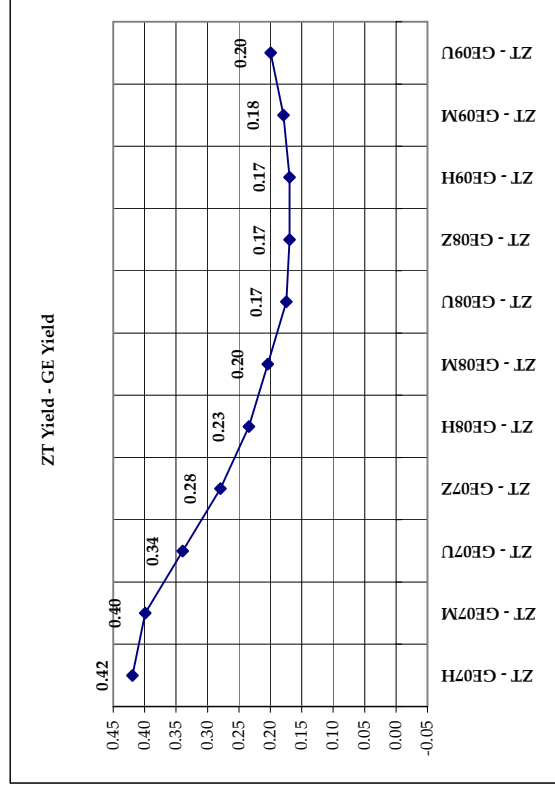
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.078	0.42	ZT - GE07H
F.EDAM07	7.058	0.40	ZT - GE07M
F.EDAU07	6.998	0.34	ZT - GE07U
F.EDAZ07	6.938	0.28	ZT - GE07Z
F.EDAH08	6.893	0.23	ZT - GE08H
F.EDAM08	6.863	0.20	ZT - GE08M
F.EDAU08	6.833	0.17	ZT - GE08U
F.EDAZ08	6.828	0.17	ZT - GE08Z
F.EDAH09	6.828	0.17	ZT - GE09H
F.EDAM09	6.838	0.18	ZT - GE09M
F.EDAU09	6.858	0.20	ZT - GE09U
F.EDAZ09	6.888	0.23	ZT - 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	Duration	ZT Duration	Spread Duration
F.EDAH07	0.131	1.80	1.67	ZT - GE07H
F.EDAM07	0.380	1.80	1.42	ZT - GE07M
F.EDAU07	0.630	1.80	1.17	ZT - GE07U
F.EDAZ07	0.879	1.80	0.92	ZT - GE07Z
F.EDAH08	1.128	1.80	0.67	ZT - GE08H
F.EDAM08	1.377	1.80	0.42	ZT - GE08M
F.EDAU08	1.627	1.80	0.17	ZT - GE08U
F.EDAZ08	1.876	1.80	(0.08)	ZT - GE08Z
F.EDAH09	2.125	1.80	(0.32)	ZT - GE09H
F.EDAM09	2.375	1.80	(0.57)	ZT - GE09M
F.EDAU09	2.624	1.80	(0.82)	ZT - GE09U
F.EDAZ09	2.873	1.80	(1.07)	ZT - GE09Z

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

Dirty TED: ZF vs Eurodollar Contracts

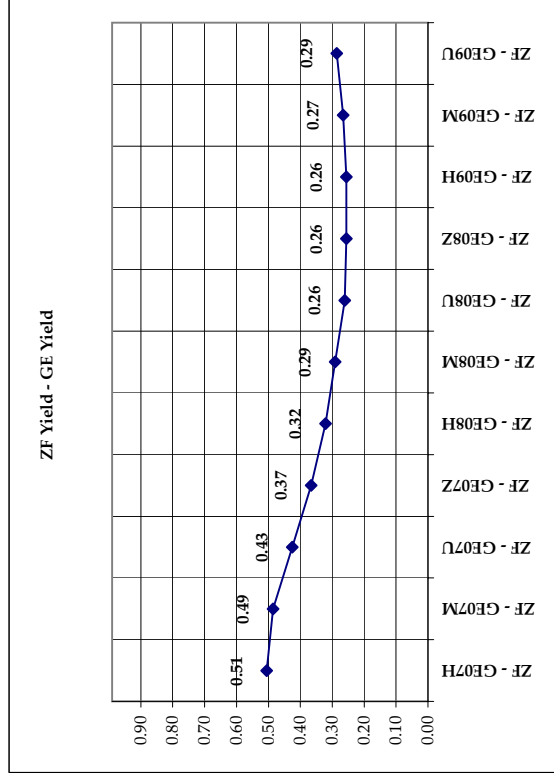
ZF

Spread Price Spread Spread Yield Name

	Spread	Price	Spread	Spread	Yield	Name
F.EDAH07	9.67		0.51	ZF - GE07H		
F.EDAM07	9.65		0.49	ZF - GE07M		
F.EDAU07	9.59		0.43	ZF - GE07U		
F.EDAZ07	9.53		0.37	ZF - GE07Z		
F.EDAH08	9.49		0.32	ZF - GE08H		
F.EDAM08	9.46		0.29	ZF - GE08M		
F.EDAU08	9.43		0.26	ZF - GE08U		
F.EDAZ08	9.42		0.26	ZF - GE08Z		
F.EDAH09	9.42		0.26	ZF - GE09H		
F.EDAM09	9.43		0.27	ZF - GE09M		
F.EDAU09	9.45		0.29	ZF - GE09U		
F.EDAZ09	9.48		0.32	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

