Rotate Me

Morning Email: TERM TEDS & Dirty TEDS

Table of Contents

F.I. Futures and Cash

	Last Decimal	Last 32	Last Yield*	**MDuration
ZT	102.0000	102.000	4.797	1.78
ZF	105.1719	105.055	4.654	3.84
ZN	107.6875	107.220	4.654	5.75
Blank				
2y	100.131	100.0420	4.795	1.86
5y	99.275	99.0880	4.657	4.40
10y	101.155	101.0496	4.681	7.64

*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	94.615	5.385	41	0.112	DEC	White Pack
F.EDAH07	94.700	5.300	132	0.361	MAR	
F.EDAM07	94.830	5.170	223	0.610	JUN	
F.EDAU07	94.985	5.015	314	0.860	SEP	
F.EDAZ07	95.100	4.900	405	1.109	DEC	Red Pack
F.EDAH08	95.140	4.860	496	1.358	MAR	
F.EDAM08	95.130	4.870	587	1.608	JUN	
F.EDAU08	95.110	4.890	678	1.857	SEP	
F.EDAZ08	95.085	4.915	769	2.106	DEC	Green Pack
F.EDAH09	95.065	4.935	860	2.356	MAR	
F.EDAM09	95.020	4.980	951	2.605	JUN	
F.EDAU09	94.995	5.005	1042	2.854	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.
jgoulding@ghco.com

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

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Dirty TED: ZT vs Eurodollar Contracts

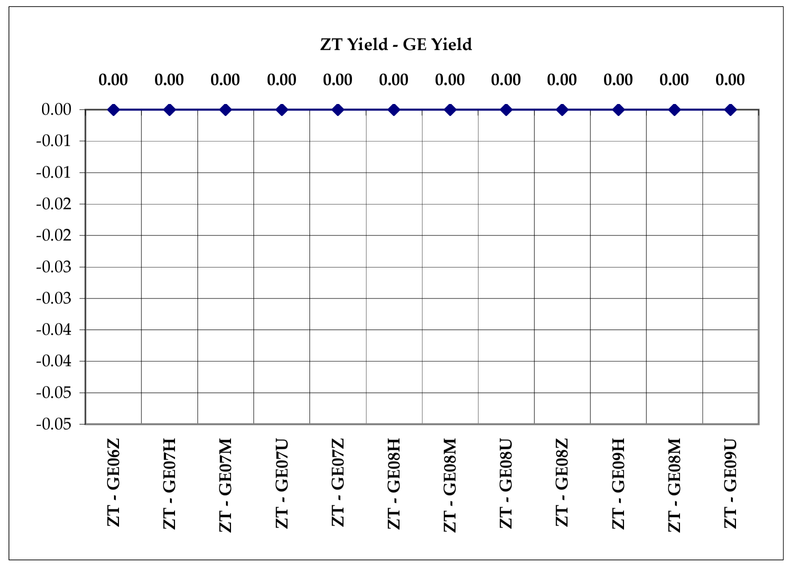
	ZT		
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.385	0.59	ZT - GE06Z
F.EDAH07	7.300	0.50	ZT - GE07H
F.EDAM07	7.170	0.37	ZT - GE07M
F.EDAU07	7.015	0.22	ZT - GE07U
F.EDAZ07	6.900	0.10	ZT - GE07Z
F.EDAH08	6.860	0.06	ZT - GE08H
F.EDAM08	6.870	0.07	ZT - GE08M
F.EDAU08	6.890	0.09	ZT - GE08U
F.EDAZ08	6.915	0.12	ZT - GE08Z
F.EDAH09	6.935	0.14	ZT - GE09H
F.EDAM09	6.980	0.18	ZT - GE08M
F.EDAU09	7.005	0.21	ZT - GE09U

