

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*	**MDuration
Blank	ZT	102.5469	102.175	4.564	1.91
	ZF	106.0000	106.000	4.396	3.98
	ZN	108.8281	108.265	4.507	5.94
	2y	100.334	100.1070	4.568	1.85
	5y	100.772	100.2470	4.449	4.38
	10y	100.734	100.2350	4.532	7.87

*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	94.648	5.352	4	0.010	MAR	} White Pack
	F.EDAM07	94.800	5.200	95	0.260	JUN	
	F.EDAU07	95.015	4.985	186	0.509	SEP	
	F.EDAZ07	95.195	4.805	277	0.758	DEC	
	F.EDAH08	95.325	4.675	368	1.008	MAR	} Red Pack
	F.EDAM08	95.385	4.615	459	1.257	JUN	
	F.EDAU08	95.400	4.600	550	1.506	SEP	
	F.EDAZ08	95.385	4.615	641	1.755	DEC	
	F.EDAH09	95.365	4.635	732	2.005	MAR	} Green Pack
	F.EDAM09	95.325	4.675	823	2.254	JUN	
	F.EDAU09	95.290	4.710	914	2.503	SEP	
	F.EDAZ09	95.240	4.760	1005	2.753	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	7.899	0.79	ZT - GE07H
F.EDAM07	7.747	0.64	ZT - GE07M
F.EDAU07	7.532	0.42	ZT - GE07U
F.EDAZ07	7.352	0.24	ZT - GE07Z
F.EDAH08	7.222	0.11	ZT - GE08H
F.EDAM08	7.162	0.05	ZT - GE08M
F.EDAU08	7.147	0.04	ZT - GE08U
F.EDAZ08	7.162	0.05	ZT - GE08Z
F.EDAH09	7.182	0.07	ZT - GE09H
F.EDAM09	7.222	0.11	ZT - GE09M
F.EDAU09	7.257	0.15	ZT - GE09U
F.EDAZ09	7.307	0.20	ZT - GE09Z

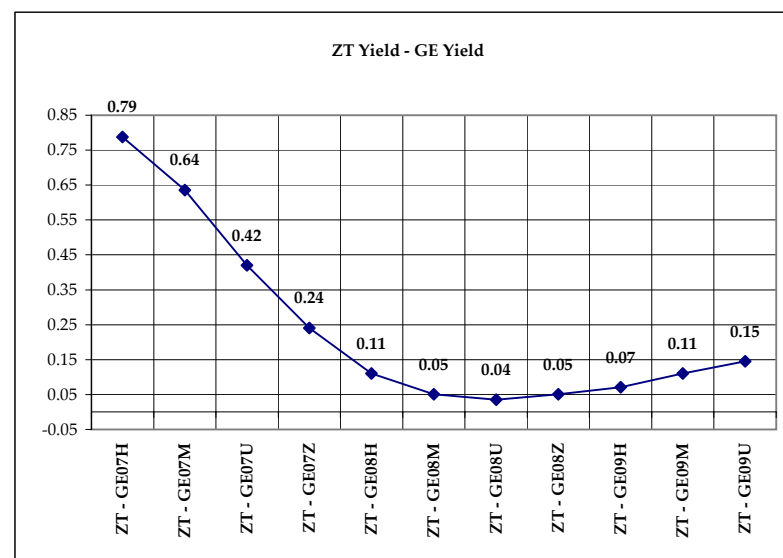
Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year

	ZT Duration	Spread Duration	
F.EDAH07	0.010	1.91	1.90 ZT - GE07H
F.EDAM07	0.260	1.91	1.65 ZT - GE07M
F.EDAU07	0.509	1.91	1.41 ZT - GE07U
F.EDAZ07	0.758	1.91	1.16 ZT - GE07Z
F.EDAH08	1.008	1.91	0.91 ZT - GE08H
F.EDAM08	1.257	1.91	0.66 ZT - GE08M
F.EDAU08	1.506	1.91	0.41 ZT - GE08U
F.EDAZ08	1.755	1.91	0.16 ZT - GE08Z
F.EDAH09	2.005	1.91	(0.09) ZT - GE09H
F.EDAM09	2.254	1.91	(0.34) ZT - GE09M
F.EDAU09	2.503	1.91	(0.59) ZT - GE09U
F.EDAZ09	2.753	1.91	(0.84) ZT - GE09Z

