

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

		F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*	**MDuration	
ZT	102.5313	102.170	4.557	1.88	
ZF	106.0313	106.010	4.463	3.95	
ZN	108.5000	108.160	4.555	5.91	
Blank					
2y	100.344	100.1100	4.560	1.81	
5y	100.631	100.2020	4.478	4.35	
10y	100.203	100.0650	4.597	7.82	

*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.EDAU07	94.750	5.250	82	0.224	JUN	} White Pack	
F.EDAZ07	94.955	5.045	173	0.473	SEP		
F.EDAH08	95.165	4.835	264	0.723	DEC		
F.EDAM08	95.325	4.675	355	0.972	MAR	} Red Pack	
F.EDAU08	95.405	4.595	446	1.221	JUN		
F.EDAZ08	95.425	4.575	537	1.471	SEP		
F.EDAH09	95.410	4.590	628	1.720	DEC	} Green Pack	
F.EDAM09	95.385	4.615	719	1.969	MAR		
F.EDAU09	95.335	4.665	810	2.219	JUN		
F.EDAZ09	95.285	4.715	901	2.468	SEP		
F.EDAH10	95.220	4.780	992	2.717	DEC		
F.EDAM10	95.185	4.815	1083	2.966	MAR		

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

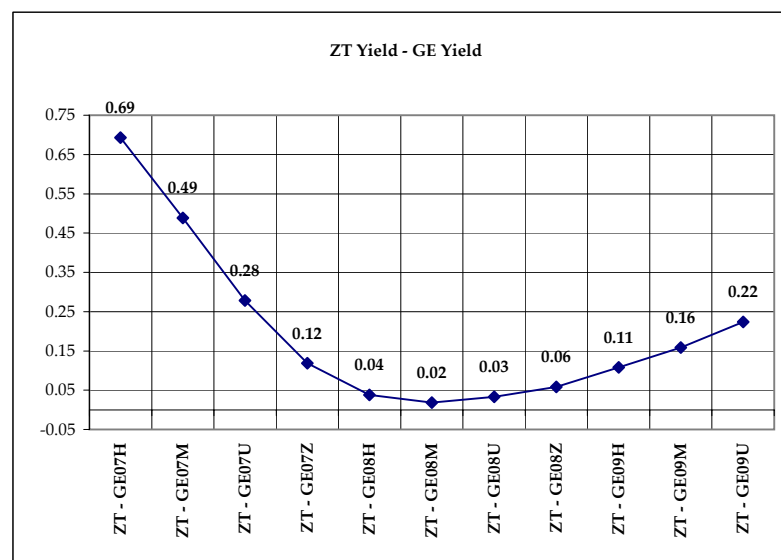
ZT			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	7.781	0.69	ZT - GE07H
F.EDAU07	7.576	0.49	ZT - GE07M
F.EDAZ07	7.366	0.28	ZT - GE07U
F.EDAH08	7.206	0.12	ZT - GE07Z
F.EDAM08	7.126	0.04	ZT - GE08H
F.EDAU08	7.106	0.02	ZT - GE08M
F.EDAZ08	7.121	0.03	ZT - GE08U
F.EDAH09	7.146	0.06	ZT - GE08Z
F.EDAM09	7.196	0.11	ZT - GE09H
F.EDAU09	7.246	0.16	ZT - GE09M
F.EDAZ09	7.311	0.22	ZT - GE09U
F.EDAH10	7.346	0.26	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.EDAM07	0.224	1.88	1.66
F.EDAU07	0.473	1.88	1.41
F.EDAZ07	0.723	1.88	1.16
F.EDAH08	0.972	1.88	0.91
F.EDAM08	1.221	1.88	0.66
F.EDAU08	1.471	1.88	0.41
F.EDAZ08	1.720	1.88	0.16
F.EDAH09	1.969	1.88	(0.09)
F.EDAM09	2.219	1.88	(0.34)
F.EDAU09	2.468	1.88	(0.59)
F.EDAZ09	2.717	1.88	(0.84)
F.EDAH10	2.966	1.88	(1.09)

