The Morning Email: TERM TEDS & Dirty TEDS

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I'm a new page, come and visit me.

Correlations for the US Cash Treasuries are done on a YIELD basis. Therefore, you'll see negative values. The reason for this is due to the new issues. Every new issue takes too long to 'catch up' because the correlation formula looks back 10days.

Want something added? Let me know: jgoulding@ghco.com

Disclaimer: All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

Jim Goulding, jgoulding@ghco.com

Quotes

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	F.I. Futures and Cash			
	Last Decimal	Last 32	Last Yield*	MDuration
ZT	101.8344	101.267	4.905	1.86
ZF	103.9375	103.300	4.962	3.94
ZN	105.3594	105.115	5.010	5.76
2y	99.953	99.3050	4.892	1.99
5y	99.569	99.1820	4.973	4.28
10y	95.531	95.1700	5.080	7.79

	Eurodollars (ED)					
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month	
EDAU07	94.670	5.330	81	0.221	SEP	White Pack
EDAZ07	94.715	5.285	172	0.471	DEC	
EDAH08	94.775	5.225	263	0.720	MAR	
EDAM08	94.805	5.195	354	0.969	JUN	
EDAU08	94.785	5.215	445	1.218	SEP	Red Pack
EDAZ08	94.750	5.250	536	1.468	DEC	
EDAH09	94.710	5.290	627	1.717	MAR	
EDAM09	94.665	5.335	718	1.966	JUN	
EDAU09	94.615	5.385	809	2.216	SEP	Green Pack
EDAZ09	94.555	5.445	900	2.465	DEC	
EDAH10	94.535	5.465	991	2.714	MAR	
EDAM10	94.490	5.510	1082	2.964	JUN	
EDAU10	94.445	5.555	1173	3.213	SEP	
EDAZ10	94.415	5.585	1264	3.462	DEC	
EDAH11	94.400	5.600	1355	3.712	MAR	
EDAM11	94.365	5.635	1446	3.961	JUN	
EDAU11	94.330	5.670	1544	4.229	SEP	
EDAZ11	94.325	5.675	1635	4.479	DEC	
EDAH12	94.305	5.695	1726	4.728	MAR	
EDAM12	94.255	5.745	1817	4.977	JUN	

	Last Yield	Net Yield	Last Price	
Q.ED.White	5.403	-1.500	9474.125	Pack Prices
Q.ED.Red	5.417	-2.375	9472.750	
Q.ED.Green	5.603	-2.125	9454.875	
Q.ED.Blue		-0.750	9441.000	
Q.ED.Gold		0.000	9429.250	
Q.ED.Purple		0.000	9429.250	

Notes
Futures use CTD for Last Yield
Mduration = Modified Macaulay Duration

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Overview of Hedging

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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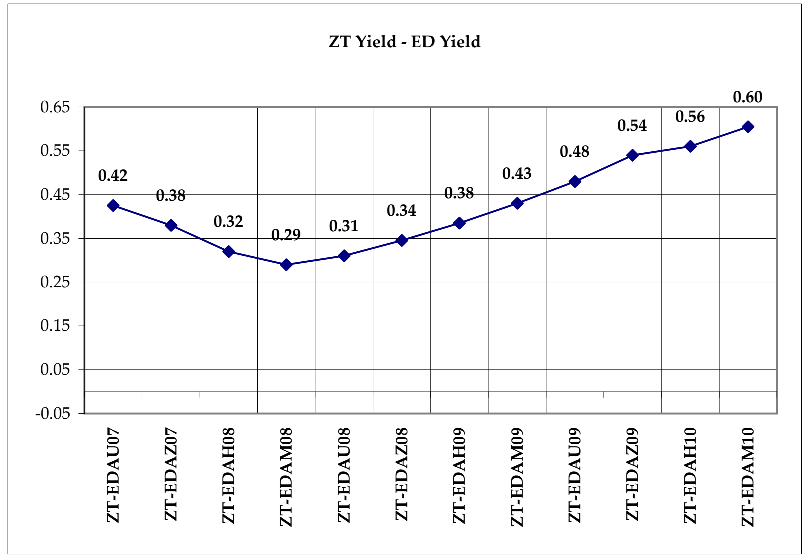
Eurodollar Color Codes for Individual Year Strips:

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

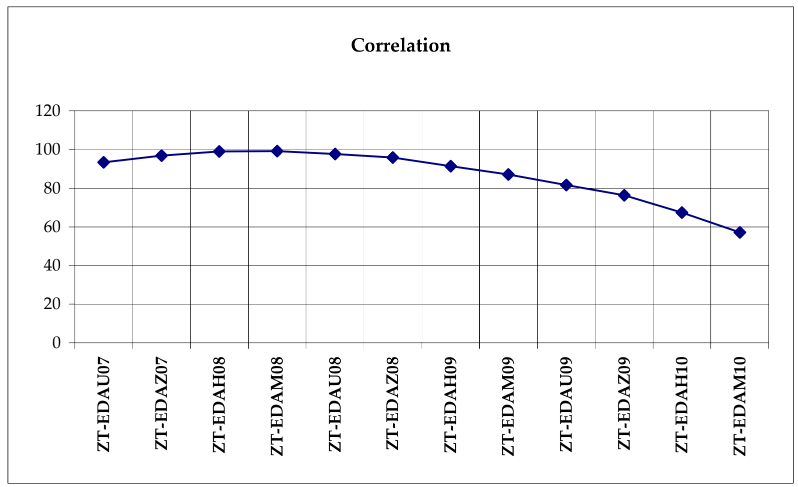
	ZT			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	7.164	0.42	ZT-EDAU07	93.350
EDAZ07	7.119	0.38	ZT-EDAZ07	96.750
EDAH08	7.059	0.32	ZT-EDAH08	99.033
EDAM08	7.029	0.29	ZT-EDAM08	99.098
EDAU08	7.049	0.31	ZT-EDAU08	97.703
EDAZ08	7.084	0.34	ZT-EDAZ08	95.902
EDAH09	7.124	0.38	ZT-EDAH09	91.380
EDAM09	7.169	0.43	ZT-EDAM09	86.998
EDAU09	7.219	0.48	ZT-EDAU09	81.652
EDAZ09	7.279	0.54	ZT-EDAZ09	76.295
EDAH10	7.299	0.56	ZT-EDAH10	67.407
EDAM10	7.344	0.60	ZT-EDAM10	57.134

Price = Outright Decimal Price - Euro Contract Price
Yield = ABS(Proxy Yield - Implied Euro Contract yield)
***Correlation = ED Correlation to Treasury Future over 10 days**



	GE Duration as Fraction of year	ZT Duration	Spread Duration	
EDAU07	0.221	1.86	1.64	ZT-EDAU07
EDAZ07	0.471	1.86	1.39	ZT-EDAZ07
EDAH08	0.720	1.86	1.14	ZT-EDAH08
EDAM08	0.969	1.86	0.89	ZT-EDAM08
EDAU08	1.218	1.86	0.64	ZT-EDAU08
EDAZ08	1.468	1.86	0.39	ZT-EDAZ08
EDAH09	1.717	1.86	0.14	ZT-EDAH09
EDAM09	1.966	1.86	(0.11)	ZT-EDAM09
EDAU09	2.216	1.86	(0.36)	ZT-EDAU09
EDAZ09	2.465	1.86	(0.61)	ZT-EDAZ09
EDAH10	2.714	1.86	(0.86)	ZT-EDAH10
EDAM10	2.964	1.86	(1.11)	ZT-EDAM10

