

**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	101.9281	101.297	4.924
ZF	104.9063	104.290	4.760
ZN	107.1875	107.060	4.818
Blank			
2y	100.063	100.0200	4.838
5y	98.310	98.0992	4.735
10y	100.280	100.0896	4.759

\*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	94.610	5.390	53	0.145	DEC	White Pack
F.EDAH07	94.670	5.330	144	0.394	MAR	
F.EDAM07	94.795	5.205	235	0.643	JUN	
F.EDAU07	94.945	5.055	326	0.892	SEP	Red Pack
F.EDAZ07	95.030	4.970	417	1.142	DEC	
F.EDAH08	95.060	4.940	508	1.391	MAR	
F.EDAM08	95.055	4.945	599	1.640	JUN	Green Pack
F.EDAU08	95.040	4.960	690	1.890	SEP	
F.EDAZ08	95.010	4.990	781	2.139	DEC	
F.EDAH09	94.990	5.010	872	2.388	MAR	Green Pack
F.EDAM09	94.960	5.040	963	2.638	JUN	
F.EDAU09	94.935	5.065	1054	2.887	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	7.318	0.47	ZT - GE06Z
F.EDAH07	7.258	0.41	ZT - GE07H
F.EDAM07	7.133	0.28	ZT - GE07M
F.EDAU07	6.983	0.13	ZT - GE07U
F.EDAZ07	6.898	0.05	ZT - GE07Z
F.EDAH08	6.868	0.02	ZT - GE08H
F.EDAM08	6.873	0.02	ZT - GE08M
F.EDAU08	6.888	0.04	ZT - GE08U
F.EDAZ08	6.918	0.07	ZT - GE08Z
F.EDAH09	6.938	0.09	ZT - GE09H
F.EDAM09	6.968	0.12	ZT - GE08M
F.EDAU09	6.993	0.14	ZT - GE09U

Price = Outright Decimal Price - Euro Contract Price

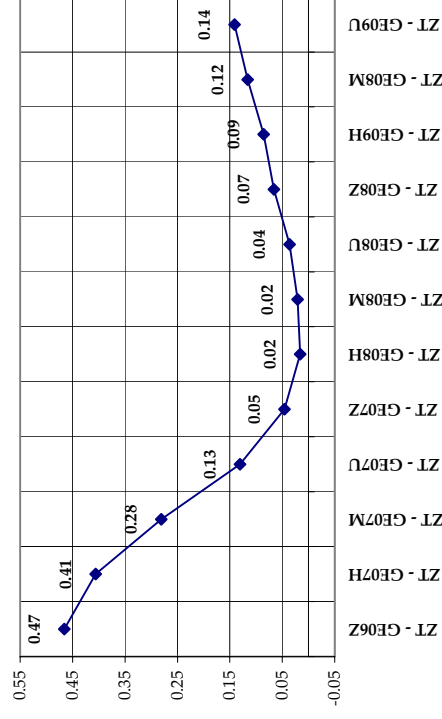
Yield = ABS(Proxy Yield - Implied Euro Contract yield)

GE Duration as Fraction of year

	Duration	ZT Duration	Spread Duration
F.EDAZ06	0.145	1.81	1.67
F.EDAH07	0.394	1.81	1.42
F.EDAM07	0.643	1.81	1.17
F.EDAU07	0.892	1.81	0.92
F.EDAZ07	1.142	1.81	0.67
F.EDAH08	1.391	1.81	0.42
F.EDAM08	1.640	1.81	0.17
F.EDAU08	1.890	1.81	(0.08)
F.EDAZ08	2.139	1.81	(0.32)
F.EDAH09	2.388	1.81	(0.57)
F.EDAM09	2.638	1.81	(0.82)
F.EDAU09	2.887	1.81	(1.07)