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



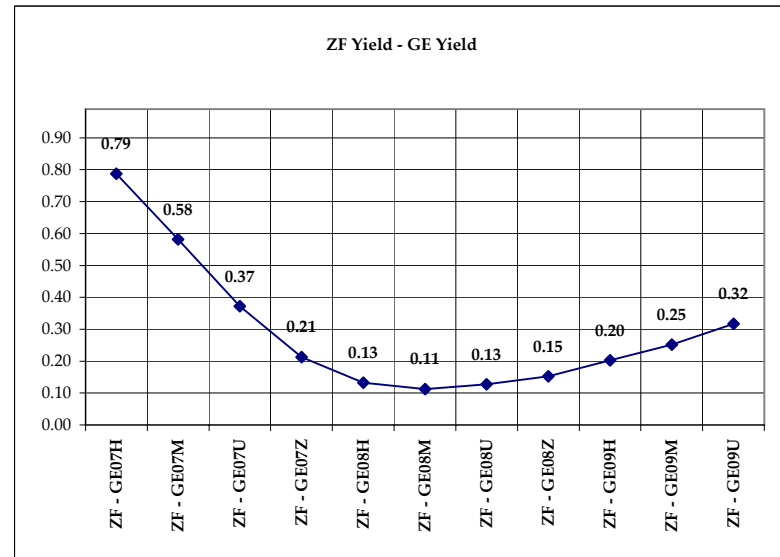
Dirty TED: ZF vs Eurodollar Contracts

ZF			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	11.28	0.79	ZF - GE07H
F.EDAU07	11.08	0.58	ZF - GE07M
F.EDAZ07	10.87	0.37	ZF - GE07U
F.EDAH08	10.71	0.21	ZF - GE07Z
F.EDAM08	10.63	0.13	ZF - GE08H
F.EDAU08	10.61	0.11	ZF - GE08M
F.EDAZ08	10.62	0.13	ZF - GE08U
F.EDAH09	10.65	0.15	ZF - GE08Z
F.EDAM09	10.70	0.20	ZF - GE09H
F.EDAU09	10.75	0.25	ZF - GE09M
F.EDAZ09	10.81	0.32	ZF - GE09U
F.EDAH10	10.85	0.35	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.EDAM07	0.224	3.95	3.72	ZF - GE07H
F.EDAU07	0.473	3.95	3.48	ZF - GE07M
F.EDAZ07	0.723	3.95	3.23	ZF - GE07U
F.EDAH08	0.972	3.95	2.98	ZF - GE07Z
F.EDAM08	1.221	3.95	2.73	ZF - GE08H
F.EDAU08	1.471	3.95	2.48	ZF - GE08M
F.EDAZ08	1.720	3.95	2.23	ZF - GE08U
F.EDAH09	1.969	3.95	1.98	ZF - GE08Z
F.EDAM09	2.219	3.95	1.73	ZF - GE09H
F.EDAU09	2.468	3.95	1.48	ZF - GE09M
F.EDAZ09	2.717	3.95	1.23	ZF - GE09U
F.EDAH10	2.966	3.95	0.98	ZF - GE09U

