

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

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.3031	102.097	4.696
ZF	105.7500	105.240	4.545
ZN	108.4844	108.155	4.561
Blank			
2y	99.859	99.2750	4.696
5y	99.260	99.0832	4.543
10y	100.130	100.0416	4.571

\*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	94.638	5.363	4	0.010	DEC	White Pack
F.EDAH07	94.695	5.305	95	0.260	MAR	
F.EDAM07	94.875	5.125	186	0.509	JUN	
F.EDAU07	95.085	4.915	277	0.758	SEP	Red Pack
F.EDAZ07	95.235	4.765	368	1.008	DEC	
F.EDAH08	95.310	4.690	459	1.257	MAR	
F.EDAM08	95.350	4.650	550	1.506	JUN	Green Pack
F.EDAU08	95.355	4.645	641	1.756	SEP	
F.EDAZ08	95.340	4.660	732	2.005	DEC	
F.EDAH09	95.310	4.690	823	2.254	MAR	Green Pack
F.EDAM09	95.280	4.720	914	2.503	JUN	
F.EDAU09	95.260	4.740	1005	2.753	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

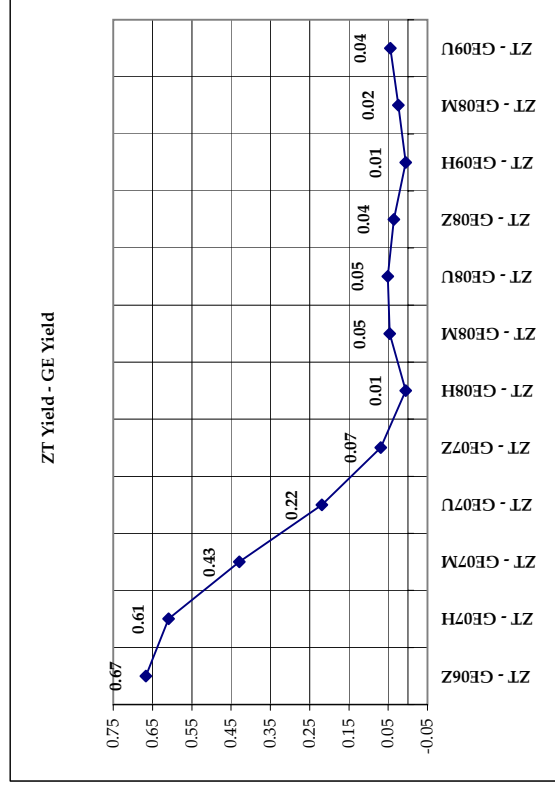
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.666	0.67	ZT - GE06Z
F.EDAH07	7.608	0.61	ZT - GE07H
F.EDAM07	7.428	0.43	ZT - GE07M
F.EDAU07	7.218	0.22	ZT - GE07U
F.EDAZ07	7.068	0.07	ZT - GE07Z
F.EDAH08	6.993	0.01	ZT - GE08H
F.EDAM08	6.953	0.05	ZT - GE08M
F.EDAU08	6.948	0.05	ZT - GE08U
F.EDAZ08	6.963	0.04	ZT - GE08Z
F.EDAH09	6.993	0.01	ZT - GE09H
F.EDAM09	7.023	0.02	ZT - GE08M
F.EDAU09	7.043	0.04	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	0.010	1.91	1.90
F.EDAH07	0.260	1.91	1.65
F.EDAM07	0.509	1.91	1.40
F.EDAU07	0.758	1.91	1.15
F.EDAZ07	1.008	1.91	0.90
F.EDAH08	1.257	1.91	0.65
F.EDAM08	1.506	1.91	0.40
F.EDAU08	1.756	1.91	0.15
F.EDAZ08	2.005	1.91	(0.10)
F.EDAH09	2.254	1.91	(0.35)
F.EDAM09	2.503	1.91	(0.60)
F.EDAU09	2.753	1.91	(0.85)

