

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

**Table of Contents**

Pg1	Overview and hedges
Pg2	Dirty TED: ZT vs Eurodollar Contracts
Pg3	Dirty TED: ZF vs Eurodollar Contracts
Pg4	Dirty TED: ZN vs Eurodollar Contracts
Pg5	TERM TED: 2y vs Eurodollar Contracts
Pg6	TERM TED: 5y vs Eurodollar Contracts
Pg7	TERM TED: 10y vs Eurodollar Contracts

Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.9438	101.302	4.848
ZF	104.8750	104.280	4.731
ZN	107.1094	107.035	4.755
Blank			
2y	99.584	99.1870	4.844
5y	98.310	98.0992	4.734
10y	100.255	100.0816	4.770

MDuration
1.84
3.90
5.81
1.84
4.38
7.69

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.625	5.375	66	0.180	DEC	Whites
F.EDAH07	94.700	5.300	157	0.430	MAR	
F.EDAM07	94.820	5.180	248	0.679	JUN	
F.EDAU07	94.950	5.050	339	0.928	SEP	Reds
F.EDAZ07	95.025	4.975	430	1.177	DEC	
F.EDAH08	95.035	4.965	521	1.427	MAR	
F.EDAM08	95.015	4.985	612	1.676	JUN	Greens
F.EDAU08	94.990	5.010	703	1.925	SEP	
F.EDAZ08	94.960	5.040	794	2.175	DEC	
F.EDAH09	94.935	5.065	885	2.424	MAR	
F.EDAM09	94.920	5.080	976	2.673	JUN	
F.EDAU09	94.900	5.100	1067	2.923	SEP	

\*Futures use CTD for Last Yield

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

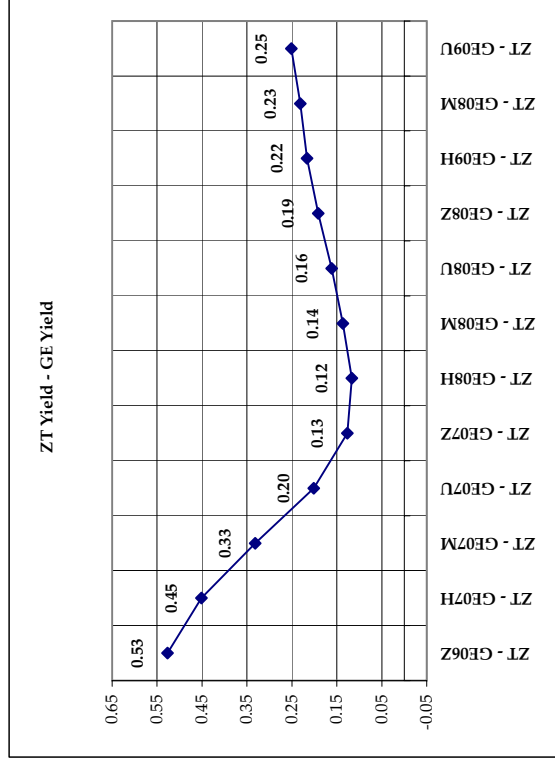
ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.319	0.53	ZT - GE06Z
F.EDAH07	7.244	0.45	ZT - GE07H
F.EDAM07	7.124	0.33	ZT - GE07M
F.EDAU07	6.994	0.20	ZT - GE07U
F.EDAZ07	6.919	0.13	ZT - GE07Z
F.EDAH08	6.909	0.12	ZT - GE08H
F.EDAM08	6.929	0.14	ZT - GE08M
F.EDAU08	6.954	0.16	ZT - GE08U
F.EDAZ08	6.984	0.19	ZT - GE08Z
F.EDAH09	7.009	0.22	ZT - GE09H
F.EDAM09	7.024	0.23	ZT - GE08M
F.EDAU09	7.044	0.25	ZT - GE09U

Last = Outright ZT Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column \* 32

