

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

		F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*	**MDuration	
ZT	102.0313	102.010	4.778	1.73	
ZF	105.3125	105.100	4.599	3.77	
ZN	107.9531	107.305	4.613	5.70	
Blank					
2y	99.959	99.3070	4.771	1.85	
5y	100.022	100.0070	4.618	#VALUE!	
10y	99.906	99.2900	4.635	7.90	

*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	94.643	5.358	21	0.057	MAR	} White Pack	
F.EDAM07	94.700	5.300	112	0.306	JUN		
F.EDAU07	94.820	5.180	203	0.555	SEP		
F.EDAZ07	94.970	5.030	294	0.805	DEC	} Red Pack	
F.EDAH08	95.100	4.900	385	1.054	MAR		
F.EDAM08	95.165	4.835	476	1.303	JUN		
F.EDAU08	95.205	4.795	567	1.553	SEP		
F.EDAZ08	95.215	4.785	658	1.802	DEC	} Green Pack	
F.EDAH09	95.215	4.785	749	2.051	MAR		
F.EDAM09	95.185	4.815	840	2.301	JUN		
F.EDAU09	95.170	4.830	931	2.550	SEP		
F.EDAZ09	95.135	4.865	1022	2.799	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:

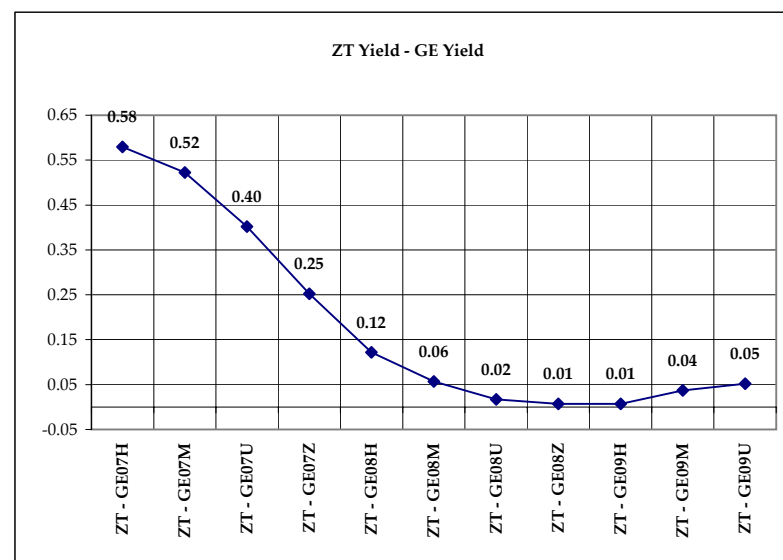
Color	Year	Contracts
White	One	1 – 4
Red	Two	5 – 8
Green	Three	9 – 12
Blue	Four	13 – 16
Gold	Five	17 – 20
Purple	Six	21 – 24
Orange	Seven	25 – 28
Pink	Eight	29 – 32
Silver	Nine	33 – 36
Copper	Ten	37 – 40

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Dirty TED: ZT vs Eurodollar Contracts

ZT			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.389	0.58	ZT - GE07H
F.EDAM07	7.331	0.52	ZT - GE07M
F.EDAU07	7.211	0.40	ZT - GE07U
F.EDAZ07	7.061	0.25	ZT - GE07Z
F.EDAH08	6.931	0.12	ZT - GE08H
F.EDAM08	6.866	0.06	ZT - GE08M
F.EDAU08	6.826	0.02	ZT - GE08U
F.EDAZ08	6.816	0.01	ZT - GE08Z
F.EDAH09	6.816	0.01	ZT - GE09H
F.EDAM09	6.846	0.04	ZT - GE09M
F.EDAU09	6.861	0.05	ZT - GE09U
F.EDAZ09	6.896	0.09	ZT - GE09Z

