

**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	101.9125	101.292	4.867
ZF	104.8281	104.265	4.746
ZN	107.0313	107.010	4.767
Blank			
2y	99.553	99.1770	4.863
5y	98.290	98.0928	4.749
10y	100.230	100.0736	4.779

\*Futures use CTD for Last Yield  
 \*\*Mduration = Modified Macaulay Duration

Eurodollars (GE)						
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
F.EDAZ06	94.605	5.395	59	0.161	DEC	White Pack
F.EDAH07	94.675	5.325	150	0.410	MAR	
F.EDAM07	94.800	5.200	241	0.660	JUN	
F.EDAU07	94.940	5.060	332	0.909	SEP	Red Pack
F.EDAZ07	95.010	4.990	423	1.158	DEC	
F.EDAH08	95.030	4.970	514	1.408	MAR	
F.EDAM08	95.015	4.985	605	1.657	JUN	Green Pack
F.EDAU08	95.000	5.000	696	1.906	SEP	
F.EDAZ08	94.970	5.030	787	2.156	DEC	
F.EDAH09	94.955	5.045	878	2.405	MAR	Green Pack
F.EDAM09	94.935	5.065	969	2.654	JUN	
F.EDAU09	94.895	5.105	1060	2.904	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.

[igoulding@ghco.com](mailto:igoulding@ghco.com)

#### **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	7.308	0.53	ZT - GE06Z
F.EDAH07	7.238	0.46	ZT - GE07H
F.EDAM07	7.113	0.33	ZT - GE07M
F.EDAU07	6.973	0.19	ZT - GE07U
F.EDAZ07	6.903	0.12	ZT - GE07Z
F.EDAH08	6.883	0.10	ZT - GE08H
F.EDAM08	6.898	0.12	ZT - GE08M
F.EDAU08	6.913	0.13	ZT - GE08U
F.EDAZ08	6.943	0.16	ZT - GE08Z
F.EDAH09	6.958	0.18	ZT - GE09H
F.EDAM09	6.978	0.20	ZT - GE08M
F.EDAU09	7.018	0.24	ZT - GE09U

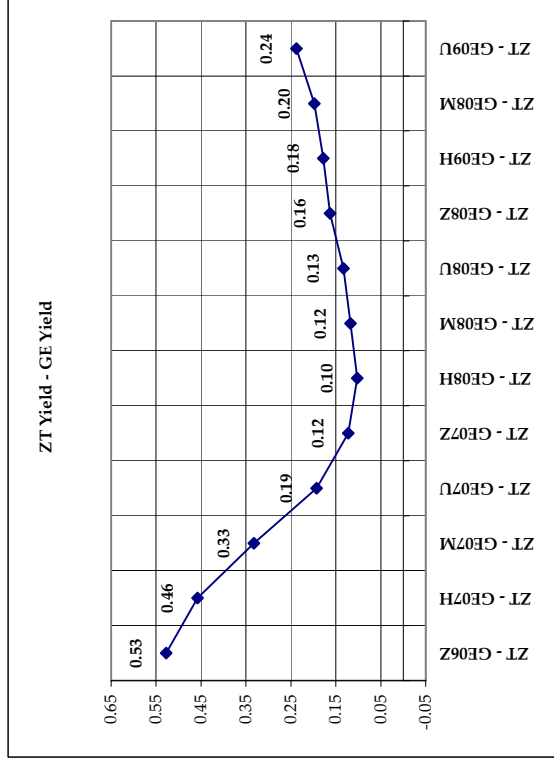
Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year

	Duration	ZT Duration	Spread Duration
F.EDAZ06	0.161	1.83	1.66
F.EDAH07	0.410	1.83	1.42
F.EDAM07	0.660	1.83	1.17
F.EDAU07	0.909	1.83	0.92
F.EDAZ07	1.158	1.83	0.67
F.EDAH08	1.408	1.83	0.42
F.EDAM08	1.657	1.83	0.17
F.EDAU08	1.906	1.83	(0.08)
F.EDAZ08	2.156	1.83	(0.33)
F.EDAH09	2.405	1.83	(0.58)
F.EDAM09	2.654	1.83	(0.83)
F.EDAU09	2.904	1.83	(1.08)

