

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	102.6875	102.220	4.454	#VALUE!	
ZF	106.1094	106.035	4.385	3.99	
ZN	109.1875	109.060	4.396	5.95	
Blank					
2y	100.475	100.1520	4.489	1.85	
5y	101.022	101.0070	4.389	4.39	
10y	101.203	101.0650	4.473	7.88	

*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	94.653	5.348	5	0.013	MAR	} White Pack	
F.EDAM07	94.835	5.165	96	0.262	JUN		
F.EDAU07	95.090	4.910	187	0.512	SEP		
F.EDAZ07	95.270	4.730	278	0.761	DEC	} Red Pack	
F.EDAH08	95.395	4.605	369	1.010	MAR		
F.EDAM08	95.450	4.550	460	1.260	JUN		
F.EDAU08	95.465	4.535	551	1.509	SEP		
F.EDAZ08	95.450	4.550	642	1.758	DEC	} Green Pack	
F.EDAH09	95.420	4.580	733	2.008	MAR		
F.EDAM09	95.385	4.615	824	2.257	JUN		
F.EDAU09	95.325	4.675	915	2.506	SEP		
F.EDAZ09	95.280	4.720	1006	2.755	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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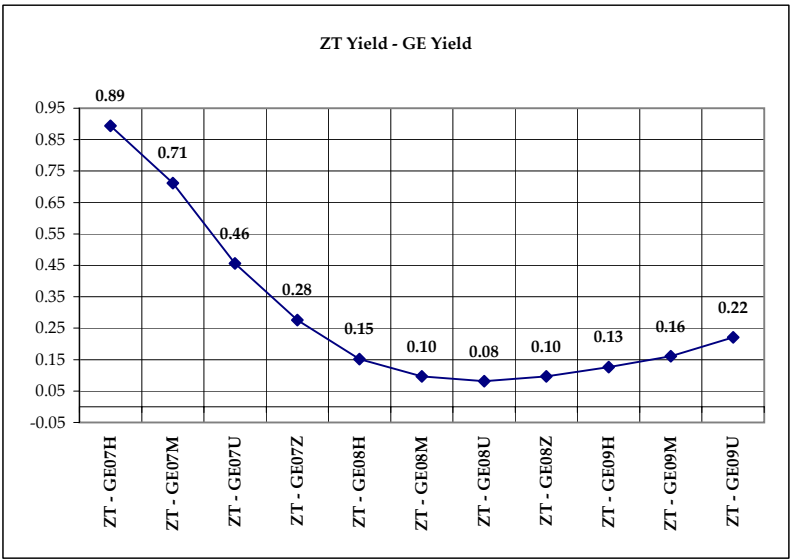
Eurodollar Color Codes for Individual Year Strips:

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	8.035	0.89	ZT - GE07H
F.EDAM07	7.852	0.71	ZT - GE07M
F.EDAU07	7.598	0.46	ZT - GE07U
F.EDAZ07	7.418	0.28	ZT - GE07Z
F.EDAH08	7.293	0.15	ZT - GE08H
F.EDAM08	7.238	0.10	ZT - GE08M
F.EDAU08	7.223	0.08	ZT - GE08U
F.EDAZ08	7.238	0.10	ZT - GE08Z
F.EDAH09	7.268	0.13	ZT - GE09H
F.EDAM09	7.302	0.16	ZT - GE09M
F.EDAU09	7.363	0.22	ZT - GE09U
F.EDAZ09	7.408	0.27	ZT - GE09Z

