

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.2969	102.095	4.700
ZF	105.7500	105.240	4.533
ZN	108.5156	108.165	4.542
Blank			
2y	99.859	99.2750	4.697
5y	99.260	99.0832	4.543
10y	100.140	100.0448	4.569

*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	94.635	5.365	-1	-0.003	DEC	White Pack
F.EDAH07	94.700	5.300	90	0.246	MAR	
F.EDAM07	94.880	5.120	181	0.495	JUN	
F.EDAU07	95.070	4.930	272	0.745	SEP	Red Pack
F.EDAZ07	95.220	4.780	363	0.994	DEC	
F.EDAH08	95.285	4.715	454	1.243	MAR	
F.EDAM08	95.310	4.690	545	1.493	JUN	Green Pack
F.EDAU08	95.325	4.675	636	1.742	SEP	
F.EDAZ08	95.315	4.685	727	1.991	DEC	
F.EDAH09	95.300	4.700	818	2.240	MAR	Green Pack
F.EDAM09	95.265	4.735	909	2.490	JUN	
F.EDAU09	95.240	4.760	1000	2.739	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:

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

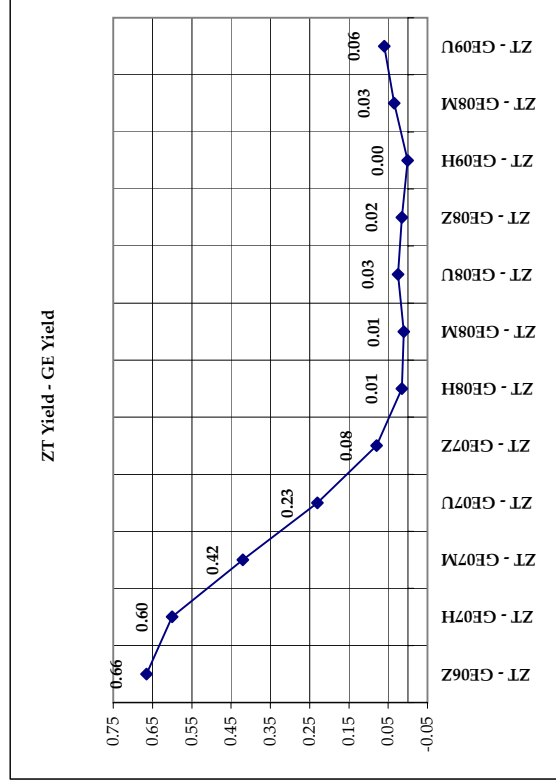
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.662	0.66	ZT - GE06Z
F.EDAH07	7.597	0.60	ZT - GE07H
F.EDAM07	7.417	0.42	ZT - GE07M
F.EDAU07	7.227	0.23	ZT - GE07U
F.EDAZ07	7.077	0.08	ZT - GE07Z
F.EDAH08	7.012	0.01	ZT - GE08H
F.EDAM08	6.987	0.01	ZT - GE08M
F.EDAU08	6.972	0.03	ZT - GE08U
F.EDAZ08	6.982	0.02	ZT - GE08Z
F.EDAH09	6.997	0.00	ZT - GE09H
F.EDAM09	7.032	0.03	ZT - GE08M
F.EDAU09	7.057	0.06	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	-0.003	1.89	1.90
F.EDAH07	0.246	1.89	1.65
F.EDAM07	0.495	1.89	1.40
F.EDAU07	0.745	1.89	1.15
F.EDAZ07	0.994	1.89	0.90
F.EDAH08	1.243	1.89	0.65
F.EDAM08	1.493	1.89	0.40
F.EDAU08	1.742	1.89	0.15
F.EDAZ08	1.991	1.89	(0.10)
F.EDAH09	2.240	1.89	(0.35)
F.EDAM09	2.490	1.89	(0.60)
F.EDAU09	2.739	1.89	(0.85)

