

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	0.000
ZF	105.1719	105.055	4.670
ZN	107.6094	107.195	4.671
Blank			
2y	99.928	99.2970	4.784
5y	99.252	99.0806	4.670
10y	99.160	99.0512	4.686

*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	94.685	5.315	76	0.208	MAR	White Pack
F.EDAM07	94.795	5.205	167	0.457	JUN	
F.EDAU07	94.950	5.050	258	0.706	SEP	
F.EDAZ07	95.080	4.920	349	0.955	DEC	Red Pack
F.EDAH08	95.145	4.855	440	1.205	MAR	
F.EDAM08	95.170	4.830	531	1.454	JUN	
F.EDAU08	95.180	4.820	622	1.703	SEP	Green Pack
F.EDAZ08	95.175	4.825	713	1.953	DEC	
F.EDAH09	95.165	4.835	804	2.202	MAR	
F.EDAM09	95.110	4.890	895	2.451	JUN	Green Pack
F.EDAU09	95.085	4.915	986	2.701	SEP	
F.EDAZ09	95.040	4.960	1077	2.950	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

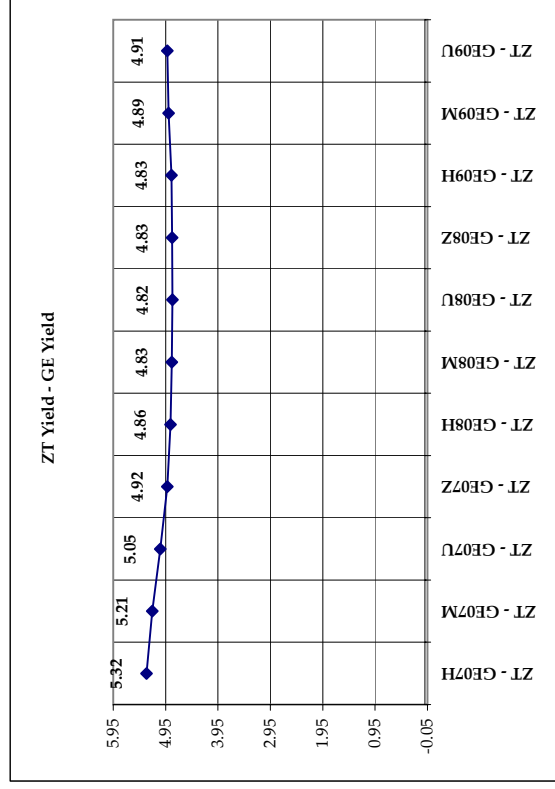
Dirty TED: ZT vs Eurodollar Contracts

ZT

	Spread Price	Spread Yield	Spread Name
F.EDAH07	7.384	5.32	ZT - GE07H
F.EDAM07	7.274	5.21	ZT - GE07M
F.EDAU07	7.119	5.05	ZT - GE07U
F.EDAZ07	6.989	4.92	ZT - GE07Z
F.EDAH08	6.924	4.86	ZT - GE08H
F.EDAM08	6.899	4.83	ZT - GE08M
F.EDAU08	6.889	4.82	ZT - GE08U
F.EDAZ08	6.894	4.83	ZT - GE08Z
F.EDAH09	6.904	4.83	ZT - GE09H
F.EDAM09	6.959	4.89	ZT - GE09M
F.EDAU09	6.984	4.91	ZT - GE09U
F.EDAZ09	7.029	4.96	ZT - GE09Z

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.EDAH07	0.208	1.85	1.65
F.EDAM07	0.457	1.85	1.40
F.EDAU07	0.706	1.85	1.15
F.EDAZ07	0.955	1.85	0.90
F.EDAH08	1.205	1.85	0.65
F.EDAM08	1.454	1.85	0.40
F.EDAU08	1.703	1.85	0.15
F.EDAZ08	1.953	1.85	(0.10)
F.EDAH09	2.202	1.85	(0.35)
F.EDAM09	2.451	1.85	(0.60)
F.EDAU09	2.701	1.85	(0.85)
F.EDAZ09	2.950	1.85	(1.10)

