

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

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	101.7094	101.227	4.973
ZF	104.3438	104.110	4.859
ZN	106.4688	106.150	4.869
Blank			
2y	99.813	99.2600	4.975
5y	99.500	99.1600	4.862
10y	98.063	98.0200	4.873

\*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.EDAH07	94.630	5.370	49	0.134	MAR	White Pack
F.EDAM07	94.650	5.350	140	0.383	JUN	
F.EDAU07	94.715	5.285	231	0.632	SEP	
F.EDAZ07	94.790	5.210	322	0.882	DEC	
F.EDAH08	94.845	5.155	413	1.131	MAR	Red Pack
F.EDAM08	94.885	5.115	504	1.380	JUN	
F.EDAU08	94.905	5.095	595	1.629	SEP	
F.EDAZ08	94.910	5.090	686	1.879	DEC	
F.EDAH09	94.915	5.085	777	2.128	MAR	Green Pack
F.EDAM09	94.900	5.100	868	2.377	JUN	
F.EDAU09	94.880	5.120	959	2.627	SEP	
F.EDAZ09	94.850	5.150	1050	2.876	DEC	

**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

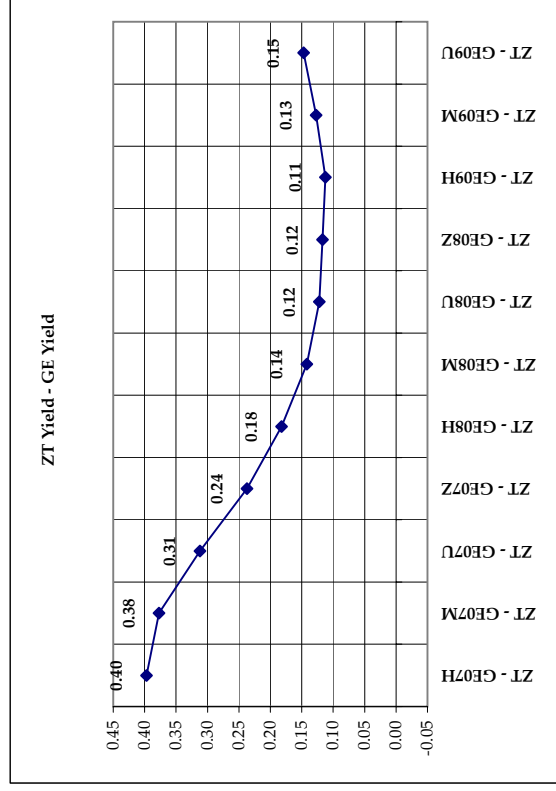
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.079	0.40	ZT - GE07H
F.EDAM07	7.059	0.38	ZT - GE07M
F.EDAU07	6.994	0.31	ZT - GE07U
F.EDAZ07	6.919	0.24	ZT - GE07Z
F.EDAH08	6.864	0.18	ZT - GE08H
F.EDAM08	6.824	0.14	ZT - GE08M
F.EDAU08	6.804	0.12	ZT - GE08U
F.EDAZ08	6.799	0.12	ZT - GE08Z
F.EDAH09	6.794	0.11	ZT - GE09H
F.EDAM09	6.809	0.13	ZT - GE09M
F.EDAU09	6.829	0.15	ZT - GE09U
F.EDAZ09	6.859	0.18	ZT - GE09Z

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.EDAH07	0.134	1.80	1.67
F.EDAM07	0.383	1.80	1.42
F.EDAU07	0.632	1.80	1.17
F.EDAZ07	0.882	1.80	0.92
F.EDAH08	1.131	1.80	0.67
F.EDAM08	1.380	1.80	0.42
F.EDAU08	1.629	1.80	0.17
F.EDAZ08	1.879	1.80	(0.08)
F.EDAH09	2.128	1.80	(0.32)
F.EDAM09	2.377	1.80	(0.57)
F.EDAU09	2.627	1.80	(0.82)
F.EDAZ09	2.876	1.80	(1.07)