Yield = ABS(ZT Proxy Yield - Implied Euro contract yield)



GE Duration as Fraction of year	ZT		Spread Duration
	Duration	Duration	
F.EDAZ06	0.180	1.84	1.66
F.EDAH07	0.430	1.84	1.41
F.EDAM07	0.679	1.84	1.17
F.EDAU07	0.928	1.84	0.92
F.EDAZ07	1.177	1.84	0.67
F.EDAH08	1.427	1.84	0.42
F.EDAM08	1.676	1.84	0.17
F.EDAU08	1.925	1.84	(0.08)
F.EDAZ08	2.175	1.84	(0.33)
F.EDAH09	2.424	1.84	(0.58)
F.EDAM09	2.673	1.84	(0.83)
F.EDAU09	2.923	1.84	(1.08)

The farther away from 0 the spread duration is

the riskier the trade.

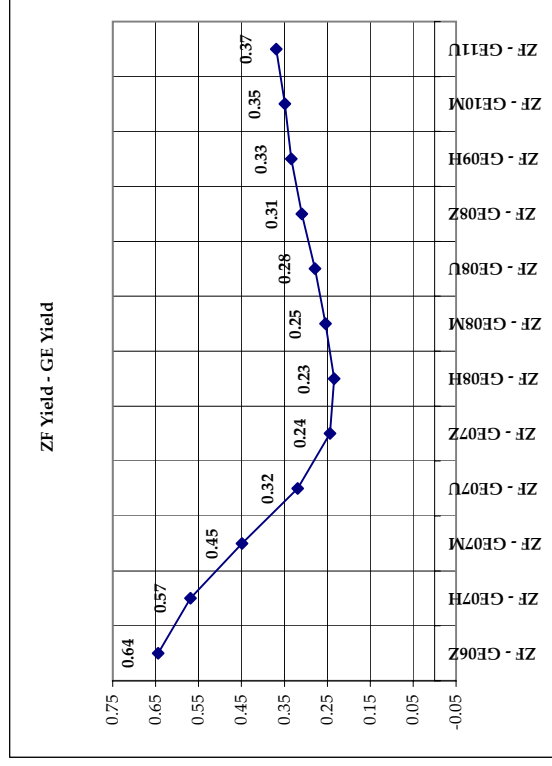
**Dirty TED: ZF vs Eurodollar Contracts**

	ZF		
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	10.25	0.64	ZF - GE06Z
F.EDAH07	10.18	0.57	ZF - GE07H
F.EDAM07	10.06	0.45	ZF - GE07M
F.EDAU07	9.93	0.32	ZF - GE07U
F.EDAZ07	9.85	0.24	ZF - GE07Z
F.EDAH08	9.84	0.23	ZF - GE08H
F.EDAM08	9.86	0.25	ZF - GE08M
F.EDAU08	9.89	0.28	ZF - GE08U
F.EDAZ08	9.91	0.31	ZF - GE08Z
F.EDAH09	9.94	0.33	ZF - GE09H
F.EDAM09	9.96	0.35	ZF - GE10M
F.EDAU09	9.97	0.37	ZF - GE11U

Last = Outright ZF Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column \* 32

Yield = ABS( ZT Proxy Yield - Implied Euro contract yield)



GE Duration as Fraction of year	ZF		Spread Duration
	Duration	Duration	
F.EDAZ06	0.180	3.90	3.72
F.EDAH07	0.430	3.90	3.47
F.EDAM07	0.679	3.90	3.22
F.EDAU07	0.928	3.90	2.97
F.EDAZ07	1.177	3.90	2.72
F.EDAH08	1.427	3.90	2.48
F.EDAM08	1.676	3.90	2.23
F.EDAU08	1.925	3.90	1.98
F.EDAZ08	2.175	3.90	1.73
F.EDAH09	2.424	3.90	1.48
F.EDAM09	2.673	3.90	1.23
F.EDAU09	2.923	3.90	0.98

