

Morning Email: TERM TEDS & Dirty TEDS

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Rotate Me

		F.I. Futures and Cash			
		Last Decimal	Last 32	Last Yield*	**MDuration
Blank	ZT	102.4594	102.147	4.602	1.93
	ZF	105.7188	105.230	4.518	4.02
	ZN	108.4844	108.155	4.548	5.98
	2y	100.203	100.0650	4.639	1.88
	5y	100.469	100.1500	4.518	4.42
	10y	100.484	100.1550	4.562	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	94.658	5.343	18	0.049	MAR	} White Pack	
F.EDAM07	94.790	5.210	109	0.298	JUN		
F.EDAU07	94.980	5.020	200	0.547	SEP		
F.EDAZ07	95.135	4.865	291	0.797	DEC	} Red Pack	
F.EDAH08	95.245	4.755	382	1.046	MAR		
F.EDAM08	95.285	4.715	473	1.295	JUN		
F.EDAU08	95.305	4.695	564	1.545	SEP		
F.EDAZ08	95.300	4.700	655	1.794	DEC	} Green Pack	
F.EDAH09	95.290	4.710	746	2.043	MAR		
F.EDAM09	95.250	4.750	837	2.292	JUN		
F.EDAU09	95.215	4.785	928	2.542	SEP		
F.EDAZ09	95.165	4.835	1019	2.791	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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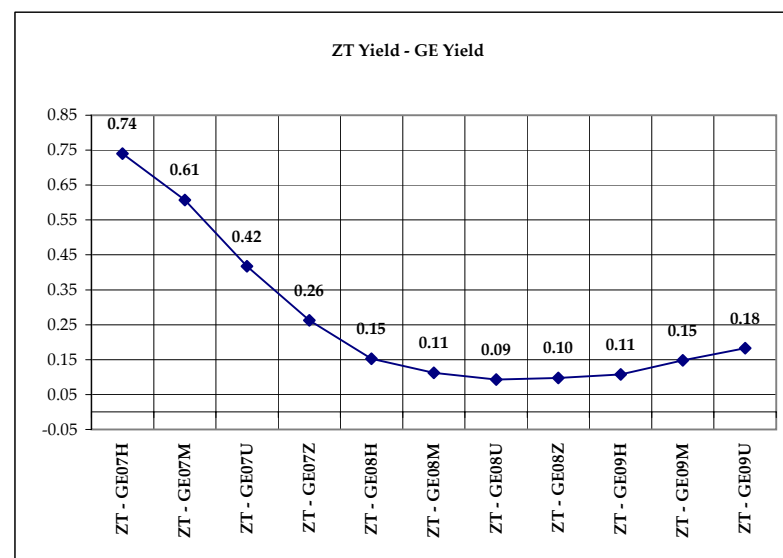
Eurodollar Color Codes for Individual Year Strips:

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	7.802	0.74	ZT - GE07H
F.EDAM07	7.669	0.61	ZT - GE07M
F.EDAU07	7.479	0.42	ZT - GE07U
F.EDAZ07	7.324	0.26	ZT - GE07Z
F.EDAH08	7.214	0.15	ZT - GE08H
F.EDAM08	7.174	0.11	ZT - GE08M
F.EDAU08	7.154	0.09	ZT - GE08U
F.EDAZ08	7.159	0.10	ZT - GE08Z
F.EDAH09	7.169	0.11	ZT - GE09H
F.EDAM09	7.209	0.15	ZT - GE09M
F.EDAU09	7.244	0.18	ZT - GE09U
F.EDAZ09	7.294	0.23	ZT - GE09Z

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



GE Duration as Fraction of year

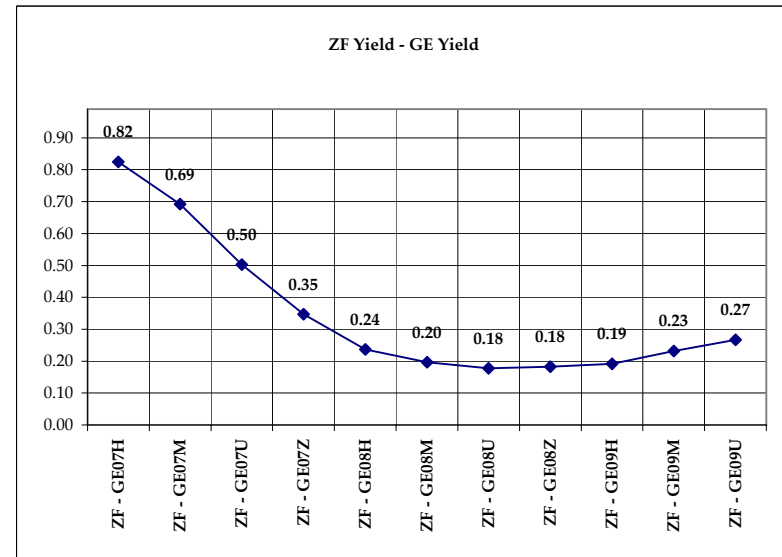
	ZT Duration	Spread Duration	
F.EDAH07	0.049	1.93	1.88
F.EDAM07	0.298	1.93	1.63
F.EDAU07	0.547	1.93	1.38
F.EDAZ07	0.797	1.93	1.13
F.EDAH08	1.046	1.93	0.88
F.EDAM08	1.295	1.93	0.63
F.EDAU08	1.545	1.93	0.38
F.EDAZ08	1.794	1.93	0.13
F.EDAH09	2.043	1.93	(0.12)
F.EDAM09	2.292	1.93	(0.37)
F.EDAU09	2.542	1.93	(0.62)
F.EDAZ09	2.791	1.93	(0.87)