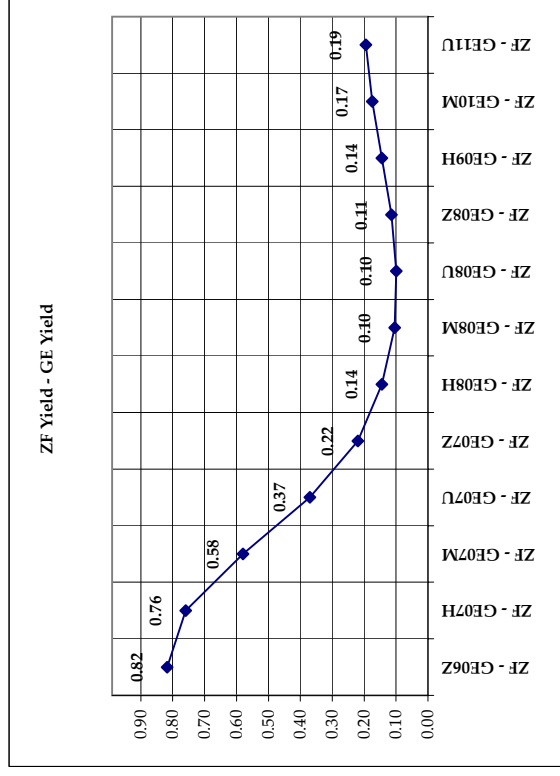
The farther away from 0 the spread duration is the riskier the trade.

**Dirty TED: ZF vs Eurodollar Contracts**

	ZF	
	Spread Price	Spread Yield
	Price	Name
F.EDAZ06	11.11	ZF - GE06Z
F.EDAH07	11.06	ZF - GE07H
F.EDAM07	10.88	ZF - GE07M
F.EDAU07	10.67	ZF - GE07U
F.EDAZ07	10.52	ZF - GE07Z
F.EDAH08	10.44	ZF - GE08H
F.EDAM08	10.40	ZF - GE08M
F.EDAU08	10.40	ZF - GE08U
F.EDAZ08	10.41	ZF - GE08Z
F.EDAH09	10.44	ZF - GE09H
F.EDAM09	10.47	ZF - GE09M
F.EDAU09	10.49	ZF - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



	GE Duration as Fraction of year		ZF		Spread	
	of year	Duration	Duration	Duration	Duration	Duration
F.EDAZ06	0.010	3.97	3.96	ZF - GE06Z	3.96	ZF - GE06Z
F.EDAH07	0.260	3.97	3.71	ZF - GE07H	3.71	ZF - GE07H
F.EDAM07	0.509	3.97	3.46	ZF - GE07M	3.46	ZF - GE07M
F.EDAU07	0.758	3.97	3.21	ZF - GE07U	3.21	ZF - GE07U
F.EDAZ07	1.008	3.97	2.96	ZF - GE07Z	2.96	ZF - GE07Z
F.EDAH08	1.257	3.97	2.71	ZF - GE08H	2.71	ZF - GE08H
F.EDAM08	1.506	3.97	2.46	ZF - GE08M	2.46	ZF - GE08M
F.EDAU08	1.756	3.97	2.21	ZF - GE08U	2.21	ZF - GE08U
F.EDAZ08	2.005	3.97	1.96	ZF - GE08Z	1.96	ZF - GE08Z
F.EDAH09	2.254	3.97	1.71	ZF - GE09H	1.71	ZF - GE09H
F.EDAM09	2.503	3.97	1.46	ZF - GE10M	1.46	ZF - GE10M
F.EDAU09	2.753	3.97	1.21	ZF - GE11U	1.21	ZF - GE11U