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

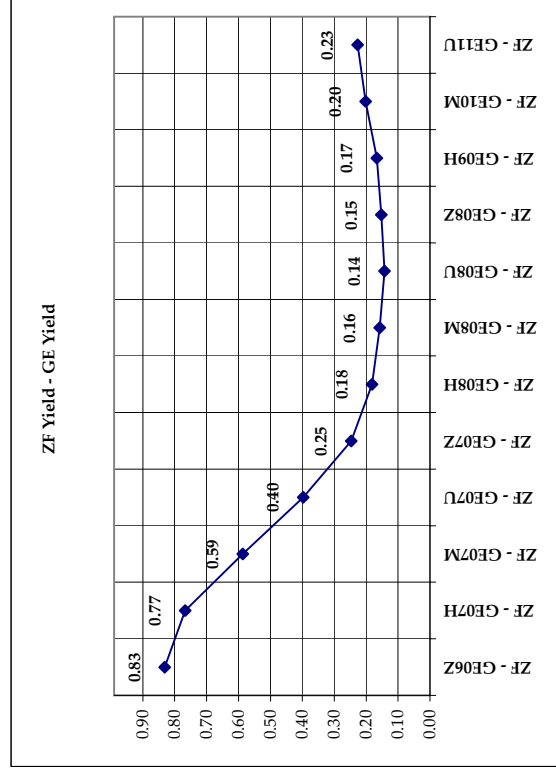
Dirty TED: ZF vs Eurodollar Contracts

ZF

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	11.12	0.83	ZF - GE06Z
F.EDAH07	11.05	0.77	ZF - GE07H
F.EDAM07	10.87	0.59	ZF - GE07M
F.EDAU07	10.68	0.40	ZF - GE07U
F.EDAZ07	10.53	0.25	ZF - GE07Z
F.EDAH08	10.47	0.18	ZF - GE08H
F.EDAM08	10.44	0.16	ZF - GE08M
F.EDAU08	10.43	0.14	ZF - GE08U
F.EDAZ08	10.44	0.15	ZF - GE08Z
F.EDAH09	10.45	0.17	ZF - GE09H
F.EDAM09	10.49	0.20	ZF - GE10M
F.EDAU09	10.51	0.23	ZF - GE11U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	ZF Duration	Spread Duration
F.EDAZ06	-0.003	3.96
F.EDAH07	0.246	3.71
F.EDAM07	0.495	3.46
F.EDAU07	0.745	3.21
F.EDAZ07	0.994	2.96
F.EDAH08	1.243	2.71
F.EDAM08	1.493	2.46
F.EDAU08	1.742	2.21
F.EDAZ08	1.991	1.96
F.EDAH09	2.240	1.71
F.EDAM09	2.490	1.46
F.EDAU09	2.739	1.21

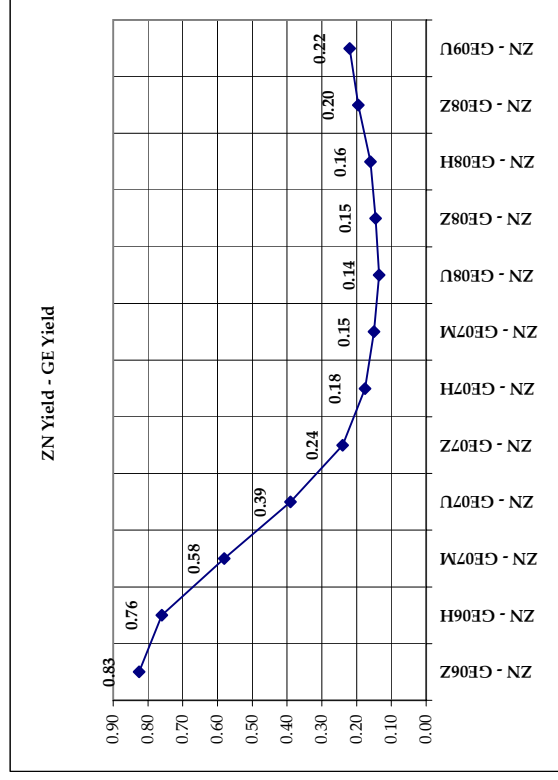
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Dirty TED: ZN vs Eurodollar Contracts

Spread		ZN	
Price	Yield	Spread	Name
F.EDAZ06	13.88	0.82	ZN - GE06Z
F.EDAH07	13.82	0.76	ZN - GE06H
F.EDAM07	13.64	0.58	ZN - GE07M
F.EDAU07	13.45	0.39	ZN - GE07U
F.EDAZ07	13.30	0.24	ZN - GE07Z
F.EDAH08	13.23	0.17	ZN - GE07H
F.EDAM08	13.21	0.15	ZN - GE07M
F.EDAU08	13.19	0.13	ZN - GE08U
F.EDAZ08	13.20	0.14	ZN - GE08Z
F.EDAH09	13.22	0.16	ZN - GE08H
F.EDAM09	13.25	0.19	ZN - GE08M
F.EDAU09	13.28	0.22	ZN - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year		ZN	
Fraction of year	Duration	Spread	Duration
F.EDAZ06	-0.003	5.89	ZN - GE06Z
F.EDAH07	0.246	5.89	ZN - GE06H
F.EDAM07	0.495	5.89	ZN - GE07M
F.EDAU07	0.745	5.89	ZN - GE07U
F.EDAZ07	0.994	5.89	ZN - GE07Z
F.EDAH08	1.243	5.89	ZN - GE07H
F.EDAM08	1.493	5.89	ZN - GE07M
F.EDAU08	1.742	5.89	ZN - GE08U
F.EDAZ08	1.991	5.89	ZN - GE08Z
F.EDAH09	2.240	5.89	ZN - GE08H
F.EDAM09	2.490	5.89	ZN - GE08M
F.EDAU09	2.739	5.89	ZN - GE09U

