

**Morning Email: TERM TEDS & Dirty TEDS**

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.3656	102.117	4.666
ZF	105.8750	105.280	4.500
ZN	108.7031	108.225	4.526
Blank			
2y	99.922	99.2950	4.663
5y	99.305	99.0976	4.511
10y	100.220	100.0704	4.538
			**MDuration
			1.88
			3.98
			5.91
			1.86
			3.98
			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.EDAZ06	94.635	5.365	7	0.019	DEC	White Pack
F.EDAH07	94.730	5.270	98	0.268	MAR	
F.EDAM07	94.950	5.050	189	0.517	JUN	
F.EDAU07	95.145	4.855	280	0.766	SEP	Red Pack
F.EDAZ07	95.265	4.735	371	1.016	DEC	
F.EDAH08	95.330	4.670	462	1.265	MAR	
F.EDAM08	95.350	4.650	553	1.514	JUN	Green Pack
F.EDAU08	95.355	4.645	644	1.764	SEP	
F.EDAZ08	95.335	4.665	735	2.013	DEC	
F.EDAH09	95.305	4.695	826	2.262	MAR	Green Pack
F.EDAM09	95.275	4.725	917	2.512	JUN	
F.EDAU09	95.245	4.755	1008	2.761	SEP	

**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:**

<b>Color</b>	<b>Year</b>	<b>Contracts</b>
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

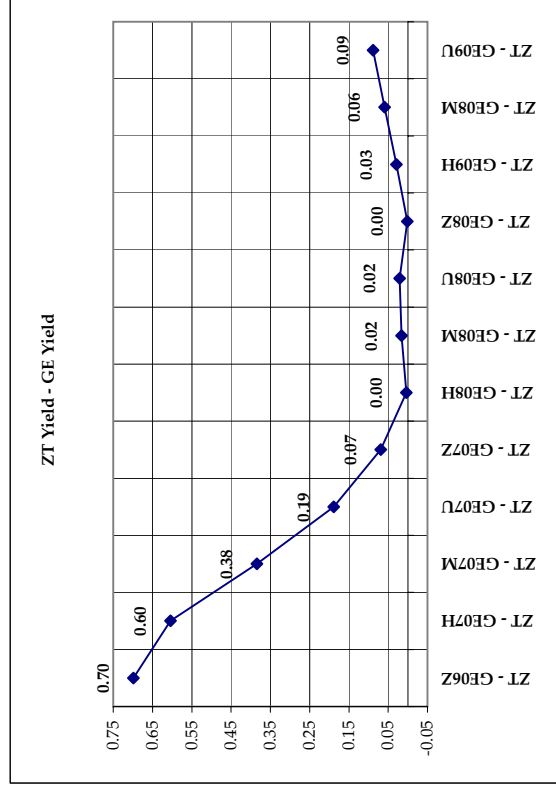
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.731	0.70	ZT - GE06Z
F.EDAH07	7.636	0.60	ZT - GE07H
F.EDAM07	7.416	0.38	ZT - GE07M
F.EDAU07	7.221	0.19	ZT - GE07U
F.EDAZ07	7.101	0.07	ZT - GE07Z
F.EDAH08	7.036	0.00	ZT - GE08H
F.EDAM08	7.016	0.02	ZT - GE08M
F.EDAU08	7.011	0.02	ZT - GE08U
F.EDAZ08	7.031	0.00	ZT - GE08Z
F.EDAH09	7.061	0.03	ZT - GE09H
F.EDAM09	7.091	0.06	ZT - GE08M
F.EDAU09	7.121	0.09	ZT - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	Duration	ZT Duration	Spread Duration
F.EDAZ06	0.019	1.88	1.86
F.EDAH07	0.268	1.88	1.61
F.EDAM07	0.517	1.88	1.36
F.EDAU07	0.766	1.88	1.12
F.EDAZ07	1.016	1.88	0.87
F.EDAH08	1.265	1.88	0.62
F.EDAM08	1.514	1.88	0.37
F.EDAU08	1.764	1.88	0.12
F.EDAZ08	2.013	1.88	(0.13)
F.EDAH09	2.262	1.88	(0.38)
F.EDAM09	2.512	1.88	(0.63)
F.EDAU09	2.761	1.88	(0.88)