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



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Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	9.27	0.37	ZF-EDAU07	86.705
EDAZ07	9.22	0.32	ZF-EDAZ07	92.009
EDAH08	9.16	0.26	ZF-EDAH08	96.071
EDAM08	9.13	0.23	ZF-EDAM08	97.993
EDAU08	9.15	0.25	ZF-EDAU08	98.917
EDAZ08	9.19	0.29	ZF-EDAZ08	99.024
EDAH09	9.23	0.33	ZF-EDAH09	97.343
EDAM09	9.27	0.37	ZF-EDAM09	95.246
EDAU09	9.32	0.42	ZF-EDAU09	91.915
EDAZ09	9.38	0.48	ZF-EDAZ09	87.622
EDAH10	9.40	0.50	ZF-EDAH10	81.286
EDAM10	9.45	0.55	ZF-EDAM10	72.557

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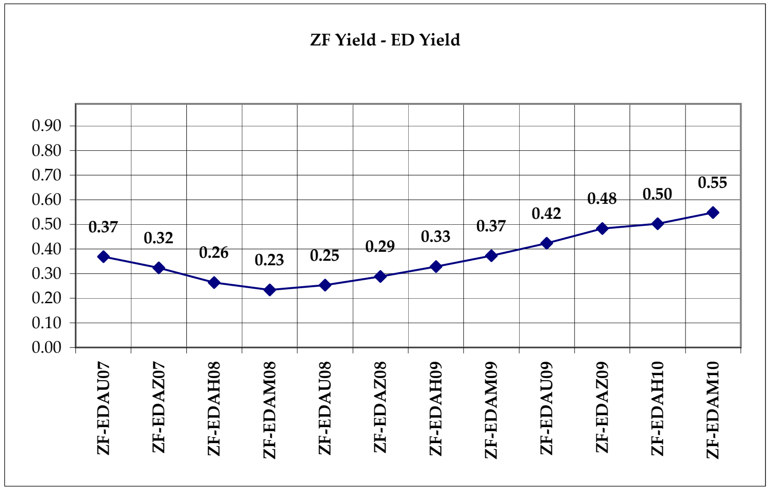
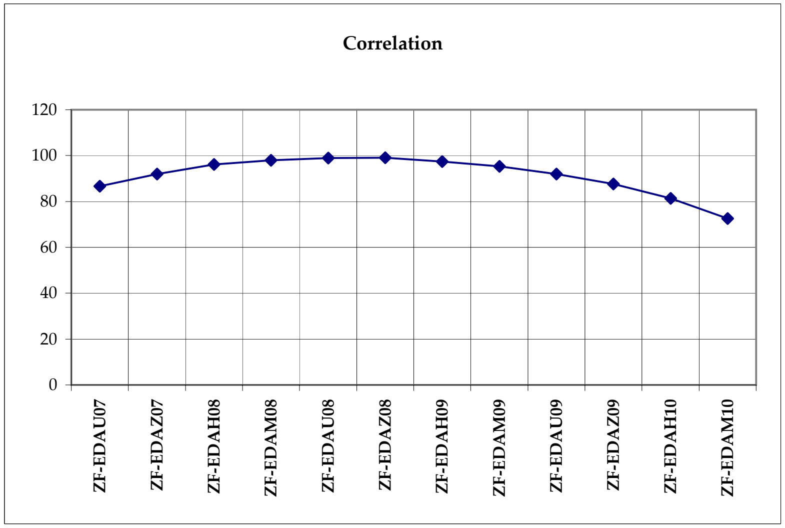


	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAU07	0.221	3.94	3.72	ZF-EDAU07
EDAZ07	0.471	3.94	3.47	ZF-EDAZ07
EDAH08	0.720	3.94	3.22	ZF-EDAH08
EDAM08	0.969	3.94	2.97	ZF-EDAM08
EDAU08	1.218	3.94	2.72	ZF-EDAU08
EDAZ08	1.468	3.94	2.47	ZF-EDAZ08
EDAH09	1.717	3.94	2.23	ZF-EDAH09
EDAM09	1.966	3.94	1.98	ZF-EDAM09
EDAU09	2.216	3.94	1.73	ZF-EDAU09
EDAZ09	2.465	3.94	1.48	ZF-EDAZ09
EDAH10	2.714	3.94	1.23	ZF-EDAH10
EDAM10	2.964	3.94	0.98	ZF-EDAM10

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



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Dirty TED: ZN vs Eurodollar Contracts

	ZN Spread Price	ZN Spread Yield	Spread Name	Correlation* (percent)
EDAU07	10.69	0.32	ZN-EDAU07	81.07
EDAZ07	10.64	0.28	ZN-EDAZ07	87.44
EDAH08	10.58	0.22	ZN-EDAH08	92.75
EDAM08	10.55	0.19	ZN-EDAM08	95.40
EDAU08	10.57	0.21	ZN-EDAU08	97.22
EDAZ08	10.61	0.24	ZN-EDAZ08	98.10
EDAH09	10.65	0.28	ZN-EDAH09	97.55
EDAM09	10.69	0.33	ZN-EDAM09	96.54
EDAU09	10.74	0.38	ZN-EDAU09	94.50
EDAZ09	10.80	0.44	ZN-EDAZ09	91.21
EDAH10	10.82	0.46	ZN-EDAH10	81.29
EDAM10	10.87	0.50	ZN-EDAM10	72.56