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

ZT Yield - GE Yield



Dirty TED: ZF vs Eurodollar Contracts

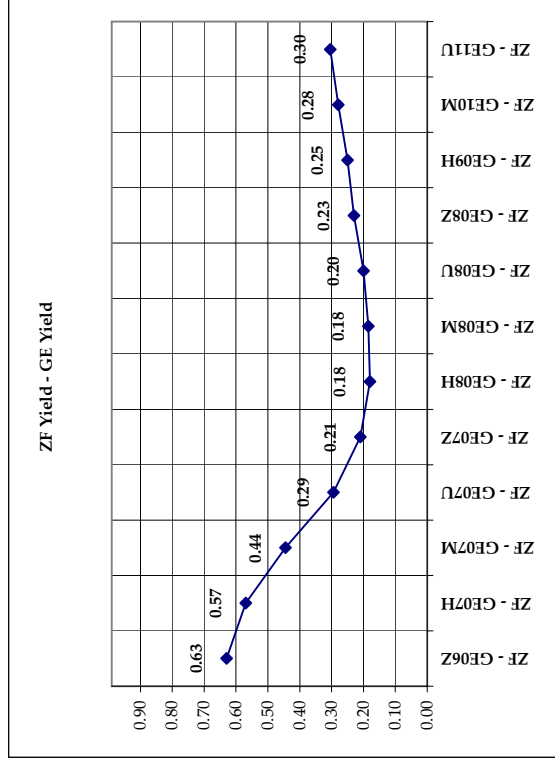
	ZF		ZF	
	Spread Price	Spread Yield	Spread Name	Spread Name
F.EDAZ06	10.30	0.63	ZF - GE06Z	ZF - GE06Z
F.EDAH07	10.24	0.57	ZF - GE07H	ZF - GE07H
F.EDAM07	10.11	0.44	ZF - GE07M	ZF - GE07M
F.EDAU07	9.96	0.29	ZF - GE07U	ZF - GE07U
F.EDAZ07	9.88	0.21	ZF - GE07Z	ZF - GE07Z
F.EDAH08	9.85	0.18	ZF - GE08H	ZF - GE08H
F.EDAM08	9.85	0.18	ZF - GE08M	ZF - GE08M
F.EDAU08	9.87	0.20	ZF - GE08U	ZF - GE08U
F.EDAZ08	9.90	0.23	ZF - GE08Z	ZF - GE08Z
F.EDAH09	9.92	0.25	ZF - GE09H	ZF - GE09H
F.EDAM09	9.95	0.28	ZF - GE10M	ZF - GE10M
F.EDAU09	9.97	0.30	ZF - GE11U	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	0.145	3.87	3.73
F.EDAH07	0.394	3.87	3.48
F.EDAM07	0.643	3.87	3.23
F.EDAU07	0.892	3.87	2.98
F.EDAZ07	1.142	3.87	2.73
F.EDAH08	1.391	3.87	2.48
F.EDAM08	1.640	3.87	2.23
F.EDAU08	1.890	3.87	1.98
F.EDAZ08	2.139	3.87	1.73
F.EDAH09	2.388	3.87	1.48
F.EDAM09	2.638	3.87	1.23
F.EDAU09	2.887	3.87	0.98