Price = Outright Decimal Price - Euro Contract Price

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

	GE Duration as Fraction of year	ZT Duration	Spread Duration	
F.EDAZ06	0.112	1.78	1.67	ZT - GE06Z
F.EDAH07	0.361	1.78	1.42	ZT - GE07H
F.EDAM07	0.610	1.78	1.17	ZT - GE07M
F.EDAU07	0.860	1.78	0.92	ZT - GE07U
F.EDAZ07	1.109	1.78	0.67	ZT - GE07Z
F.EDAH08	1.358	1.78	0.42	ZT - GE08H
F.EDAM08	1.608	1.78	0.18	ZT - GE08M
F.EDAU08	1.857	1.78	(0.07)	ZT - GE08U
F.EDAZ08	2.106	1.78	(0.32)	ZT - GE08Z
F.EDAH09	2.356	1.78	(0.57)	ZT - GE09H
F.EDAM09	2.605	1.78	(0.82)	ZT - GE08M
F.EDAU09	2.854	1.78	(1.07)	ZT - GE09U

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	10.56	0.73	ZF - GE06Z
F.EDAH07	10.47	0.65	ZF - GE07H
F.EDAM07	10.34	0.52	ZF - GE07M
F.EDAU07	10.19	0.36	ZF - GE07U
F.EDAZ07	10.07	0.25	ZF - GE07Z
F.EDAH08	10.03	0.21	ZF - GE08H
F.EDAM08	10.04	0.22	ZF - GE08M
F.EDAU08	10.06	0.24	ZF - GE08U
F.EDAZ08	10.09	0.26	ZF - GE08Z
F.EDAH09	10.11	0.28	ZF - GE09H
F.EDAM09	10.15	0.33	ZF - GE10M
F.EDAU09	10.18	0.35	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	0.112	3.84	3.73	ZF - GE06Z
F.EDAH07	0.361	3.84	3.48	ZF - GE07H
F.EDAM07	0.610	3.84	3.23	ZF - GE07M
F.EDAU07	0.860	3.84	2.98	ZF - GE07U
F.EDAZ07	1.109	3.84	2.73	ZF - GE07Z
F.EDAH08	1.358	3.84	2.48	ZF - GE08H
F.EDAM08	1.608	3.84	2.23	ZF - GE08M
F.EDAU08	1.857	3.84	1.99	ZF - GE08U
F.EDAZ08	2.106	3.84	1.74	ZF - GE08Z
F.EDAH09	2.356	3.84	1.49	ZF - GE09H
F.EDAM09	2.605	3.84	1.24	ZF - GE10M
F.EDAU09	2.854	3.84	0.99	ZF - GE11U

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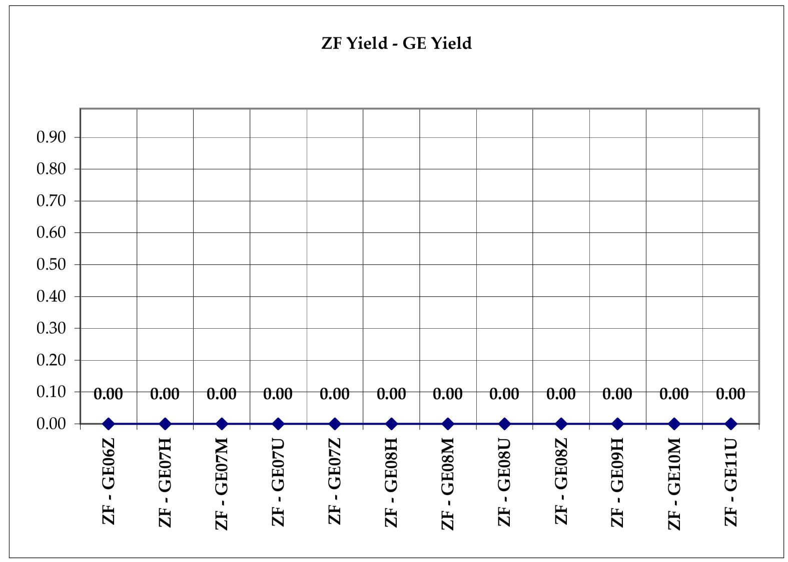