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.EDAH07	0.057	1.73	ZT - GE07H
F.EDAM07	0.306	1.73	ZT - GE07M
F.EDAU07	0.555	1.73	ZT - GE07U
F.EDAZ07	0.805	1.73	ZT - GE07Z
F.EDAH08	1.054	1.73	ZT - GE08H
F.EDAM08	1.303	1.73	ZT - GE08M
F.EDAU08	1.553	1.73	ZT - GE08U
F.EDAZ08	1.802	1.73	ZT - GE08Z
F.EDAH09	2.051	1.73	ZT - GE09H
F.EDAM09	2.301	1.73	ZT - GE09M
F.EDAU09	2.550	1.73	ZT - GE09U
F.EDAZ09	2.799	1.73	ZT - GE09Z

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

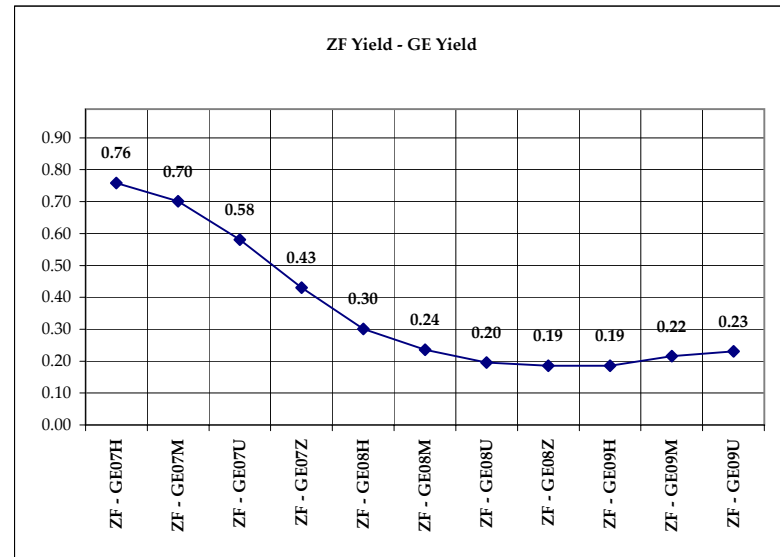
Dirty TED: ZF vs Eurodollar Contracts

ZF			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	10.67	0.76	ZF - GE07H
F.EDAM07	10.61	0.70	ZF - GE07M
F.EDAU07	10.49	0.58	ZF - GE07U
F.EDAZ07	10.34	0.43	ZF - GE07Z
F.EDAH08	10.21	0.30	ZF - GE08H
F.EDAM08	10.15	0.24	ZF - GE08M
F.EDAU08	10.11	0.20	ZF - GE08U
F.EDAZ08	10.10	0.19	ZF - GE08Z
F.EDAH09	10.10	0.19	ZF - GE09H
F.EDAM09	10.13	0.22	ZF - GE09M
F.EDAU09	10.14	0.23	ZF - GE09U
F.EDAZ09	10.18	0.27	ZF - GE09U

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.EDAH07	0.057	3.77	3.71	ZF - GE07H
F.EDAM07	0.306	3.77	3.46	ZF - GE07M
F.EDAU07	0.555	3.77	3.21	ZF - GE07U
F.EDAZ07	0.805	3.77	2.96	ZF - GE07Z
F.EDAH08	1.054	3.77	2.71	ZF - GE08H
F.EDAM08	1.303	3.77	2.46	ZF - GE08M
F.EDAU08	1.553	3.77	2.21	ZF - GE08U
F.EDAZ08	1.802	3.77	1.96	ZF - GE08Z
F.EDAH09	2.051	3.77	1.71	ZF - GE09H
F.EDAM09	2.301	3.77	1.47	ZF - GE09M
F.EDAU09	2.550	3.77	1.22	ZF - GE09U
F.EDAZ09	2.799	3.77	0.97	ZF - GE09U

