

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash				
	Last Decimal	Last Yield*	Last Yield*	**MDuration
ZT	102.1094	102.035	4.739	1.73
ZF	105.6250	105.200	4.535	3.79
ZN	108.5313	108.170	4.511	5.70
Blank				
2y	100.256	100.0820	4.727	1.81
5y	100.112	100.0358	4.542	4.34
10y	100.200	100.0640	4.542	7.91

*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	94.635	5.365	20	0.054	DEC	White Pack
F.EDAH07	94.770	5.230	111	0.303	MAR	
F.EDAM07	94.940	5.060	202	0.553	JUN	
F.EDAU07	95.110	4.890	293	0.802	SEP	Red Pack
F.EDAZ07	95.230	4.770	384	1.051	DEC	
F.EDAH08	95.295	4.705	475	1.301	MAR	
F.EDAM08	95.310	4.690	566	1.550	JUN	Green Pack
F.EDAU08	95.315	4.685	657	1.799	SEP	
F.EDAZ08	95.300	4.700	748	2.049	DEC	
F.EDAH09	95.280	4.720	839	2.298	MAR	Green Pack
F.EDAM09	95.250	4.750	930	2.547	JUN	
F.EDAU09	95.230	4.770	1021	2.797	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

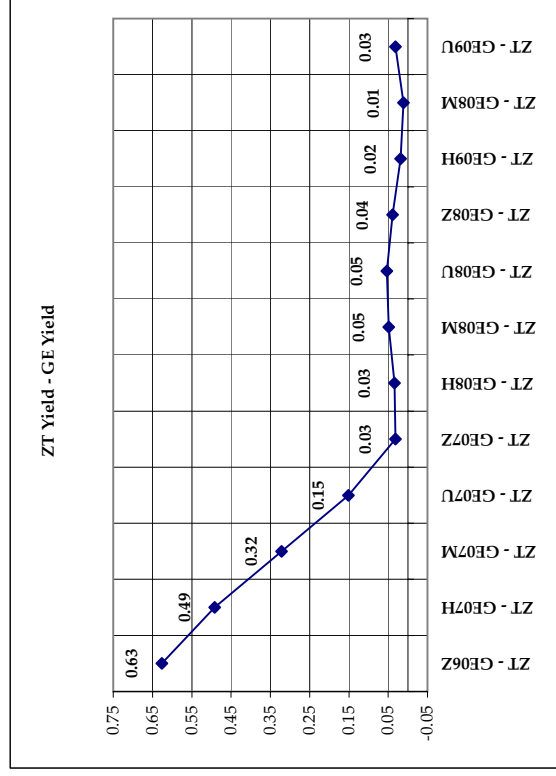
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.474	0.63	ZT - GE06Z
F.EDAH07	7.339	0.49	ZT - GE07H
F.EDAM07	7.169	0.32	ZT - GE07M
F.EDAU07	6.999	0.15	ZT - GE07U
F.EDAZ07	6.879	0.03	ZT - GE07Z
F.EDAH08	6.814	0.03	ZT - GE08H
F.EDAM08	6.799	0.05	ZT - GE08M
F.EDAU08	6.794	0.05	ZT - GE08U
F.EDAZ08	6.809	0.04	ZT - GE08Z
F.EDAH09	6.829	0.02	ZT - GE09H
F.EDAM09	6.859	0.01	ZT - GE08M
F.EDAU09	6.879	0.03	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	0.054	1.73	1.67
F.EDAH07	0.303	1.73	1.42
F.EDAM07	0.553	1.73	1.17
F.EDAU07	0.802	1.73	0.93
F.EDAZ07	1.051	1.73	0.68
F.EDAH08	1.301	1.73	0.43
F.EDAM08	1.550	1.73	0.18
F.EDAU08	1.799	1.73	(0.07)
F.EDAZ08	2.049	1.73	(0.32)
F.EDAH09	2.298	1.73	(0.57)
F.EDAM09	2.547	1.73	(0.82)
F.EDAU09	2.797	1.73	(1.07)