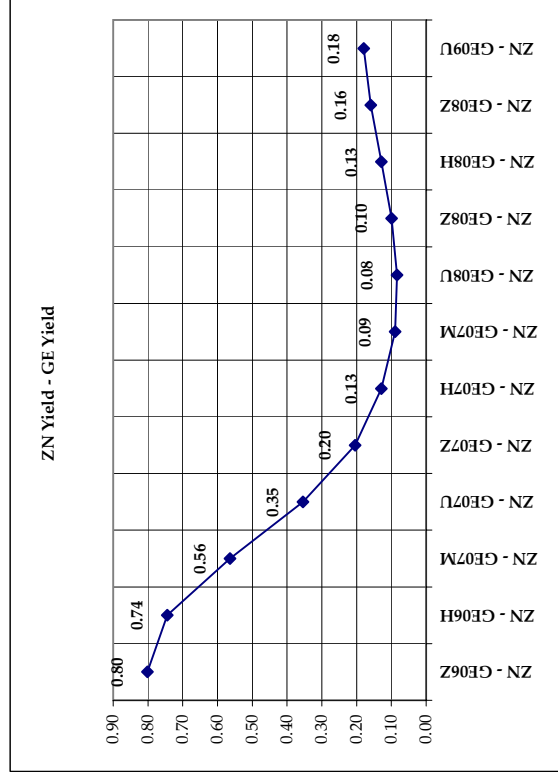
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	13.85	0.80	ZN - GE06Z
F.EDAH07	13.79	0.74	ZN - GE06H
F.EDAM07	13.61	0.56	ZN - GE07M
F.EDAU07	13.40	0.35	ZN - GE07U
F.EDAZ07	13.25	0.20	ZN - GE07Z
F.EDAH08	13.17	0.13	ZN - GE07H
F.EDAM08	13.13	0.09	ZN - GE07M
F.EDAU08	13.13	0.08	ZN - GE08U
F.EDAZ08	13.14	0.10	ZN - GE08Z
F.EDAH09	13.17	0.13	ZN - GE08H
F.EDAM09	13.20	0.16	ZN - GE08M
F.EDAU09	13.22	0.18	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	0.010	5.90	5.89
F.EDAH07	0.260	5.90	5.64
F.EDAM07	0.509	5.90	5.39
F.EDAU07	0.758	5.90	5.14
F.EDAZ07	1.008	5.90	4.89
F.EDAH08	1.257	5.90	4.64
F.EDAM08	1.506	5.90	4.39
F.EDAU08	1.756	5.90	4.14
F.EDAZ08	2.005	5.90	3.90
F.EDAH09	2.254	5.90	3.65
F.EDAM09	2.503	5.90	3.40
F.EDAU09	2.753	5.90	3.15

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

TERM TED: 2y vs Eurodollar Contracts

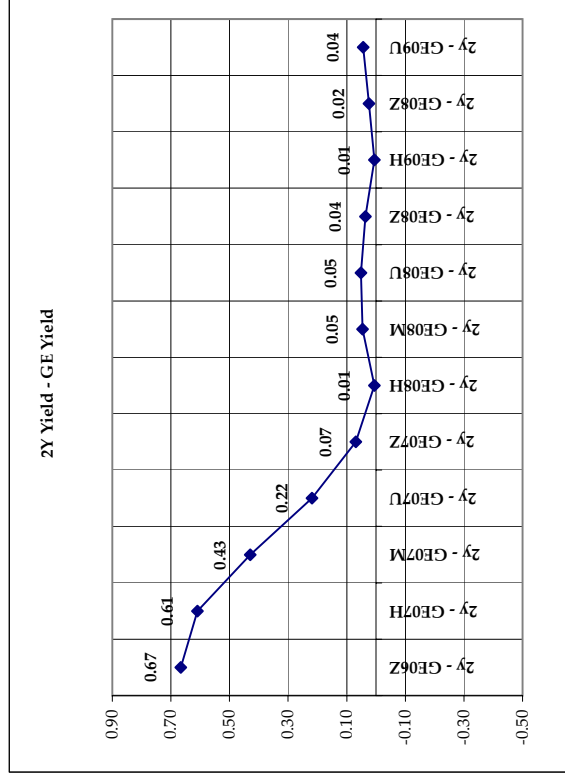
2y

Spread Price Spread Yield Spread Name

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	5.22	0.67	2y - GE06Z
F.EDAH07	5.16	0.61	2y - GE07H
F.EDAM07	4.98	0.43	2y - GE07M
F.EDAU07	4.77	0.22	2y - GE07U
F.EDAZ07	4.62	0.07	2y - GE07Z
F.EDAH08	4.55	0.01	2y - GE08H
F.EDAM08	4.51	0.05	2y - GE08M
F.EDAU08	4.50	0.05	2y - GE08U
F.EDAZ08	4.52	0.04	2y - GE08Z
F.EDAH09	4.55	0.01	2y - GE09H
F.EDAM09	4.58	0.02	2y - GE09M
F.EDAU09	4.60	0.04	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

