

The Morning Email: TERM TEDS & Dirty TEDS

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		F.I. Futures and Cash			
		Last Decimal	Last 32	Last Yield*	**MDuration
Blank	ZT	102.3750	102.120	4.610	1.89
	ZF	105.8438	105.270	4.483	3.86
	ZN	108.3594	108.115	4.531	5.82
	2y	99.828	99.2650	4.592	1.89
	5y	99.959	99.3070	4.509	4.43
	10y	100.000	100.0000	4.620	7.73

*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.EDAM07	94.675	5.325	48	0.131	JUN	} White Pack
F.EDAU07	94.810	5.190	139	0.380	SEP	
F.EDAZ07	94.995	5.005	230	0.630	DEC	
F.EDAH08	95.190	4.810	321	0.879	MAR	} Red Pack
F.EDAM08	95.325	4.675	412	1.128	JUN	
F.EDAU08	95.380	4.620	503	1.377	SEP	
F.EDAZ08	95.385	4.615	594	1.627	DEC	} Green Pack
F.EDAH09	95.365	4.635	685	1.876	MAR	
F.EDAM09	95.310	4.690	776	2.125	JUN	
F.EDAU09	95.260	4.740	867	2.375	SEP	
F.EDAZ09	95.200	4.800	958	2.624	DEC	} Green Pack
F.EDAH10	95.160	4.840	1049	2.873	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:

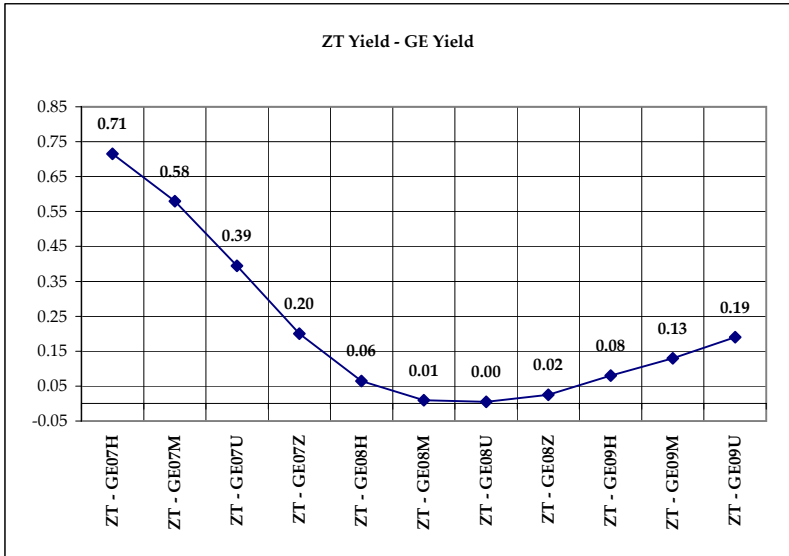
Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

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Dirty TED: ZT vs Eurodollar Contracts

