

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	102.5219	102.167	4.567	1.88	
ZF	105.9375	105.300	4.486	3.95	
ZN	108.3125	108.100	4.569	5.90	
Blank					
2y	99.922	99.2950	4.538	1.80	
5y	100.538	100.1720	4.501	4.34	
10y	99.984	99.3150	4.624	7.82	

*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.EDAU07	94.750	5.250	81	0.221	JUN	} White Pack	
F.EDAZ07	94.950	5.050	172	0.471	SEP		
F.EDAH08	95.165	4.835	263	0.720	DEC		
F.EDAM08	95.320	4.680	354	0.969	MAR	} Red Pack	
F.EDAU08	95.385	4.615	445	1.219	JUN		
F.EDAZ08	95.400	4.600	536	1.468	SEP		
F.EDAH09	95.385	4.615	627	1.717	DEC	} Green Pack	
F.EDAM09	95.355	4.645	718	1.966	MAR		
F.EDAU09	95.310	4.690	809	2.216	JUN		
F.EDAZ09	95.255	4.745	900	2.465	SEP		
F.EDAH10	95.205	4.795	991	2.714	DEC		
F.EDAM10	95.160	4.840	1082	2.964	MAR		

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.EDAM07	7.772	0.68	ZT - GE07H
F.EDAU07	7.572	0.48	ZT - GE07M
F.EDAZ07	7.357	0.27	ZT - GE07U
F.EDAH08	7.202	0.11	ZT - GE07Z
F.EDAM08	7.137	0.05	ZT - GE08H
F.EDAU08	7.122	0.03	ZT - GE08M
F.EDAZ08	7.137	0.05	ZT - GE08U
F.EDAH09	7.167	0.08	ZT - GE08Z
F.EDAM09	7.212	0.12	ZT - GE09H
F.EDAU09	7.267	0.18	ZT - GE09M
F.EDAZ09	7.317	0.23	ZT - GE09U
F.EDAH10	7.362	0.27	ZT - GE09Z

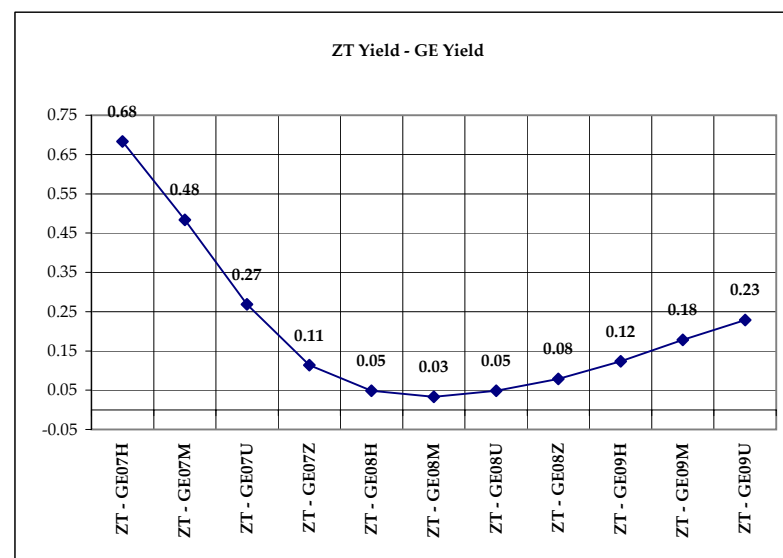
Price = Outright Decimal Price - Euro Contract Price

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

GE Duration as Fraction of year

	ZT Duration	Spread Duration	
F.EDAM07	0.221	1.88	1.66
F.EDAU07	0.471	1.88	1.41
F.EDAZ07	0.720	1.88	1.16
F.EDAH08	0.969	1.88	0.91
F.EDAM08	1.219	1.88	0.66
F.EDAU08	1.468	1.88	0.41
F.EDAZ08	1.717	1.88	0.16
F.EDAH09	1.966	1.88	(0.09)
F.EDAM09	2.216	1.88	(0.34)
F.EDAU09	2.465	1.88	(0.59)
F.EDAZ09	2.714	1.88	(0.84)
F.EDAH10	2.964	1.88	(1.09)