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



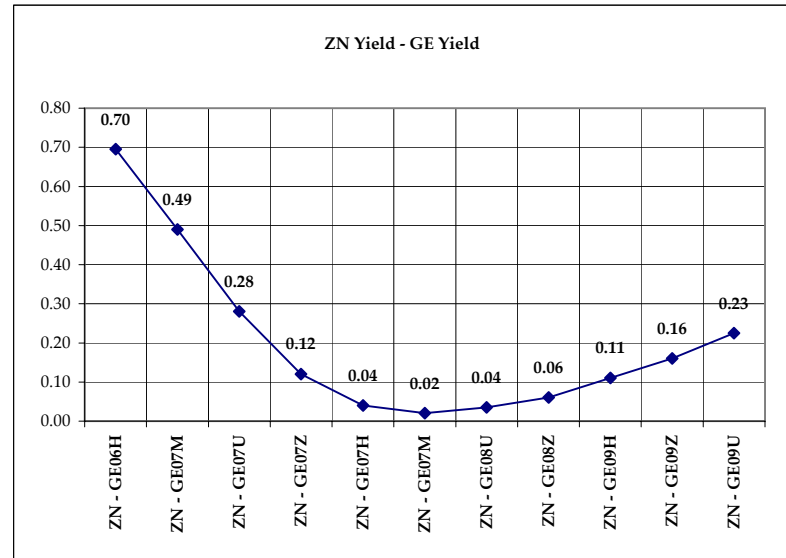
Dirty TED: ZN vs Eurodollar Contracts

ZN			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	13.75	0.70	ZN - GE06H
F.EDAU07	13.55	0.49	ZN - GE07M
F.EDAZ07	13.34	0.28	ZN - GE07U
F.EDAH08	13.18	0.12	ZN - GE07Z
F.EDAM08	13.10	0.04	ZN - GE07H
F.EDAU08	13.08	0.02	ZN - GE07M
F.EDAZ08	13.09	0.04	ZN - GE08U
F.EDAH09	13.12	0.06	ZN - GE08Z
F.EDAM09	13.17	0.11	ZN - GE09H
F.EDAU09	13.22	0.16	ZN - GE09Z
F.EDAZ09	13.28	0.23	ZN - GE09U
F.EDAH10	13.32	0.26	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.EDAM07	0.224	5.91	5.68	ZN - GE06H
F.EDAU07	0.473	5.91	5.43	ZN - GE07M
F.EDAZ07	0.723	5.91	5.18	ZN - GE07U
F.EDAH08	0.972	5.91	4.93	ZN - GE07Z
F.EDAM08	1.221	5.91	4.69	ZN - GE07H
F.EDAU08	1.471	5.91	4.44	ZN - GE07M
F.EDAZ08	1.720	5.91	4.19	ZN - GE08U
F.EDAH09	1.969	5.91	3.94	ZN - GE08Z
F.EDAM09	2.219	5.91	3.69	ZN - GE09H
F.EDAU09	2.468	5.91	3.44	ZN - GE09Z
F.EDAZ09	2.717	5.91	3.19	ZN - GE09U
F.EDAH10	2.966	5.91	2.94	ZN - GE09U

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TERM TED: 2y vs Eurodollar Contracts