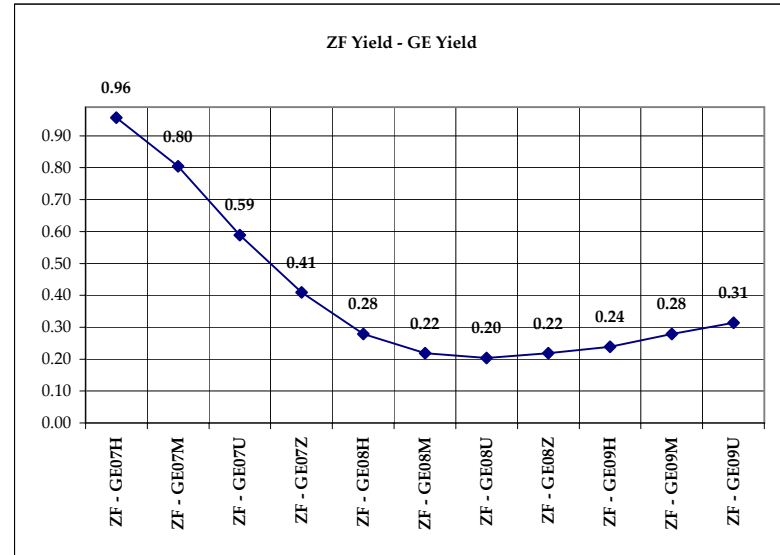
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

ZF			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	11.35	0.96	ZF - GE07H
F.EDAM07	11.20	0.80	ZF - GE07M
F.EDAU07	10.99	0.59	ZF - GE07U
F.EDAZ07	10.81	0.41	ZF - GE07Z
F.EDAH08	10.68	0.28	ZF - GE08H
F.EDAM08	10.62	0.22	ZF - GE08M
F.EDAU08	10.60	0.20	ZF - GE08U
F.EDAZ08	10.62	0.22	ZF - GE08Z
F.EDAH09	10.64	0.24	ZF - GE09H
F.EDAM09	10.68	0.28	ZF - GE09M
F.EDAU09	10.71	0.31	ZF - GE09U
F.EDAZ09	10.76	0.36	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	0.010	3.98	3.97	ZF - GE07H
F.EDAM07	0.260	3.98	3.73	ZF - GE07M
F.EDAU07	0.509	3.98	3.48	ZF - GE07U
F.EDAZ07	0.758	3.98	3.23	ZF - GE07Z
F.EDAH08	1.008	3.98	2.98	ZF - GE08H
F.EDAM08	1.257	3.98	2.73	ZF - GE08M
F.EDAU08	1.506	3.98	2.48	ZF - GE08U
F.EDAZ08	1.755	3.98	2.23	ZF - GE08Z
F.EDAH09	2.005	3.98	1.98	ZF - GE09H
F.EDAM09	2.254	3.98	1.73	ZF - GE09M
F.EDAU09	2.503	3.98	1.48	ZF - GE09U
F.EDAZ09	2.753	3.98	1.23	ZF - GE09U