Dirty TED: ZN vs Eurodollar Contracts

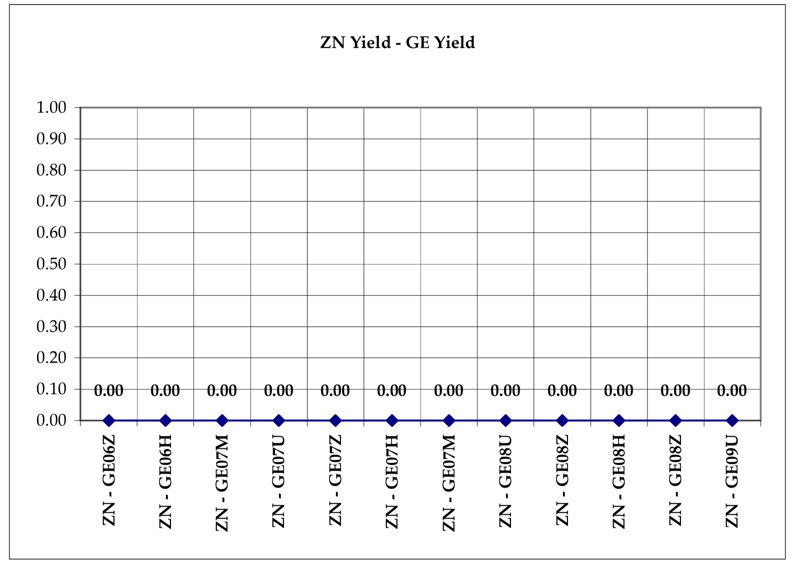
	ZN		
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	13.07	0.73	ZN - GE06Z
F.EDAH07	12.99	0.65	ZN - GE06H
F.EDAM07	12.86	0.52	ZN - GE07M
F.EDAU07	12.70	0.36	ZN - GE07U
F.EDAZ07	12.59	0.25	ZN - GE07Z
F.EDAH08	12.55	0.21	ZN - GE07H
F.EDAM08	12.56	0.22	ZN - GE07M
F.EDAU08	12.58	0.24	ZN - GE08U
F.EDAZ08	12.60	0.26	ZN - GE08Z
F.EDAH09	12.62	0.28	ZN - GE08H
F.EDAM09	12.67	0.33	ZN - GE08Z
F.EDAU09	12.69	0.35	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	0.112	5.75	5.64	ZN - GE06Z
F.EDAH07	0.361	5.75	5.39	ZN - GE06H
F.EDAM07	0.610	5.75	5.14	ZN - GE07M
F.EDAU07	0.860	5.75	4.89	ZN - GE07U
F.EDAZ07	1.109	5.75	4.64	ZN - GE07Z
F.EDAH08	1.358	5.75	4.39	ZN - GE07H
F.EDAM08	1.608	5.75	4.14	ZN - GE07M
F.EDAU08	1.857	5.75	3.89	ZN - GE08U
F.EDAZ08	2.106	5.75	3.64	ZN - GE08Z
F.EDAH09	2.356	5.75	3.39	ZN - GE08H
F.EDAM09	2.605	5.75	3.15	ZN - GE08Z
F.EDAU09	2.854	5.75	2.90	ZN - GE09U