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



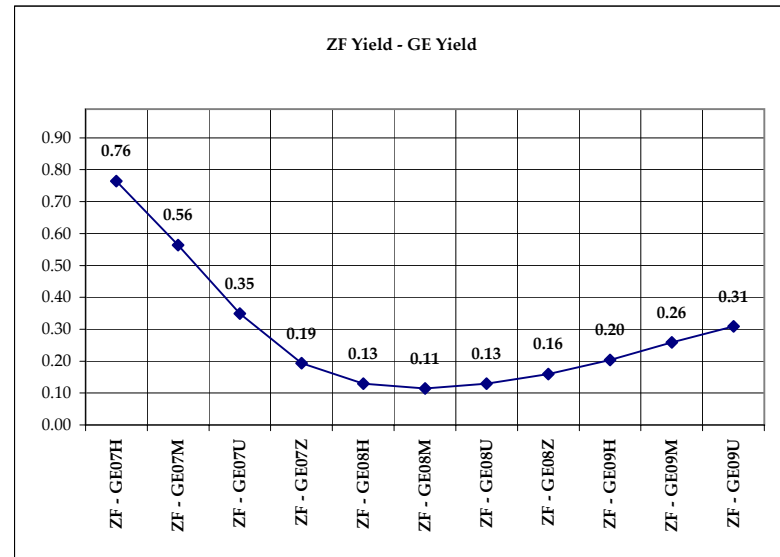
Dirty TED: ZF vs Eurodollar Contracts

ZF			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	11.19	0.76	ZF - GE07H
F.EDAU07	10.99	0.56	ZF - GE07M
F.EDAZ07	10.77	0.35	ZF - GE07U
F.EDAH08	10.62	0.19	ZF - GE07Z
F.EDAM08	10.55	0.13	ZF - GE08H
F.EDAU08	10.54	0.11	ZF - GE08M
F.EDAZ08	10.55	0.13	ZF - GE08U
F.EDAH09	10.58	0.16	ZF - GE08Z
F.EDAM09	10.63	0.20	ZF - GE09H
F.EDAU09	10.68	0.26	ZF - GE09M
F.EDAZ09	10.73	0.31	ZF - GE09U
F.EDAH10	10.78	0.35	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.EDAM07	0.221	3.95	3.72	ZF - GE07H
F.EDAU07	0.471	3.95	3.47	ZF - GE07M
F.EDAZ07	0.720	3.95	3.23	ZF - GE07U
F.EDAH08	0.969	3.95	2.98	ZF - GE07Z
F.EDAM08	1.219	3.95	2.73	ZF - GE08H
F.EDAU08	1.468	3.95	2.48	ZF - GE08M
F.EDAZ08	1.717	3.95	2.23	ZF - GE08U
F.EDAH09	1.966	3.95	1.98	ZF - GE08Z
F.EDAM09	2.216	3.95	1.73	ZF - GE09H
F.EDAU09	2.465	3.95	1.48	ZF - GE09M
F.EDAZ09	2.714	3.95	1.23	ZF - GE09U
F.EDAH10	2.964	3.95	0.98	ZF - GE09U

