

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

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.5219	102.167	4.590
ZF	106.2188	106.070	4.424
ZN	109.1563	109.050	4.429
Blank			
2y	100.063	100.0200	4.587
5y	100.090	100.0288	4.436
10y	101.055	101.0176	4.475

\*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	94.640	5.360	5	0.013	DEC	White Pack
F.EDAH07	94.740	5.260	96	0.262	MAR	
F.EDAM07	94.995	5.005	187	0.512	JUN	
F.EDAU07	95.225	4.775	278	0.761	SEP	Red Pack
F.EDAZ07	95.370	4.630	369	1.010	DEC	
F.EDAH08	95.440	4.560	460	1.260	MAR	
F.EDAM08	95.475	4.525	551	1.509	JUN	Green Pack
F.EDAU08	95.475	4.525	642	1.758	SEP	
F.EDAZ08	95.465	4.535	733	2.008	DEC	
F.EDAH09	95.430	4.570	824	2.257	MAR	Green Pack
F.EDAM09	95.390	4.610	915	2.506	JUN	
F.EDAU09	95.350	4.650	1006	2.756	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:**

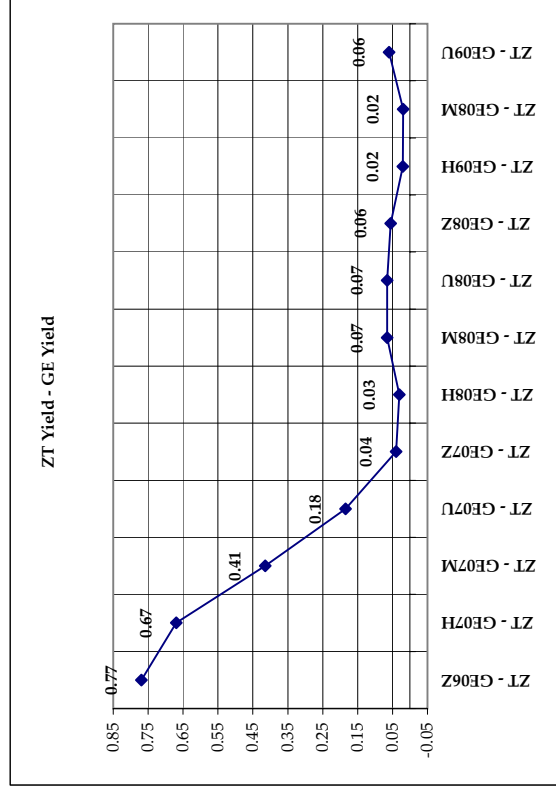
<b>Color</b>	<b>Year</b>	<b>Contracts</b>
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

Dirty TED: ZT vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.882	0.77	ZT - GE06Z
F.EDAH07	7.782	0.67	ZT - GE07H
F.EDAM07	7.527	0.41	ZT - GE07M
F.EDAU07	7.297	0.18	ZT - GE07U
F.EDAZ07	7.152	0.04	ZT - GE07Z
F.EDAH08	7.082	0.03	ZT - GE08H
F.EDAM08	7.047	0.07	ZT - GE08M
F.EDAU08	7.047	0.07	ZT - GE08U
F.EDAZ08	7.057	0.06	ZT - GE08Z
F.EDAH09	7.092	0.02	ZT - GE09H
F.EDAM09	7.132	0.02	ZT - GE09M
F.EDAU09	7.172	0.06	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	0.013	1.88	1.86
F.EDAH07	0.262	1.88	1.61
F.EDAM07	0.512	1.88	1.37
F.EDAU07	0.761	1.88	1.12
F.EDAZ07	1.010	1.88	0.87
F.EDAH08	1.260	1.88	0.62
F.EDAM08	1.509	1.88	0.37
F.EDAU08	1.758	1.88	0.12
F.EDAZ08	2.008	1.88	(0.13)
F.EDAH09	2.257	1.88	(0.38)
F.EDAM09	2.506	1.88	(0.63)
F.EDAU09	2.756	1.88	(0.88)