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



TERM TED: 2y vs Eurodollar Contracts

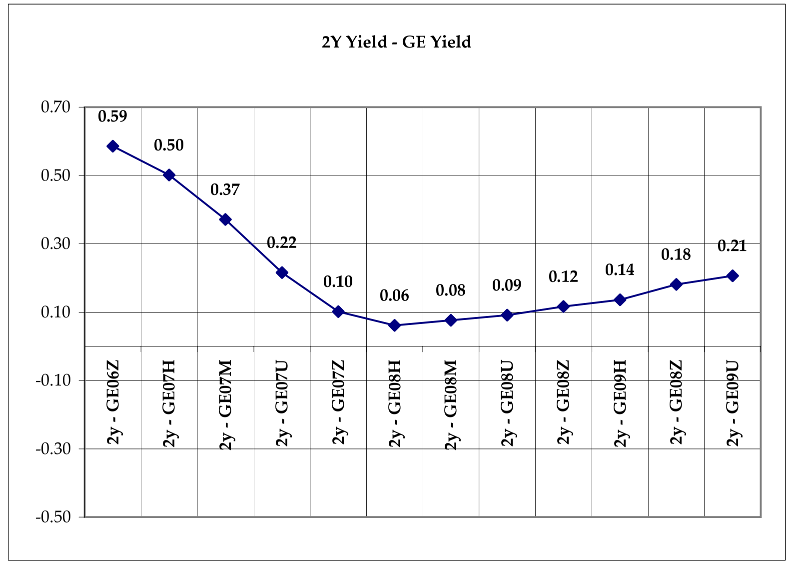
	2y		
	Spread Price	**Spread Yield**	**Spread Name**
F.EDAZ06	5.52	0.59	2y - GE06Z
F.EDAH07	5.43	0.50	2y - GE07H
F.EDAM07	5.30	0.38	2y - GE07M
F.EDAU07	5.15	0.22	2y - GE07U
F.EDAZ07	5.03	0.10	2y - GE07Z
F.EDAH08	4.99	0.06	2y - GE08H
F.EDAM08	5.00	0.08	2y - GE08M
F.EDAU08	5.02	0.10	2y - GE08U
F.EDAZ08	5.05	0.12	2y - GE08Z
F.EDAH09	5.07	0.14	2y - GE09H
F.EDAM09	5.11	0.19	2y - GE08Z
F.EDAU09	5.14	0.21	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	0.112	1.86	1.75	2y - GE06Z
F.EDAH07	0.361	1.86	1.50	2y - GE07H
F.EDAM07	0.610	1.86	1.25	2y - GE07M
F.EDAU07	0.860	1.86	1.00	2y - GE07U
F.EDAZ07	1.109	1.86	0.75	2y - GE07Z
F.EDAH08	1.358	1.86	0.50	2y - GE08H
F.EDAM08	1.608	1.86	0.26	2y - GE08M
F.EDAU08	1.857	1.86	0.01	2y - GE08U
F.EDAZ08	2.106	1.86	(0.24)	2y - GE08Z
F.EDAH09	2.356	1.86	(0.49)	2y - GE09H
F.EDAM09	2.605	1.86	(0.74)	2y - GE08Z
F.EDAU09	2.854	1.86	(0.99)	2y - GE09U

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



TERM TED: 5y vs Eurodollar Contracts

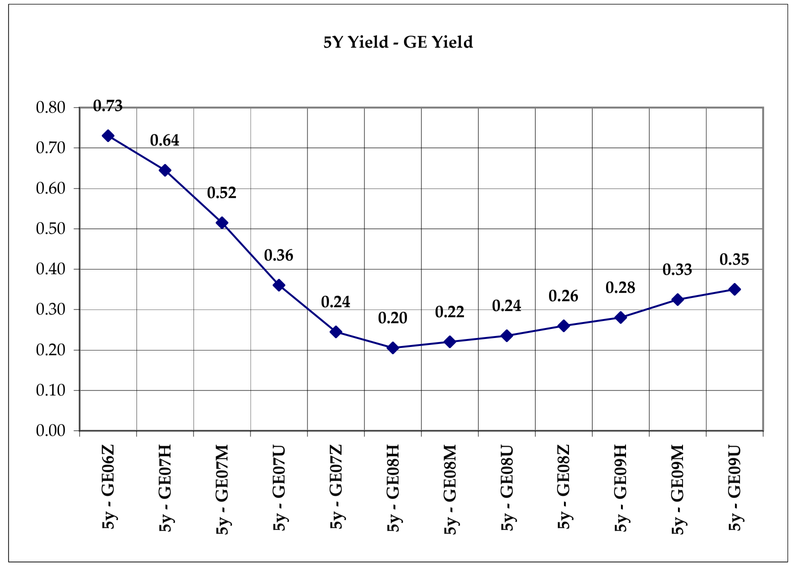
	5y		
	Spread Price	**Spread Yield**	**Spread Name**
F.EDAZ06	4.66	0.73	5y - GE06Z
F.EDAH07	4.58	0.64	5y - GE07H
F.EDAM07	4.45	0.51	5y - GE07M
F.EDAU07	4.29	0.36	5y - GE07U
F.EDAZ07	4.18	0.24	5y - GE07Z
F.EDAH08	4.14	0.20	5y - GE08H
F.EDAM08	4.15	0.21	5y - GE08M
F.EDAU08	4.17	0.23	5y - GE08U
F.EDAZ08	4.19	0.26	5y - GE08Z
F.EDAH09	4.21	0.28	5y - GE09H
F.EDAM09	4.26	0.32	5y - GE09M
F.EDAU09	4.28	0.35	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	0.112	4.40	4.28	5y - GE06Z
F.EDAH07	0.361	4.40	4.04	5y - GE07H
F.EDAM07	0.610	4.40	3.79	5y - GE07M
F.EDAU07	0.860	4.40	3.54	5y - GE07U
F.EDAZ07	1.109	4.40	3.29	5y - GE07Z
F.EDAH08	1.358	4.40	3.04	5y - GE08H
F.EDAM08	1.608	4.40	2.79	5y - GE08M
F.EDAU08	1.857	4.40	2.54	5y - GE08U
F.EDAZ08	2.106	4.40	2.29	5y - GE08Z
F.EDAH09	2.356	4.40	2.04	5y - GE09H
F.EDAM09	2.605	4.40	1.79	5y - GE09M
F.EDAU09	2.854	4.40	1.54	5y - GE09U