	GE Duration as Fraction of year	2Y Duration	Spread
F.EDAZ06	0.010	1.85	1.84
F.EDAH07	0.260	1.85	1.59
F.EDAM07	0.509	1.85	1.34
F.EDAU07	0.758	1.85	1.09
F.EDAZ07	1.008	1.85	0.84
F.EDAH08	1.257	1.85	0.59
F.EDAM08	1.506	1.85	0.34
F.EDAU08	1.756	1.85	0.09
F.EDAZ08	2.005	1.85	(0.16)
F.EDAH09	2.254	1.85	(0.41)
F.EDAM09	2.503	1.85	(0.65)
F.EDAU09	2.753	1.85	(0.90)

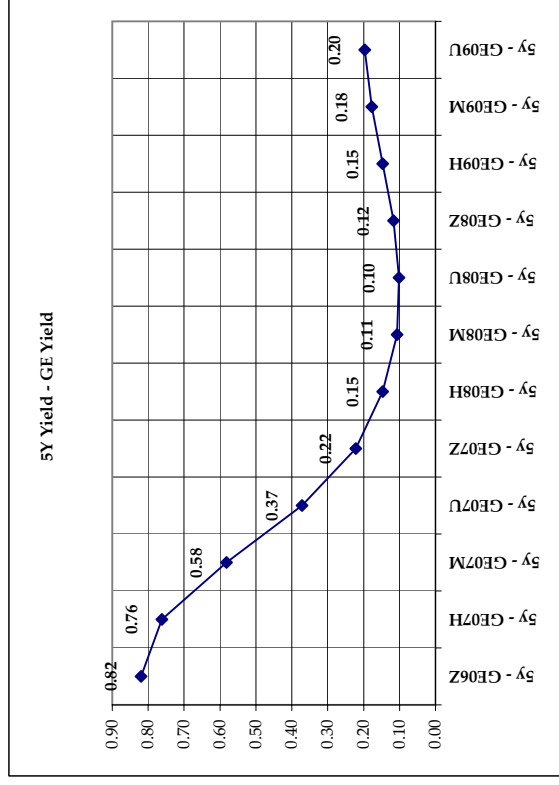
The farther away from 0 the spread duration is the riskier the trade.

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

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	4.62	0.82	5y - GE06Z
F.EDAH07	4.57	0.76	5y - GE07H
F.EDAM07	4.39	0.58	5y - GE07M
F.EDAU07	4.18	0.37	5y - GE07U
F.EDAZ07	4.03	0.22	5y - GE07Z
F.EDAH08	3.95	0.15	5y - GE08H
F.EDAM08	3.91	0.11	5y - GE08M
F.EDAU08	3.91	0.10	5y - GE08U
F.EDAZ08	3.92	0.12	5y - GE08Z
F.EDAH09	3.95	0.15	5y - GE09H
F.EDAM09	3.98	0.18	5y - GE09M
F.EDAU09	4.00	0.20	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	0.010	3.97	3.96	5y - GE06Z
F.EDAH07	0.260	3.97	3.71	5y - GE07H
F.EDAM07	0.509	3.97	3.46	5y - GE07M
F.EDAU07	0.758	3.97	3.21	5y - GE07U
F.EDAZ07	1.008	3.97	2.96	5y - GE07Z
F.EDAH08	1.257	3.97	2.71	5y - GE08H
F.EDAM08	1.506	3.97	2.46	5y - GE08M
F.EDAU08	1.756	3.97	2.21	5y - GE08U
F.EDAZ08	2.005	3.97	1.96	5y - GE08Z
F.EDAH09	2.254	3.97	1.71	5y - GE09H
F.EDAM09	2.503	3.97	1.46	5y - GE09M
F.EDAU09	2.753	3.97	1.21	5y - GE09U