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



Dirty TED: ZF vs Eurodollar Contracts

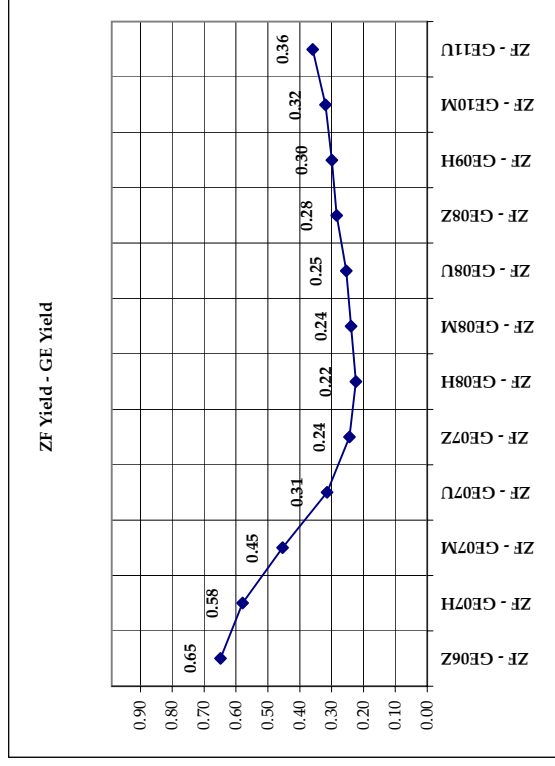
ZF		Spread	Spread	Spread
Price	Yield	Price	Yield	Name
F.EDAZ06	10.22	0.65	ZF - GE06Z	
F.EDAH07	10.15	0.58	ZF - GE07H	
F.EDAM07	10.03	0.45	ZF - GE07M	
F.EDAU07	9.89	0.31	ZF - GE07U	
F.EDAZ07	9.82	0.24	ZF - GE07Z	
F.EDAH08	9.80	0.22	ZF - GE08H	
F.EDAM08	9.81	0.24	ZF - GE08M	
F.EDAU08	9.83	0.25	ZF - GE08U	
F.EDAZ08	9.86	0.28	ZF - GE08Z	
F.EDAH09	9.87	0.30	ZF - GE09H	
F.EDAM09	9.89	0.32	ZF - GE10M	
F.EDAU09	9.93	0.36	ZF - GE11U	

Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year	ZF		Spread Duration
	Duration	Duration	
F.EDAZ06	0.161	3.88	3.72
F.EDAH07	0.410	3.88	3.47
F.EDAM07	0.660	3.88	3.22
F.EDAU07	0.909	3.88	2.97
F.EDAZ07	1.158	3.88	2.72
F.EDAH08	1.408	3.88	2.48
F.EDAM08	1.657	3.88	2.23
F.EDAU08	1.906	3.88	1.98
F.EDAZ08	2.156	3.88	1.73
F.EDAH09	2.405	3.88	1.48
F.EDAM09	2.654	3.88	1.23
F.EDAU09	2.904	3.88	0.98