ZT			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	7.700	0.71	ZT - GE07H
F.EDAU07	7.565	0.58	ZT - GE07M
F.EDAZ07	7.380	0.39	ZT - GE07U
F.EDAH08	7.185	0.20	ZT - GE07Z
F.EDAM08	7.050	0.06	ZT - GE08H
F.EDAU08	6.995	0.01	ZT - GE08M
F.EDAZ08	6.990	0.00	ZT - GE08U
F.EDAH09	7.010	0.02	ZT - GE08Z
F.EDAM09	7.065	0.08	ZT - GE09H
F.EDAU09	7.115	0.13	ZT - GE09M
F.EDAZ09	7.175	0.19	ZT - GE09U
F.EDAH10	7.215	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	ZT Duration	Spread Duration	
F.EDAM07	0.131	1.89	1.76	ZT - GE07H
F.EDAU07	0.380	1.89	1.51	ZT - GE07M
F.EDAZ07	0.630	1.89	1.26	ZT - GE07U
F.EDAH08	0.879	1.89	1.01	ZT - GE07Z
F.EDAM08	1.128	1.89	0.76	ZT - GE08H
F.EDAU08	1.377	1.89	0.51	ZT - GE08M
F.EDAZ08	1.627	1.89	0.26	ZT - GE08U
F.EDAH09	1.876	1.89	0.01	ZT - GE08Z
F.EDAM09	2.125	1.89	(0.24)	ZT - GE09H
F.EDAU09	2.375	1.89	(0.49)	ZT - GE09M
F.EDAZ09	2.624	1.89	(0.74)	ZT - GE09U
F.EDAH10	2.873	1.89	(0.99)	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.EDAM07	11.17	0.84	ZF - GE07H
F.EDAU07	11.03	0.71	ZF - GE07M
F.EDAZ07	10.85	0.52	ZF - GE07U
F.EDAH08	10.65	0.33	ZF - GE07Z
F.EDAM08	10.52	0.19	ZF - GE08H
F.EDAU08	10.46	0.14	ZF - GE08M
F.EDAZ08	10.46	0.13	ZF - GE08U
F.EDAH09	10.48	0.15	ZF - GE08Z
F.EDAM09	10.53	0.21	ZF - GE09H
F.EDAU09	10.58	0.26	ZF - GE09M
F.EDAZ09	10.64	0.32	ZF - GE09U
F.EDAH10	10.68	0.36	ZF - GE09U

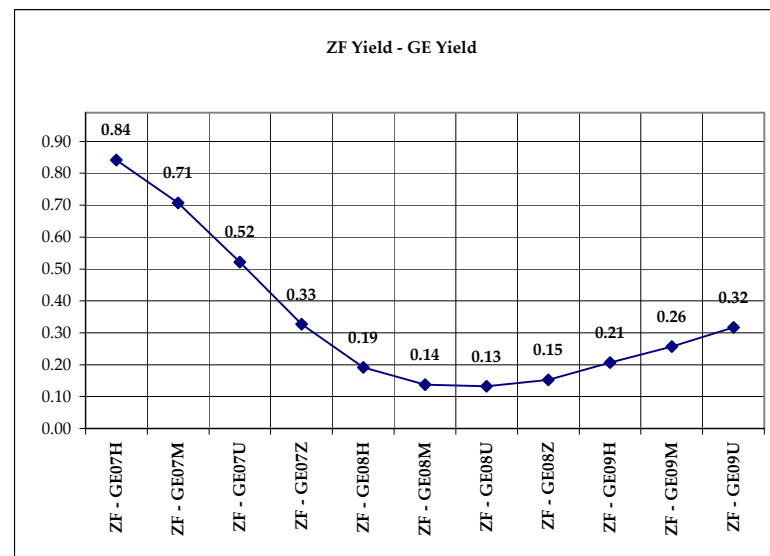
Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year

	ZF Duration	Spread Duration	
F.EDAM07	0.131	3.86	3.73
F.EDAU07	0.380	3.86	3.48
F.EDAZ07	0.630	3.86	3.23
F.EDAH08	0.879	3.86	2.98
F.EDAM08	1.128	3.86	2.73
F.EDAU08	1.377	3.86	2.48
F.EDAZ08	1.627	3.86	2.23
F.EDAH09	1.876	3.86	1.98
F.EDAM09	2.125	3.86	1.73
F.EDAU09	2.375	3.86	1.48
F.EDAZ09	2.624	3.86	1.23
F.EDAH10	2.873	3.86	0.98

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	13.68	0.79	ZN - GE06H
F.EDAU07	13.55	0.66	ZN - GE07M
F.EDAZ07	13.36	0.47	ZN - GE07U
F.EDAH08	13.17	0.28	ZN - GE07Z
F.EDAM08	13.03	0.14	ZN - GE07H
F.EDAU08	12.98	0.09	ZN - GE07M
F.EDAZ08	12.97	0.08	ZN - GE08U
F.EDAH09	12.99	0.10	ZN - GE08Z
F.EDAM09	13.05	0.16	ZN - GE09H
F.EDAU09	13.10	0.21	ZN - GE09Z
F.EDAZ09	13.16	0.27	ZN - GE09U
F.EDAH10	13.20	0.31	ZN - GE09U