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

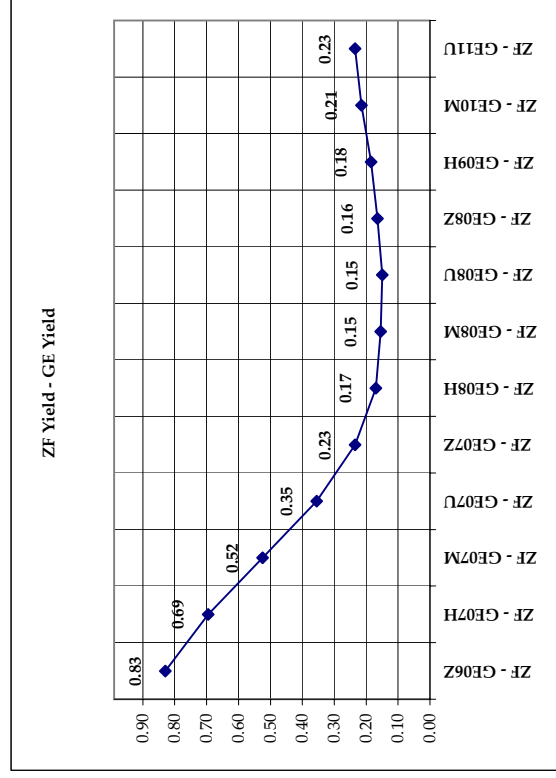
Dirty TED: ZF vs Eurodollar Contracts

ZF

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	10.99	0.83	ZF - GE06Z
F.EDAH07	10.86	0.69	ZF - GE07H
F.EDAM07	10.69	0.52	ZF - GE07M
F.EDAU07	10.52	0.35	ZF - GE07U
F.EDAZ07	10.40	0.23	ZF - GE07Z
F.EDAH08	10.33	0.17	ZF - GE08H
F.EDAM08	10.32	0.15	ZF - GE08M
F.EDAU08	10.31	0.15	ZF - GE08U
F.EDAZ08	10.33	0.16	ZF - GE08Z
F.EDAH09	10.35	0.18	ZF - GE09H
F.EDAM09	10.38	0.21	ZF - GE10M
F.EDAU09	10.40	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

	Fraction of year	ZF Duration	Spread Duration
F.EDAZ06	0.054	3.79	3.73
F.EDAH07	0.303	3.79	3.49
F.EDAM07	0.553	3.79	3.24
F.EDAU07	0.802	3.79	2.99
F.EDAZ07	1.051	3.79	2.74
F.EDAH08	1.301	3.79	2.49
F.EDAM08	1.550	3.79	2.24
F.EDAU08	1.799	3.79	1.99
F.EDAZ08	2.049	3.79	1.74
F.EDAH09	2.298	3.79	1.49
F.EDAM09	2.547	3.79	1.24
F.EDAU09	2.797	3.79	0.99

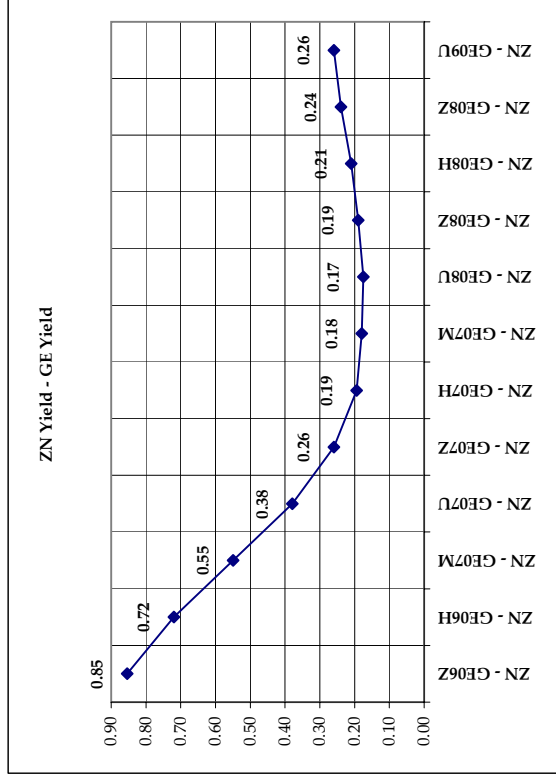
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Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Yield	Spread Name
F.EDAZ06	13.90	0.85	ZN - GE06Z
F.EDAH07	13.76	0.72	ZN - GE06H
F.EDAM07	13.59	0.55	ZN - GE07M
F.EDAU07	13.42	0.38	ZN - GE07U
F.EDAZ07	13.30	0.26	ZN - GE07Z
F.EDAH08	13.24	0.19	ZN - GE07H
F.EDAM08	13.22	0.18	ZN - GE07M
F.EDAU08	13.22	0.17	ZN - GE08U
F.EDAZ08	13.23	0.19	ZN - GE08Z
F.EDAH09	13.25	0.21	ZN - GE08H
F.EDAM09	13.28	0.24	ZN - GE08M
F.EDAU09	13.30	0.26	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	0.054	5.70	5.65
F.EDAH07	0.303	5.70	5.40
F.EDAM07	0.553	5.70	5.15
F.EDAU07	0.802	5.70	4.90
F.EDAZ07	1.051	5.70	4.65
F.EDAH08	1.301	5.70	4.40
F.EDAM08	1.550	5.70	4.15
F.EDAU08	1.799	5.70	3.90
F.EDAZ08	2.049	5.70	3.65
F.EDAH09	2.298	5.70	3.40
F.EDAM09	2.547	5.70	3.16
F.EDAU09	2.797	5.70	2.91