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

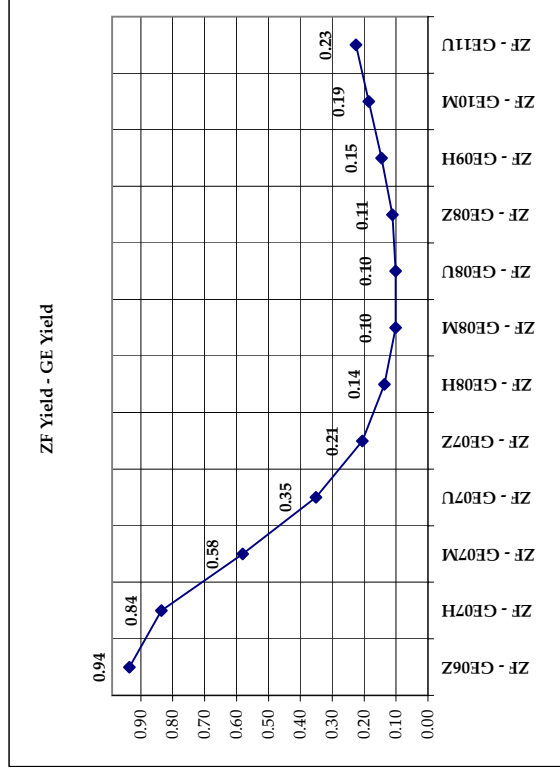
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	11.58	0.94	ZF - GE06Z
F.EDAH07	11.48	0.84	ZF - GE07H
F.EDAM07	11.22	0.58	ZF - GE07M
F.EDAU07	10.99	0.35	ZF - GE07U
F.EDAZ07	10.85	0.21	ZF - GE07Z
F.EDAH08	10.78	0.14	ZF - GE08H
F.EDAM08	10.74	0.10	ZF - GE08M
F.EDAU08	10.74	0.10	ZF - GE08U
F.EDAZ08	10.75	0.11	ZF - GE08Z
F.EDAH09	10.79	0.15	ZF - GE09H
F.EDAM09	10.83	0.19	ZF - GE10M
F.EDAU09	10.87	0.23	ZF - GE11U

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.EDAZ06	0.013	3.97	3.96
F.EDAH07	0.262	3.97	3.71
F.EDAM07	0.512	3.97	3.46
F.EDAU07	0.761	3.97	3.21
F.EDAZ07	1.010	3.97	2.96
F.EDAH08	1.260	3.97	2.71
F.EDAM08	1.509	3.97	2.46
F.EDAU08	1.758	3.97	2.21
F.EDAZ08	2.008	3.97	1.97
F.EDAH09	2.257	3.97	1.72
F.EDAM09	2.506	3.97	1.47
F.EDAU09	2.756	3.97	1.22

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

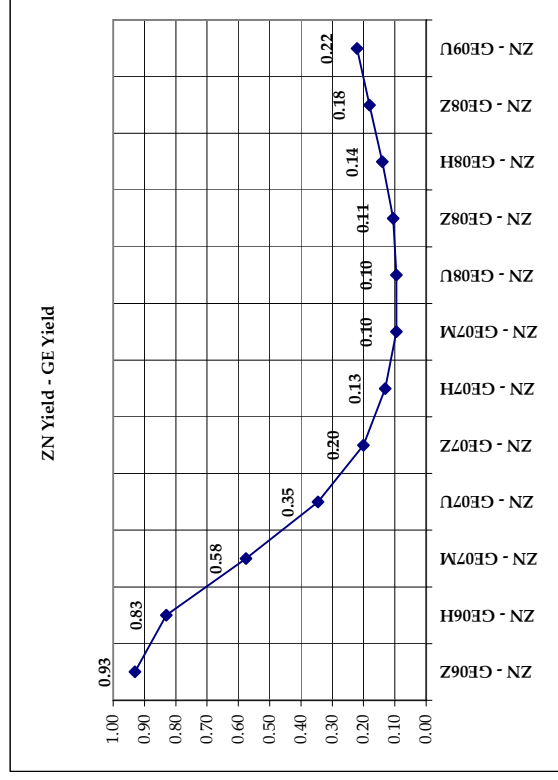


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	14.52	0.93	ZN - GE06Z
F.EDAH07	14.42	0.83	ZN - GE06H
F.EDAM07	14.16	0.58	ZN - GE07M
F.EDAU07	13.93	0.35	ZN - GE07U
F.EDAZ07	13.79	0.20	ZN - GE07Z
F.EDAH08	13.72	0.13	ZN - GE07H
F.EDAM08	13.68	0.10	ZN - GE07M
F.EDAU08	13.68	0.10	ZN - GE08U
F.EDAZ08	13.69	0.11	ZN - GE08Z
F.EDAH09	13.73	0.14	ZN - GE08H
F.EDAM09	13.77	0.18	ZN - GE08M
F.EDAU09	13.81	0.22	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.EDAZ06	0.013	5.90
F.EDAH07	0.262	5.91
F.EDAM07	0.512	5.91
F.EDAU07	0.761	5.91
F.EDAZ07	1.010	5.91
F.EDAH08	1.260	5.91
F.EDAM08	1.509	5.91
F.EDAU08	1.758	5.91
F.EDAZ08	2.008	5.91
F.EDAH09	2.257	5.91
F.EDAM09	2.506	5.91
F.EDAU09	2.756	5.91