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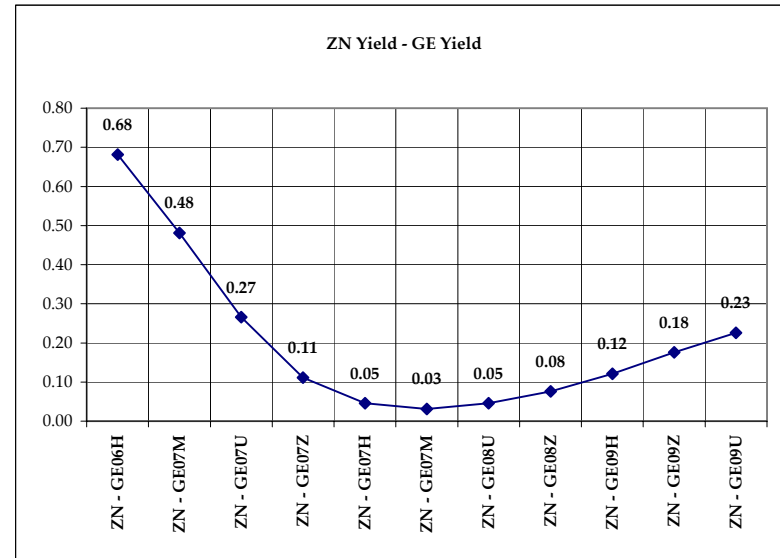
Dirty TED: ZN vs Eurodollar Contracts

ZN			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	13.56	0.68	ZN - GE06H
F.EDAU07	13.36	0.48	ZN - GE07M
F.EDAZ07	13.15	0.27	ZN - GE07U
F.EDAH08	12.99	0.11	ZN - GE07Z
F.EDAM08	12.93	0.05	ZN - GE07H
F.EDAU08	12.91	0.03	ZN - GE07M
F.EDAZ08	12.93	0.05	ZN - GE08U
F.EDAH09	12.96	0.08	ZN - GE08Z
F.EDAM09	13.00	0.12	ZN - GE09H
F.EDAU09	13.06	0.18	ZN - GE09Z
F.EDAZ09	13.11	0.23	ZN - GE09U
F.EDAH10	13.15	0.27	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.EDAM07	0.221	5.90	5.68	ZN - GE06H
F.EDAU07	0.471	5.90	5.43	ZN - GE07M
F.EDAZ07	0.720	5.90	5.18	ZN - GE07U
F.EDAH08	0.969	5.90	4.93	ZN - GE07Z
F.EDAM08	1.219	5.90	4.68	ZN - GE07H
F.EDAU08	1.468	5.90	4.44	ZN - GE07M
F.EDAZ08	1.717	5.90	4.19	ZN - GE08U
F.EDAH09	1.966	5.90	3.94	ZN - GE08Z
F.EDAM09	2.216	5.90	3.69	ZN - GE09H
F.EDAU09	2.465	5.90	3.44	ZN - GE09Z
F.EDAZ09	2.714	5.90	3.19	ZN - GE09U
F.EDAH10	2.964	5.90	2.94	ZN - GE09U