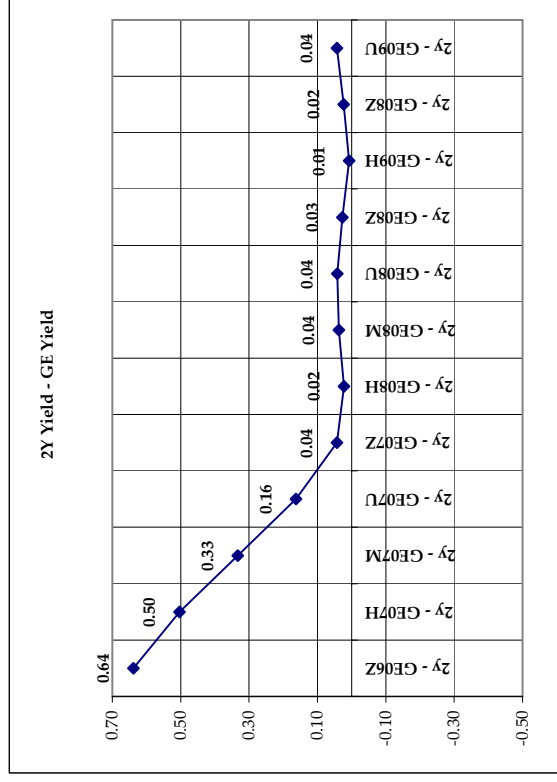
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.62	0.64	2y - GE06Z
F.EDAH07	5.49	0.50	2y - GE07H
F.EDAM07	5.32	0.33	2y - GE07M
F.EDAU07	5.15	0.16	2y - GE07U
F.EDAZ07	5.03	0.04	2y - GE07Z
F.EDAH08	4.96	0.02	2y - GE08H
F.EDAM08	4.95	0.04	2y - GE08M
F.EDAU08	4.94	0.04	2y - GE08U
F.EDAZ08	4.96	0.03	2y - GE08Z
F.EDAH09	4.98	0.01	2y - GE09H
F.EDAM09	5.01	0.02	2y - GE09M
F.EDAU09	5.03	0.04	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	0.054	1.75
F.EDAH07	0.303	1.50
F.EDAM07	0.553	1.25
F.EDAU07	0.802	1.00
F.EDAZ07	1.051	0.76
F.EDAH08	1.301	0.51
F.EDAM08	1.550	0.26
F.EDAU08	1.799	0.01
F.EDAZ08	2.049	(0.24)
F.EDAH09	2.298	(0.49)
F.EDAM09	2.547	(0.74)
F.EDAU09	2.797	(0.99)