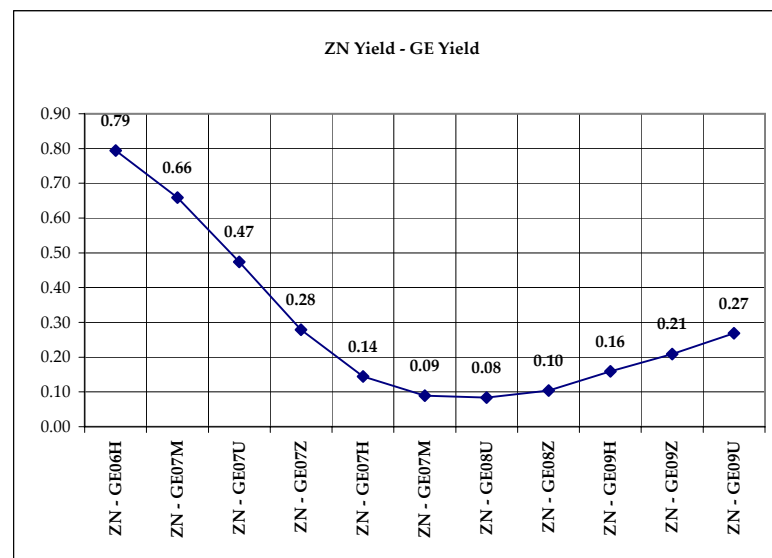
Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year

	Fraction of year	ZN Duration	Spread Duration	
F.EDAM07	0.131	5.82	5.69	ZN - GE06H
F.EDAU07	0.380	5.82	5.44	ZN - GE07M
F.EDAZ07	0.630	5.82	5.19	ZN - GE07U
F.EDAH08	0.879	5.82	4.94	ZN - GE07Z
F.EDAM08	1.128	5.82	4.69	ZN - GE07H
F.EDAU08	1.377	5.82	4.44	ZN - GE07M
F.EDAZ08	1.627	5.82	4.19	ZN - GE08U
F.EDAH09	1.876	5.82	3.94	ZN - GE08Z
F.EDAM09	2.125	5.82	3.69	ZN - GE09H
F.EDAU09	2.375	5.82	3.44	ZN - GE09Z
F.EDAZ09	2.624	5.82	3.19	ZN - GE09U
F.EDAH10	2.873	5.82	2.94	ZN - GE09U