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



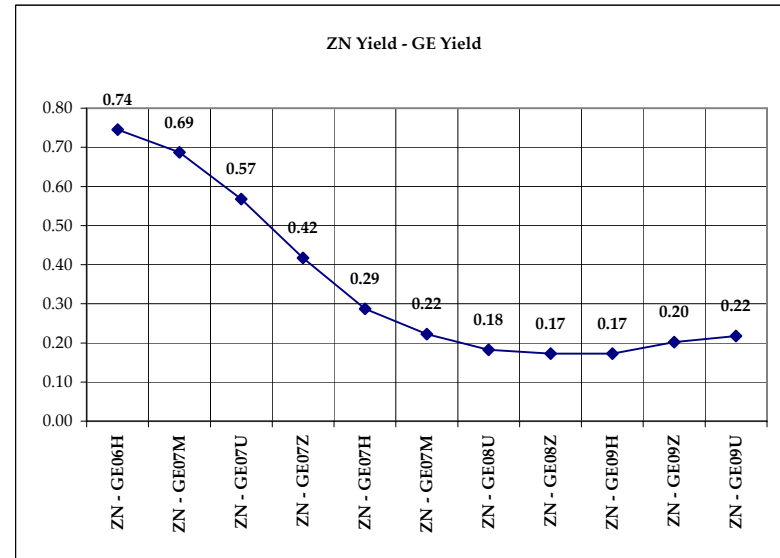
Dirty TED: ZN vs Eurodollar Contracts

ZN			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	13.31	0.74	ZN - GE06H
F.EDAM07	13.25	0.69	ZN - GE07M
F.EDAU07	13.13	0.57	ZN - GE07U
F.EDAZ07	12.98	0.42	ZN - GE07Z
F.EDAH08	12.85	0.29	ZN - GE07H
F.EDAM08	12.79	0.22	ZN - GE07M
F.EDAU08	12.75	0.18	ZN - GE08U
F.EDAZ08	12.74	0.17	ZN - GE08Z
F.EDAH09	12.74	0.17	ZN - GE09H
F.EDAM09	12.77	0.20	ZN - GE09Z
F.EDAU09	12.78	0.22	ZN - GE09U
F.EDAZ09	12.82	0.25	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.EDAH07	0.057	5.70	5.64	ZN - GE06H
F.EDAM07	0.306	5.70	5.39	ZN - GE07M
F.EDAU07	0.555	5.70	5.14	ZN - GE07U
F.EDAZ07	0.805	5.70	4.89	ZN - GE07Z
F.EDAH08	1.054	5.70	4.64	ZN - GE07H
F.EDAM08	1.303	5.70	4.39	ZN - GE07M
F.EDAU08	1.553	5.70	4.14	ZN - GE08U
F.EDAZ08	1.802	5.70	3.90	ZN - GE08Z
F.EDAH09	2.051	5.70	3.65	ZN - GE09H
F.EDAM09	2.301	5.70	3.40	ZN - GE09Z
F.EDAU09	2.550	5.70	3.15	ZN - GE09U
F.EDAZ09	2.799	5.70	2.90	ZN - GE09U

