

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*
ZT	102.0688	102.022	4.741
ZF	105.3594	105.115	4.620
ZN	107.9688	107.310	4.574
Blank			
2y	100.203	100.0650	4.761
5y	100.015	100.0048	4.610
10y	101.245	101.0784	4.645

*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	39	0.106	DEC	White Pack
F.EDAH07	94.725	5.275	130	0.356	MAR	
F.EDAM07	94.880	5.120	221	0.605	JUN	
F.EDAU07	95.055	4.945	312	0.854	SEP	Red Pack
F.EDAZ07	95.170	4.830	403	1.103	DEC	
F.EDAH08	95.205	4.795	494	1.353	MAR	
F.EDAM08	95.200	4.800	585	1.602	JUN	Green Pack
F.EDAU08	95.185	4.815	676	1.851	SEP	
F.EDAZ08	95.155	4.845	767	2.101	DEC	
F.EDAH09	95.125	4.875	858	2.350	MAR	
F.EDAM09	95.095	4.905	949	2.599	JUN	
F.EDAU09	95.080	4.920	1040	2.849	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

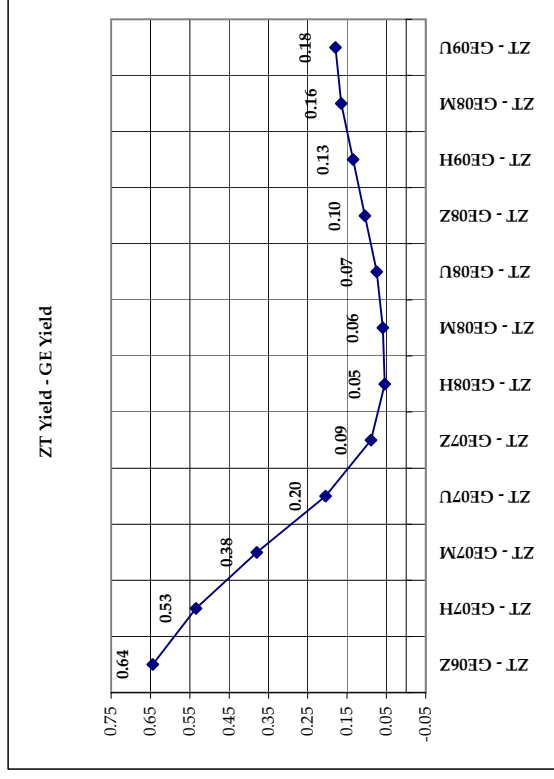
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAZ06	7.454	0.64	ZT - GE06Z
F.EDAH07	7.344	0.53	ZT - GE07H
F.EDAM07	7.189	0.38	ZT - GE07M
F.EDAU07	7.014	0.20	ZT - GE07U
F.EDAZ07	6.899	0.09	ZT - GE07Z
F.EDAH08	6.864	0.05	ZT - GE08H
F.EDAM08	6.869	0.06	ZT - GE08M
F.EDAU08	6.884	0.07	ZT - GE08U
F.EDAZ08	6.914	0.10	ZT - GE08Z
F.EDAH09	6.944	0.13	ZT - GE09H
F.EDAM09	6.974	0.16	ZT - GE08M
F.EDAU09	6.989	0.18	ZT - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year	ZT		Spread Duration
	Duration	Duration	
F.EDAZ06	0.106	1.78	1.67
F.EDAH07	0.356	1.78	1.42
F.EDAM07	0.605	1.78	1.17
F.EDAU07	0.854	1.78	0.92
F.EDAZ07	1.103	1.78	0.67
F.EDAH08	1.353	1.78	0.43
F.EDAM08	1.602	1.78	0.18
F.EDAU08	1.851	1.78	(0.07)
F.EDAZ08	2.101	1.78	(0.32)
F.EDAH09	2.350	1.78	(0.57)
F.EDAM09	2.599	1.78	(0.82)
F.EDAU09	2.849	1.78	(1.07)