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

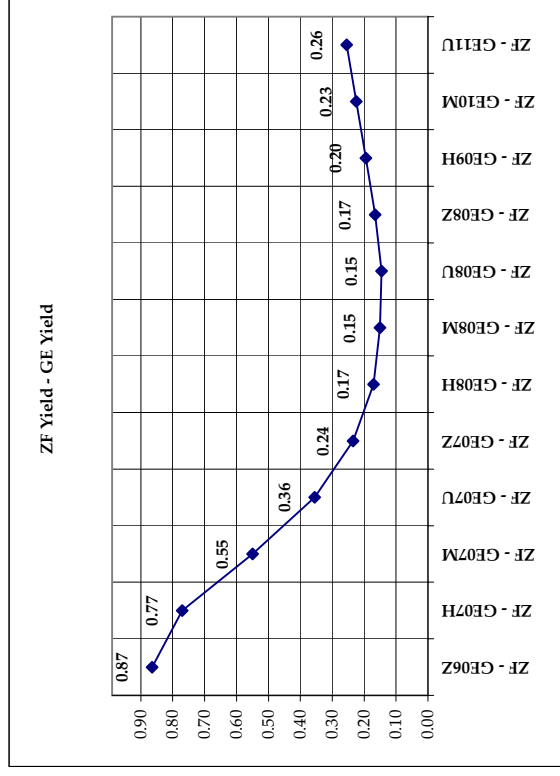
**Dirty TED: ZF vs Eurodollar Contracts**

**ZF**

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	11.24	0.87	ZF - GE06Z
F.EDAH07	11.15	0.77	ZF - GE07H
F.EDAM07	10.93	0.55	ZF - GE07M
F.EDAU07	10.73	0.36	ZF - GE07U
F.EDAZ07	10.61	0.24	ZF - GE07Z
F.EDAH08	10.55	0.17	ZF - GE08H
F.EDAM08	10.53	0.15	ZF - GE08M
F.EDAU08	10.52	0.15	ZF - GE08U
F.EDAZ08	10.54	0.17	ZF - GE08Z
F.EDAH09	10.57	0.20	ZF - GE09H
F.EDAM09	10.60	0.23	ZF - GE10M
F.EDAU09	10.63	0.26	ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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



**GE Duration as Fraction of year**

	Fraction of year	ZF Duration	Spread Duration
F.EDAZ06	0.019	3.98	3.96
F.EDAH07	0.268	3.98	3.71
F.EDAM07	0.517	3.98	3.46
F.EDAU07	0.766	3.98	3.21
F.EDAZ07	1.016	3.98	2.96
F.EDAH08	1.265	3.98	2.71
F.EDAM08	1.514	3.98	2.46
F.EDAU08	1.764	3.98	2.21
F.EDAZ08	2.013	3.98	1.96
F.EDAH09	2.262	3.98	1.71
F.EDAM09	2.512	3.98	1.46
F.EDAU09	2.761	3.98	1.21

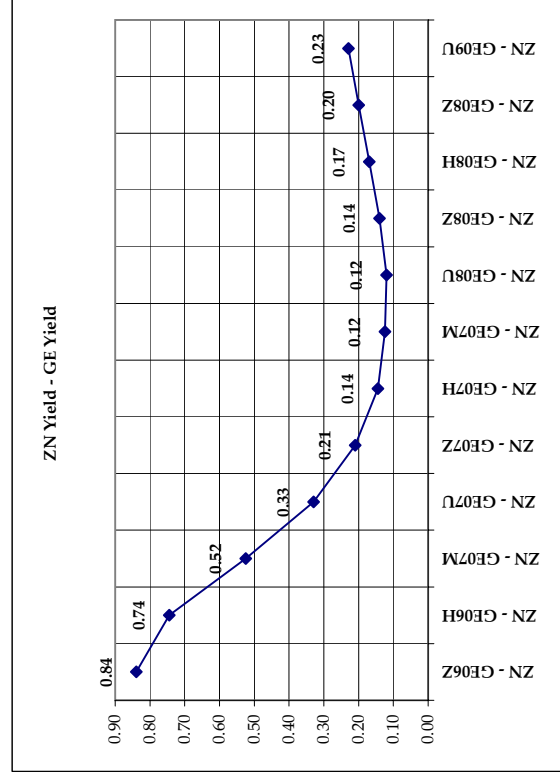
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Dirty TED: ZN vs Eurodollar Contracts