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



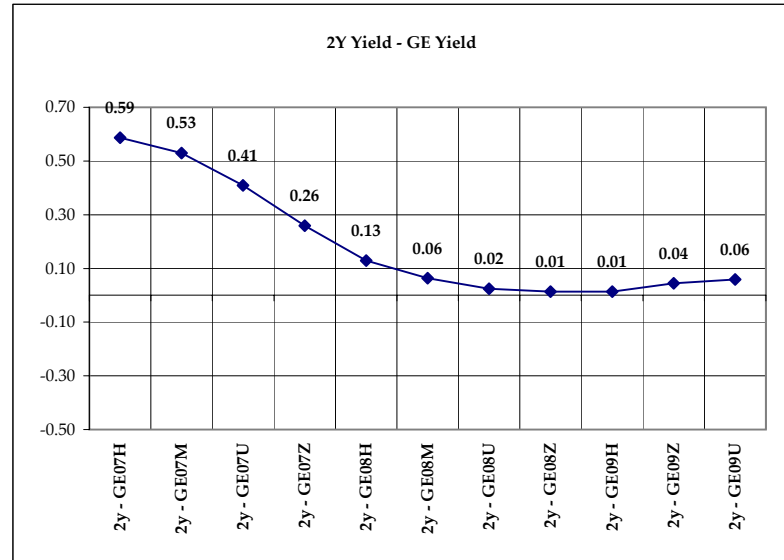
TERM TED: 2y vs Eurodollar Contracts

2y			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.32	0.59	2y - GE07H
F.EDAM07	5.26	0.53	2y - GE07M
F.EDAU07	5.14	0.41	2y - GE07U
F.EDAZ07	4.99	0.26	2y - GE07Z
F.EDAH08	4.86	0.13	2y - GE08H
F.EDAM08	4.79	0.06	2y - GE08M
F.EDAU08	4.75	0.02	2y - GE08U
F.EDAZ08	4.74	0.01	2y - GE08Z
F.EDAH09	4.74	0.01	2y - GE09H
F.EDAM09	4.77	0.04	2y - GE09Z
F.EDAU09	4.79	0.06	2y - GE09U
F.EDAZ09	4.82	0.09	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.EDAH07	0.057	1.85	1.79	2y - GE07H
F.EDAM07	0.306	1.85	1.54	2y - GE07M
F.EDAU07	0.555	1.85	1.29	2y - GE07U
F.EDAZ07	0.805	1.85	1.04	2y - GE07Z
F.EDAH08	1.054	1.85	0.79	2y - GE08H
F.EDAM08	1.303	1.85	0.54	2y - GE08M
F.EDAU08	1.553	1.85	0.29	2y - GE08U
F.EDAZ08	1.802	1.85	0.04	2y - GE08Z
F.EDAH09	2.051	1.85	(0.20)	2y - GE09H
F.EDAM09	2.301	1.85	(0.45)	2y - GE09Z
F.EDAU09	2.550	1.85	(0.70)	2y - GE09U
F.EDAZ09	2.799	1.85	(0.95)	2y - GE09U

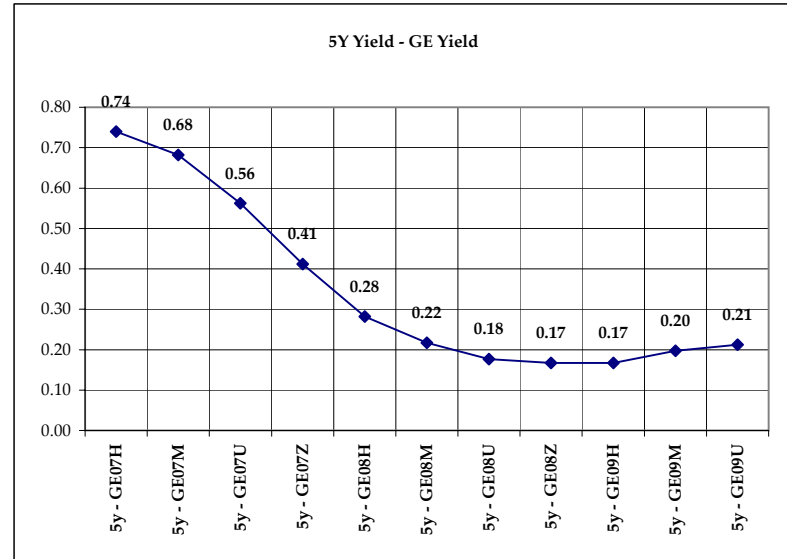
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 5y vs Eurodollar Contracts

5y			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.38	0.74	5y - GE07H
F.EDAM07	5.32	0.68	5y - GE07M
F.EDAU07	5.20	0.56	5y - GE07U
F.EDAZ07	5.05	0.41	5y - GE07Z
F.EDAH08	4.92	0.28	5y - GE08H
F.EDAM08	4.86	0.22	5y - GE08M
F.EDAU08	4.82	0.18	5y - GE08U
F.EDAZ08	4.81	0.17	5y - GE08Z
F.EDAH09	4.81	0.17	5y - GE09H
F.EDAM09	4.84	0.20	5y - GE09M
F.EDAU09	4.85	0.21	5y - GE09U
F.EDAZ09	4.89	0.25	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price
Yield = ABS(Cash Yield - Implied Euro Contract yield)