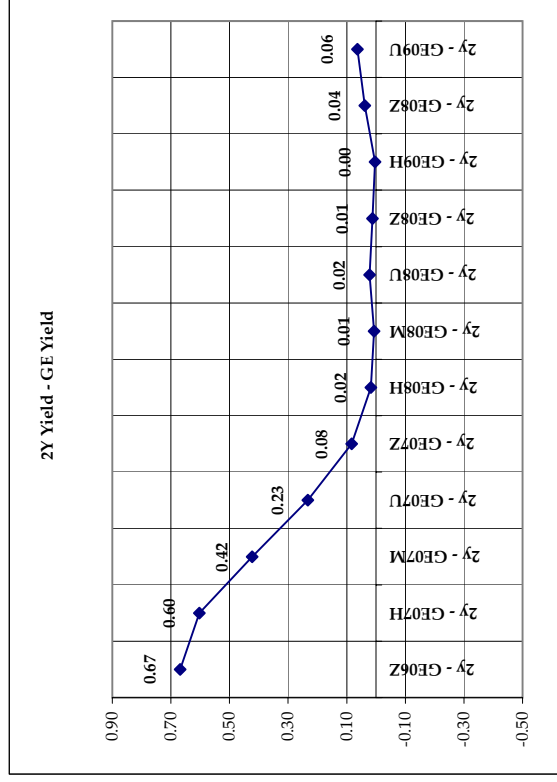
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.22	0.67	2y - GE06Z
F.EDAH07	5.16	0.60	2y - GE07H
F.EDAM07	4.98	0.42	2y - GE07M
F.EDAU07	4.79	0.23	2y - GE07U
F.EDAZ07	4.64	0.08	2y - GE07Z
F.EDAH08	4.57	0.02	2y - GE08H
F.EDAM08	4.55	0.01	2y - GE08M
F.EDAU08	4.53	0.02	2y - GE08U
F.EDAZ08	4.54	0.01	2y - GE08Z
F.EDAH09	4.56	0.00	2y - GE09H
F.EDAM09	4.59	0.04	2y - GE09M
F.EDAU09	4.62	0.06	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	-0.003	1.84
F.EDAH07	0.246	1.59
F.EDAM07	0.495	1.34
F.EDAU07	0.745	1.09
F.EDAZ07	0.994	0.84
F.EDAH08	1.243	0.59
F.EDAM08	1.493	0.34
F.EDAU08	1.742	0.09
F.EDAZ08	1.991	(0.16)
F.EDAH09	2.240	(0.41)
F.EDAM09	2.490	(0.65)
F.EDAU09	2.739	(0.90)