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

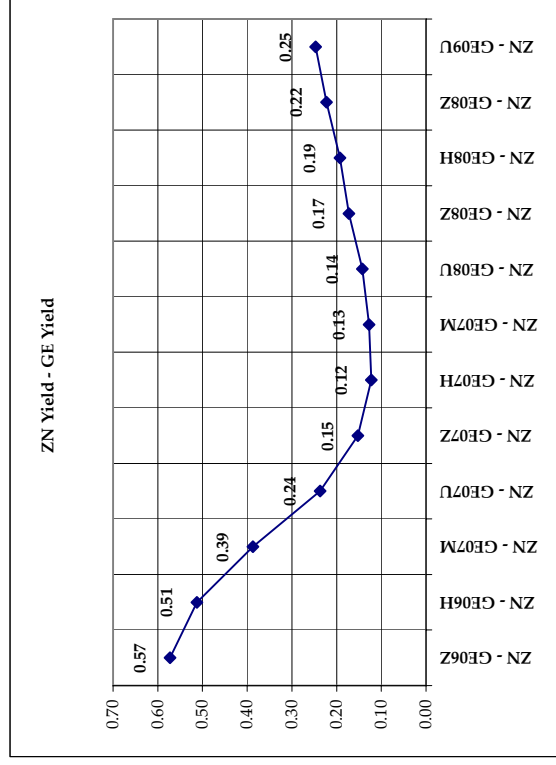


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	12.58	0.57	ZN - GE06Z
F.EDAH07	12.52	0.51	ZN - GE06H
F.EDAM07	12.39	0.39	ZN - GE07M
F.EDAU07	12.24	0.24	ZN - GE07U
F.EDAZ07	12.16	0.15	ZN - GE07Z
F.EDAH08	12.13	0.12	ZN - GE07H
F.EDAM08	12.13	0.13	ZN - GE07M
F.EDAU08	12.15	0.14	ZN - GE08U
F.EDAZ08	12.18	0.17	ZN - GE08Z
F.EDAH09	12.20	0.19	ZN - GE08H
F.EDAM09	12.23	0.22	ZN - GE08Z
F.EDAU09	12.25	0.25	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	0.145	5.63
F.EDAH07	0.394	5.38
F.EDAM07	0.643	5.13
F.EDAU07	0.892	4.88
F.EDAZ07	1.142	4.63
F.EDAH08	1.391	4.38
F.EDAM08	1.640	4.13
F.EDAU08	1.890	3.88
F.EDAZ08	2.139	3.63
F.EDAH09	2.388	3.38
F.EDAM09	2.638	3.13
F.EDAU09	2.887	2.89

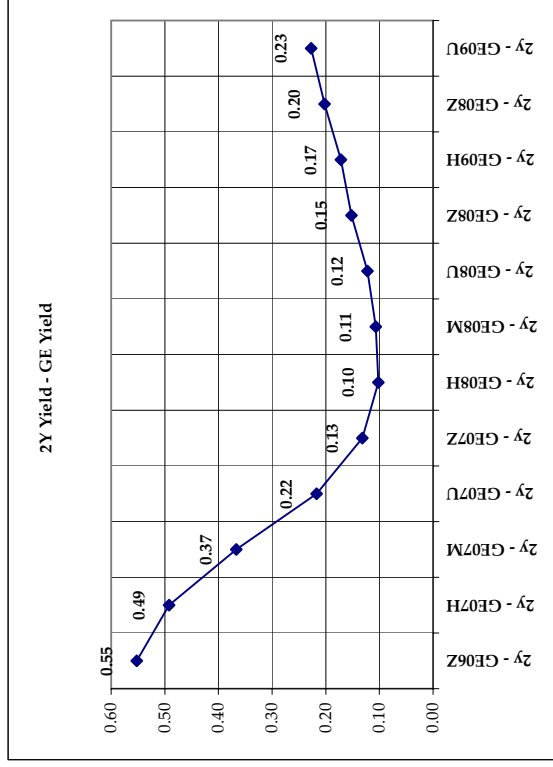
The farther away from 0 the spread duration is the riskier the trade.

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

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.45	0.55	2y - GE06Z
F.EDAH07	5.39	0.49	2y - GE07H
F.EDAM07	5.27	0.37	2y - GE07M
F.EDAU07	5.12	0.22	2y - GE07U
F.EDAZ07	5.03	0.13	2y - GE07Z
F.EDAH08	5.00	0.10	2y - GE08H
F.EDAM08	5.01	0.11	2y - GE08M
F.EDAU08	5.02	0.12	2y - GE08U
F.EDAZ08	5.05	0.15	2y - GE08Z
F.EDAH09	5.07	0.17	2y - GE09H
F.EDAM09	5.10	0.20	2y - GE09M
F.EDAU09	5.13	0.23	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	0.145	1.67
F.EDAH07	0.394	1.42
F.EDAM07	0.643	1.17
F.EDAU07	0.892	0.92
F.EDAZ07	1.142	0.67
F.EDAH08	1.391	0.42
F.EDAM08	1.640	0.17
F.EDAU08	1.890	(0.08)
F.EDAZ08	2.139	(0.32)
F.EDAH09	2.388	(0.57)
F.EDAM09	2.638	(0.82)
F.EDAU09	2.887	(1.07)

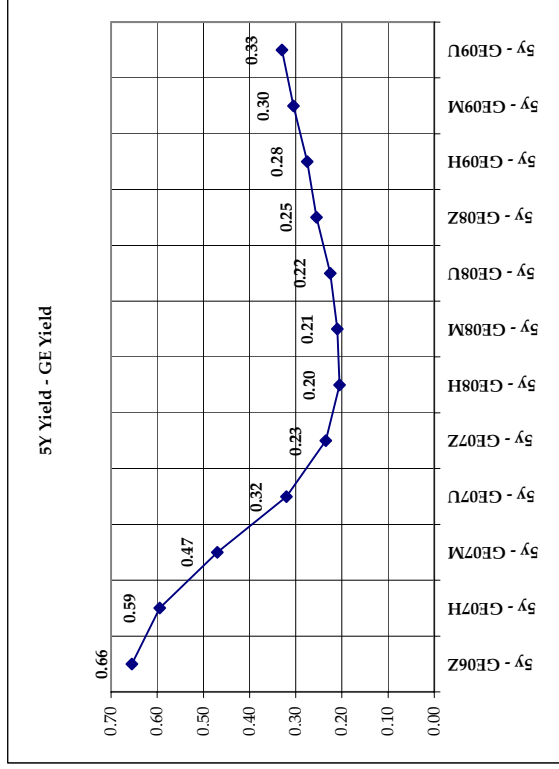
The farther away from 0 the spread duration is the riskier the trade.