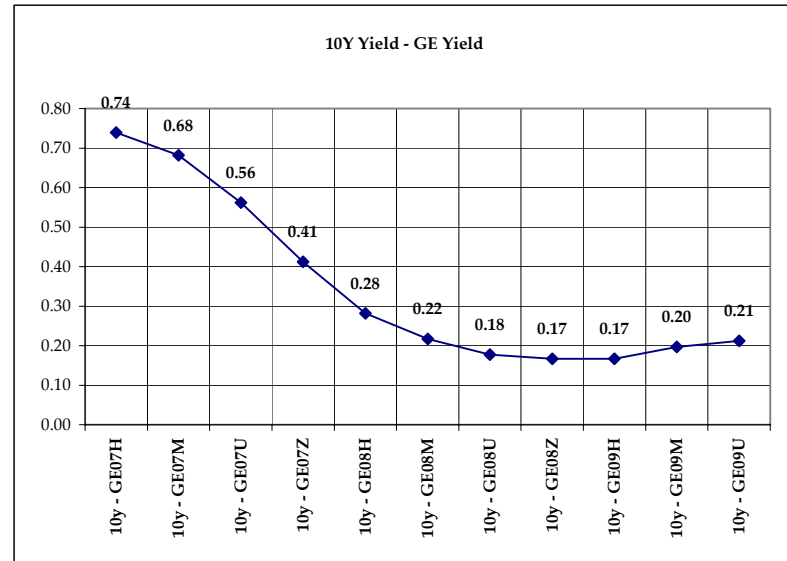
	GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAH07	0.057	#VALUE!	#VALUE!	5y - GE07H
F.EDAM07	0.306	#VALUE!	#VALUE!	5y - GE07M
F.EDAU07	0.555	#VALUE!	#VALUE!	5y - GE07U
F.EDAZ07	0.805	#VALUE!	#VALUE!	5y - GE07Z
F.EDAH08	1.054	#VALUE!	#VALUE!	5y - GE08H
F.EDAM08	1.303	#VALUE!	#VALUE!	5y - GE08M
F.EDAU08	1.553	#VALUE!	#VALUE!	5y - GE08U
F.EDAZ08	1.802	#VALUE!	#VALUE!	5y - GE08Z
F.EDAH09	2.051	#VALUE!	#VALUE!	5y - GE09H
F.EDAM09	2.301	#VALUE!	#VALUE!	5y - GE09M
F.EDAU09	2.550	#VALUE!	#VALUE!	5y - GE09U
F.EDAZ09	2.799	#VALUE!	#VALUE!	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.EDAH07	5.38	0.74	10y - GE07H
F.EDAM07	5.32	0.68	10y - GE07M
F.EDAU07	5.20	0.56	10y - GE07U
F.EDAZ07	5.05	0.41	10y - GE07Z
F.EDAH08	4.92	0.28	10y - GE08H
F.EDAM08	4.86	0.22	10y - GE08M
F.EDAU08	4.82	0.18	10y - GE08U
F.EDAZ08	4.81	0.17	10y - GE08Z
F.EDAH09	4.81	0.17	10y - GE09H
F.EDAM09	4.84	0.20	10y - GE09M
F.EDAU09	4.85	0.21	10y - GE09U
F.EDAZ09	4.89	0.25	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.EDAH07	0.057	7.90	7.84	10y - GE07H
F.EDAM07	0.306	7.90	7.59	10y - GE07M
F.EDAU07	0.555	7.90	7.35	10y - GE07U
F.EDAZ07	0.805	7.90	7.10	10y - GE07Z
F.EDAH08	1.054	7.90	6.85	10y - GE08H
F.EDAM08	1.303	7.90	6.60	10y - GE08M
F.EDAU08	1.553	7.90	6.35	10y - GE08U
F.EDAZ08	1.802	7.90	6.10	10y - GE08Z
F.EDAH09	2.051	7.90	5.85	10y - GE09H
F.EDAM09	2.301	7.90	5.60	10y - GE09M
F.EDAU09	2.550	7.90	5.35	10y - GE09U
F.EDAZ09	2.799	7.90	5.10	10y - GE09U

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