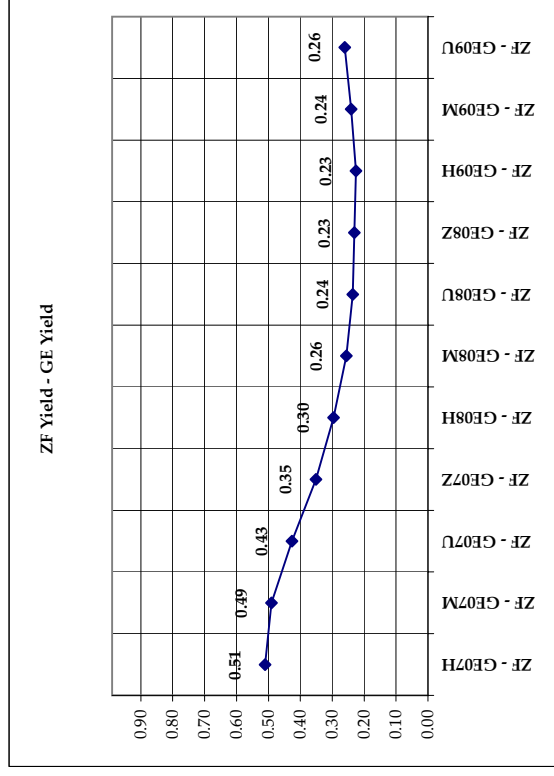
The farther away from 0 the spread duration is the riskier the trade.

**Dirty TED: ZF vs Eurodollar Contracts**

		ZF	
	Spread Price	Spread Yield	Spread Name
F.EDAH07	9.71	0.51	ZF - GE07H
F.EDAM07	9.69	0.49	ZF - GE07M
F.EDAU07	9.63	0.43	ZF - GE07U
F.EDAZ07	9.55	0.35	ZF - GE07Z
F.EDAH08	9.50	0.30	ZF - GE08H
F.EDAM08	9.46	0.26	ZF - GE08M
F.EDAU08	9.44	0.24	ZF - GE08U
F.EDAZ08	9.43	0.23	ZF - GE08Z
F.EDAH09	9.43	0.23	ZF - GE09H
F.EDAM09	9.44	0.24	ZF - GE09M
F.EDAU09	9.46	0.26	ZF - GE09U
F.EDAZ09	9.49	0.29	ZF - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as		ZF	
Fraction of year	Duration	Duration	Spread Duration
F.EDAH07	0.134	3.83	3.70
F.EDAM07	0.383	3.83	3.45
F.EDAU07	0.632	3.83	3.20
F.EDAZ07	0.882	3.83	2.95
F.EDAH08	1.131	3.83	2.70
F.EDAM08	1.380	3.83	2.45
F.EDAU08	1.629	3.83	2.20
F.EDAZ08	1.879	3.83	1.96
F.EDAH09	2.128	3.83	1.71
F.EDAM09	2.377	3.83	1.46
F.EDAU09	2.627	3.83	1.21
F.EDAZ09	2.876	3.83	0.96

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TERM TED: 2y vs Eurodollar Contracts