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



TERM TED: 2y vs Eurodollar Contracts

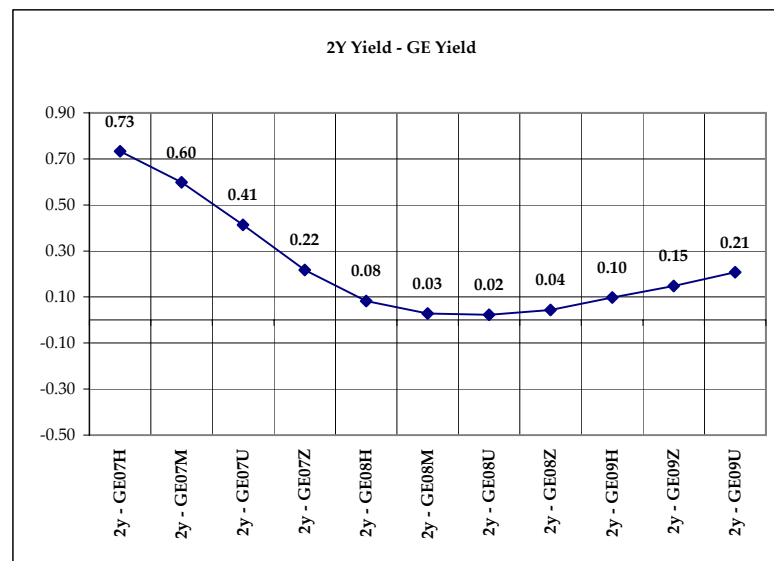
	2y		
	Spread Price	Spread Yield	Spread Name
F.EDAM07	5.15	0.73	2y - GE07H
F.EDAU07	5.02	0.60	2y - GE07M
F.EDAZ07	4.83	0.41	2y - GE07U
F.EDAH08	4.64	0.22	2y - GE07Z
F.EDAM08	4.50	0.08	2y - GE08H
F.EDAU08	4.45	0.03	2y - GE08M
F.EDAZ08	4.44	0.02	2y - GE08U
F.EDAH09	4.46	0.04	2y - GE08Z
F.EDAM09	4.52	0.10	2y - GE09H
F.EDAU09	4.57	0.15	2y - GE09Z
F.EDAZ09	4.63	0.21	2y - GE09U
F.EDAH10	4.67	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	0.131	1.89	1.76 2y - GE07H
F.EDAU07	0.380	1.89	1.51 2y - GE07M
F.EDAZ07	0.630	1.89	1.26 2y - GE07U
F.EDAH08	0.879	1.89	1.01 2y - GE07Z
F.EDAM08	1.128	1.89	0.76 2y - GE08H
F.EDAU08	1.377	1.89	0.51 2y - GE08M
F.EDAZ08	1.627	1.89	0.26 2y - GE08U
F.EDAH09	1.876	1.89	0.01 2y - GE08Z
F.EDAM09	2.125	1.89	(0.24) 2y - GE09H
F.EDAU09	2.375	1.89	(0.49) 2y - GE09Z
F.EDAZ09	2.624	1.89	(0.74) 2y - GE09U
F.EDAH10	2.873	1.89	(0.99) 2y - GE09U

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

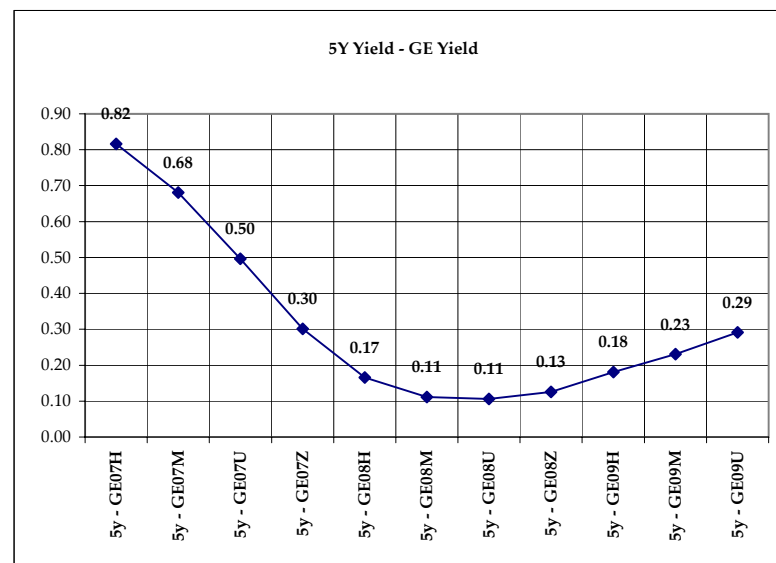


TERM TED: 5y vs Eurodollar Contracts

5y			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	5.28	0.82	5y - GE07H
F.EDAU07	5.15	0.68	5y - GE07M
F.EDAZ07	4.96	0.50	5y - GE07U
F.EDAH08	4.77	0.30	5y - GE07Z
F.EDAM08	4.63	0.17	5y - GE08H
F.EDAU08	4.58	0.11	5y - GE08M
F.EDAZ08	4.57	0.11	5y - GE08U
F.EDAH09	4.59	0.13	5y - GE08Z
F.EDAM09	4.65	0.18	5y - GE09H
F.EDAU09	4.70	0.23	5y - GE09M
F.EDAZ09	4.76	0.29	5y - GE09U
F.EDAH10	4.80	0.33	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