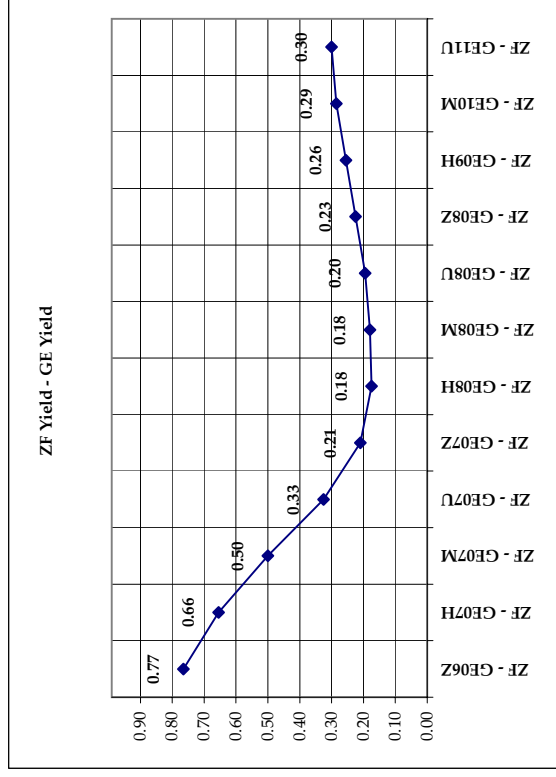
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZF vs Eurodollar Contracts

	ZF		
	Spread Price	Spread Yield	Spread Name
F.EDAZ06	10.74	0.77	ZF - GE06Z
F.EDAH07	10.63	0.66	ZF - GE07H
F.EDAM07	10.48	0.50	ZF - GE07M
F.EDAU07	10.30	0.33	ZF - GE07U
F.EDAZ07	10.19	0.21	ZF - GE07Z
F.EDAH08	10.15	0.18	ZF - GE08H
F.EDAM08	10.16	0.18	ZF - GE08M
F.EDAU08	10.17	0.20	ZF - GE08U
F.EDAZ08	10.20	0.23	ZF - GE08Z
F.EDAH09	10.23	0.26	ZF - GE09H
F.EDAM09	10.26	0.29	ZF - GE10M
F.EDAU09	10.28	0.30	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	0.106	3.73
F.EDAH07	0.356	3.48
F.EDAM07	0.605	3.23
F.EDAU07	0.854	2.98
F.EDAZ07	1.103	2.73
F.EDAH08	1.353	2.48
F.EDAM08	1.602	2.24
F.EDAU08	1.851	1.99
F.EDAZ08	2.101	1.74
F.EDAH09	2.350	1.49
F.EDAM09	2.599	1.24
F.EDAU09	2.849	0.99

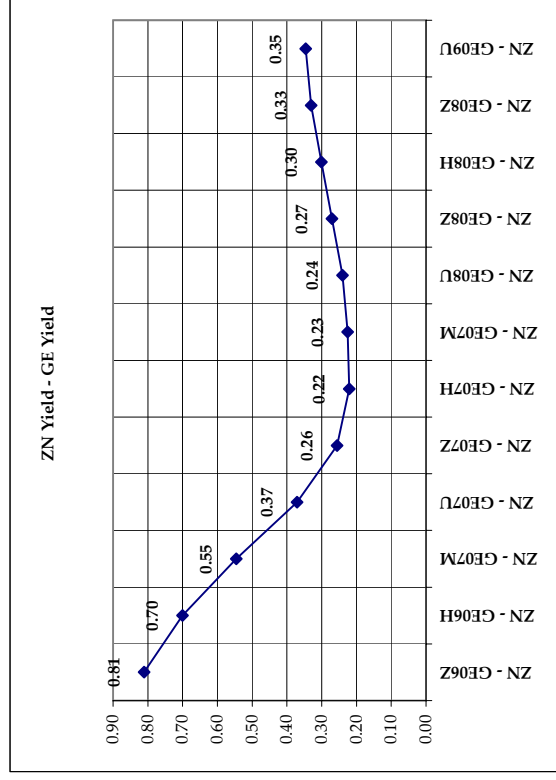
The farther away from 0 the spread duration is the riskier the trade.

Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAZ06	13.35	0.81	ZN - GE06Z
F.EDAH07	13.24	0.70	ZN - GE06H
F.EDAM07	13.09	0.55	ZN - GE07M
F.EDAU07	12.91	0.37	ZN - GE07U
F.EDAZ07	12.80	0.26	ZN - GE07Z
F.EDAH08	12.76	0.22	ZN - GE07H
F.EDAM08	12.77	0.23	ZN - GE07M
F.EDAU08	12.78	0.24	ZN - GE08U
F.EDAZ08	12.81	0.27	ZN - GE08Z
F.EDAH09	12.84	0.30	ZN - GE08H
F.EDAM09	12.87	0.33	ZN - GE08M
F.EDAU09	12.89	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	0.106	5.64
F.EDAH07	0.356	5.39
F.EDAM07	0.605	5.14
F.EDAU07	0.854	4.90
F.EDAZ07	1.103	4.65
F.EDAH08	1.353	4.40
F.EDAM08	1.602	4.15
F.EDAU08	1.851	3.90
F.EDAZ08	2.101	3.65
F.EDAH09	2.350	3.40
F.EDAM09	2.599	3.15
F.EDAU09	2.849	2.90

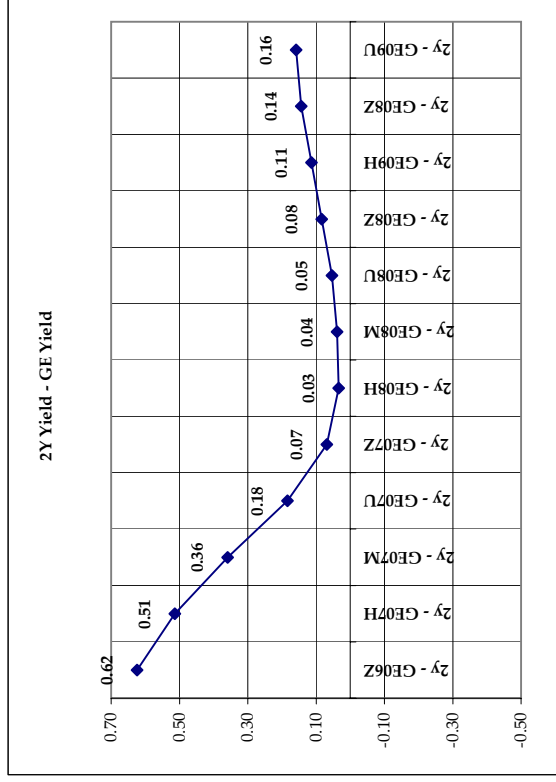
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 2y vs Eurodollar Contracts

	Spread Price	2y Spread Yield	Spread Name
F.EDAZ06	5.59	0.62	2y - GE06Z
F.EDAH07	5.48	0.51	2y - GE07H
F.EDAM07	5.32	0.36	2y - GE07M
F.EDAU07	5.15	0.18	2y - GE07U
F.EDAZ07	5.03	0.07	2y - GE07Z
F.EDAH08	5.00	0.03	2y - GE08H
F.EDAM08	5.00	0.04	2y - GE08M
F.EDAU08	5.02	0.05	2y - GE08U
F.EDAZ08	5.05	0.08	2y - GE08Z
F.EDAH09	5.08	0.11	2y - GE09H
F.EDAM09	5.11	0.14	2y - GE09M
F.EDAU09	5.12	0.16	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	0.106	1.75
F.EDAH07	0.356	1.50
F.EDAM07	0.605	1.25
F.EDAU07	0.854	1.00
F.EDAZ07	1.103	0.75
F.EDAH08	1.353	0.51
F.EDAM08	1.602	0.26
F.EDAU08	1.851	0.01
F.EDAZ08	2.101	(0.24)
F.EDAH09	2.350	(0.49)
F.EDAM09	2.599	(0.74)
F.EDAU09	2.849	(0.99)