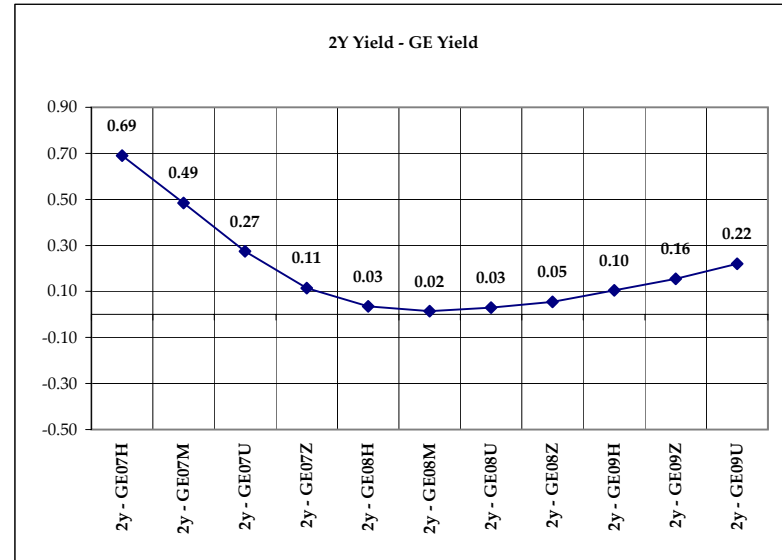
	2y		
	Spread Price	Spread Yield	Spread Name
F.EDAM07	5.59	0.69	2y - GE07H
F.EDAU07	5.39	0.49	2y - GE07M
F.EDAZ07	5.18	0.27	2y - GE07U
F.EDAH08	5.02	0.11	2y - GE07Z
F.EDAM08	4.94	0.03	2y - GE08H
F.EDAU08	4.92	0.02	2y - GE08M
F.EDAZ08	4.93	0.03	2y - GE08U
F.EDAH09	4.96	0.05	2y - GE08Z
F.EDAM09	5.01	0.10	2y - GE09H
F.EDAU09	5.06	0.16	2y - GE09Z
F.EDAZ09	5.12	0.22	2y - GE09U
F.EDAH10	5.16	0.25	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.EDAM07	0.224	1.59	2y - GE07H
F.EDAU07	0.473	1.34	2y - GE07M
F.EDAZ07	0.723	1.09	2y - GE07U
F.EDAH08	0.972	0.84	2y - GE07Z
F.EDAM08	1.221	0.59	2y - GE08H
F.EDAU08	1.471	0.34	2y - GE08M
F.EDAZ08	1.720	0.09	2y - GE08U
F.EDAH09	1.969	(0.16)	2y - GE08Z
F.EDAM09	2.219	(0.41)	2y - GE09H
F.EDAU09	2.468	(0.66)	2y - GE09Z
F.EDAZ09	2.717	(0.90)	2y - GE09U
F.EDAH10	2.966	(1.15)	2y - GE09U

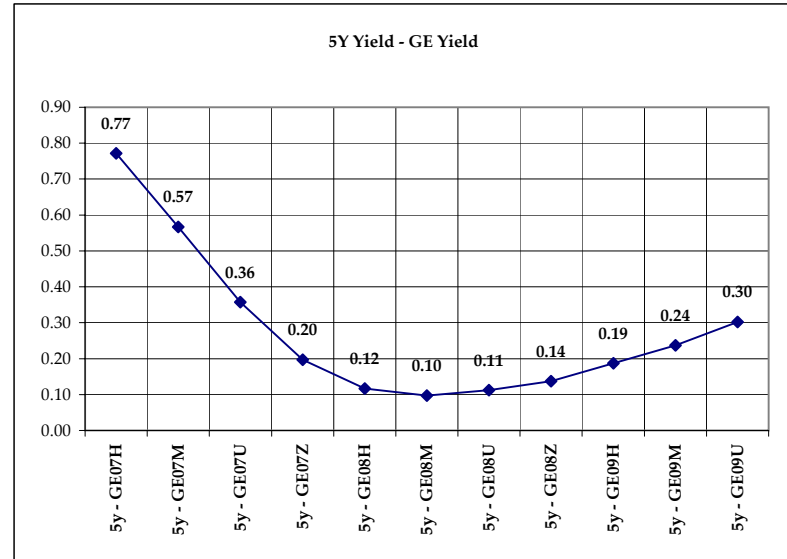
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TERM TED: 5y vs Eurodollar Contracts

5y			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	5.88	0.77	5y - GE07H
F.EDAU07	5.68	0.57	5y - GE07M
F.EDAZ07	5.47	0.36	5y - GE07U
F.EDAH08	5.31	0.20	5y - GE07Z
F.EDAM08	5.23	0.12	5y - GE08H
F.EDAU08	5.21	0.10	5y - GE08M
F.EDAZ08	5.22	0.11	5y - GE08U
F.EDAH09	5.25	0.14	5y - GE08Z
F.EDAM09	5.30	0.19	5y - GE09H
F.EDAU09	5.35	0.24	5y - GE09M
F.EDAZ09	5.41	0.30	5y - GE09U
F.EDAH10	5.45	0.34	5y - GE09U