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



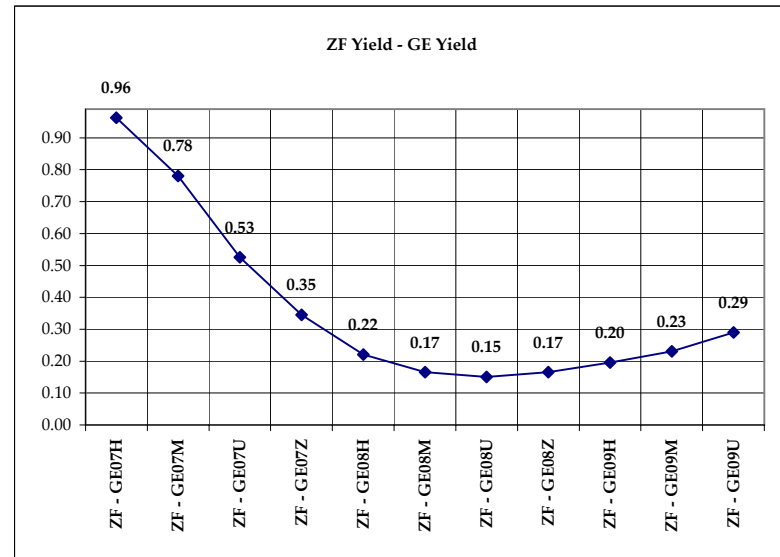
	GE Duration as Fraction of year	ZT Duration	Spread Duration	
F.EDAH07	0.013	#VALUE!	#VALUE!	ZT - GE07H
F.EDAM07	0.262	#VALUE!	#VALUE!	ZT - GE07M
F.EDAU07	0.512	#VALUE!	#VALUE!	ZT - GE07U
F.EDAZ07	0.761	#VALUE!	#VALUE!	ZT - GE07Z
F.EDAH08	1.010	#VALUE!	#VALUE!	ZT - GE08H
F.EDAM08	1.260	#VALUE!	#VALUE!	ZT - GE08M
F.EDAU08	1.509	#VALUE!	#VALUE!	ZT - GE08U
F.EDAZ08	1.758	#VALUE!	#VALUE!	ZT - GE08Z
F.EDAH09	2.008	#VALUE!	#VALUE!	ZT - GE09H
F.EDAM09	2.257	#VALUE!	#VALUE!	ZT - GE09M
F.EDAU09	2.506	#VALUE!	#VALUE!	ZT - GE09U
F.EDAZ09	2.755	#VALUE!	#VALUE!	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	11.46	0.96	ZF - GE07H
F.EDAM07	11.27	0.78	ZF - GE07M
F.EDAU07	11.02	0.53	ZF - GE07U
F.EDAZ07	10.84	0.35	ZF - GE07Z
F.EDAH08	10.71	0.22	ZF - GE08H
F.EDAM08	10.66	0.17	ZF - GE08M
F.EDAU08	10.64	0.15	ZF - GE08U
F.EDAZ08	10.66	0.17	ZF - GE08Z
F.EDAH09	10.69	0.20	ZF - GE09H
F.EDAM09	10.72	0.23	ZF - GE09M
F.EDAU09	10.78	0.29	ZF - GE09U
F.EDAZ09	10.83	0.34	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	0.013	3.99	3.97	ZF - GE07H
F.EDAM07	0.262	3.99	3.73	ZF - GE07M
F.EDAU07	0.512	3.99	3.48	ZF - GE07U
F.EDAZ07	0.761	3.99	3.23	ZF - GE07Z
F.EDAH08	1.010	3.99	2.98	ZF - GE08H
F.EDAM08	1.260	3.99	2.73	ZF - GE08M
F.EDAU08	1.509	3.99	2.48	ZF - GE08U
F.EDAZ08	1.758	3.99	2.23	ZF - GE08Z
F.EDAH09	2.008	3.99	1.98	ZF - GE09H
F.EDAM09	2.257	3.99	1.73	ZF - GE09M
F.EDAU09	2.506	3.99	1.48	ZF - GE09U
F.EDAZ09	2.755	3.99	1.23	ZF - GE09U

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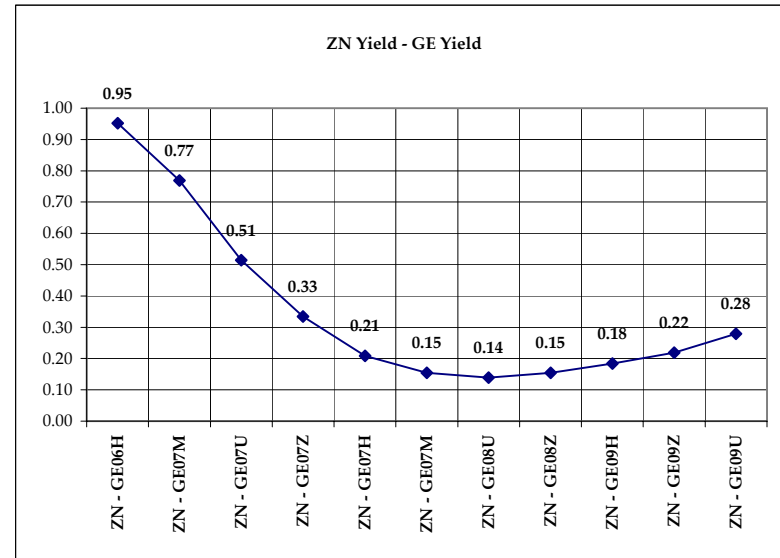
Dirty TED: ZN vs Eurodollar Contracts