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

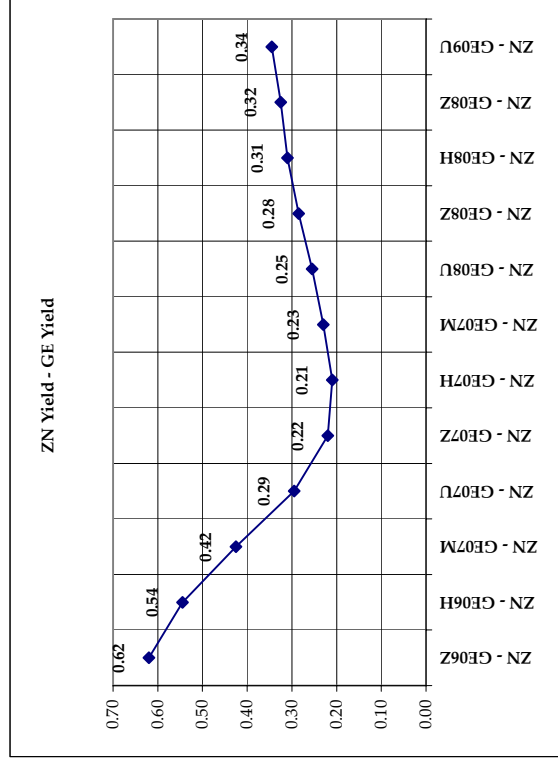
Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	12.48	0.62	ZN - GE06Z
F.EDAH07	12.41	0.54	ZN - GE06H
F.EDAM07	12.29	0.42	ZN - GE07M
F.EDAU07	12.16	0.29	ZN - GE07U
F.EDAZ07	12.08	0.22	ZN - GE07Z
F.EDAH08	12.07	0.21	ZN - GE07H
F.EDAM08	12.09	0.23	ZN - GE07M
F.EDAU08	12.12	0.25	ZN - GE08U
F.EDAZ08	12.15	0.28	ZN - GE08Z
F.EDAH09	12.17	0.31	ZN - GE08H
F.EDAM09	12.19	0.32	ZN - GE08Z
F.EDAU09	12.21	0.34	ZN - GE09U

Last = Outright ZN Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column \* 32

Yield = ABS( ZT Proxy Yield - Implied Euro contract yield)



	GE Duration as Fraction of year	ZN Duration	Spread Duration
F.EDAZ06	0.180	5.81	5.62
F.EDAH07	0.430	5.81	5.38
F.EDAM07	0.679	5.81	5.13
F.EDAU07	0.928	5.81	4.88
F.EDAZ07	1.177	5.81	4.63
F.EDAH08	1.427	5.81	4.38
F.EDAM08	1.676	5.81	4.13
F.EDAU08	1.925	5.81	3.88
F.EDAZ08	2.175	5.81	3.63
F.EDAH09	2.424	5.81	3.38
F.EDAM09	2.673	5.81	3.13
F.EDAU09	2.923	5.81	2.88

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

TERM TED: 2y vs Eurodollar Contracts

2y

Spread Price Spread

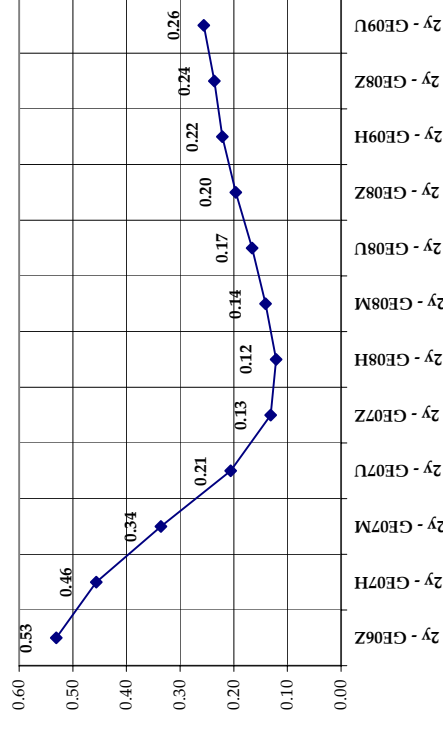
Spread	Price	Yield	Spread	Name
	4.96	0.53		2y - GE06Z
	4.88	0.46		2y - GE07H
	4.76	0.34		2y - GE07M
	4.63	0.21		2y - GE07U
	4.56	0.13		2y - GE07Z
	4.55	0.12		2y - GE08H
	4.57	0.14		2y - GE08M
	4.59	0.17		2y - GE08U
	4.62	0.20		2y - GE08Z
	4.65	0.22		2y - GE09H
	4.66	0.24		2y - GE08Z
	4.68	0.26		2y - GE09U