2y

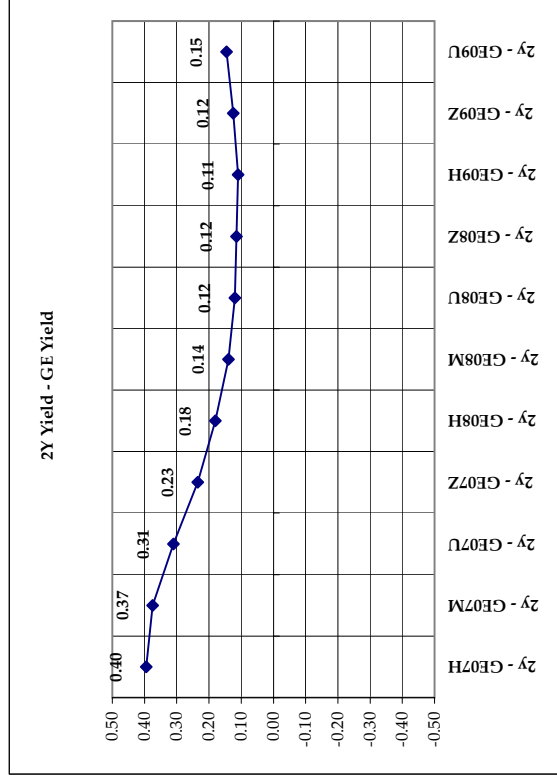
Spread Price Spread

Yield Name

Contract Name	Spread Price	Yield	Spread Name
F.EDAH07	5.18	0.40	2y - GE07H
F.EDAM07	5.16	0.37	2y - GE07M
F.EDAU07	5.10	0.31	2y - GE07U
F.EDAZ07	5.02	0.23	2y - GE07Z
F.EDAH08	4.97	0.18	2y - GE08H
F.EDAM08	4.93	0.14	2y - GE08M
F.EDAU08	4.91	0.12	2y - GE08U
F.EDAZ08	4.90	0.12	2y - GE08Z
F.EDAH09	4.90	0.11	2y - GE09H
F.EDAM09	4.91	0.12	2y - GE09Z
F.EDAU09	4.93	0.15	2y - GE09U
F.EDAZ09	4.96	0.17	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

Contract Name	GE Duration as Fraction of year	2Y Duration	Spread Duration
F.EDAH07	0.134	1.84	1.71
F.EDAM07	0.383	1.84	1.46
F.EDAU07	0.632	1.84	1.21
F.EDAZ07	0.882	1.84	0.96
F.EDAH08	1.131	1.84	0.71
F.EDAM08	1.380	1.84	0.46
F.EDAU08	1.629	1.84	0.21
F.EDAZ08	1.879	1.84	(0.04)
F.EDAH09	2.128	1.84	(0.29)
F.EDAM09	2.377	1.84	(0.54)
F.EDAU09	2.627	1.84	(0.79)
F.EDAZ09	2.876	1.84	(1.04)

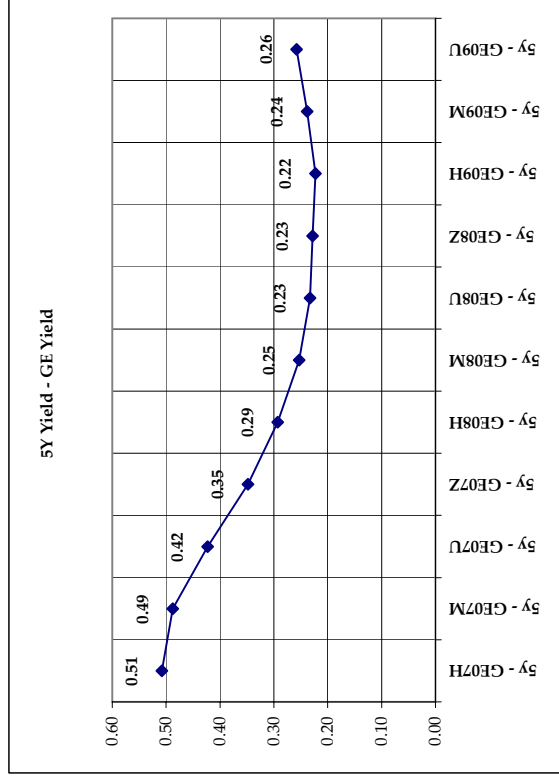
The farther away from 0 the spread duration is the riskier the trade.