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

**TERM TED: 2y vs Eurodollar Contracts**

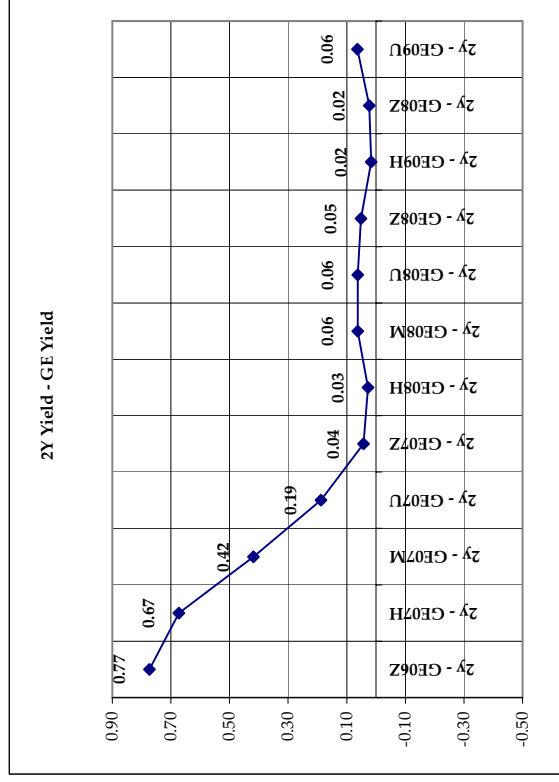
**2y**

Spread Price Spread Yield Spread Name

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	5.42	0.77	2y - GE06Z
F.EDAH07	5.32	0.67	2y - GE07H
F.EDAM07	5.07	0.42	2y - GE07M
F.EDAU07	4.84	0.19	2y - GE07U
F.EDAZ07	4.69	0.04	2y - GE07Z
F.EDAH08	4.62	0.03	2y - GE08H
F.EDAM08	4.59	0.06	2y - GE08M
F.EDAU08	4.59	0.06	2y - GE08U
F.EDAZ08	4.60	0.05	2y - GE08Z
F.EDAH09	4.63	0.02	2y - GE09H
F.EDAM09	4.67	0.02	2y - GE09M
F.EDAU09	4.71	0.06	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

	GE Duration as Fraction of year	2Y Duration	Spread Duration
F.EDAZ06	0.013	1.85	1.84
F.EDAH07	0.262	1.85	1.59
F.EDAM07	0.512	1.85	1.34
F.EDAU07	0.761	1.85	1.09
F.EDAZ07	1.010	1.85	0.84
F.EDAH08	1.260	1.85	0.59
F.EDAM08	1.509	1.85	0.34
F.EDAU08	1.758	1.85	0.09
F.EDAZ08	2.008	1.85	(0.16)
F.EDAH09	2.257	1.85	(0.40)
F.EDAM09	2.506	1.85	(0.65)
F.EDAU09	2.756	1.85	(0.90)

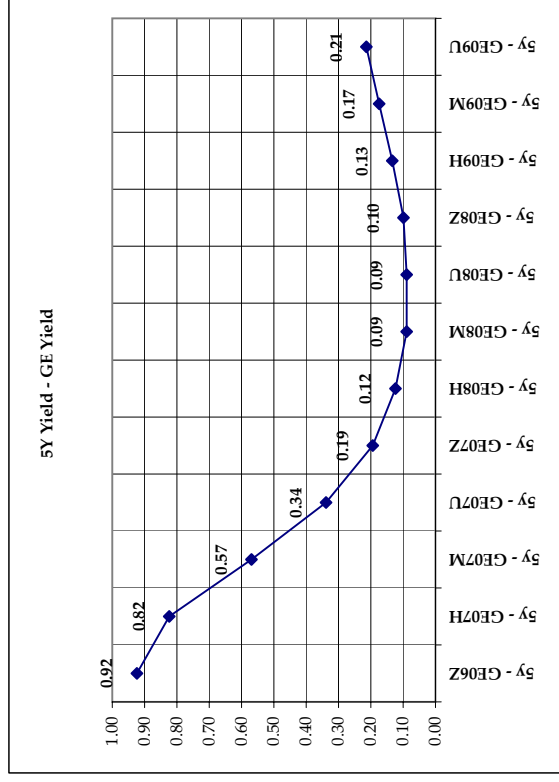
The farther away from 0 the spread duration is the riskier the trade.