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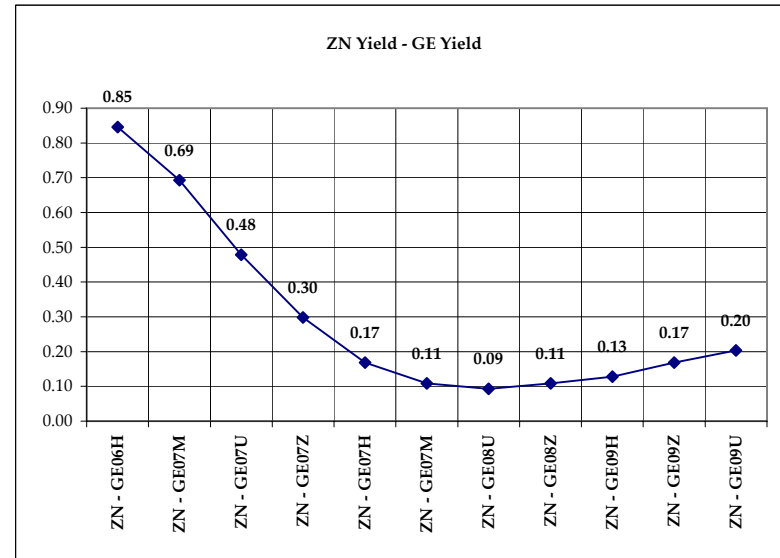
Dirty TED: ZN vs Eurodollar Contracts

ZN			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	14.18	0.85	ZN - GE06H
F.EDAM07	14.03	0.69	ZN - GE07M
F.EDAU07	13.81	0.48	ZN - GE07U
F.EDAZ07	13.63	0.30	ZN - GE07Z
F.EDAH08	13.50	0.17	ZN - GE07H
F.EDAM08	13.44	0.11	ZN - GE07M
F.EDAU08	13.43	0.09	ZN - GE08U
F.EDAZ08	13.44	0.11	ZN - GE08Z
F.EDAH09	13.46	0.13	ZN - GE09H
F.EDAM09	13.50	0.17	ZN - GE09Z
F.EDAU09	13.54	0.20	ZN - GE09U
F.EDAZ09	13.59	0.25	ZN - GE09U

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	0.010	5.94	5.93	ZN - GE06H
F.EDAM07	0.260	5.94	5.68	ZN - GE07M
F.EDAU07	0.509	5.94	5.44	ZN - GE07U
F.EDAZ07	0.758	5.94	5.19	ZN - GE07Z
F.EDAH08	1.008	5.94	4.94	ZN - GE07H
F.EDAM08	1.257	5.94	4.69	ZN - GE07M
F.EDAU08	1.506	5.94	4.44	ZN - GE08U
F.EDAZ08	1.755	5.94	4.19	ZN - GE08Z
F.EDAH09	2.005	5.94	3.94	ZN - GE09H
F.EDAM09	2.254	5.94	3.69	ZN - GE09Z
F.EDAU09	2.503	5.94	3.44	ZN - GE09U
F.EDAZ09	2.753	5.94	3.19	ZN - GE09U

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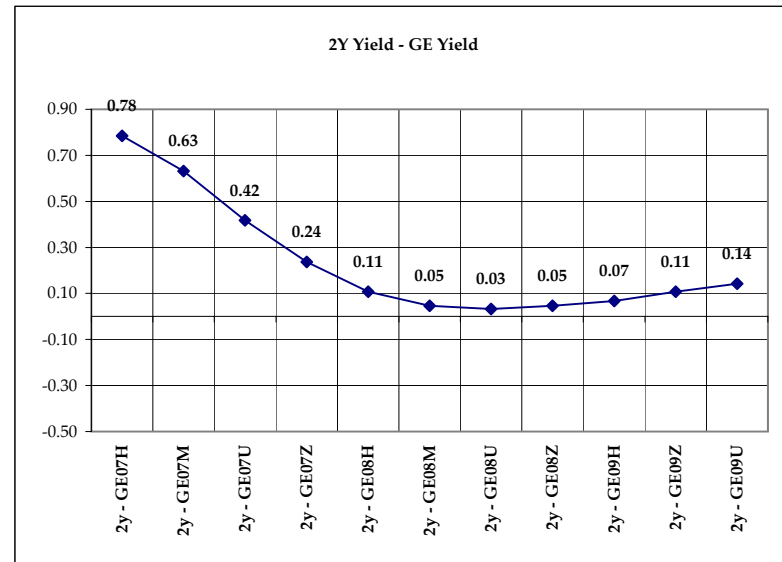
TERM TED: 2y vs Eurodollar Contracts