Price = Outright Decimal Price - Euro Contract Price
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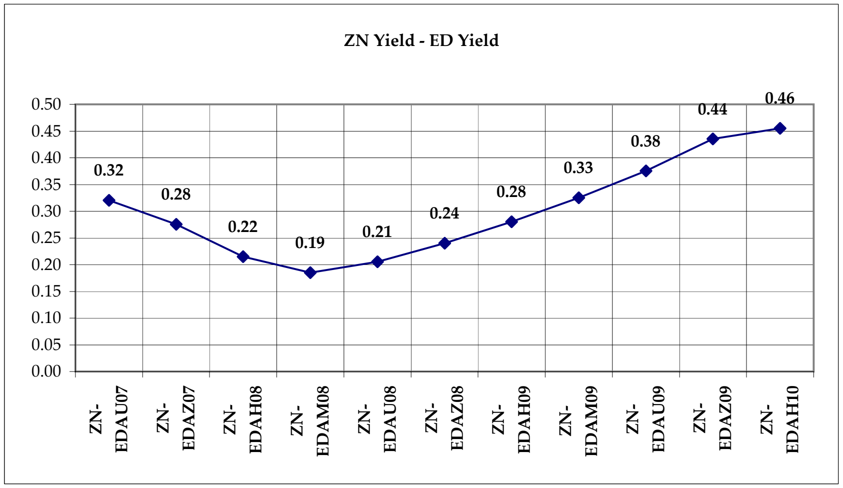
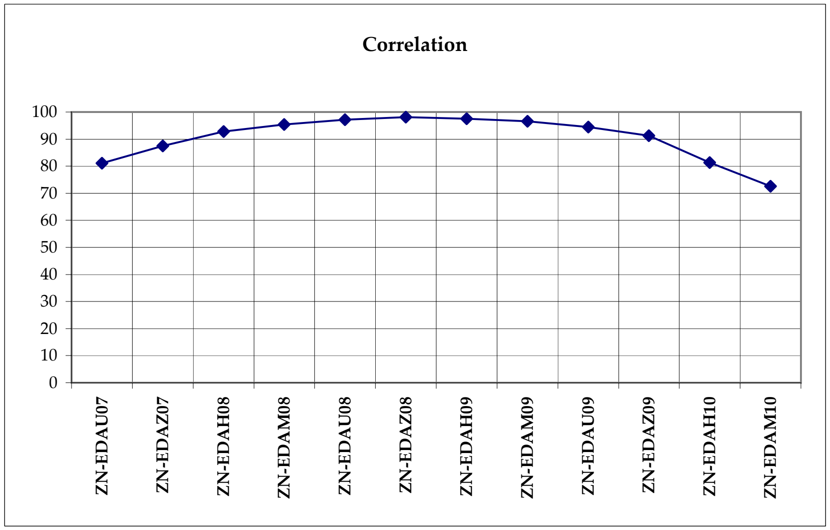


	GE Duration as Fraction of year	ZN Duration	Spread Duration	
EDAU07	0.221	5.76	5.54	ZN-EDAU07
EDAZ07	0.471	5.76	5.29	ZN-EDAZ07
EDAH08	0.720	5.76	5.04	ZN-EDAH08
EDAM08	0.969	5.76	4.79	ZN-EDAM08
EDAU08	1.218	5.76	4.54	ZN-EDAU08
EDAZ08	1.468	5.76	4.29	ZN-EDAZ08
EDAH09	1.717	5.76	4.04	ZN-EDAH09
EDAM09	1.966	5.76	3.79	ZN-EDAM09
EDAU09	2.216	5.76	3.55	ZN-EDAU09
EDAZ09	2.465	5.76	3.30	ZN-EDAZ09
EDAH10	2.714	5.76	3.05	ZN-EDAH10
EDAM10	2.964	5.76	2.80	ZN-EDAM10

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



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TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	5.28	0.44	2y-EDAU07	-92.949
EDAZ07	5.24	0.39	2y-EDAZ07	-96.619
EDAH08	5.18	0.33	2y-EDAH08	-97.318
EDAM08	5.15	0.30	2y-EDAM08	-96.652
EDAU08	5.17	0.32	2y-EDAU08	-94.659
EDAZ08	5.20	0.36	2y-EDAZ08	-96.652
EDAH09	5.24	0.40	2y-EDAH09	-87.151
EDAM09	5.29	0.44	2y-EDAM09	-82.122
EDAU09	5.34	0.49	2y-EDAU09	-75.443
EDAZ09	5.40	0.55	2y-EDAZ09	-69.300
EDAH10	5.42	0.57	2y-EDAH10	-59.776
EDAM10	5.46	0.62	2y-EDAM10	-48.929

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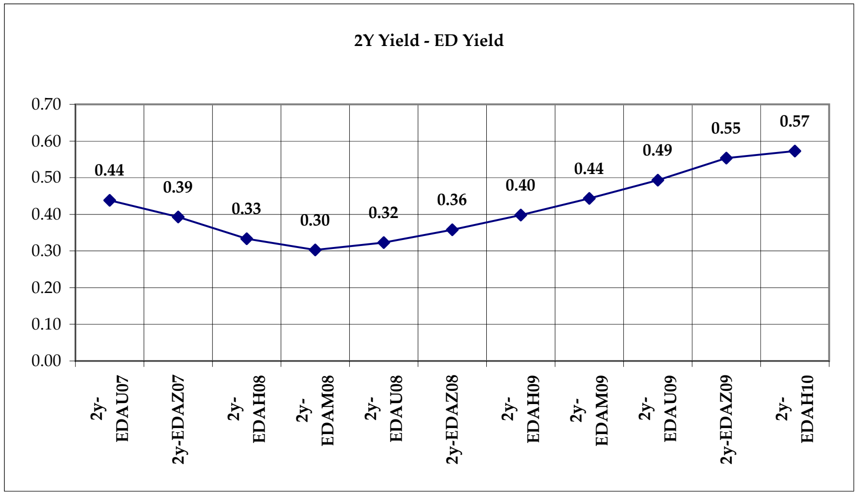
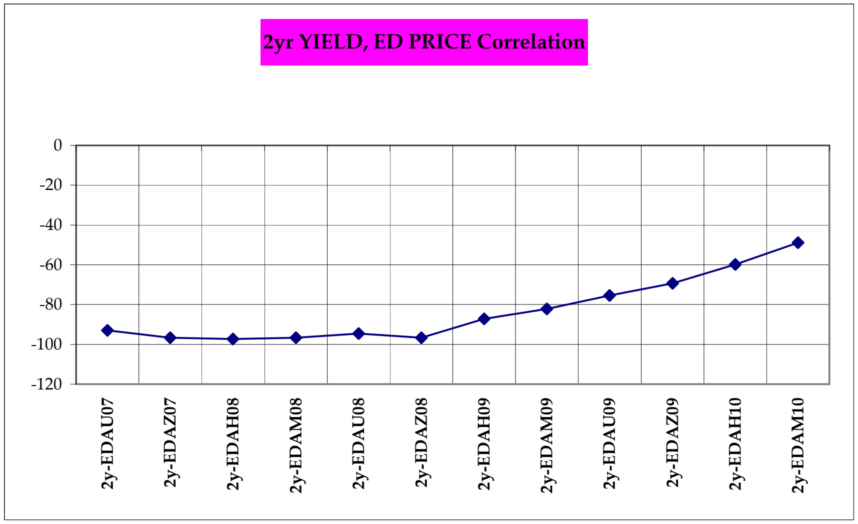


	GE Duration as Fraction of year	2Y Duration	Spread Duration	
EDAU07	0.221	1.99	1.77	2y-EDAU07
EDAZ07	0.471	1.99	1.52	2y-EDAZ07
EDAH08	0.720	1.99	1.27	2y-EDAH08
EDAM08	0.969	1.99	1.03	2y-EDAM08
EDAU08	1.218	1.99	0.78	2y-EDAU08
EDAZ08	1.468	1.99	0.53	2y-EDAZ08
EDAH09	1.717	1.99	0.28	2y-EDAH09
EDAM09	1.966	1.99	0.03	2y-EDAM09
EDAU09	2.216	1.99	(0.22)	2y-EDAU09
EDAZ09	2.465	1.99	(0.47)	2y-EDAZ09
EDAH10	2.714	1.99	(0.72)	2y-EDAH10
EDAM10	2.964	1.99	(0.97)	2y-EDAM10