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



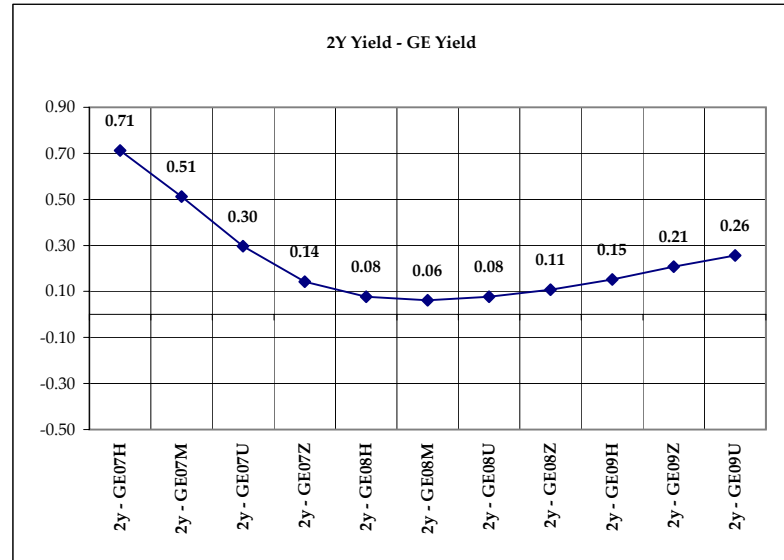
TERM TED: 2y vs Eurodollar Contracts

	2y		
	Spread Price	Spread Yield	Spread Name
F.EDAM07	5.17	0.71	2y - GE07H
F.EDAU07	4.97	0.51	2y - GE07M
F.EDAZ07	4.76	0.30	2y - GE07U
F.EDAH08	4.60	0.14	2y - GE07Z
F.EDAM08	4.54	0.08	2y - GE08H
F.EDAU08	4.52	0.06	2y - GE08M
F.EDAZ08	4.54	0.08	2y - GE08U
F.EDAH09	4.57	0.11	2y - GE08Z
F.EDAM09	4.61	0.15	2y - GE09H
F.EDAU09	4.67	0.21	2y - GE09Z
F.EDAZ09	4.72	0.26	2y - GE09U
F.EDAH10	4.76	0.30	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.EDAM07	0.221	1.80	1.58	2y - GE07H
F.EDAU07	0.471	1.80	1.33	2y - GE07M
F.EDAZ07	0.720	1.80	1.08	2y - GE07U
F.EDAH08	0.969	1.80	0.83	2y - GE07Z
F.EDAM08	1.219	1.80	0.59	2y - GE08H
F.EDAU08	1.468	1.80	0.34	2y - GE08M
F.EDAZ08	1.717	1.80	0.09	2y - GE08U
F.EDAH09	1.966	1.80	(0.16)	2y - GE08Z
F.EDAM09	2.216	1.80	(0.41)	2y - GE09H
F.EDAU09	2.465	1.80	(0.66)	2y - GE09Z
F.EDAZ09	2.714	1.80	(0.91)	2y - GE09U
F.EDAH10	2.964	1.80	(1.16)	2y - GE09U

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

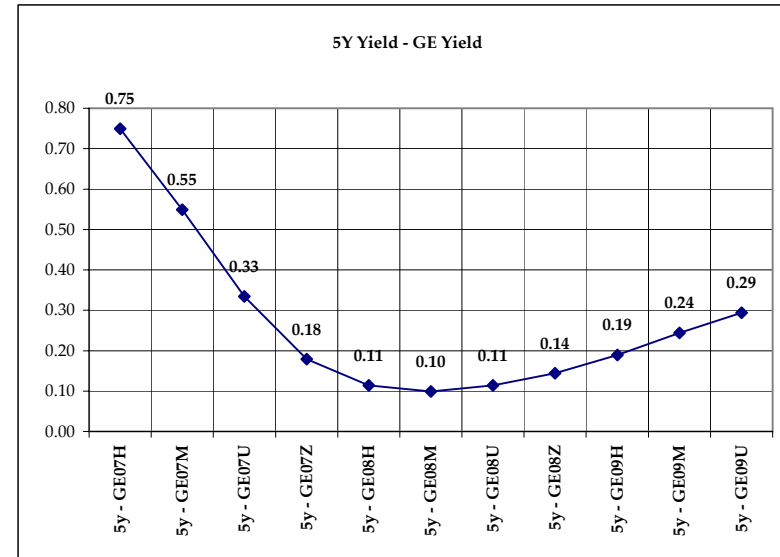


TERM TED: 5y vs Eurodollar Contracts

5y			
	Spread Price	Spread Yield	Spread Name
F.EDAM07	5.79	0.75	5y - GE07H
F.EDAU07	5.59	0.55	5y - GE07M
F.EDAZ07	5.37	0.33	5y - GE07U
F.EDAH08	5.22	0.18	5y - GE07Z
F.EDAM08	5.15	0.11	5y - GE08H
F.EDAU08	5.14	0.10	5y - GE08M
F.EDAZ08	5.15	0.11	5y - GE08U
F.EDAH09	5.18	0.14	5y - GE08Z
F.EDAM09	5.23	0.19	5y - GE09H
F.EDAU09	5.28	0.24	5y - GE09M
F.EDAZ09	5.33	0.29	5y - GE09U
F.EDAH10	5.38	0.34	5y - GE09U