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	11.06	0.82	ZF - GE07H
F.EDAM07	10.93	0.69	ZF - GE07M
F.EDAU07	10.74	0.50	ZF - GE07U
F.EDAZ07	10.58	0.35	ZF - GE07Z
F.EDAH08	10.47	0.24	ZF - GE08H
F.EDAM08	10.43	0.20	ZF - GE08M
F.EDAU08	10.41	0.18	ZF - GE08U
F.EDAZ08	10.42	0.18	ZF - GE08Z
F.EDAH09	10.43	0.19	ZF - GE09H
F.EDAM09	10.47	0.23	ZF - GE09M
F.EDAU09	10.50	0.27	ZF - GE09U
F.EDAZ09	10.55	0.32	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	0.049	4.02	3.97	ZF - GE07H
F.EDAM07	0.298	4.02	3.72	ZF - GE07M
F.EDAU07	0.547	4.02	3.47	ZF - GE07U
F.EDAZ07	0.797	4.02	3.22	ZF - GE07Z
F.EDAH08	1.046	4.02	2.97	ZF - GE08H
F.EDAM08	1.295	4.02	2.72	ZF - GE08M
F.EDAU08	1.545	4.02	2.47	ZF - GE08U
F.EDAZ08	1.794	4.02	2.22	ZF - GE08Z
F.EDAH09	2.043	4.02	1.98	ZF - GE09H
F.EDAM09	2.292	4.02	1.73	ZF - GE09M
F.EDAU09	2.542	4.02	1.48	ZF - GE09U
F.EDAZ09	2.791	4.02	1.23	ZF - GE09U

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

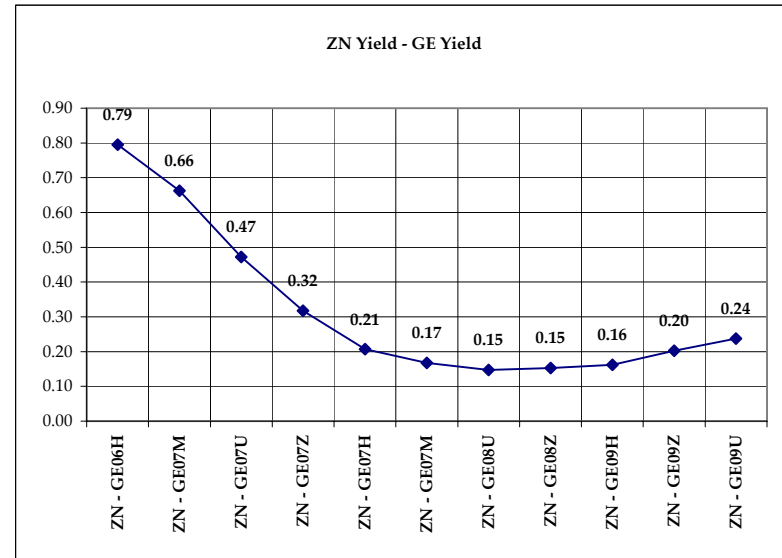
Dirty TED: ZN vs Eurodollar Contracts

ZN			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	13.83	0.79	ZN - GE06H
F.EDAM07	13.69	0.66	ZN - GE07M
F.EDAU07	13.50	0.47	ZN - GE07U
F.EDAZ07	13.35	0.32	ZN - GE07Z
F.EDAH08	13.24	0.21	ZN - GE07H
F.EDAM08	13.20	0.17	ZN - GE07M
F.EDAU08	13.18	0.15	ZN - GE08U
F.EDAZ08	13.18	0.15	ZN - GE08Z
F.EDAH09	13.19	0.16	ZN - GE09H
F.EDAM09	13.23	0.20	ZN - GE09Z
F.EDAU09	13.27	0.24	ZN - GE09U
F.EDAZ09	13.32	0.29	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	0.049	5.98	5.93	ZN - GE06H
F.EDAM07	0.298	5.98	5.68	ZN - GE07M
F.EDAU07	0.547	5.98	5.43	ZN - GE07U
F.EDAZ07	0.797	5.98	5.18	ZN - GE07Z
F.EDAH08	1.046	5.98	4.93	ZN - GE07H
F.EDAM08	1.295	5.98	4.68	ZN - GE07M
F.EDAU08	1.545	5.98	4.44	ZN - GE08U
F.EDAZ08	1.794	5.98	4.19	ZN - GE08Z
F.EDAH09	2.043	5.98	3.94	ZN - GE09H
F.EDAM09	2.292	5.98	3.69	ZN - GE09Z
F.EDAU09	2.542	5.98	3.44	ZN - GE09U
F.EDAZ09	2.791	5.98	3.19	ZN - GE09U