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

	Spread Price	5y Spread Yield	Spread Name
F.EDAH07	4.87	0.51	5y - GE07H
F.EDAM07	4.85	0.49	5y - GE07M
F.EDAU07	4.78	0.42	5y - GE07U
F.EDAZ07	4.71	0.35	5y - GE07Z
F.EDAH08	4.65	0.29	5y - GE08H
F.EDAM08	4.61	0.25	5y - GE08M
F.EDAU08	4.59	0.23	5y - GE08U
F.EDAZ08	4.59	0.23	5y - GE08Z
F.EDAH09	4.58	0.22	5y - GE09H
F.EDAM09	4.60	0.24	5y - GE09M
F.EDAU09	4.62	0.26	5y - GE09U
F.EDAZ09	4.65	0.29	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.EDAH07	0.134	4.17
F.EDAM07	0.383	3.92
F.EDAU07	0.632	3.67
F.EDAZ07	0.882	3.42
F.EDAH08	1.131	3.17
F.EDAM08	1.380	2.92
F.EDAU08	1.629	2.67
F.EDAZ08	1.879	2.42
F.EDAH09	2.128	2.17
F.EDAM09	2.377	1.92
F.EDAU09	2.627	1.67
F.EDAZ09	2.876	1.42

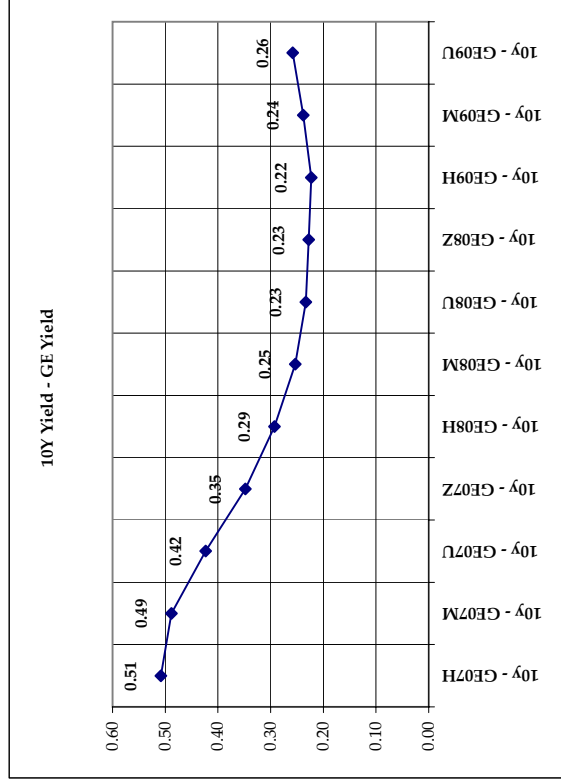
The farther away from 0 the spread duration is the riskier the trade.

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

	Spread Price	10y Spread Yield	Spread Name
F.EDAH07	4.87	0.51	10y - GE07H
F.EDAM07	4.85	0.49	10y - GE07M
F.EDAU07	4.78	0.42	10y - GE07U
F.EDAZ07	4.71	0.35	10y - GE07Z
F.EDAH08	4.65	0.29	10y - GE08H
F.EDAM08	4.61	0.25	10y - GE08M
F.EDAU08	4.59	0.23	10y - GE08U
F.EDAZ08	4.59	0.23	10y - GE08Z
F.EDAH09	4.58	0.22	10y - GE09H
F.EDAM09	4.60	0.24	10y - GE09M
F.EDAU09	4.62	0.26	10y - GE09U
F.EDAZ09	4.65	0.29	10y - GE09Z

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.EDAH07	0.134	7.70	7.56
F.EDAM07	0.383	7.70	7.32
F.EDAU07	0.632	7.70	7.07
F.EDAZ07	0.882	7.70	6.82
F.EDAH08	1.131	7.70	6.57
F.EDAM08	1.380	7.70	6.32
F.EDAU08	1.629	7.70	6.07
F.EDAZ08	1.879	7.70	5.82
F.EDAH09	2.128	7.70	5.57
F.EDAM09	2.377	7.70	5.32
F.EDAU09	2.627	7.70	5.07
F.EDAZ09	2.876	7.70	4.82

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