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

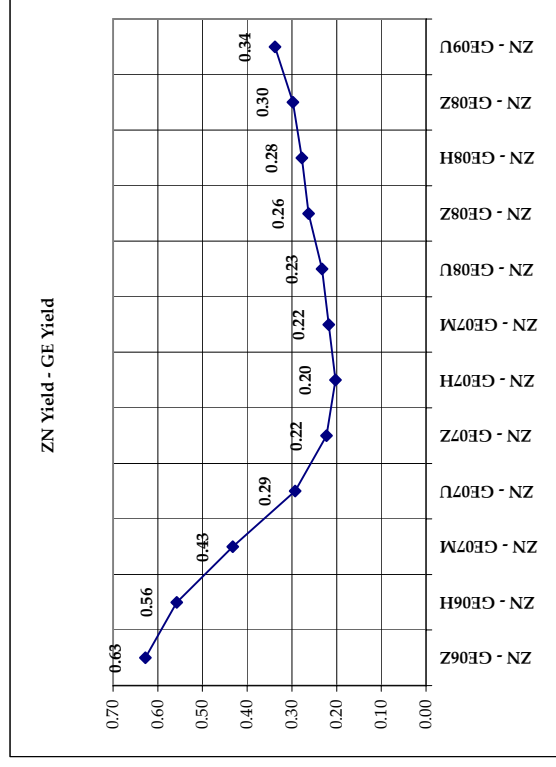


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Yield	Spread Name
F.EDAZ06	12.43	0.63	ZN - GE06Z
F.EDAH07	12.36	0.56	ZN - GE06H
F.EDAM07	12.23	0.43	ZN - GE07M
F.EDAU07	12.09	0.29	ZN - GE07U
F.EDAZ07	12.02	0.22	ZN - GE07Z
F.EDAH08	12.00	0.20	ZN - GE07H
F.EDAM08	12.02	0.22	ZN - GE07M
F.EDAU08	12.03	0.23	ZN - GE08U
F.EDAZ08	12.06	0.26	ZN - GE08Z
F.EDAH09	12.08	0.28	ZN - GE08H
F.EDAM09	12.10	0.30	ZN - GE08M
F.EDAU09	12.14	0.34	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	0.161	5.62
F.EDAH07	0.410	5.38
F.EDAM07	0.660	5.13
F.EDAU07	0.909	4.88
F.EDAZ07	1.158	4.63
F.EDAH08	1.408	4.38
F.EDAM08	1.657	4.13
F.EDAU08	1.906	3.88
F.EDAZ08	2.156	3.63
F.EDAH09	2.405	3.38
F.EDAM09	2.654	3.13
F.EDAU09	2.904	2.88

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

TERM TED: 2y vs Eurodollar Contracts

2y

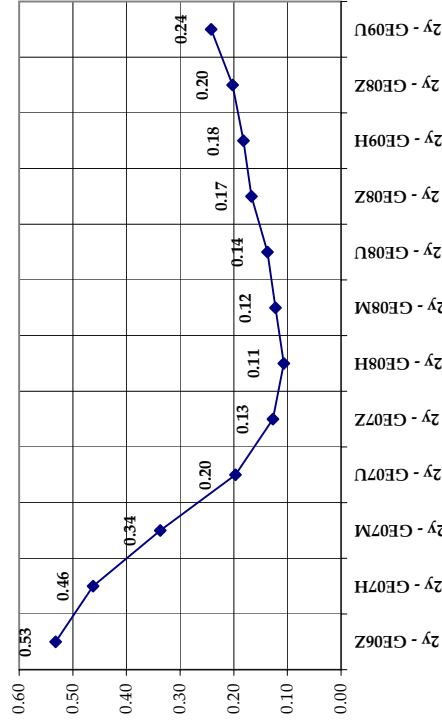
Spread Price Spread Yield Spread Name

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.95	0.53	2y - GE06Z
F.EDAH07	4.88	0.46	2y - GE07H
F.EDAM07	4.75	0.34	2y - GE07M
F.EDAU07	4.61	0.20	2y - GE07U
F.EDAZ07	4.54	0.13	2y - GE07Z
F.EDAH08	4.52	0.11	2y - GE08H
F.EDAM08	4.54	0.12	2y - GE08M
F.EDAU08	4.55	0.14	2y - GE08U
F.EDAZ08	4.58	0.17	2y - GE08Z
F.EDAH09	4.60	0.18	2y - GE09H
F.EDAM09	4.62	0.20	2y - GE08Z
F.EDAU09	4.66	0.24	2y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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

2Y Yield - GE Yield



GE Duration as Fraction of year

	Duration	2Y Duration	Spread Duration
F.EDAZ06	0.161	1.83	1.66
F.EDAH07	0.410	1.83	1.42
F.EDAM07	0.660	1.83	1.17
F.EDAU07	0.909	1.83	0.92
F.EDAZ07	1.158	1.83	0.67
F.EDAH08	1.408	1.83	0.42
F.EDAM08	1.657	1.83	0.17
F.EDAU08	1.906	1.83	(0.08)
F.EDAZ08	2.156	1.83	(0.33)
F.EDAH09	2.405	1.83	(0.58)
F.EDAM09	2.654	1.83	(0.83)
F.EDAU09	2.904	1.83	(1.08)

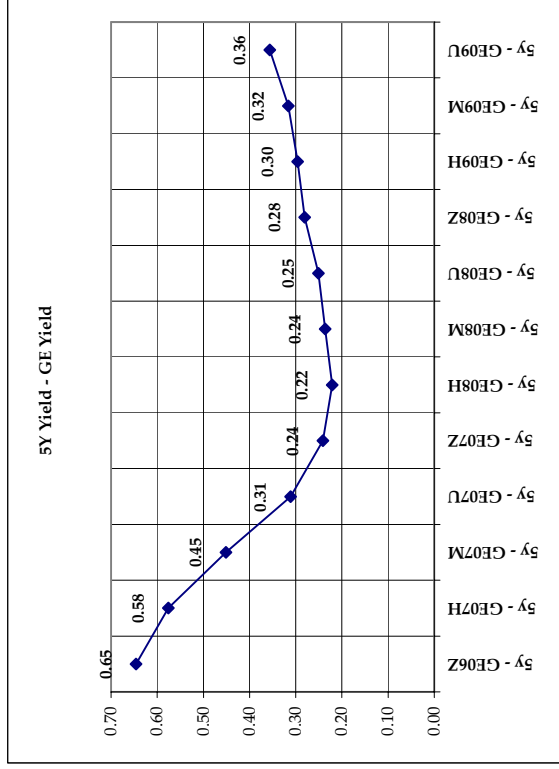
The farther away from 0 the spread duration is the riskier the trade.