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



TERM TED: 2y vs Eurodollar Contracts

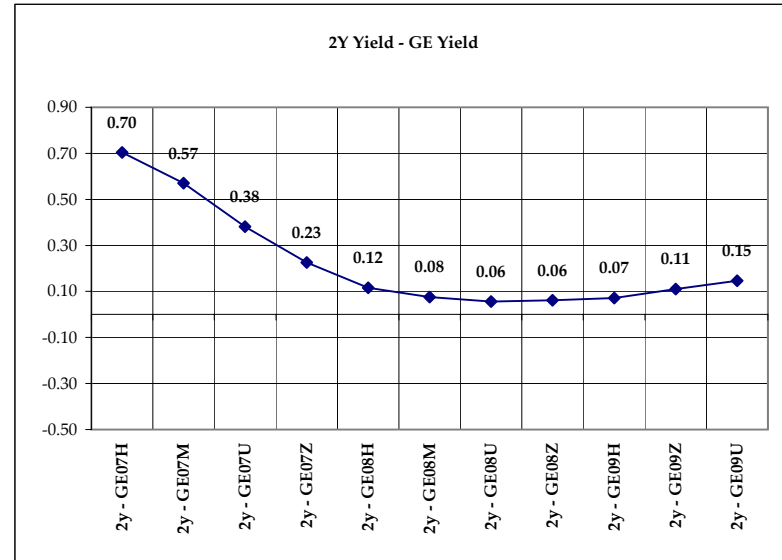
	2y		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.55	0.70	2y - GE07H
F.EDAM07	5.41	0.57	2y - GE07M
F.EDAU07	5.22	0.38	2y - GE07U
F.EDAZ07	5.07	0.23	2y - GE07Z
F.EDAH08	4.96	0.12	2y - GE08H
F.EDAM08	4.92	0.08	2y - GE08M
F.EDAU08	4.90	0.06	2y - GE08U
F.EDAZ08	4.90	0.06	2y - GE08Z
F.EDAH09	4.91	0.07	2y - GE09H
F.EDAM09	4.95	0.11	2y - GE09Z
F.EDAU09	4.99	0.15	2y - GE09U
F.EDAZ09	5.04	0.20	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	0.049	1.88	1.83
F.EDAM07	0.298	1.88	1.59
F.EDAU07	0.547	1.88	1.34
F.EDAZ07	0.797	1.88	1.09
F.EDAH08	1.046	1.88	0.84
F.EDAM08	1.295	1.88	0.59
F.EDAU08	1.545	1.88	0.34
F.EDAZ08	1.794	1.88	0.09
F.EDAH09	2.043	1.88	(0.16)
F.EDAM09	2.292	1.88	(0.41)
F.EDAU09	2.542	1.88	(0.66)
F.EDAZ09	2.791	1.88	(0.91)

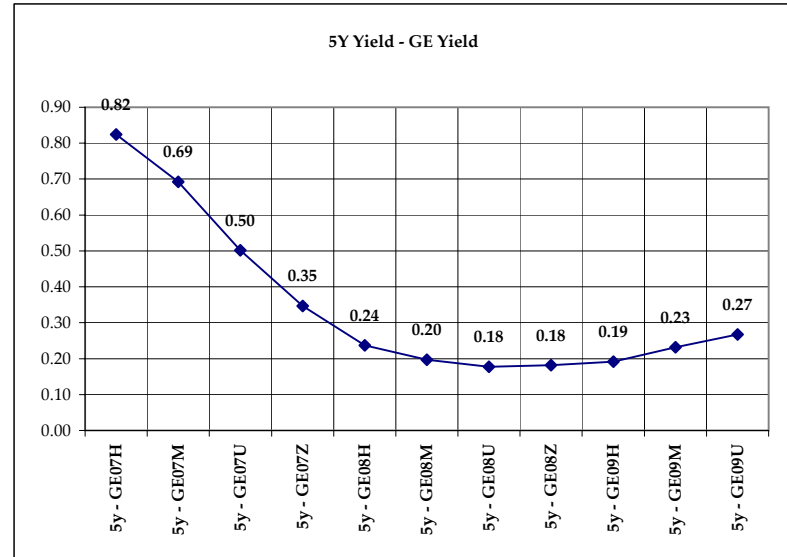
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 5y vs Eurodollar Contracts