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

Dirty TED: ZF vs Eurodollar Contracts

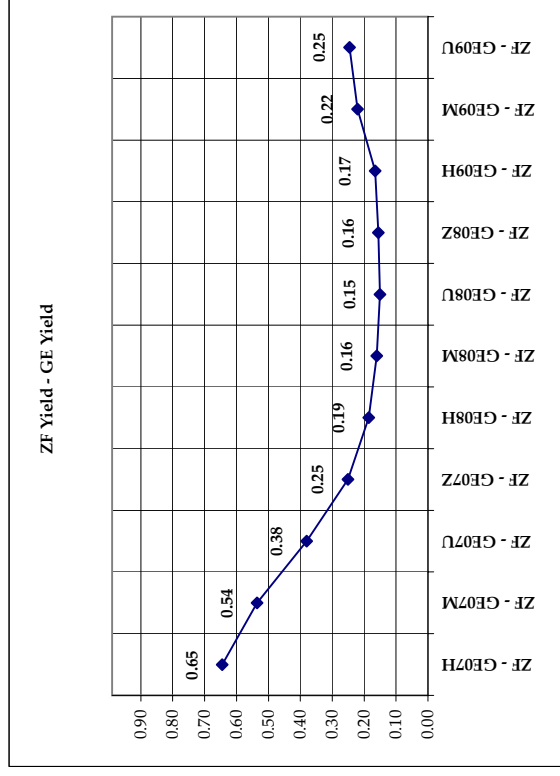
	ZF	
	Spread Price	Spread Yield
	Price	Yield
	Spread	Spread
	Price	Yield
	Name	Name
F.EDAH07	10.49	0.65
F.EDAM07	10.38	0.54
F.EDAU07	10.22	0.38
F.EDAZ07	10.09	0.25
F.EDAH08	10.03	0.19
F.EDAM08	10.00	0.16
F.EDAU08	9.99	0.15
F.EDAZ08	10.00	0.16
F.EDAH09	10.01	0.17
F.EDAM09	10.06	0.22
F.EDAU09	10.09	0.25
F.EDAZ09	10.13	0.29

Price = Outright Decimal Price - Euro Contract Price

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

	GE Duration as		ZF	
	Fraction of year	Duration	Duration	Spread
F.EDAH07	0.208	3.91	3.70	ZF - GE07H
F.EDAM07	0.457	3.91	3.46	ZF - GE07M
F.EDAU07	0.706	3.91	3.21	ZF - GE07U
F.EDAZ07	0.955	3.91	2.96	ZF - GE07Z
F.EDAH08	1.205	3.91	2.71	ZF - GE08H
F.EDAM08	1.454	3.91	2.46	ZF - GE08M
F.EDAU08	1.703	3.91	2.21	ZF - GE08U
F.EDAZ08	1.953	3.91	1.96	ZF - GE08Z
F.EDAH09	2.202	3.91	1.71	ZF - GE09H
F.EDAM09	2.451	3.91	1.46	ZF - GE09M
F.EDAU09	2.701	3.91	1.21	ZF - GE09U
F.EDAZ09	2.950	3.91	0.96	ZF - GE09U

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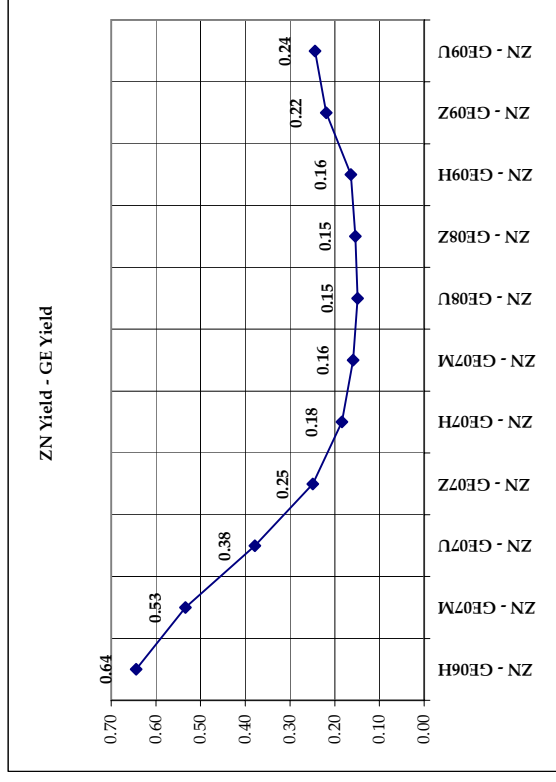


Dirty TED: ZN vs Eurodollar Contracts

	Spread Price	ZN Spread Yield	Spread Name
F.EDAH07	12.92	0.64	ZN - GE06H
F.EDAM07	12.81	0.53	ZN - GE07M
F.EDAU07	12.66	0.38	ZN - GE07U
F.EDAZ07	12.53	0.25	ZN - GE07Z
F.EDA+H08	12.46	0.18	ZN - GE07H
F.EDAM08	12.44	0.16	ZN - GE07M
F.EDAU08	12.43	0.15	ZN - GE08U
F.EDAZ08	12.43	0.15	ZN - GE08Z
F.EDA+H09	12.44	0.16	ZN - GE09H
F.EDAM09	12.50	0.22	ZN - GE09M
F.EDAU09	12.52	0.24	ZN - GE09U
F.EDAZ09	12.57	0.29	ZN - GE09Z