ZN			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	14.54	0.95	ZN - GE06H
F.EDAM07	14.35	0.77	ZN - GE07M
F.EDAU07	14.10	0.51	ZN - GE07U
F.EDAZ07	13.92	0.33	ZN - GE07Z
F.EDAH08	13.79	0.21	ZN - GE07H
F.EDAM08	13.74	0.15	ZN - GE07M
F.EDAU08	13.72	0.14	ZN - GE08U
F.EDAZ08	13.74	0.15	ZN - GE08Z
F.EDAH09	13.77	0.18	ZN - GE09H
F.EDAM09	13.80	0.22	ZN - GE09Z
F.EDAU09	13.86	0.28	ZN - GE09U
F.EDAZ09	13.91	0.32	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	0.013	5.95	5.94	ZN - GE06H
F.EDAM07	0.262	5.95	5.69	ZN - GE07M
F.EDAU07	0.512	5.95	5.44	ZN - GE07U
F.EDAZ07	0.761	5.95	5.19	ZN - GE07Z
F.EDAH08	1.010	5.95	4.94	ZN - GE07H
F.EDAM08	1.260	5.95	4.69	ZN - GE07M
F.EDAU08	1.509	5.95	4.44	ZN - GE08U
F.EDAZ08	1.758	5.95	4.20	ZN - GE08Z
F.EDAH09	2.008	5.95	3.95	ZN - GE09H
F.EDAM09	2.257	5.95	3.70	ZN - GE09Z
F.EDAU09	2.506	5.95	3.45	ZN - GE09U
F.EDAZ09	2.755	5.95	3.20	ZN - GE09U

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



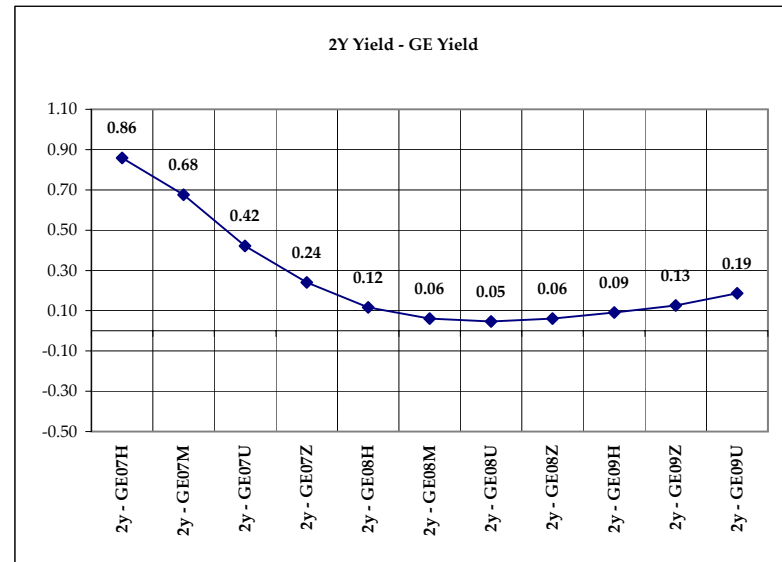
TERM TED: 2y vs Eurodollar Contracts

	2y		
	Spread Price	Spread Yield	Spread Name
F.EDAH07	5.82	0.86	2y - GE07H
F.EDAM07	5.64	0.68	2y - GE07M
F.EDAU07	5.39	0.42	2y - GE07U
F.EDAZ07	5.21	0.24	2y - GE07Z
F.EDAH08	5.08	0.12	2y - GE08H
F.EDAM08	5.03	0.06	2y - GE08M
F.EDAU08	5.01	0.05	2y - GE08U
F.EDAZ08	5.03	0.06	2y - GE08Z
F.EDAH09	5.06	0.09	2y - GE09H
F.EDAM09	5.09	0.13	2y - GE09Z
F.EDAU09	5.15	0.19	2y - GE09U
F.EDAZ09	5.20	0.23	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	0.013	1.85	1.84	2y - GE07H
F.EDAM07	0.262	1.85	1.59	2y - GE07M
F.EDAU07	0.512	1.85	1.34	2y - GE07U
F.EDAZ07	0.761	1.85	1.09	2y - GE07Z
F.EDAH08	1.010	1.85	0.84	2y - GE08H
F.EDAM08	1.260	1.85	0.59	2y - GE08M
F.EDAU08	1.509	1.85	0.34	2y - GE08U
F.EDAZ08	1.758	1.85	0.09	2y - GE08Z
F.EDAH09	2.008	1.85	(0.16)	2y - GE09H
F.EDAM09	2.257	1.85	(0.41)	2y - GE09Z
F.EDAU09	2.506	1.85	(0.66)	2y - GE09U
F.EDAZ09	2.755	1.85	(0.91)	2y - GE09U