Spread		ZN	
Price	Yield	Spread	Name
F.EDAZ06	14.07	0.84	ZN - GE06Z
F.EDAH07	13.97	0.74	ZN - GE06H
F.EDAM07	13.75	0.52	ZN - GE07M
F.EDAU07	13.56	0.33	ZN - GE07U
F.EDAZ07	13.44	0.21	ZN - GE07Z
F.EDAH08	13.37	0.14	ZN - GE07H
F.EDAM08	13.35	0.12	ZN - GE07M
F.EDAU08	13.35	0.12	ZN - GE08U
F.EDAZ08	13.37	0.14	ZN - GE08Z
F.EDAH09	13.40	0.17	ZN - GE08H
F.EDAM09	13.43	0.20	ZN - GE08M
F.EDAU09	13.46	0.23	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	Duration
F.EDAZ06	0.019	5.91	5.89
F.EDAH07	0.268	5.91	5.64
F.EDAM07	0.517	5.91	5.39
F.EDAU07	0.766	5.91	5.14
F.EDAZ07	1.016	5.91	4.89
F.EDAH08	1.265	5.91	4.65
F.EDAM08	1.514	5.91	4.40
F.EDAU08	1.764	5.91	4.15
F.EDAZ08	2.013	5.91	3.90
F.EDAH09	2.262	5.91	3.65
F.EDAM09	2.512	5.91	3.40
F.EDAU09	2.761	5.91	3.15

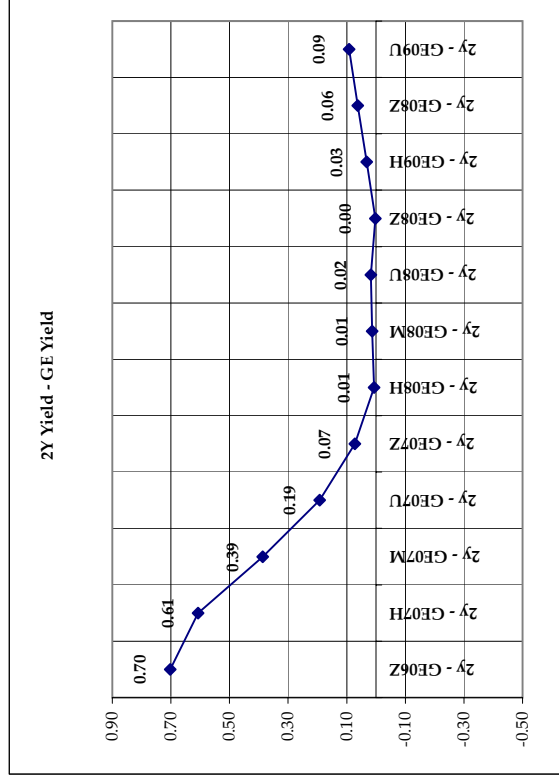
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.29	0.70	2y - GE06Z
F.EDAH07	5.19	0.61	2y - GE07H
F.EDAM07	4.97	0.39	2y - GE07M
F.EDAU07	4.78	0.19	2y - GE07U
F.EDAZ07	4.66	0.07	2y - GE07Z
F.EDAH08	4.59	0.01	2y - GE08H
F.EDAM08	4.57	0.01	2y - GE08M
F.EDAU08	4.57	0.02	2y - GE08U
F.EDAZ08	4.59	0.00	2y - GE08Z
F.EDAH09	4.62	0.03	2y - GE09H
F.EDAM09	4.65	0.06	2y - GE08Z
F.EDAU09	4.68	0.09	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.EDAZ06	0.019	1.84
F.EDAH07	0.268	1.59
F.EDAM07	0.517	1.34
F.EDAU07	0.766	1.09
F.EDAZ07	1.016	0.84
F.EDAH08	1.265	0.59
F.EDAM08	1.514	0.34
F.EDAU08	1.764	0.09
F.EDAZ08	2.013	(0.16)
F.EDAH09	2.262	(0.41)
F.EDAM09	2.512	(0.65)
F.EDAU09	2.761	(0.90)

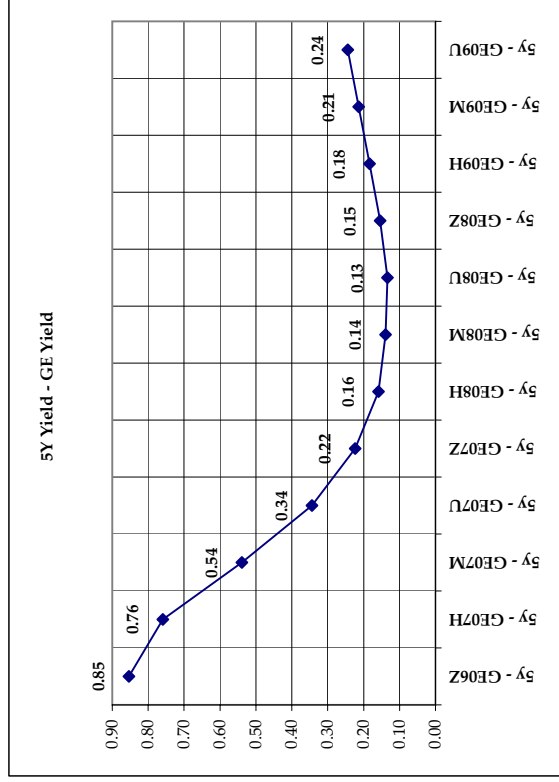
The farther away from 0 the spread duration is the riskier the trade.