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

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	3.69	0.65	5y - GE06Z
F.EDAH07	3.62	0.58	5y - GE07H
F.EDAM07	3.49	0.45	5y - GE07M
F.EDAU07	3.35	0.31	5y - GE07U
F.EDAZ07	3.28	0.24	5y - GE07Z
F.EDAH08	3.26	0.22	5y - GE08H
F.EDAM08	3.28	0.24	5y - GE08M
F.EDAU08	3.29	0.25	5y - GE08U
F.EDAZ08	3.32	0.28	5y - GE08Z
F.EDAH09	3.34	0.30	5y - GE09H
F.EDAM09	3.36	0.32	5y - GE09M
F.EDAU09	3.40	0.36	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	0.161	4.36	4.20	5y - GE06Z
F.EDAH07	0.410	4.36	3.95	5y - GE07H
F.EDAM07	0.660	4.36	3.70	5y - GE07M
F.EDAU07	0.909	4.36	3.45	5y - GE07U
F.EDAZ07	1.158	4.36	3.20	5y - GE07Z
F.EDAH08	1.408	4.36	2.96	5y - GE08H
F.EDAM08	1.657	4.36	2.71	5y - GE08M
F.EDAU08	1.906	4.36	2.46	5y - GE08U
F.EDAZ08	2.156	4.36	2.21	5y - GE08Z
F.EDAH09	2.405	4.36	1.96	5y - GE09H
F.EDAM09	2.654	4.36	1.71	5y - GE09M
F.EDAU09	2.904	4.36	1.46	5y - GE09U

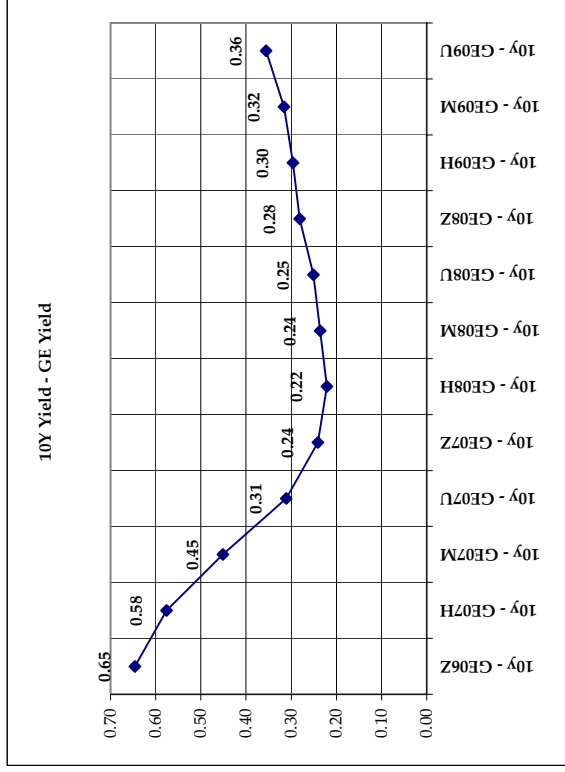
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAZ06	3.69	0.65	10y - GE06Z
F.EDAH07	3.62	0.58	10y - GE07H
F.EDAM07	3.49	0.45	10y - GE07M
F.EDAU07	3.35	0.31	10y - GE07U
F.EDAZ07	3.28	0.24	10y - GE07Z
F.EDAH08	3.26	0.22	10y - GE08H
F.EDAM08	3.28	0.24	10y - GE08M
F.EDAU08	3.29	0.25	10y - GE08U
F.EDAZ08	3.32	0.28	10y - GE08Z
F.EDAH09	3.34	0.30	10y - GE09H
F.EDAM09	3.36	0.32	10y - GE09M
F.EDAU09	3.40	0.36	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	0.161	7.51
F.EDAH07	0.410	7.26
F.EDAM07	0.660	7.01
F.EDAU07	0.909	6.76
F.EDAZ07	1.158	6.51
F.EDAH08	1.408	6.26
F.EDAM08	1.657	6.01
F.EDAU08	1.906	5.76
F.EDAZ08	2.156	5.51
F.EDAH09	2.405	5.26
F.EDAM09	2.654	5.02
F.EDAU09	2.904	4.77

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