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	Fraction of year	ZN Duration	Spread Duration
F.EDAH07	0.208	5.84	5.63
F.EDAM07	0.457	5.84	5.39
F.EDAU07	0.706	5.84	5.14
F.EDAZ07	0.955	5.84	4.89
F.EDA+H08	1.205	5.84	4.64
F.EDAM08	1.454	5.84	4.39
F.EDAU08	1.703	5.84	4.14
F.EDAZ08	1.953	5.84	3.89
F.EDA+H09	2.202	5.84	3.64
F.EDAM09	2.451	5.84	3.39
F.EDAU09	2.701	5.84	3.14
F.EDAZ09	2.950	5.84	2.89

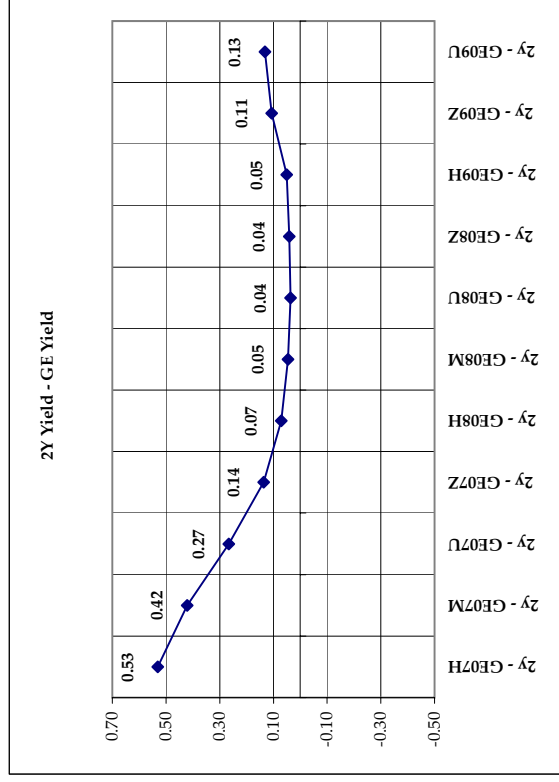
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TERM TED: 2y vs Eurodollar Contracts

	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.24	0.53	2y - GE07H
F.EDAM07	5.13	0.42	2y - GE07M
F.EDAU07	4.98	0.27	2y - GE07U
F.EDAZ07	4.85	0.14	2y - GE07Z
F.EDAH08	4.78	0.07	2y - GE08H
F.EDAM08	4.76	0.05	2y - GE08M
F.EDAU08	4.75	0.04	2y - GE08U
F.EDAZ08	4.75	0.04	2y - GE08Z
F.EDAH09	4.76	0.05	2y - GE09H
F.EDAM09	4.82	0.11	2y - GE09Z
F.EDAU09	4.84	0.13	2y - GE09U
F.EDAZ09	4.89	0.18	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	0.208	1.67
F.EDAM07	0.457	1.42
F.EDAU07	0.706	1.17
F.EDAZ07	0.955	0.92
F.EDAH08	1.205	0.67
F.EDAM08	1.454	0.42
F.EDAU08	1.703	0.17
F.EDAZ08	1.953	(0.07)
F.EDAH09	2.202	(0.32)
F.EDAM09	2.451	(0.57)
F.EDAU09	2.701	(0.82)
F.EDAZ09	2.950	(1.07)

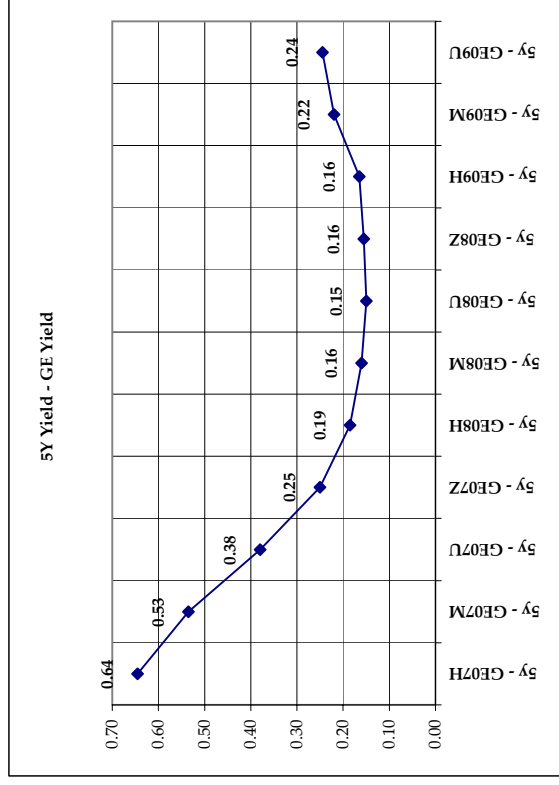
The farther away from 0 the spread duration is the riskier the trade.