	2y		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.69	0.78	2y - GE07H
F.EDAM07	5.53	0.63	2y - GE07M
F.EDAU07	5.32	0.42	2y - GE07U
F.EDAZ07	5.14	0.24	2y - GE07Z
F.EDAH08	5.01	0.11	2y - GE08H
F.EDAM08	4.95	0.05	2y - GE08M
F.EDAU08	4.93	0.03	2y - GE08U
F.EDAZ08	4.95	0.05	2y - GE08Z
F.EDAH09	4.97	0.07	2y - GE09H
F.EDAM09	5.01	0.11	2y - GE09Z
F.EDAU09	5.04	0.14	2y - GE09U
F.EDAZ09	5.09	0.19	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	0.010	1.85	1.84	2y - GE07H
F.EDAM07	0.260	1.85	1.59	2y - GE07M
F.EDAU07	0.509	1.85	1.34	2y - GE07U
F.EDAZ07	0.758	1.85	1.09	2y - GE07Z
F.EDAH08	1.008	1.85	0.84	2y - GE08H
F.EDAM08	1.257	1.85	0.59	2y - GE08M
F.EDAU08	1.506	1.85	0.34	2y - GE08U
F.EDAZ08	1.755	1.85	0.09	2y - GE08Z
F.EDAH09	2.005	1.85	(0.16)	2y - GE09H
F.EDAM09	2.254	1.85	(0.41)	2y - GE09Z
F.EDAU09	2.503	1.85	(0.66)	2y - GE09U
F.EDAZ09	2.753	1.85	(0.91)	2y - GE09U

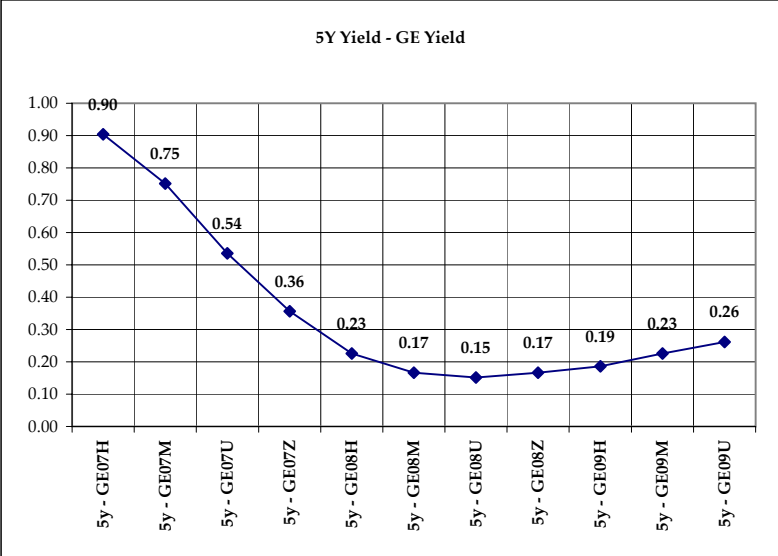
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TERM TED: 5y vs Eurodollar Contracts

	5y		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	6.12	0.90	5y - GE07H
F.EDAM07	5.97	0.75	5y - GE07M
F.EDAU07	5.76	0.54	5y - GE07U
F.EDAZ07	5.58	0.36	5y - GE07Z
F.EDAH08	5.45	0.23	5y - GE08H
F.EDAM08	5.39	0.17	5y - GE08M
F.EDAU08	5.37	0.15	5y - GE08U
F.EDAZ08	5.39	0.17	5y - GE08Z
F.EDAH09	5.41	0.19	5y - GE09H
F.EDAM09	5.45	0.23	5y - GE09M
F.EDAU09	5.48	0.26	5y - GE09U
F.EDAZ09	5.53	0.31	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price
Yield = ABS(Cash Yield - Implied Euro Contract yield)