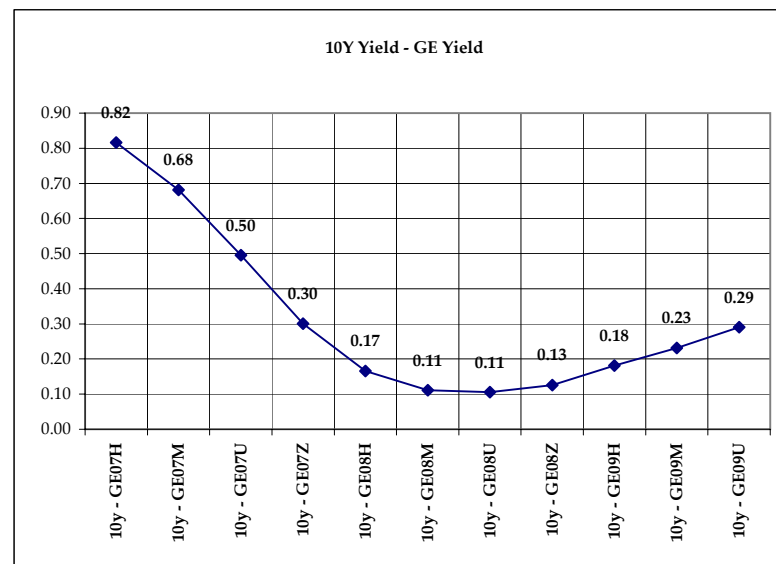
	5Y Duration	Spread Duration	
F.EDAM07	0.131	4.43	5y - GE07H
F.EDAU07	0.380	4.43	5y - GE07M
F.EDAZ07	0.630	4.43	5y - GE07U
F.EDAH08	0.879	4.43	5y - GE07Z
F.EDAM08	1.128	4.43	5y - GE08H
F.EDAU08	1.377	4.43	5y - GE08M
F.EDAZ08	1.627	4.43	5y - GE08U
F.EDAH09	1.876	4.43	5y - GE08Z
F.EDAM09	2.125	4.43	5y - GE09H
F.EDAU09	2.375	4.43	5y - GE09M
F.EDAZ09	2.624	4.43	5y - GE09U
F.EDAH10	2.873	4.43	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	5.28	0.82	10y - GE07H
F.EDAU07	5.15	0.68	10y - GE07M
F.EDAZ07	4.96	0.50	10y - GE07U
F.EDAH08	4.77	0.30	10y - GE07Z
F.EDAM08	4.63	0.17	10y - GE08H
F.EDAU08	4.58	0.11	10y - GE08M
F.EDAZ08	4.57	0.11	10y - GE08U
F.EDAH09	4.59	0.13	10y - GE08Z
F.EDAM09	4.65	0.18	10y - GE09H
F.EDAU09	4.70	0.23	10y - GE09M
F.EDAZ09	4.76	0.29	10y - GE09U
F.EDAH10	4.80	0.33	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	0.131		7.73	7.60	10y - GE07H
F.EDAU07	0.380		7.73	7.35	10y - GE07M
F.EDAZ07	0.630		7.73	7.10	10y - GE07U
F.EDAH08	0.879		7.73	6.85	10y - GE07Z
F.EDAM08	1.128		7.73	6.60	10y - GE08H
F.EDAU08	1.377		7.73	6.35	10y - GE08M
F.EDAZ08	1.627		7.73	6.10	10y - GE08U
F.EDAH09	1.876		7.73	5.85	10y - GE08Z
F.EDAM09	2.125		7.73	5.60	10y - GE09H
F.EDAU09	2.375		7.73	5.35	10y - GE09M
F.EDAZ09	2.624		7.73	5.11	10y - GE09U
F.EDAH10	2.873		7.73	4.86	10y - GE09U

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