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



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TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.90	0.36	5y-EDAU07	-84.719
EDAZ07	4.85	0.31	5y-EDAZ07	-91.381
EDAH08	4.79	0.25	5y-EDAH08	-95.756
EDAM08	4.76	0.22	5y-EDAM08	-97.382
EDAU08	4.78	0.24	5y-EDAU08	-97.548
EDAZ08	4.82	0.28	5y-EDAZ08	-97.382
EDAH09	4.86	0.32	5y-EDAH09	-94.637
EDAM09	4.90	0.36	5y-EDAM09	-92.367
EDAU09	4.95	0.41	5y-EDAU09	-89.229
EDAZ09	5.01	0.47	5y-EDAZ09	-85.161
EDAH10	5.03	0.49	5y-EDAH10	-78.812
EDAM10	5.08	0.54	5y-EDAM10	-70.529

Price = Outright Decimal Price - Euro Contract Price
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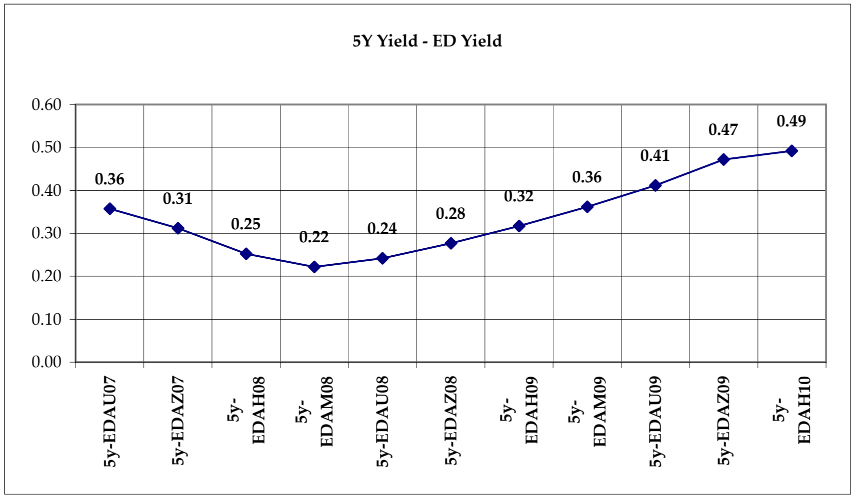
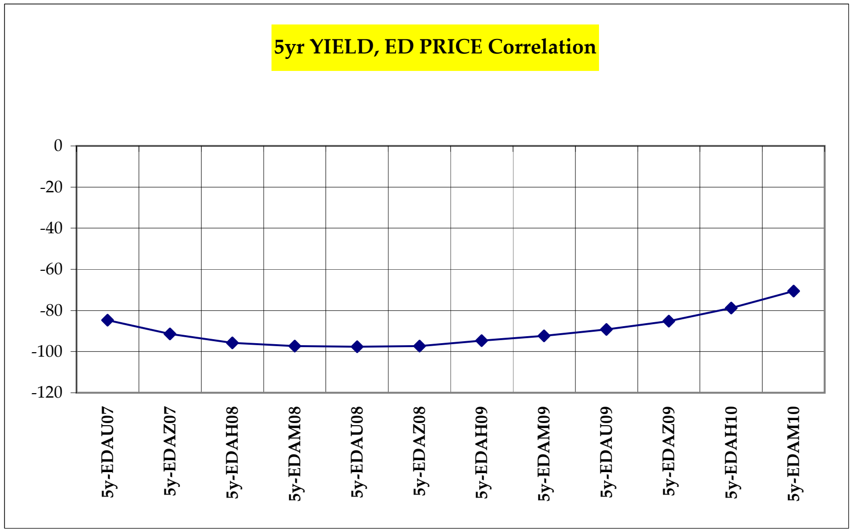


	GE Duration as Fraction of year	5Y Duration	Spread Duration	
EDAU07	0.221	4.28	4.06	5y-EDAU07
EDAZ07	0.471	4.28	3.81	5y-EDAZ07
EDAH08	0.720	4.28	3.56	5y-EDAH08
EDAM08	0.969	4.28	3.32	5y-EDAM08
EDAU08	1.218	4.28	3.07	5y-EDAU08
EDAZ08	1.468	4.28	2.82	5y-EDAZ08
EDAH09	1.717	4.28	2.57	5y-EDAH09
EDAM09	1.966	4.28	2.32	5y-EDAM09
EDAU09	2.216	4.28	2.07	5y-EDAU09
EDAZ09	2.465	4.28	1.82	5y-EDAZ09
EDAH10	2.714	4.28	1.57	5y-EDAH10
EDAM10	2.964	4.28	1.32	5y-EDAM10

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



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TERM TED: 10y vs Eurodollar Contracts

	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAU07	4.90	0.25	10y-EDAU07	-65.409
EDAZ07	4.85	0.20	10y-EDAZ07	-74.884
EDAH08	4.79	0.14	10y-EDAH08	-82.583
EDAM08	4.76	0.11	10y-EDAM08	-86.667
EDAU08	4.78	0.14	10y-EDAU08	-89.253
EDAZ08	4.82	0.17	10y-EDAZ08	-86.667
EDAH09	4.86	0.21	10y-EDAH09	-91.904
EDAM09	4.90	0.25	10y-EDAM09	-93.128
EDAU09	4.95	0.31	10y-EDAU09	-94.143
EDAZ09	5.01	0.36	10y-EDAZ09	-92.499
EDAH10	5.03	0.39	10y-EDAH10	-91.097
EDAM10	5.08	0.43	10y-EDAM10	-86.396

Price = Outright Decimal Price - Euro Contract Price
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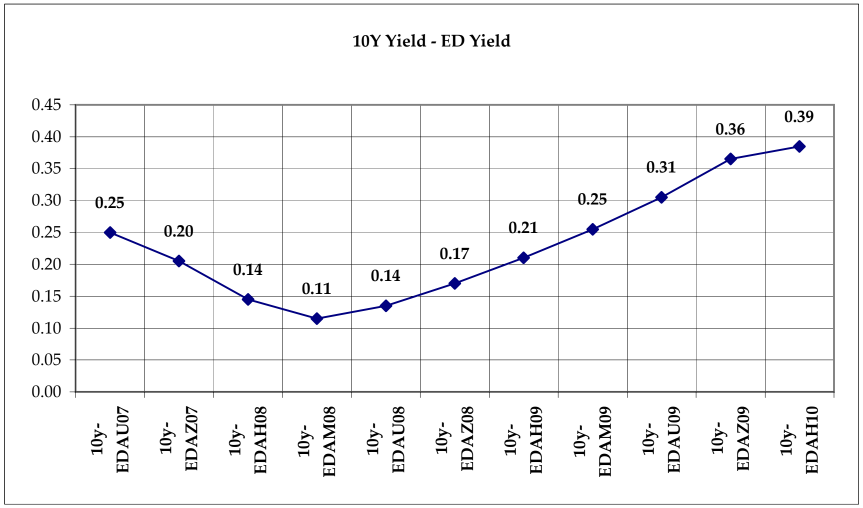
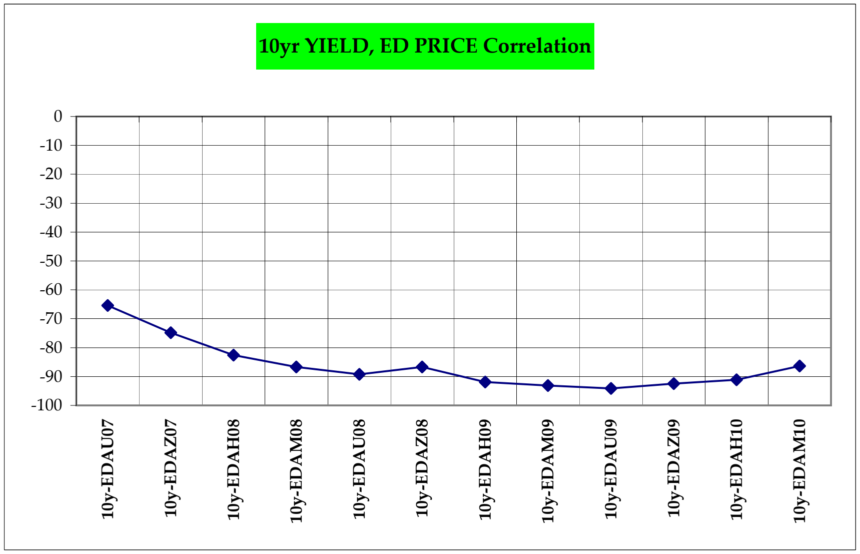