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

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	5.45	0.92	5y - GE06Z
F.EDAH07	5.35	0.82	5y - GE07H
F.EDAM07	5.10	0.57	5y - GE07M
F.EDAU07	4.86	0.34	5y - GE07U
F.EDAZ07	4.72	0.19	5y - GE07Z
F.EDAH08	4.65	0.12	5y - GE08H
F.EDAM08	4.61	0.09	5y - GE08M
F.EDAU08	4.61	0.09	5y - GE08U
F.EDAZ08	4.63	0.10	5y - GE08Z
F.EDAH09	4.66	0.13	5y - GE09H
F.EDAM09	4.70	0.17	5y - GE09M
F.EDAU09	4.74	0.21	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	0.013	3.97	3.96	5y - GE06Z
F.EDAH07	0.262	3.97	3.71	5y - GE07H
F.EDAM07	0.512	3.97	3.46	5y - GE07M
F.EDAU07	0.761	3.97	3.21	5y - GE07U
F.EDAZ07	1.010	3.97	2.96	5y - GE07Z
F.EDAH08	1.260	3.97	2.71	5y - GE08H
F.EDAM08	1.509	3.97	2.46	5y - GE08M
F.EDAU08	1.758	3.97	2.21	5y - GE08U
F.EDAZ08	2.008	3.97	1.97	5y - GE08Z
F.EDAH09	2.257	3.97	1.72	5y - GE09H
F.EDAM09	2.506	3.97	1.47	5y - GE09M
F.EDAU09	2.756	3.97	1.22	5y - GE09U

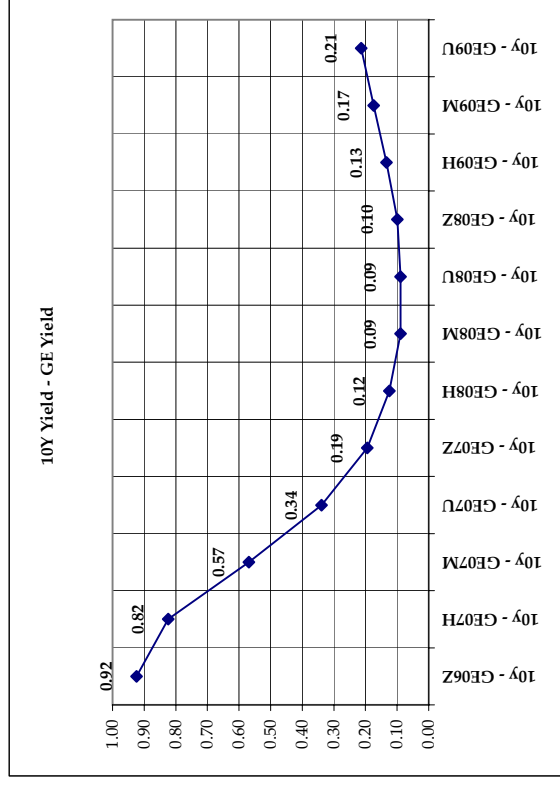
The farther away from 0 the spread duration is the riskier the trade.

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

	Spread Price	10y Spread Yield	Spread Name
F.EDAZ06	5.45	0.92	10y - GE06Z
F.EDAH07	5.35	0.82	10y - GE07H
F.EDAM07	5.10	0.57	10y - GE07M
F.EDAU07	4.86	0.34	10y - GE07U
F.EDAZ07	4.72	0.19	10y - GE07Z
F.EDAH08	4.65	0.12	10y - GE08H
F.EDAM08	4.61	0.09	10y - GE08M
F.EDAU08	4.61	0.09	10y - GE08U
F.EDAZ08	4.63	0.10	10y - GE08Z
F.EDAH09	4.66	0.13	10y - GE09H
F.EDAM09	4.70	0.17	10y - GE09M
F.EDAU09	4.74	0.21	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.EDAZ06	0.013	7.87	7.86	10y - GE06Z
F.EDAH07	0.262	7.87	7.61	10y - GE07H
F.EDAM07	0.512	7.87	7.36	10y - GE07M
F.EDAU07	0.761	7.87	7.11	10y - GE07U
F.EDAZ07	1.010	7.87	6.86	10y - GE07Z
F.EDAH08	1.260	7.87	6.62	10y - GE08H
F.EDAM08	1.509	7.87	6.37	10y - GE08M
F.EDAU08	1.758	7.87	6.12	10y - GE08U
F.EDAZ08	2.008	7.87	5.87	10y - GE08Z
F.EDAH09	2.257	7.87	5.62	10y - GE09H
F.EDAM09	2.506	7.87	5.37	10y - GE09M
F.EDAU09	2.756	7.87	5.12	10y - GE09U

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