Last = Outright 2y Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column \* 32

Yield = ABS( ZT Proxy Yield - Implied Euro contract yield)

2Y Yield - GE Yield



GE Duration as Fraction of year

2Y Duration Spread

GE Duration as Fraction of year	2Y Duration	Spread
0.180	1.84	1.66
0.430	1.84	1.41
0.679	1.84	1.17
0.928	1.84	0.92
1.177	1.84	0.67
1.427	1.84	0.42
1.676	1.84	0.17
1.925	1.84	(0.08)
2.175	1.84	(0.33)
2.424	1.84	(0.58)
2.673	1.84	(0.83)
2.923	1.84	(1.08)

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

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

**5y**

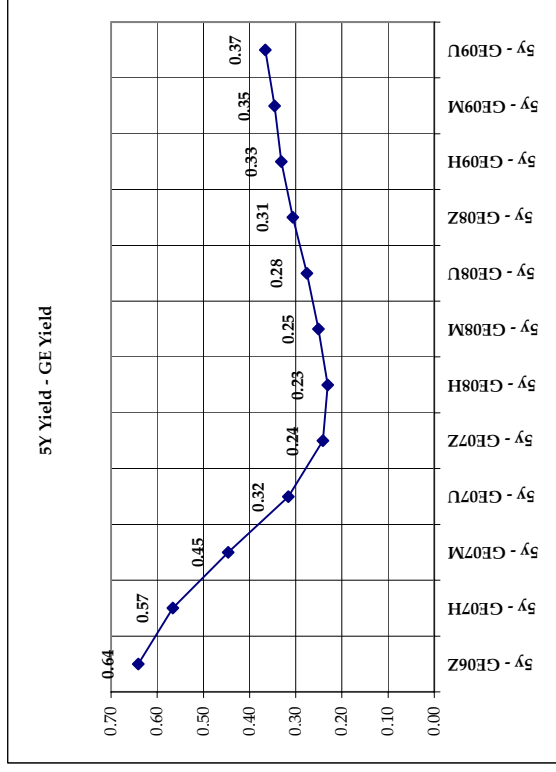
Spread Price Spread Spread  
Yield Name

F.EDAZ06	3.69	0.64	5y - GE06Z
F.EDAH07	3.61	0.57	5y - GE07H
F.EDAM07	3.49	0.45	5y - GE07M
F.EDAU07	3.36	0.32	5y - GE07U
F.EDAZ07	3.29	0.24	5y - GE07Z
F.EDAH08	3.28	0.23	5y - GE08H
F.EDAM08	3.30	0.25	5y - GE08M
F.EDAU08	3.32	0.28	5y - GE08U
F.EDAZ08	3.35	0.31	5y - GE08Z
F.EDAH09	3.38	0.33	5y - GE09H
F.EDAM09	3.39	0.35	5y - GE09M
F.EDAU09	3.41	0.37	5y - GE09U

Last = Outright 5y Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column \* 32

Yield = ABS( ZT Proxy Yield - Implied Euro contract yield)