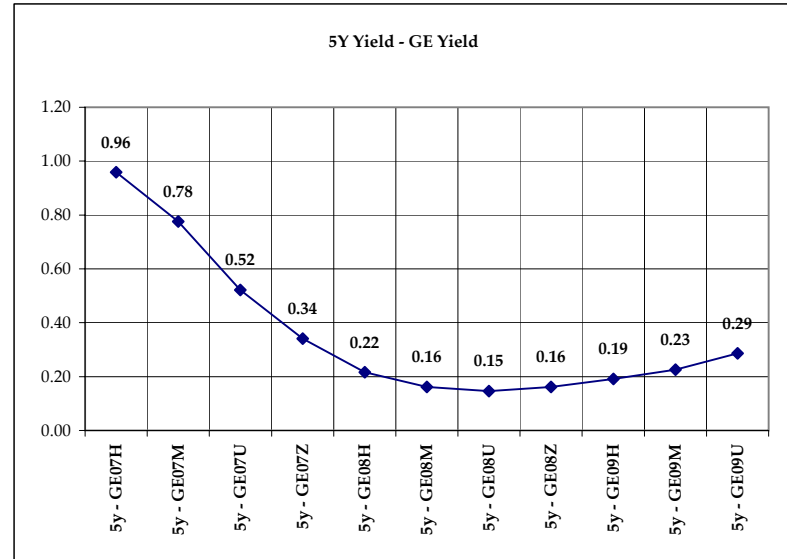
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TERM TED: 5y vs Eurodollar Contracts

5y			
	Spread Price	Spread Yield	Spread Name
F.EDAH07	6.37	0.96	5y - GE07H
F.EDAM07	6.19	0.78	5y - GE07M
F.EDAU07	5.93	0.52	5y - GE07U
F.EDAZ07	5.75	0.34	5y - GE07Z
F.EDAH08	5.63	0.22	5y - GE08H
F.EDAM08	5.57	0.16	5y - GE08M
F.EDAU08	5.56	0.15	5y - GE08U
F.EDAZ08	5.57	0.16	5y - GE08Z
F.EDAH09	5.60	0.19	5y - GE09H
F.EDAM09	5.64	0.23	5y - GE09M
F.EDAU09	5.70	0.29	5y - GE09U
F.EDAZ09	5.74	0.33	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	0.013	4.39	4.37	5y - GE07H
F.EDAM07	0.262	4.39	4.12	5y - GE07M
F.EDAU07	0.512	4.39	3.88	5y - GE07U
F.EDAZ07	0.761	4.39	3.63	5y - GE07Z
F.EDAH08	1.010	4.39	3.38	5y - GE08H
F.EDAM08	1.260	4.39	3.13	5y - GE08M
F.EDAU08	1.509	4.39	2.88	5y - GE08U
F.EDAZ08	1.758	4.39	2.63	5y - GE08Z
F.EDAH09	2.008	4.39	2.38	5y - GE09H
F.EDAM09	2.257	4.39	2.13	5y - GE09M
F.EDAU09	2.506	4.39	1.88	5y - GE09U
F.EDAZ09	2.755	4.39	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	6.37	0.96	10y - GE07H
F.EDAM07	6.19	0.78	10y - GE07M
F.EDAU07	5.93	0.52	10y - GE07U
F.EDAZ07	5.75	0.34	10y - GE07Z
F.EDAH08	5.63	0.22	10y - GE08H
F.EDAM08	5.57	0.16	10y - GE08M
F.EDAU08	5.56	0.15	10y - GE08U
F.EDAZ08	5.57	0.16	10y - GE08Z
F.EDAH09	5.60	0.19	10y - GE09H
F.EDAM09	5.64	0.23	10y - GE09M
F.EDAU09	5.70	0.29	10y - GE09U
F.EDAZ09	5.74	0.33	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	0.013	7.88	7.86	10y - GE07H
F.EDAM07	0.262	7.88	7.62	10y - GE07M
F.EDAU07	0.512	7.88	7.37	10y - GE07U
F.EDAZ07	0.761	7.88	7.12	10y - GE07Z
F.EDAH08	1.010	7.88	6.87	10y - GE08H
F.EDAM08	1.260	7.88	6.62	10y - GE08M
F.EDAU08	1.509	7.88	6.37	10y - GE08U
F.EDAZ08	1.758	7.88	6.12	10y - GE08Z
F.EDAH09	2.008	7.88	5.87	10y - GE09H
F.EDAM09	2.257	7.88	5.62	10y - GE09M
F.EDAU09	2.506	7.88	5.37	10y - GE09U
F.EDAZ09	2.755	7.88	5.12	10y - GE09U

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