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



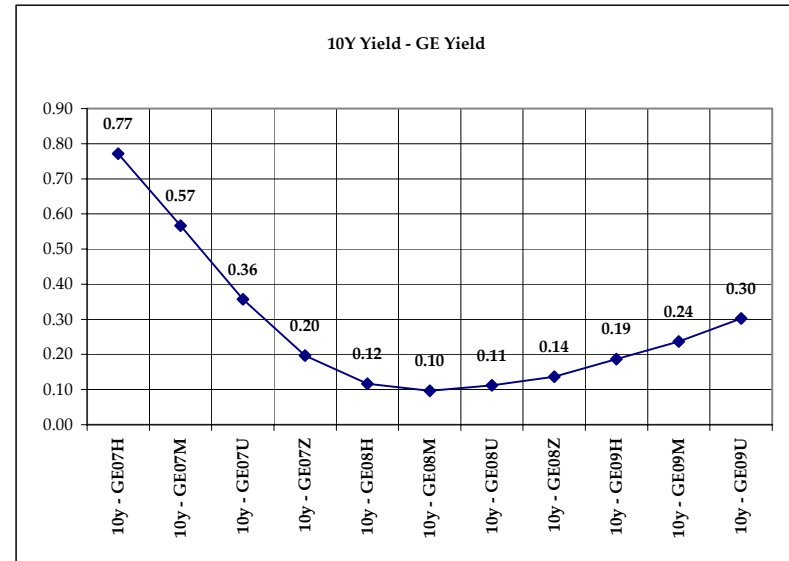
	GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAM07	0.224	4.35	4.12	5y - GE07H
F.EDAU07	0.473	4.35	3.87	5y - GE07M
F.EDAZ07	0.723	4.35	3.62	5y - GE07U
F.EDAH08	0.972	4.35	3.37	5y - GE07Z
F.EDAM08	1.221	4.35	3.13	5y - GE08H
F.EDAU08	1.471	4.35	2.88	5y - GE08M
F.EDAZ08	1.720	4.35	2.63	5y - GE08U
F.EDAH09	1.969	4.35	2.38	5y - GE08Z
F.EDAM09	2.219	4.35	2.13	5y - GE09H
F.EDAU09	2.468	4.35	1.88	5y - GE09M
F.EDAZ09	2.717	4.35	1.63	5y - GE09U
F.EDAH10	2.966	4.35	1.38	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.EDAM07	5.88	0.77	10y - GE07H
F.EDAU07	5.68	0.57	10y - GE07M
F.EDAZ07	5.47	0.36	10y - GE07U
F.EDAH08	5.31	0.20	10y - GE07Z
F.EDAM08	5.23	0.12	10y - GE08H
F.EDAU08	5.21	0.10	10y - GE08M
F.EDAZ08	5.22	0.11	10y - GE08U
F.EDAH09	5.25	0.14	10y - GE08Z
F.EDAM09	5.30	0.19	10y - GE09H
F.EDAU09	5.35	0.24	10y - GE09M
F.EDAZ09	5.41	0.30	10y - GE09U
F.EDAH10	5.45	0.34	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.EDAM07	0.224	7.82	7.60	10y - GE07H
F.EDAU07	0.473	7.82	7.35	10y - GE07M
F.EDAZ07	0.723	7.82	7.10	10y - GE07U
F.EDAH08	0.972	7.82	6.85	10y - GE07Z
F.EDAM08	1.221	7.82	6.60	10y - GE08H
F.EDAU08	1.471	7.82	6.35	10y - GE08M
F.EDAZ08	1.720	7.82	6.10	10y - GE08U
F.EDAH09	1.969	7.82	5.86	10y - GE08Z
F.EDAM09	2.219	7.82	5.61	10y - GE09H
F.EDAU09	2.468	7.82	5.36	10y - GE09M
F.EDAZ09	2.717	7.82	5.11	10y - GE09U
F.EDAH10	2.966	7.82	4.86	10y - GE09U

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