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

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	3.70	0.66	5y - GE06Z
F.EDAH07	3.64	0.59	5y - GE07H
F.EDAM07	3.52	0.47	5y - GE07M
F.EDAU07	3.36	0.32	5y - GE07U
F.EDAZ07	3.28	0.23	5y - GE07Z
F.EDAH08	3.25	0.20	5y - GE08H
F.EDAM08	3.26	0.21	5y - GE08M
F.EDAU08	3.27	0.22	5y - GE08U
F.EDAZ08	3.30	0.25	5y - GE08Z
F.EDAH09	3.32	0.28	5y - GE09H
F.EDAM09	3.35	0.30	5y - GE09M
F.EDAU09	3.38	0.33	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	0.145	4.21
F.EDAH07	0.394	3.96
F.EDAM07	0.643	3.71
F.EDAU07	0.892	3.46
F.EDAZ07	1.142	3.21
F.EDAH08	1.391	2.96
F.EDAM08	1.640	2.71
F.EDAU08	1.890	2.46
F.EDAZ08	2.139	2.21
F.EDAH09	2.388	1.96
F.EDAM09	2.638	1.71
F.EDAU09	2.887	1.46

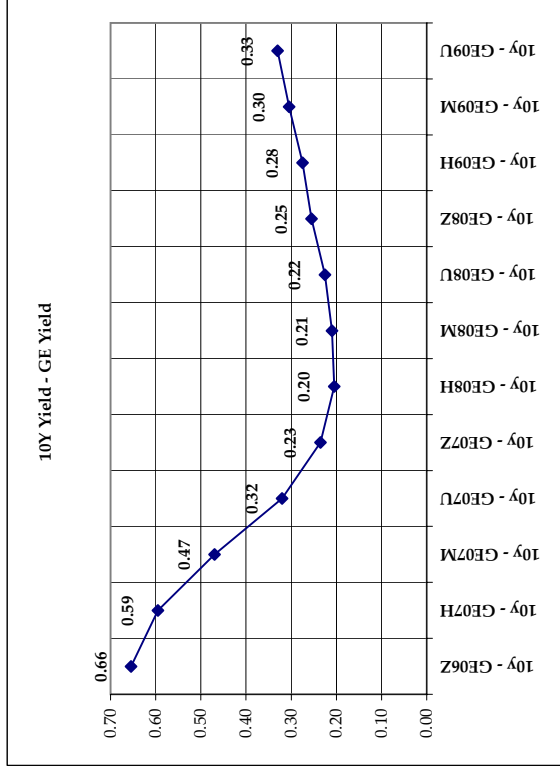
The farther away from 0 the spread duration is the riskier the trade.

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

	Spread Price	10y Spread Yield	Spread Yield	Spread Name
F.EDAZ06	3.70	0.66	10y - GE06Z	
F.EDAH07	3.64	0.59	10y - GE07H	
F.EDAM07	3.52	0.47	10y - GE07M	
F.EDAU07	3.36	0.32	10y - GE07U	
F.EDAZ07	3.28	0.23	10y - GE07Z	
F.EDAH08	3.25	0.20	10y - GE08H	
F.EDAM08	3.26	0.21	10y - GE08M	
F.EDAU08	3.27	0.22	10y - GE08U	
F.EDAZ08	3.30	0.25	10y - GE08Z	
F.EDAH09	3.32	0.28	10y - GE09H	
F.EDAM09	3.35	0.30	10y - GE09M	
F.EDAU09	3.38	0.33	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	0.145	7.51
F.EDAH07	0.394	7.26
F.EDAM07	0.643	7.01
F.EDAU07	0.892	6.76
F.EDAZ07	1.142	6.51
F.EDAH08	1.391	6.26
F.EDAM08	1.640	6.01
F.EDAU08	1.890	5.76
F.EDAZ08	2.139	5.51
F.EDAH09	2.388	5.27
F.EDAM09	2.638	5.02
F.EDAU09	2.887	4.77

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