**TERM TED: 5y vs Eurodollar Contracts**

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.67	0.85	5y - GE06Z
F.EDAH07	4.58	0.76	5y - GE07H
F.EDAM07	4.36	0.54	5y - GE07M
F.EDAU07	4.16	0.34	5y - GE07U
F.EDAZ07	4.04	0.22	5y - GE07Z
F.EDAH08	3.98	0.16	5y - GE08H
F.EDAM08	3.96	0.14	5y - GE08M
F.EDAU08	3.95	0.13	5y - GE08U
F.EDAZ08	3.97	0.15	5y - GE08Z
F.EDAH09	4.00	0.18	5y - GE09H
F.EDAM09	4.03	0.21	5y - GE09M
F.EDAU09	4.06	0.24	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.EDAZ06	0.019	3.98
F.EDAH07	0.268	3.98
F.EDAM07	0.517	3.98
F.EDAU07	0.766	3.98
F.EDAZ07	1.016	3.98
F.EDAH08	1.265	3.98
F.EDAM08	1.514	3.98
F.EDAU08	1.764	3.98
F.EDAZ08	2.013	3.98
F.EDAH09	2.262	3.98
F.EDAM09	2.512	3.98
F.EDAU09	2.761	3.98

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

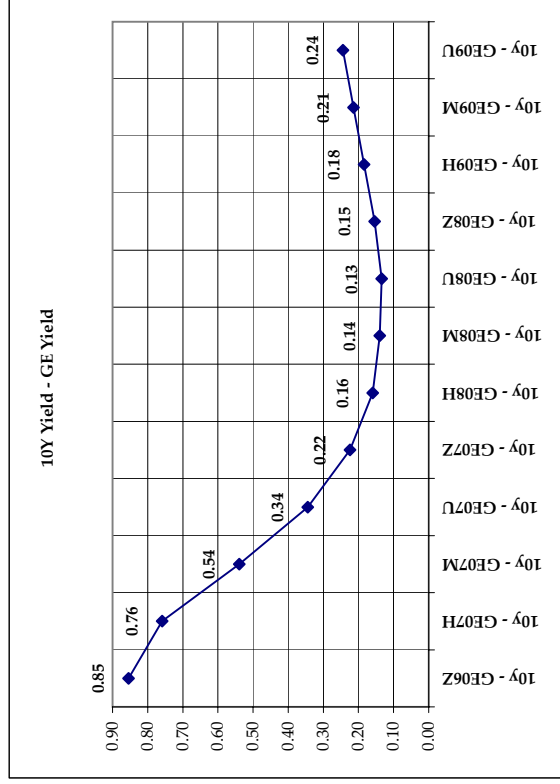
**TERM TED: 10y vs Eurodollar Contracts**

**10y**

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.67	0.85	10y - GE06Z
F.EDAH07	4.58	0.76	10y - GE07H
F.EDAM07	4.36	0.54	10y - GE07M
F.EDAU07	4.16	0.34	10y - GE07U
F.EDAZ07	4.04	0.22	10y - GE07Z
F.EDAH08	3.98	0.16	10y - GE08H
F.EDAM08	3.96	0.14	10y - GE08M
F.EDAU08	3.95	0.13	10y - GE08U
F.EDAZ08	3.97	0.15	10y - GE08Z
F.EDAH09	4.00	0.18	10y - GE09H
F.EDAM09	4.03	0.21	10y - GE09M
F.EDAU09	4.06	0.24	10y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



**GE Duration as Fraction of year**

	Fraction of year	10Y Duration	Spread Duration
F.EDAZ06	0.019	7.87	7.85
F.EDAH07	0.268	7.87	7.60
F.EDAM07	0.517	7.87	7.36
F.EDAU07	0.766	7.87	7.11
F.EDAZ07	1.016	7.87	6.86
F.EDAH08	1.265	7.87	6.61
F.EDAM08	1.514	7.87	6.36
F.EDAU08	1.764	7.87	6.11
F.EDAZ08	2.013	7.87	5.86
F.EDAH09	2.262	7.87	5.61
F.EDAM09	2.512	7.87	5.36
F.EDAU09	2.761	7.87	5.11

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