TERM TED: 5y vs Eurodollar Contracts

	Spread Price	5y Spread Yield	Spread Name
F.EDAH07	4.57	0.64	5y - GE07H
F.EDAM07	4.46	0.53	5y - GE07M
F.EDAU07	4.30	0.38	5y - GE07U
F.EDAZ07	4.17	0.25	5y - GE07Z
F.EDAH08	4.11	0.19	5y - GE08H
F.EDAM08	4.08	0.16	5y - GE08M
F.EDAU08	4.07	0.15	5y - GE08U
F.EDAZ08	4.08	0.16	5y - GE08Z
F.EDAH09	4.09	0.16	5y - GE09H
F.EDAM09	4.14	0.22	5y - GE09M
F.EDAU09	4.17	0.24	5y - GE09U
F.EDAZ09	4.21	0.29	5y - GE09Z

Price = Outright Decimal Price - Euro Contract Price

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



GE Duration as Fraction of year

	5Y Fraction of year	5Y Duration	Spread Duration
F.EDAH07	0.208	4.34	4.13
F.EDAM07	0.457	4.34	3.88
F.EDAU07	0.706	4.34	3.63
F.EDAZ07	0.955	4.34	3.38
F.EDAH08	1.205	4.34	3.13
F.EDAM08	1.454	4.34	2.88
F.EDAU08	1.703	4.34	2.63
F.EDAZ08	1.953	4.34	2.38
F.EDAH09	2.202	4.34	2.13
F.EDAM09	2.451	4.34	1.88
F.EDAU09	2.701	4.34	1.63
F.EDAZ09	2.950	4.34	1.39

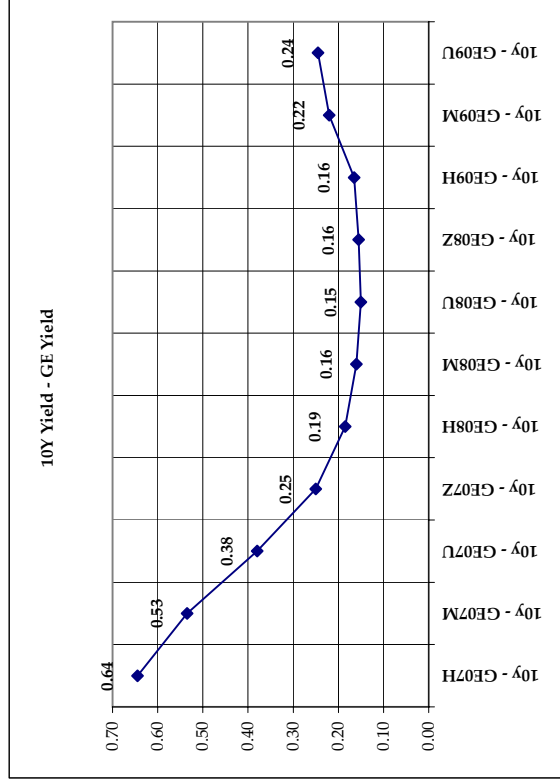
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TERM TED: 10y vs Eurodollar Contracts

	Spread Price	10y Spread Yield	Spread Name
F.EDAH07	4.57	0.64	10y - GE07H
F.EDAM07	4.46	0.53	10y - GE07M
F.EDAU07	4.30	0.38	10y - GE07U
F.EDAZ07	4.17	0.25	10y - GE07Z
F.EDAH08	4.11	0.19	10y - GE08H
F.EDAM08	4.08	0.16	10y - GE08M
F.EDAU08	4.07	0.15	10y - GE08U
F.EDAZ08	4.08	0.16	10y - GE08Z
F.EDAH09	4.09	0.16	10y - GE09H
F.EDAM09	4.14	0.22	10y - GE09M
F.EDAU09	4.17	0.24	10y - GE09U
F.EDAZ09	4.21	0.29	10y - GE09Z

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	0.208	7.79
F.EDAM07	0.457	7.79
F.EDAU07	0.706	7.79
F.EDAZ07	0.955	7.79
F.EDAH08	1.205	7.79
F.EDAM08	1.454	7.79
F.EDAU08	1.703	7.79
F.EDAZ08	1.953	7.79
F.EDAH09	2.202	7.79
F.EDAM09	2.451	7.79
F.EDAU09	2.701	7.79
F.EDAZ09	2.950	7.79

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