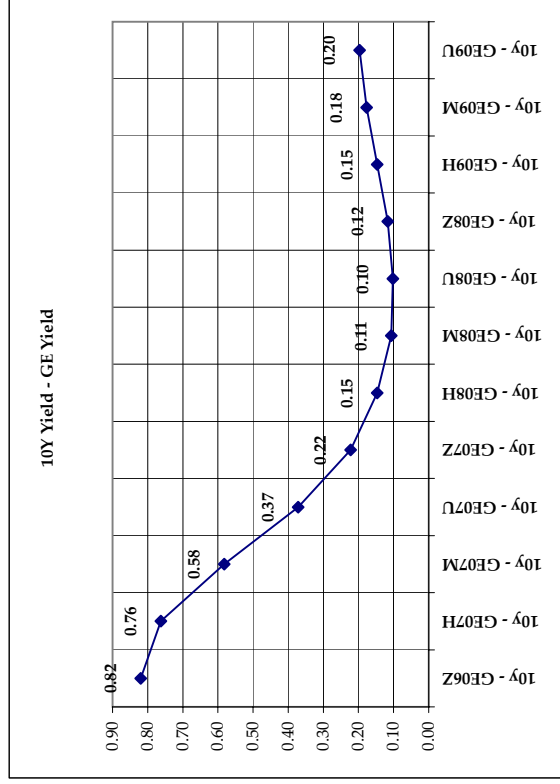
The farther away from 0 the spread duration is the riskier the trade.

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

10y		Spread	Spread	Spread	Spread
Contract	Price	Yield	Yield	Yield	Name
F.EDAZ06	4.62	0.82	10y - GE06Z		
F.EDAH07	4.57	0.76	10y - GE07H		
F.EDAM07	4.39	0.58	10y - GE07M		
F.EDAU07	4.18	0.37	10y - GE07U		
F.EDAZ07	4.03	0.22	10y - GE07Z		
F.EDAH08	3.95	0.15	10y - GE08H		
F.EDAM08	3.91	0.11	10y - GE08M		
F.EDAU08	3.91	0.10	10y - GE08U		
F.EDAZ08	3.92	0.12	10y - GE08Z		
F.EDAH09	3.95	0.15	10y - GE09H		
F.EDAM09	3.98	0.18	10y - GE09M		
F.EDAU09	4.00	0.20	10y - GE09U		

Price = Outright Decimal Price - Euro Contract Price

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



Contract	GE Duration as Fraction of year		10Y		Spread	
	Duration	Duration	Duration	Duration	Duration	Duration
F.EDAZ06	0.010	7.86	7.86	7.85	10y - GE06Z	7.85
F.EDAH07	0.260	7.86	7.86	7.60	10y - GE07H	7.60
F.EDAM07	0.509	7.86	7.86	7.35	10y - GE07M	7.35
F.EDAU07	0.758	7.86	7.86	7.10	10y - GE07U	7.10
F.EDAZ07	1.008	7.86	7.86	6.85	10y - GE07Z	6.85
F.EDAH08	1.257	7.86	7.86	6.60	10y - GE08H	6.60
F.EDAM08	1.506	7.86	7.86	6.35	10y - GE08M	6.35
F.EDAU08	1.756	7.86	7.86	6.10	10y - GE08U	6.10
F.EDAZ08	2.005	7.86	7.86	5.86	10y - GE08Z	5.86
F.EDAH09	2.254	7.86	7.86	5.61	10y - GE09H	5.61
F.EDAM09	2.503	7.86	7.86	5.36	10y - GE09M	5.36
F.EDAU09	2.753	7.86	7.86	5.11	10y - GE09U	5.11

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