5y			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.81	0.82	5y - GE07H
F.EDAM07	5.68	0.69	5y - GE07M
F.EDAU07	5.49	0.50	5y - GE07U
F.EDAZ07	5.33	0.35	5y - GE07Z
F.EDAH08	5.22	0.24	5y - GE08H
F.EDAM08	5.18	0.20	5y - GE08M
F.EDAU08	5.16	0.18	5y - GE08U
F.EDAZ08	5.17	0.18	5y - GE08Z
F.EDAH09	5.18	0.19	5y - GE09H
F.EDAM09	5.22	0.23	5y - GE09M
F.EDAU09	5.25	0.27	5y - GE09U
F.EDAZ09	5.30	0.32	5y - GE09U

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



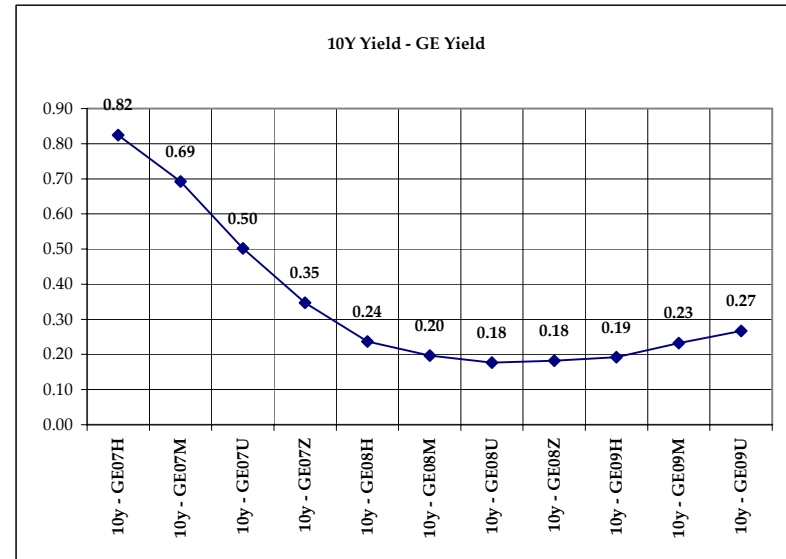
	GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAH07	0.049	4.42	4.37	5y - GE07H
F.EDAM07	0.298	4.42	4.12	5y - GE07M
F.EDAU07	0.547	4.42	3.87	5y - GE07U
F.EDAZ07	0.797	4.42	3.62	5y - GE07Z
F.EDAH08	1.046	4.42	3.37	5y - GE08H
F.EDAM08	1.295	4.42	3.12	5y - GE08M
F.EDAU08	1.545	4.42	2.87	5y - GE08U
F.EDAZ08	1.794	4.42	2.62	5y - GE08Z
F.EDAH09	2.043	4.42	2.37	5y - GE09H
F.EDAM09	2.292	4.42	2.12	5y - GE09M
F.EDAU09	2.542	4.42	1.88	5y - GE09U
F.EDAZ09	2.791	4.42	1.63	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	5.81	0.82	10y - GE07H
F.EDAM07	5.68	0.69	10y - GE07M
F.EDAU07	5.49	0.50	10y - GE07U
F.EDAZ07	5.33	0.35	10y - GE07Z
F.EDAH08	5.22	0.24	10y - GE08H
F.EDAM08	5.18	0.20	10y - GE08M
F.EDAU08	5.16	0.18	10y - GE08U
F.EDAZ08	5.17	0.18	10y - GE08Z
F.EDAH09	5.18	0.19	10y - GE09H
F.EDAM09	5.22	0.23	10y - GE09M
F.EDAU09	5.25	0.27	10y - GE09U
F.EDAZ09	5.30	0.32	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	0.049	7.90	7.85	10y - GE07H
F.EDAM07	0.298	7.90	7.60	10y - GE07M
F.EDAU07	0.547	7.90	7.35	10y - GE07U
F.EDAZ07	0.797	7.90	7.11	10y - GE07Z
F.EDAH08	1.046	7.90	6.86	10y - GE08H
F.EDAM08	1.295	7.90	6.61	10y - GE08M
F.EDAU08	1.545	7.90	6.36	10y - GE08U
F.EDAZ08	1.794	7.90	6.11	10y - GE08Z
F.EDAH09	2.043	7.90	5.86	10y - GE09H
F.EDAM09	2.292	7.90	5.61	10y - GE09M
F.EDAU09	2.542	7.90	5.36	10y - GE09U
F.EDAZ09	2.791	7.90	5.11	10y - GE09U

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