	GE Duration as Fraction of year	10Y Duration	Spread Duration	
EDAU07	0.221	7.79	7.57	10y-EDAU07
EDAZ07	0.471	7.79	7.32	10y-EDAZ07
EDAH08	0.720	7.79	7.07	10y-EDAH08
EDAM08	0.969	7.79	6.82	10y-EDAM08
EDAU08	1.218	7.79	6.57	10y-EDAU08
EDAZ08	1.468	7.79	6.32	10y-EDAZ08
EDAH09	1.717	7.79	6.07	10y-EDAH09
EDAM09	1.966	7.79	5.82	10y-EDAM09
EDAU09	2.216	7.79	5.57	10y-EDAU09
EDAZ09	2.465	7.79	5.32	10y-EDAZ09
EDAH10	2.714	7.79	5.08	10y-EDAH10
EDAM10	2.964	7.79	4.83	10y-EDAM10

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



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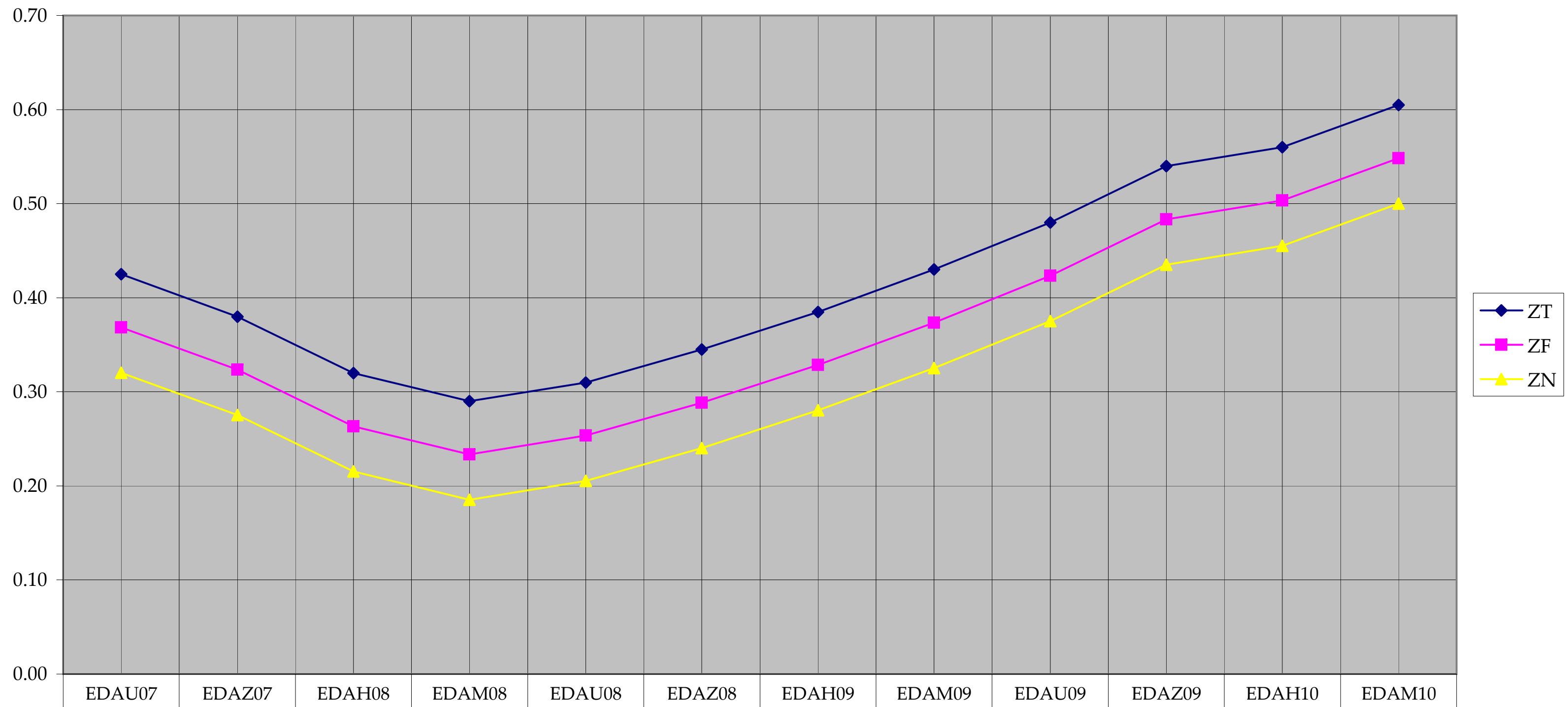
Dirty TED Curve

Chart values show the differences between ED contract and Treasury Futures conctract. Those values can be seen in the table at the bottom of the chart.
Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



	EDAU07	EDAZ07	EDAH08	EDAM08	EDAU08	EDAZ08	EDAH09	EDAM09	EDAU09	EDAZ09	EDAH10	EDAM10
ZT	0.42	0.38	0.32	0.29	0.31	0.34	0.38	0.43	0.48	0.54	0.56	0.60
ZF	0.37	0.32	0.26	0.23	0.25	0.29	0.33	0.37	0.42	0.48	0.50	0.55
ZN	0.32	0.28	0.22	0.19	0.21	0.24	0.28	0.33	0.38	0.44	0.46	0.50