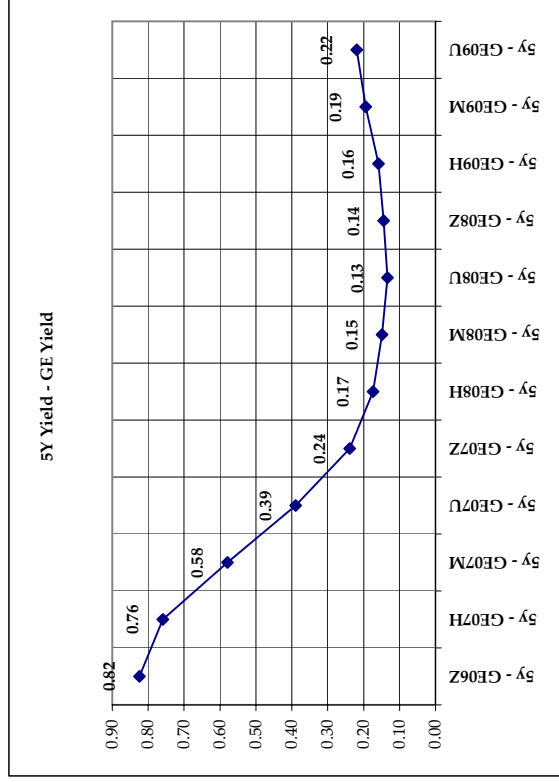
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	4.63	0.82	5y - GE06Z
F.EDAH07	4.56	0.76	5y - GE07H
F.EDAM07	4.38	0.58	5y - GE07M
F.EDAU07	4.19	0.39	5y - GE07U
F.EDAZ07	4.04	0.24	5y - GE07Z
F.EDAH08	3.98	0.17	5y - GE08H
F.EDAM08	3.95	0.15	5y - GE08M
F.EDAU08	3.94	0.13	5y - GE08U
F.EDAZ08	3.95	0.14	5y - GE08Z
F.EDAH09	3.96	0.16	5y - GE09H
F.EDAM09	4.00	0.19	5y - GE09M
F.EDAU09	4.02	0.22	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	-0.003	3.96	5y - GE06Z
F.EDAH07	0.246	3.95	5y - GE07H
F.EDAM07	0.495	3.95	5y - GE07M
F.EDAU07	0.745	3.95	5y - GE07U
F.EDAZ07	0.994	3.95	5y - GE07Z
F.EDAH08	1.243	3.95	5y - GE08H
F.EDAM08	1.493	3.95	5y - GE08M
F.EDAU08	1.742	3.95	5y - GE08U
F.EDAZ08	1.991	3.95	5y - GE08Z
F.EDAH09	2.240	3.95	5y - GE09H
F.EDAM09	2.490	3.95	5y - GE09M
F.EDAU09	2.739	3.95	5y - GE09U

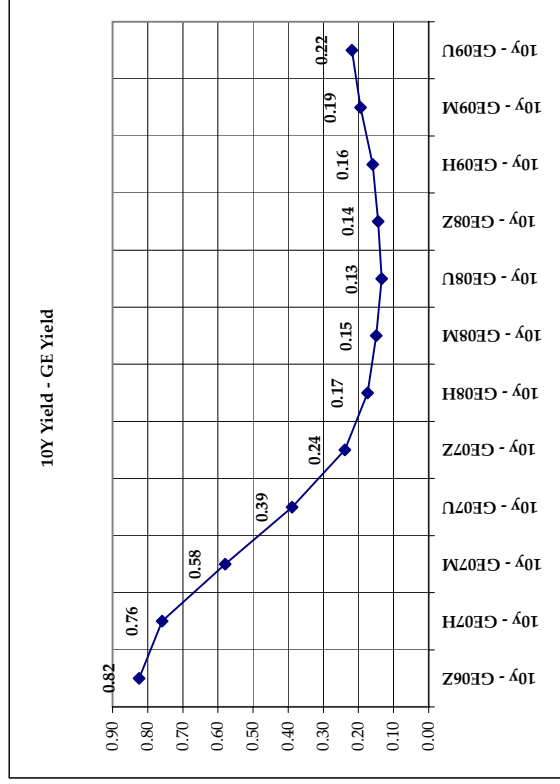
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAZ06	4.63	0.82	10y - GE06Z
F.EDAH07	4.56	0.76	10y - GE07H
F.EDAM07	4.38	0.58	10y - GE07M
F.EDAU07	4.19	0.39	10y - GE07U
F.EDAZ07	4.04	0.24	10y - GE07Z
F.EDAH08	3.98	0.17	10y - GE08H
F.EDAM08	3.95	0.15	10y - GE08M
F.EDAU08	3.94	0.13	10y - GE08U
F.EDAZ08	3.95	0.14	10y - GE08Z
F.EDAH09	3.96	0.16	10y - GE09H
F.EDAM09	4.00	0.19	10y - GE09M
F.EDAU09	4.02	0.22	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	-0.003	7.85	7.85
F.EDAH07	0.246	7.85	7.60
F.EDAM07	0.495	7.85	7.35
F.EDAU07	0.745	7.85	7.10
F.EDAZ07	0.994	7.85	6.85
F.EDAH08	1.243	7.85	6.60
F.EDAM08	1.493	7.85	6.35
F.EDAU08	1.742	7.85	6.11
F.EDAZ08	1.991	7.85	5.86
F.EDAH09	2.240	7.85	5.61
F.EDAM09	2.490	7.85	5.36
F.EDAU09	2.739	7.85	5.11

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