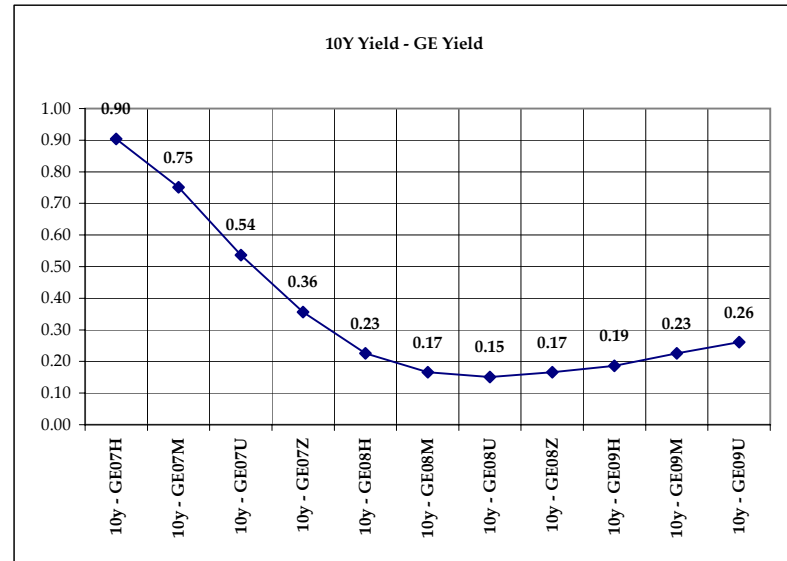
	GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAH07	0.010	4.38	4.37	5y - GE07H
F.EDAM07	0.260	4.38	4.12	5y - GE07M
F.EDAU07	0.509	4.38	3.87	5y - GE07U
F.EDAZ07	0.758	4.38	3.62	5y - GE07Z
F.EDAH08	1.008	4.38	3.37	5y - GE08H
F.EDAM08	1.257	4.38	3.13	5y - GE08M
F.EDAU08	1.506	4.38	2.88	5y - GE08U
F.EDAZ08	1.755	4.38	2.63	5y - GE08Z
F.EDAH09	2.005	4.38	2.38	5y - GE09H
F.EDAM09	2.254	4.38	2.13	5y - GE09M
F.EDAU09	2.503	4.38	1.88	5y - GE09U
F.EDAZ09	2.753	4.38	1.63	5y - GE09U

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

TERM TED: 10y vs Eurodollar Contracts

	10y		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	6.12	0.90	10y - GE07H
F.EDAM07	5.97	0.75	10y - GE07M
F.EDAU07	5.76	0.54	10y - GE07U
F.EDAZ07	5.58	0.36	10y - GE07Z
F.EDAH08	5.45	0.23	10y - GE08H
F.EDAM08	5.39	0.17	10y - GE08M
F.EDAU08	5.37	0.15	10y - GE08U
F.EDAZ08	5.39	0.17	10y - GE08Z
F.EDAH09	5.41	0.19	10y - GE09H
F.EDAM09	5.45	0.23	10y - GE09M
F.EDAU09	5.48	0.26	10y - GE09U
F.EDAZ09	5.53	0.31	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	
F.EDAH07	0.010	7.87	7.86	10y - GE07H
F.EDAM07	0.260	7.87	7.61	10y - GE07M
F.EDAU07	0.509	7.87	7.36	10y - GE07U
F.EDAZ07	0.758	7.87	7.11	10y - GE07Z
F.EDAH08	1.008	7.87	6.86	10y - GE08H
F.EDAM08	1.257	7.87	6.61	10y - GE08M
F.EDAU08	1.506	7.87	6.36	10y - GE08U
F.EDAZ08	1.755	7.87	6.11	10y - GE08Z
F.EDAH09	2.005	7.87	5.86	10y - GE09H
F.EDAM09	2.254	7.87	5.61	10y - GE09M
F.EDAU09	2.503	7.87	5.36	10y - GE09U
F.EDAZ09	2.753	7.87	5.12	10y - GE09U

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