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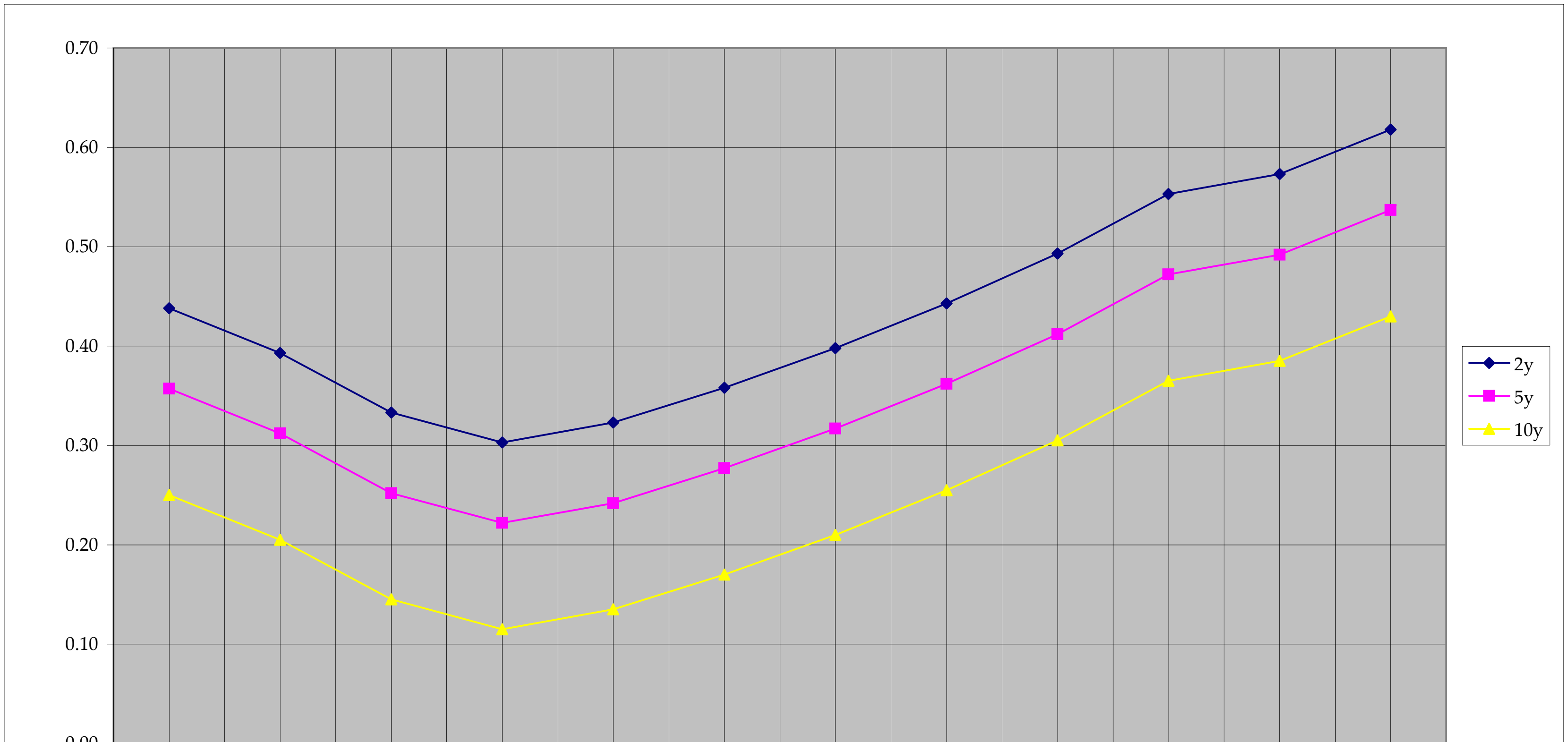
TED Curve

Chart values show the differences between ED contract and Treasury Cash conctract. Those values can be seen in the table at the bottom of the chart.
Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



	EDAU07	EDAZ07	EDAH08	EDAM08	EDAU08	EDAZ08	EDAH09	EDAM09	EDAU09	EDAZ09	EDAH10	EDAM10
2y	0.44	0.39	0.33	0.30	0.32	0.36	0.40	0.44	0.49	0.55	0.57	0.62
5y	0.36	0.31	0.25	0.22	0.24	0.28	0.32	0.36	0.41	0.47	0.49	0.54
10y	0.25	0.20	0.14	0.11	0.14	0.17	0.21	0.25	0.31	0.36	0.39	0.43