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

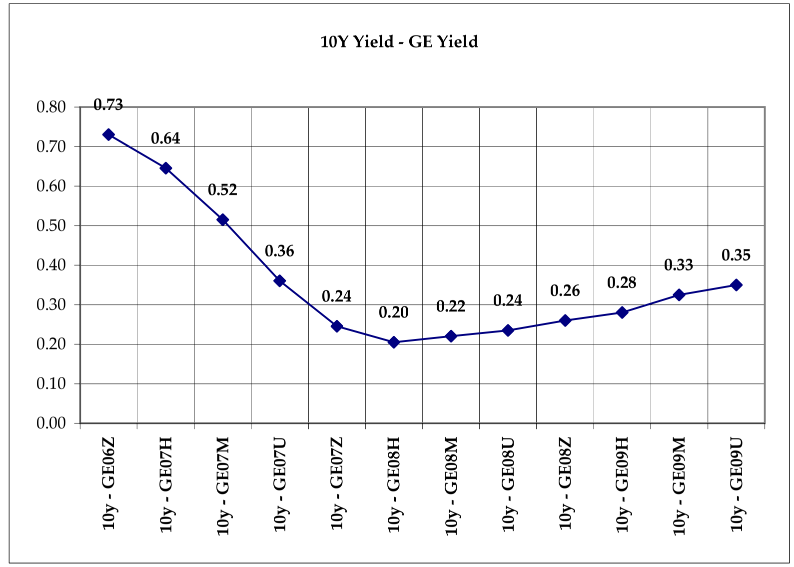


TERM TED: 10y vs Eurodollar Contracts

	10y		
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	4.66	0.73	10y - GE06Z
F.EDAH07	4.58	0.64	10y - GE07H
F.EDAM07	4.45	0.51	10y - GE07M
F.EDAU07	4.29	0.36	10y - GE07U
F.EDAZ07	4.18	0.24	10y - GE07Z
F.EDAH08	4.14	0.20	10y - GE08H
F.EDAM08	4.15	0.21	10y - GE08M
F.EDAU08	4.17	0.23	10y - GE08U
F.EDAZ08	4.19	0.26	10y - GE08Z
F.EDAH09	4.21	0.28	10y - GE09H
F.EDAM09	4.26	0.32	10y - GE09M
F.EDAU09	4.28	0.35	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	0.112	7.64	7.53	10y - GE06Z
F.EDAH07	0.361	7.64	7.28	10y - GE07H
F.EDAM07	0.610	7.64	7.03	10y - GE07M
F.EDAU07	0.860	7.64	6.78	10y - GE07U
F.EDAZ07	1.109	7.64	6.53	10y - GE07Z
F.EDAH08	1.358	7.64	6.28	10y - GE08H
F.EDAM08	1.608	7.64	6.03	10y - GE08M
F.EDAU08	1.857	7.64	5.78	10y - GE08U
F.EDAZ08	2.106	7.64	5.53	10y - GE08Z
F.EDAH09	2.356	7.64	5.28	10y - GE09H
F.EDAM09	2.605	7.64	5.03	10y - GE09M
F.EDAU09	2.854	7.64	4.79	10y - GE09U

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