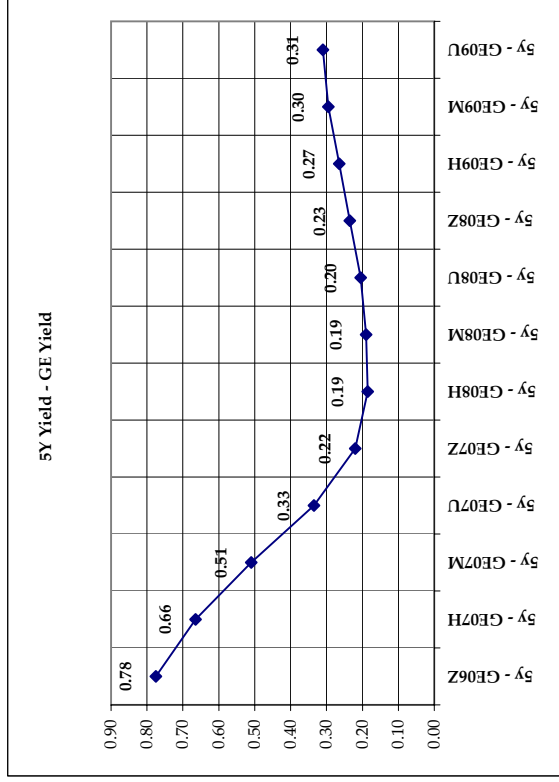
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAZ06	5.40	0.78	5y - GE06Z
F.EDAH07	5.29	0.66	5y - GE07H
F.EDAM07	5.14	0.51	5y - GE07M
F.EDAU07	4.96	0.33	5y - GE07U
F.EDAZ07	4.85	0.22	5y - GE07Z
F.EDAH08	4.81	0.19	5y - GE08H
F.EDAM08	4.82	0.19	5y - GE08M
F.EDAU08	4.83	0.20	5y - GE08U
F.EDAZ08	4.86	0.23	5y - GE08Z
F.EDAH09	4.89	0.27	5y - GE09H
F.EDAM09	4.92	0.30	5y - GE09M
F.EDAU09	4.94	0.31	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	0.106	4.29	5y - GE06Z
F.EDAH07	0.356	4.39	5y - GE07H
F.EDAM07	0.605	4.39	5y - GE07M
F.EDAU07	0.854	4.39	5y - GE07U
F.EDAZ07	1.103	4.39	5y - GE07Z
F.EDAH08	1.353	4.39	5y - GE08H
F.EDAM08	1.602	4.39	5y - GE08M
F.EDAU08	1.851	4.39	5y - GE08U
F.EDAZ08	2.101	4.39	5y - GE08Z
F.EDAH09	2.350	4.39	5y - GE09H
F.EDAM09	2.599	4.39	5y - GE09M
F.EDAU09	2.849	4.39	5y - GE09U

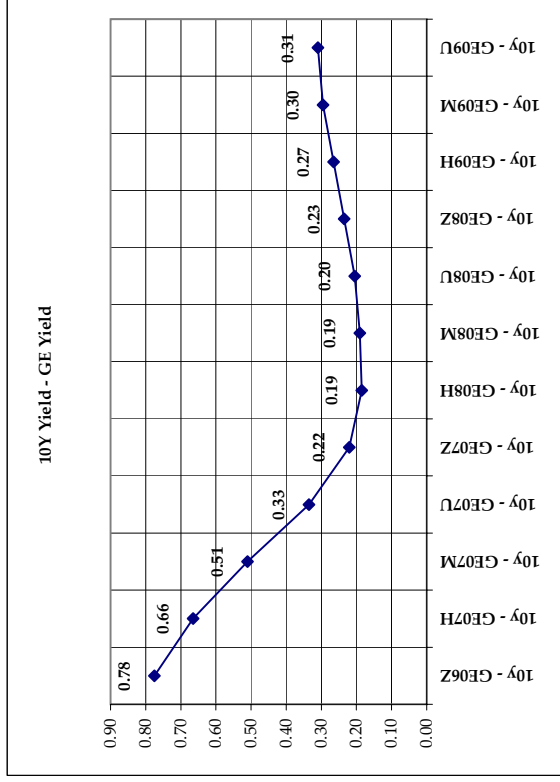
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Yield	Spread Name
F.EDAZ06	5.40	0.78	10y - GE06Z	
F.EDAH07	5.29	0.66	10y - GE07H	
F.EDAM07	5.14	0.51	10y - GE07M	
F.EDAU07	4.96	0.33	10y - GE07U	
F.EDAZ07	4.85	0.22	10y - GE07Z	
F.EDAH08	4.81	0.19	10y - GE08H	
F.EDAM08	4.82	0.19	10y - GE08M	
F.EDAU08	4.83	0.20	10y - GE08U	
F.EDAZ08	4.86	0.23	10y - GE08Z	
F.EDAH09	4.89	0.27	10y - GE09H	
F.EDAM09	4.92	0.30	10y - GE09M	
F.EDAU09	4.94	0.31	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	0.106	7.54
F.EDAH07	0.356	7.29
F.EDAM07	0.605	7.04
F.EDAU07	0.854	6.79
F.EDAZ07	1.103	6.54
F.EDAH08	1.353	6.29
F.EDAM08	1.602	6.04
F.EDAU08	1.851	5.79
F.EDAZ08	2.101	5.54
F.EDAH09	2.350	5.29
F.EDAM09	2.599	5.04
F.EDAU09	2.849	4.79

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