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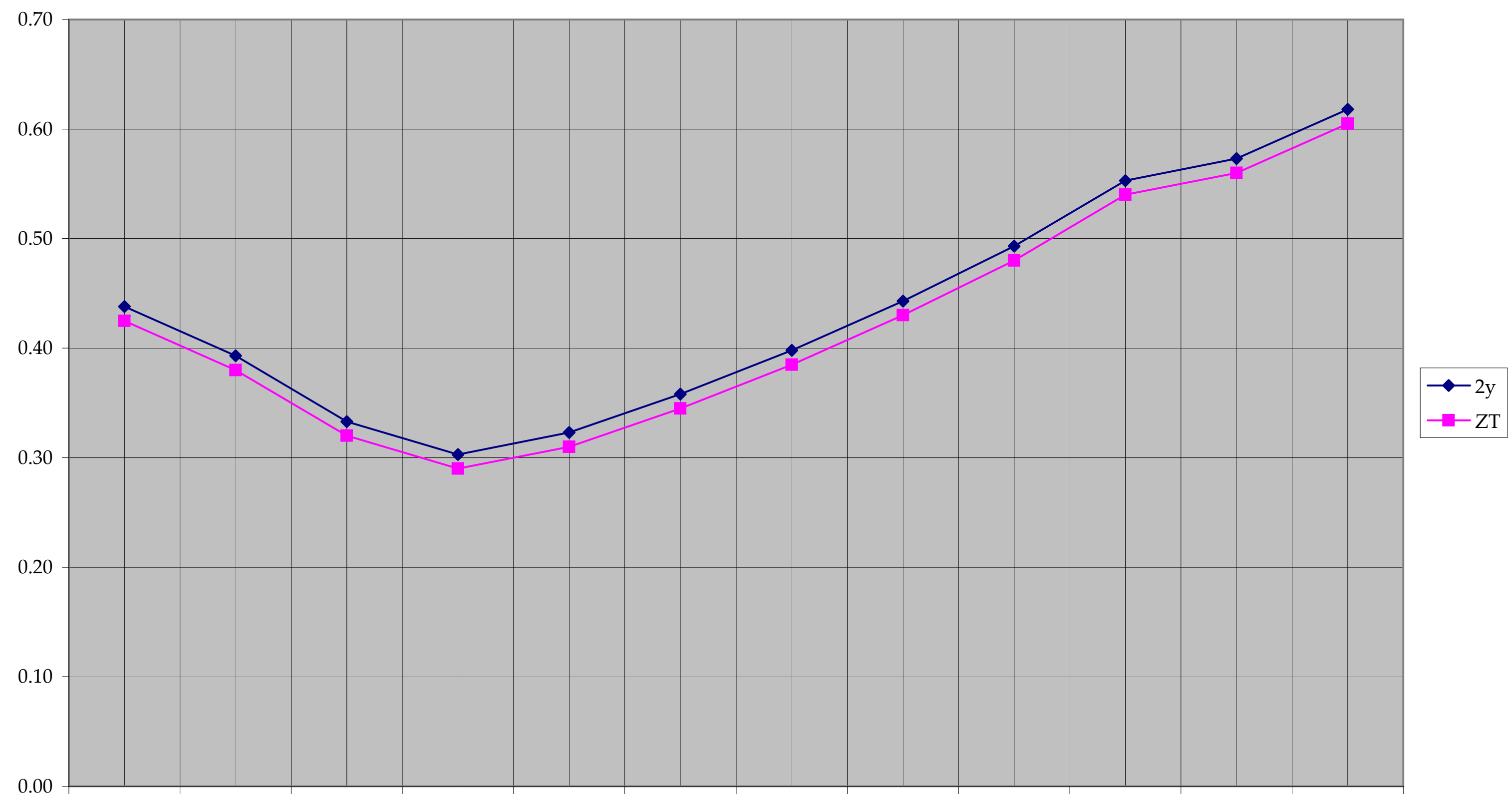
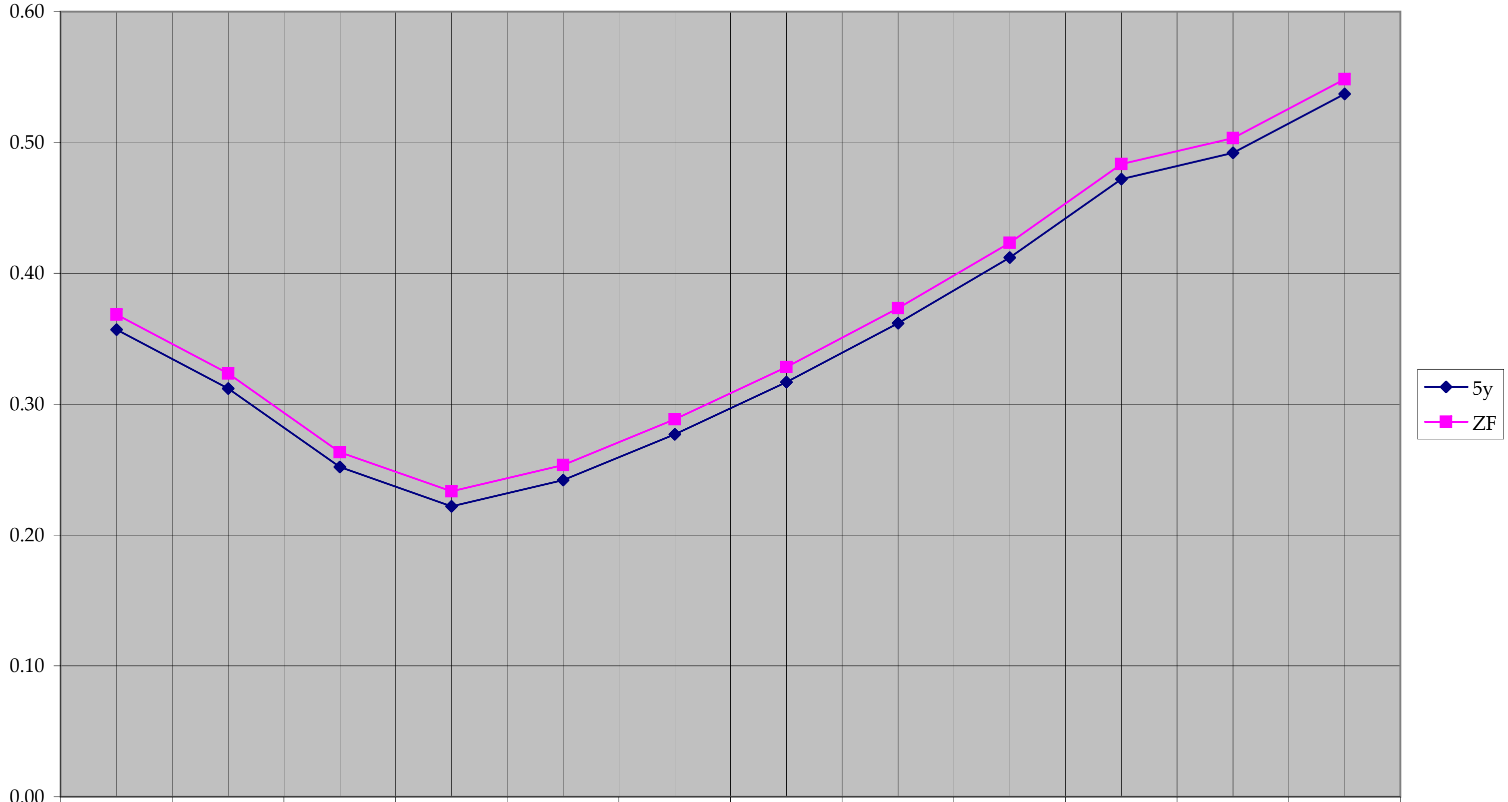
2y Basis TED Curve



	EDAU07	EDAZ07	EDAH08	EDAM08	EDAU08	EDAZ08	EDAH09	EDAM09	EDAU09	EDAZ09	EDAH10	EDAM10
2y	0.44	0.39	0.33	0.30	0.32	0.36	0.40	0.44	0.49	0.55	0.57	0.62
ZT	0.42	0.38	0.32	0.29	0.31	0.34	0.38	0.43	0.48	0.54	0.56	0.60

5y Basis TED Curve



	EDAU07	EDAZ07	EDAH08	EDAM08	EDAU08	EDAZ08	EDAH09	EDAM09	EDAU09	EDAZ09	EDAH10	EDAM10
5y	0.36	0.31	0.25	0.22	0.24	0.28	0.32	0.36	0.41	0.47	0.49	0.54
ZF	0.37	0.32	0.26	0.23	0.25	0.29	0.33	0.37	0.42	0.48	0.50	0.55