	GE Duration as Fraction of year	ZF Duration	Spread Duration
F.EDAH07	0.131	3.83	3.70
F.EDAM07	0.380	3.83	3.45
F.EDAU07	0.630	3.83	3.20
F.EDAZ07	0.879	3.83	2.95
F.EDAH08	1.128	3.83	2.70
F.EDAM08	1.377	3.83	2.45
F.EDAU08	1.627	3.83	2.20
F.EDAZ08	1.876	3.83	1.96
F.EDAH09	2.125	3.83	1.71
F.EDAM09	2.375	3.83	1.46
F.EDAU09	2.624	3.83	1.21
F.EDAZ09	2.873	3.83	0.96

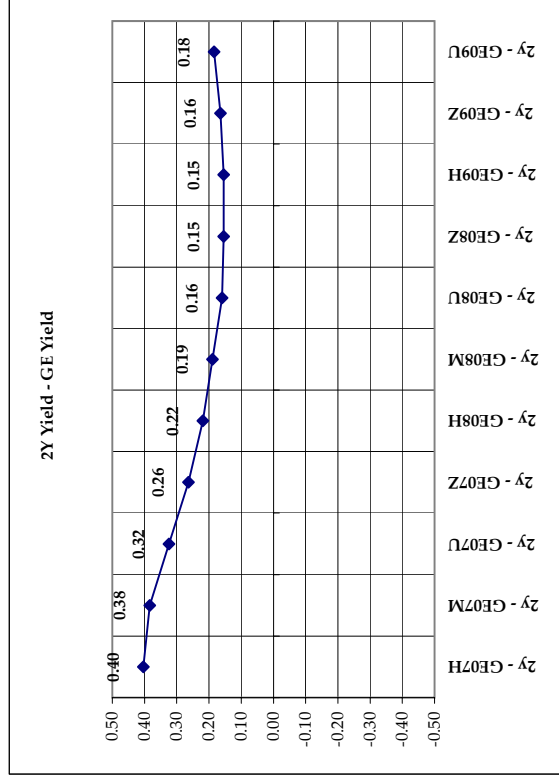
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TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAH07	5.19	0.40	2y - GE07H
F.EDAM07	5.17	0.38	2y - GE07M
F.EDAU07	5.11	0.32	2y - GE07U
F.EDAZ07	5.05	0.26	2y - GE07Z
F.EDAH08	5.00	0.22	2y - GE08H
F.EDAM08	4.97	0.19	2y - GE08M
F.EDAU08	4.94	0.16	2y - GE08U
F.EDAZ08	4.94	0.15	2y - GE08Z
F.EDAH09	4.94	0.15	2y - GE09H
F.EDAM09	4.95	0.16	2y - GE09M
F.EDAU09	4.97	0.18	2y - GE09U
F.EDAZ09	5.00	0.21	2y - GE09Z

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	0.131	1.88
F.EDAM07	0.380	1.88
F.EDAU07	0.630	1.88
F.EDAZ07	0.879	1.88
F.EDAH08	1.128	1.88
F.EDAM08	1.377	1.88
F.EDAU08	1.627	1.88
F.EDAZ08	1.876	1.88
F.EDAH09	2.125	1.88
F.EDAM09	2.375	1.88
F.EDAU09	2.624	1.88
F.EDAZ09	2.873	1.88

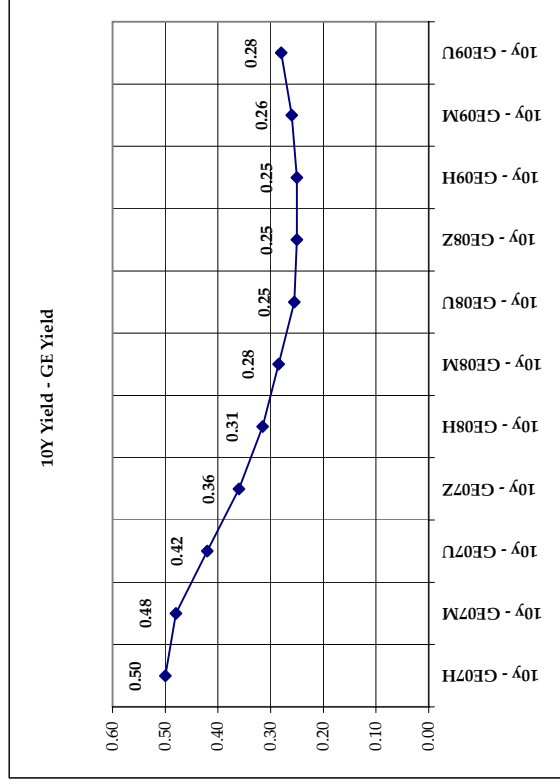
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAH07	4.83	0.50	10y - GE07H
F.EDAM07	4.81	0.48	10y - GE07M
F.EDAU07	4.75	0.42	10y - GE07U
F.EDAZ07	4.69	0.36	10y - GE07Z
F.EDAH08	4.64	0.31	10y - GE08H
F.EDAM08	4.61	0.28	10y - GE08M
F.EDAU08	4.58	0.25	10y - GE08U
F.EDAZ08	4.58	0.25	10y - GE08Z
F.EDAH09	4.58	0.25	10y - GE09H
F.EDAM09	4.59	0.26	10y - GE09M
F.EDAU09	4.61	0.28	10y - GE09U
F.EDAZ09	4.64	0.31	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	0.131	7.69
F.EDAM07	0.380	7.69
F.EDAU07	0.630	7.69
F.EDAZ07	0.879	7.69
F.EDAH08	1.128	7.69
F.EDAM08	1.377	7.69
F.EDAU08	1.627	7.69
F.EDAZ08	1.876	7.69
F.EDAH09	2.125	7.69
F.EDAM09	2.375	7.69
F.EDAU09	2.624	7.69
F.EDAZ09	2.873	7.69

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