Price = Outright Decimal Price - Euro Contract Price

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



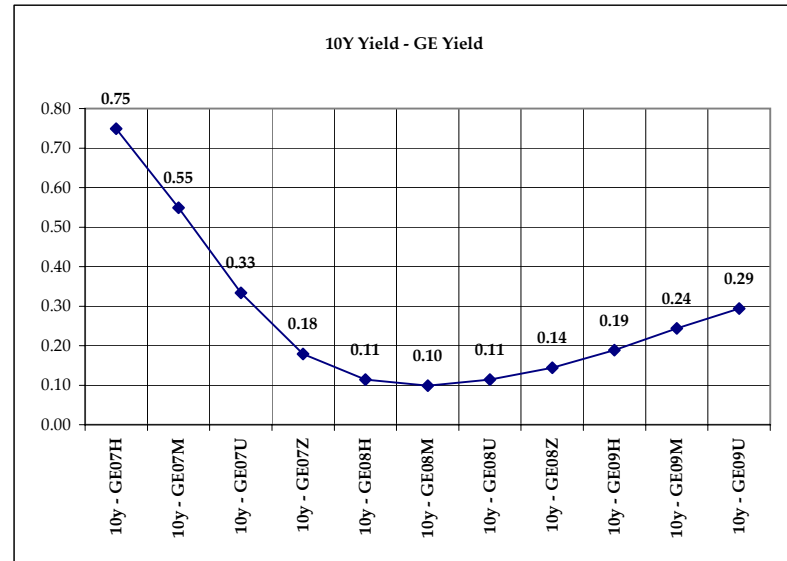
	GE Duration as Fraction of year	5Y Duration	Spread Duration	
F.EDAM07	0.221	4.34	4.12	5y - GE07H
F.EDAU07	0.471	4.34	3.87	5y - GE07M
F.EDAZ07	0.720	4.34	3.62	5y - GE07U
F.EDAH08	0.969	4.34	3.37	5y - GE07Z
F.EDAM08	1.219	4.34	3.12	5y - GE08H
F.EDAU08	1.468	4.34	2.88	5y - GE08M
F.EDAZ08	1.717	4.34	2.63	5y - GE08U
F.EDAH09	1.966	4.34	2.38	5y - GE08Z
F.EDAM09	2.216	4.34	2.13	5y - GE09H
F.EDAU09	2.465	4.34	1.88	5y - GE09M
F.EDAZ09	2.714	4.34	1.63	5y - GE09U
F.EDAH10	2.964	4.34	1.38	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.EDAM07	5.79	0.75	10y - GE07H
F.EDAU07	5.59	0.55	10y - GE07M
F.EDAZ07	5.37	0.33	10y - GE07U
F.EDAH08	5.22	0.18	10y - GE07Z
F.EDAM08	5.15	0.11	10y - GE08H
F.EDAU08	5.14	0.10	10y - GE08M
F.EDAZ08	5.15	0.11	10y - GE08U
F.EDAH09	5.18	0.14	10y - GE08Z
F.EDAM09	5.23	0.19	10y - GE09H
F.EDAU09	5.28	0.24	10y - GE09M
F.EDAZ09	5.33	0.29	10y - GE09U
F.EDAH10	5.38	0.34	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.EDAM07	0.221	7.82	7.60	10y - GE07H
F.EDAU07	0.471	7.82	7.35	10y - GE07M
F.EDAZ07	0.720	7.82	7.10	10y - GE07U
F.EDAH08	0.969	7.82	6.85	10y - GE07Z
F.EDAM08	1.219	7.82	6.60	10y - GE08H
F.EDAU08	1.468	7.82	6.35	10y - GE08M
F.EDAZ08	1.717	7.82	6.10	10y - GE08U
F.EDAH09	1.966	7.82	5.85	10y - GE08Z
F.EDAM09	2.216	7.82	5.60	10y - GE09H
F.EDAU09	2.465	7.82	5.35	10y - GE09M
F.EDAZ09	2.714	7.82	5.10	10y - GE09U
F.EDAH10	2.964	7.82	4.85	10y - GE09U

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