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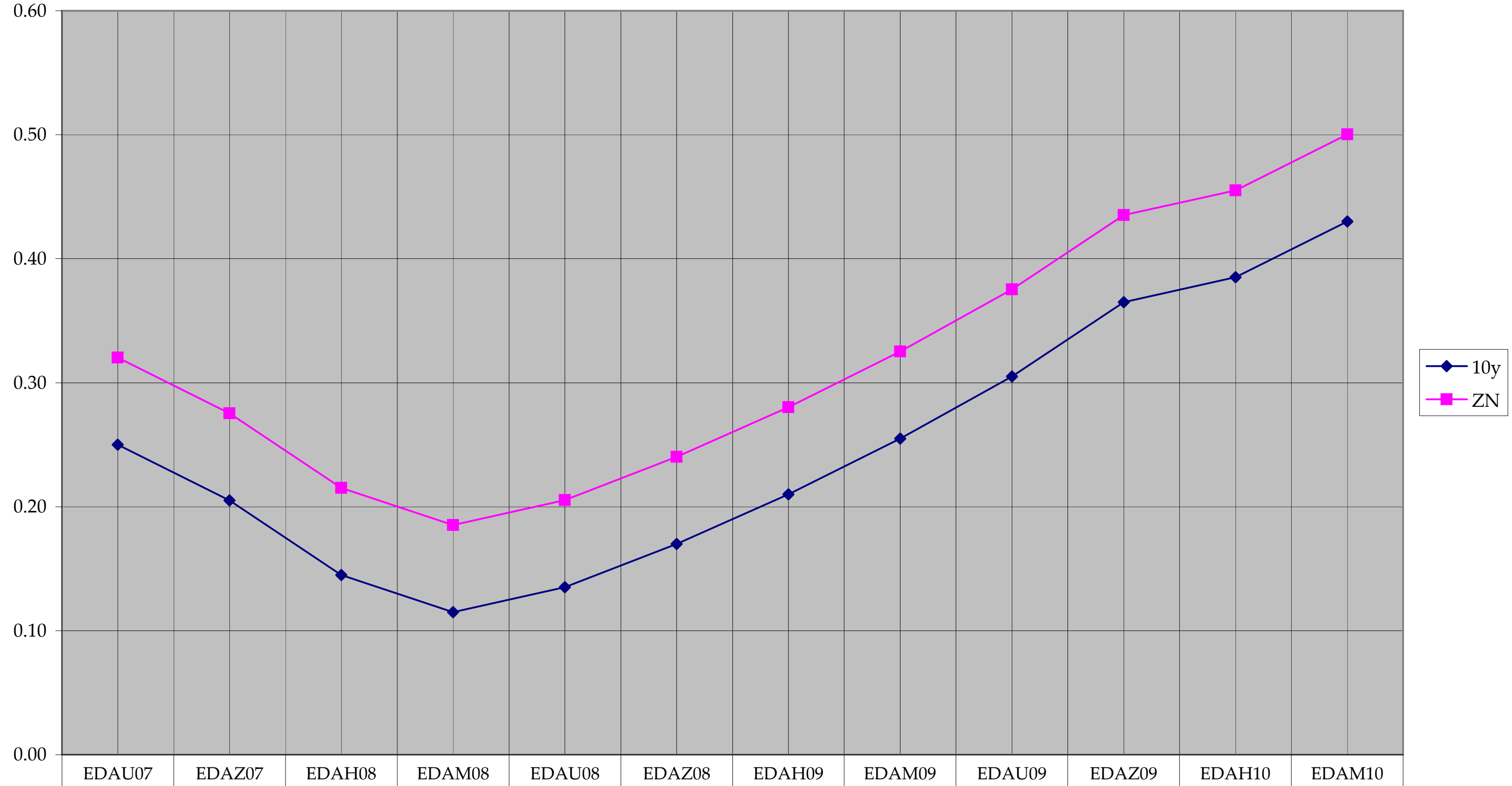
10y Basis TED Curve



	EDAU07	EDAZ07	EDAH08	EDAM08	EDAU08	EDAZ08	EDAH09	EDAM09	EDAU09	EDAZ09	EDAH10	EDAM10
10y	0.25	0.20	0.14	0.11	0.14	0.17	0.21	0.25	0.31	0.36	0.39	0.43
ZN	0.32	0.28	0.22	0.19	0.21	0.24	0.28	0.33	0.38	0.44	0.46	0.50

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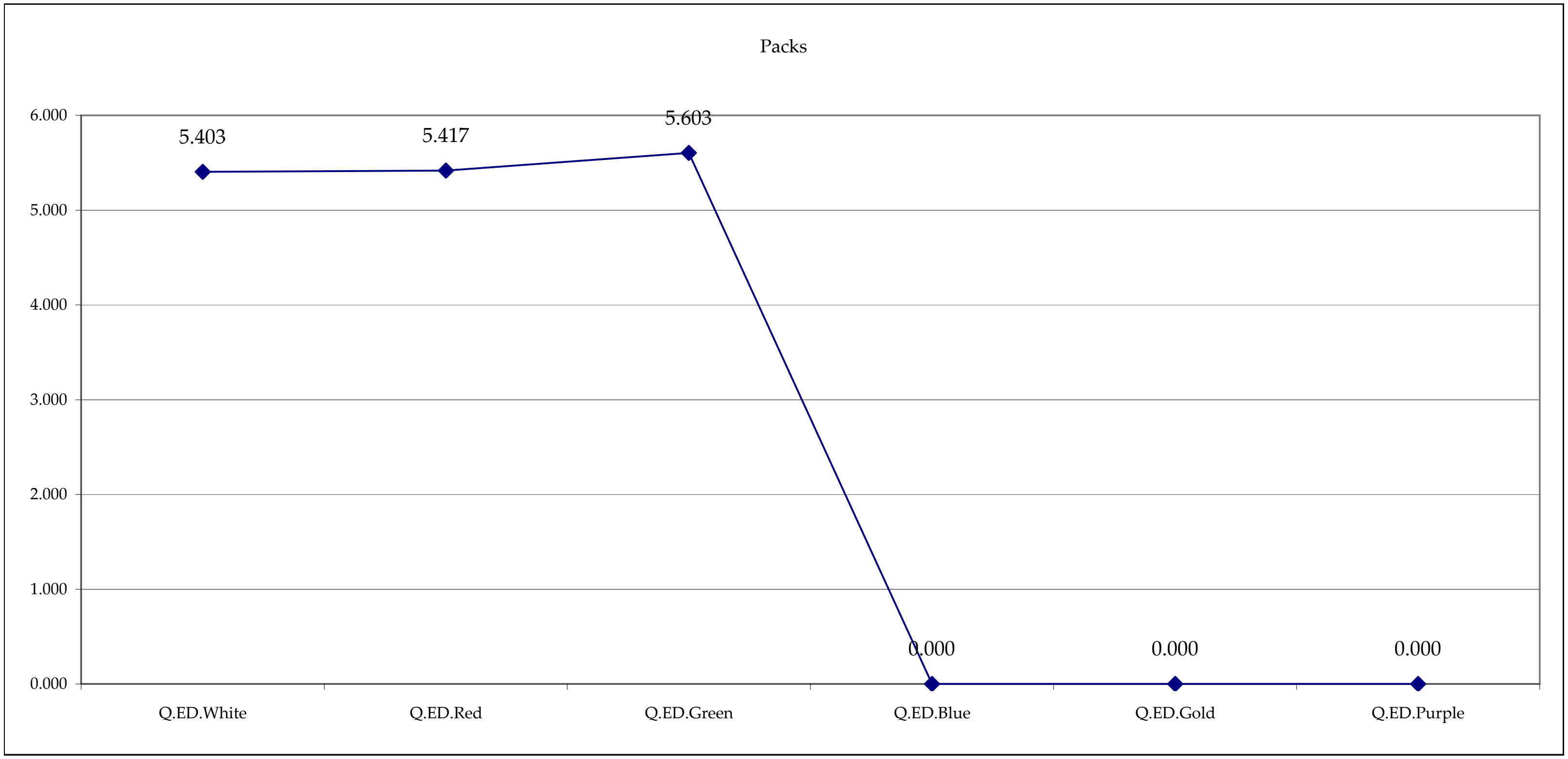
Packs

	last Yield	Net Last Yield	Last Price	Duration			
Q.ED.White	5.403	-1.500	9474.125				
Q.ED.Red	5.417	-2.375	9472.750				
Q.ED.Green	5.603	-2.125	9454.875				
Q.ED.Blue		-0.750	9441.000				
Q.ED.Gold		0.000	9429.250				
Q.ED.Purple		0.000	9429.250				



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