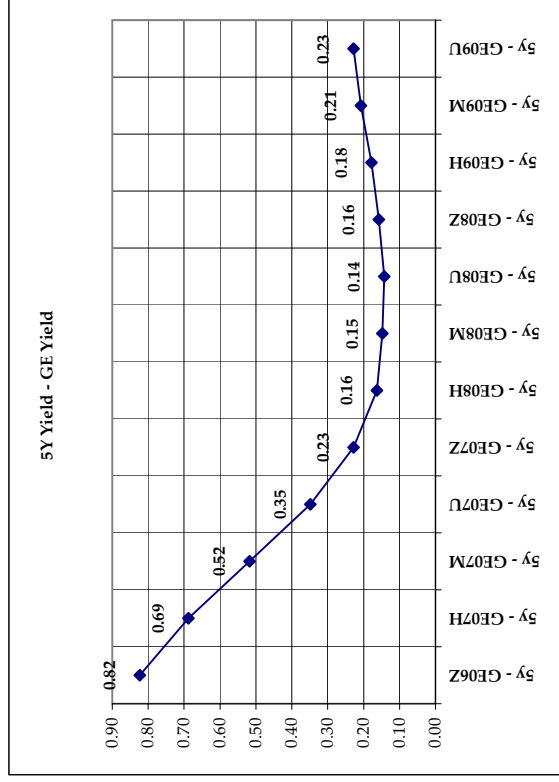
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Yield	Spread Yield	Spread Name
F.EDAZ06	5.48	0.82	5y - GE06Z	
F.EDAH07	5.34	0.69	5y - GE07H	
F.EDAM07	5.17	0.52	5y - GE07M	
F.EDAU07	5.00	0.35	5y - GE07U	
F.EDAZ07	4.88	0.23	5y - GE07Z	
F.EDAH08	4.82	0.16	5y - GE08H	
F.EDAM08	4.80	0.15	5y - GE08M	
F.EDAU08	4.80	0.14	5y - GE08U	
F.EDAZ08	4.81	0.16	5y - GE08Z	
F.EDAH09	4.83	0.18	5y - GE09H	
F.EDAM09	4.86	0.21	5y - GE09M	
F.EDAU09	4.88	0.23	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	0.054	4.29
F.EDAH07	0.303	4.04
F.EDAM07	0.553	3.79
F.EDAU07	0.802	3.54
F.EDAZ07	1.051	3.29
F.EDAH08	1.301	3.04
F.EDAM08	1.550	2.79
F.EDAU08	1.799	2.54
F.EDAZ08	2.049	2.29
F.EDAH09	2.298	2.05
F.EDAM09	2.547	1.80
F.EDAU09	2.797	1.55

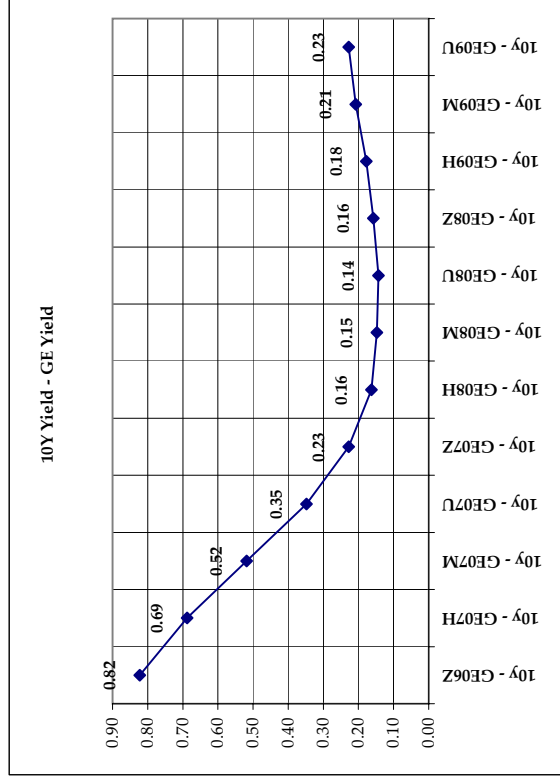
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAZ06	5.48	0.82	10y - GE06Z
F.EDAH07	5.34	0.69	10y - GE07H
F.EDAM07	5.17	0.52	10y - GE07M
F.EDAU07	5.00	0.35	10y - GE07U
F.EDAZ07	4.88	0.23	10y - GE07Z
F.EDAH08	4.82	0.16	10y - GE08H
F.EDAM08	4.80	0.15	10y - GE08M
F.EDAU08	4.80	0.14	10y - GE08U
F.EDAZ08	4.81	0.16	10y - GE08Z
F.EDAH09	4.83	0.18	10y - GE09H
F.EDAM09	4.86	0.21	10y - GE09M
F.EDAU09	4.88	0.23	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	0.054	7.91	7.85	10y - GE06Z
F.EDAH07	0.303	7.91	7.60	10y - GE07H
F.EDAM07	0.553	7.91	7.35	10y - GE07M
F.EDAU07	0.802	7.91	7.10	10y - GE07U
F.EDAZ07	1.051	7.91	6.86	10y - GE07Z
F.EDAH08	1.301	7.91	6.61	10y - GE08H
F.EDAM08	1.550	7.91	6.36	10y - GE08M
F.EDAU08	1.799	7.91	6.11	10y - GE08U
F.EDAZ08	2.049	7.91	5.86	10y - GE08Z
F.EDAH09	2.298	7.91	5.61	10y - GE09H
F.EDAM09	2.547	7.91	5.36	10y - GE09M
F.EDAU09	2.797	7.91	5.11	10y - GE09U

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