GE Duration as Fraction of year 5Y Duration Spread

F.EDAZ06	0.180	4.38	4.20	5y - GE06Z
F.EDAH07	0.430	4.38	3.95	5y - GE07H
F.EDAM07	0.679	4.38	3.70	5y - GE07M
F.EDAU07	0.928	4.38	3.45	5y - GE07U
F.EDAZ07	1.177	4.38	3.20	5y - GE07Z
F.EDAH08	1.427	4.38	2.96	5y - GE08H
F.EDAM08	1.676	4.38	2.71	5y - GE08M
F.EDAU08	1.925	4.38	2.46	5y - GE08U
F.EDAZ08	2.175	4.38	2.21	5y - GE08Z
F.EDAH09	2.424	4.38	1.96	5y - GE09H
F.EDAM09	2.673	4.38	1.71	5y - GE09M
F.EDAU09	2.923	4.38	1.46	5y - GE09U

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

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

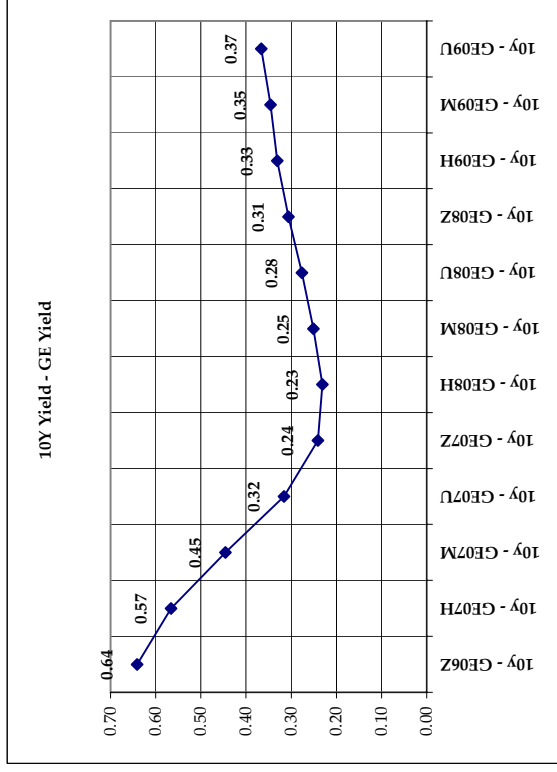
**10y**

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	3.69	0.64	10y - GE06Z
F.EDAH07	3.61	0.57	10y - GE07H
F.EDAM07	3.49	0.45	10y - GE07M
F.EDAU07	3.36	0.32	10y - GE07U
F.EDAZ07	3.29	0.24	10y - GE07Z
F.EDAH08	3.28	0.23	10y - GE08H
F.EDAM08	3.30	0.25	10y - GE08M
F.EDAU08	3.32	0.28	10y - GE08U
F.EDAZ08	3.35	0.31	10y - GE08Z
F.EDAH09	3.38	0.33	10y - GE09H
F.EDAM09	3.39	0.35	10y - GE09M
F.EDAU09	3.41	0.37	10y - GE09U

Last = Outright 10y Decimal Price - Euro contract Price

Last32 = Amount after decimal in Last column \* 32

Yield = ABS( ZT Proxy Yield - Implied Euro contract yield)



**GE Duration as Fraction of year**

	Duration	10Y Duration	Spread Duration
F.EDAZ06	0.180	7.69	7.51
F.EDAH07	0.430	7.69	7.26
F.EDAM07	0.679	7.69	7.01
F.EDAU07	0.928	7.69	6.76
F.EDAZ07	1.177	7.69	6.51
F.EDAH08	1.427	7.69	6.26
F.EDAM08	1.676	7.69	6.01
F.EDAU08	1.925	7.69	5.76
F.EDAZ08	2.175	7.69	5.51
F.EDAH09	2.424	7.69	5.27
F.EDAM09	2.673	7.69	5.02
F.EDAU09	2.923	7.69	4.77

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