

The Morning Email: TERM TEDS & Dirty TEDS

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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.

Quotes

F.I. Futures and Cash					
	Last Decimal	Last 32	Last Yield*	MDuration	
ZT	107.4531	107.145	1.528	1.91	
ZF	114.1313	114.042	2.375	4.09	
ZN	116.9844	116.315	3.366	6.67	
2y	100.922	100.2950	1.530	1.93	
5y	101.297	101.0950	2.472	4.62	
10y	99.234	99.0750	3.594	8.30	

Eurodollars (ED)							
	Last Price	Last Imp Yield	Days til Expr.	Fraction of year	Month		
EDAH08	97.143	2.858	10	0.027	MAR	White Pack	
EDAM08	97.560	2.440	101	0.276	JUN		
EDAU08	97.700	2.300	192	0.525	SEP		
EDAZ08	97.680	2.320	283	0.775	DEC	Red Pack	
EDAH09	97.600	2.400	374	1.024	MAR		
EDAM09	97.440	2.560	465	1.273	JUN		
EDAU09	97.240	2.760	556	1.523	SEP		
EDAZ09	96.995	3.005	647	1.772	DEC	Green Pack	
EDAH10	96.755	3.245	738	2.021	MAR		
EDAM10	96.505	3.495	829	2.271	JUN		
EDAU10	96.275	3.725	920	2.520	SEP		
EDAZ10	96.060	3.940	1011	2.769	DEC	Blue Pack	
EDAH11	95.890	4.110	1102	3.019	MAR		
EDAM11	95.710	4.290	1193	3.268	JUN		
EDAU11	95.550	4.450	1291	3.536	SEP		
EDAZ11	95.400	4.600	1382	3.786	DEC	Gold Pack	
EDAH12	95.235	4.765	1473	4.035	MAR		
EDAM12	95.145	4.855	1564	4.284	JUN		
EDAU12	95.020	4.980	1655	4.534	SEP		
EDAU12	95.020	4.980	1655	4.534	SEP		

Notes

Futures use CTD for Last Yield

Mduration = Modified Macaulay Duration

#VALUE! = no quote being provided by exchange.

	Last Yield	Net Yield	Last Price	
Q.ED.White	2.530	5.125	9752.063	Pack Prices
Q.ED.Red	2.737	7.000	9731.875	
Q.ED.Green	3.685	6.375	9639.875	
Q.ED.Blue	4.472	3.000	9563.750	
Q.ED.Gold	5.058	0.750	9507.250	

Red pack is a 2yr proxy
 Gold pack is a 10yr proxy
 Red /Gold is a 2/10 proxy
 Blue pack is a 5yr proxy
 Blue/Gold is a 5/10 proxy

Overview of Hedging

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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.

jgoulding@ghco.com

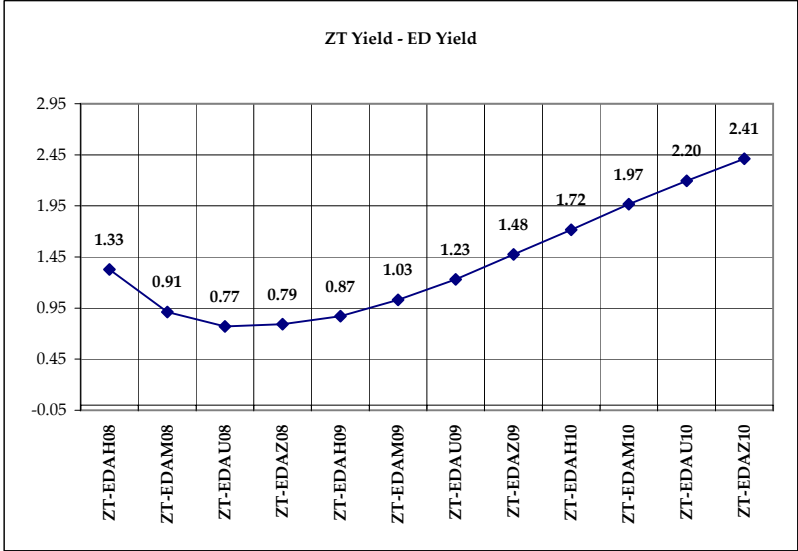
Eurodollar Color Codes for Individual Year Strips:

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

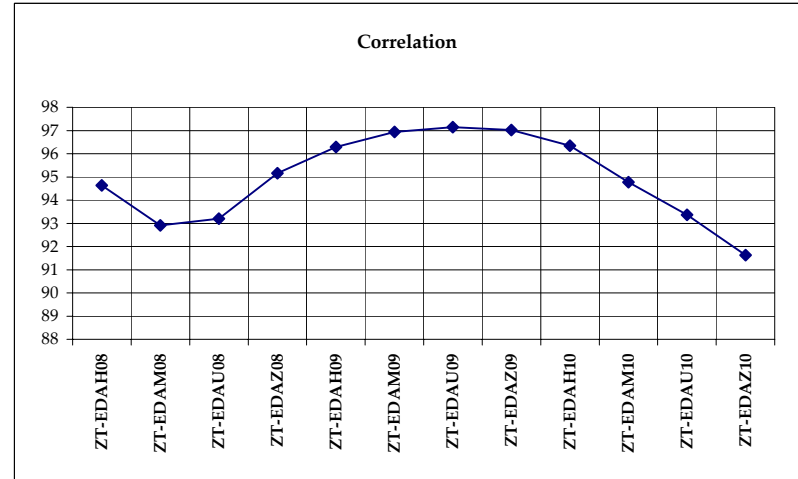
ZT				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	10.311	1.33	ZT-EDAH08	94.637
EDAM08	9.893	0.91	ZT-EDAM08	92.914
EDAU08	9.753	0.77	ZT-EDAU08	93.199
EDAZ08	9.773	0.79	ZT-EDAZ08	95.154
EDAH09	9.853	0.87	ZT-EDAH09	96.295
EDAM09	10.013	1.03	ZT-EDAM09	96.933
EDAU09	10.213	1.23	ZT-EDAU09	97.151
EDAZ09	10.458	1.48	ZT-EDAZ09	97.019
EDAH10	10.698	1.72	ZT-EDAH10	96.347
EDAM10	10.948	1.97	ZT-EDAM10	94.776
EDAU10	11.178	2.20	ZT-EDAU10	93.368
EDAZ10	11.393	2.41	ZT-EDAZ10	91.622

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		
EDAH08	0.027	1.91	1.88	ZT-EDAH08
EDAM08	0.276	1.91	1.63	ZT-EDAM08
EDAU08	0.525	1.91	1.38	ZT-EDAU08
EDAZ08	0.775	1.91	1.13	ZT-EDAZ08
EDAH09	1.024	1.91	0.88	ZT-EDAH09
EDAM09	1.273	1.91	0.63	ZT-EDAM09
EDAU09	1.523	1.91	0.38	ZT-EDAU09
EDAZ09	1.772	1.91	0.13	ZT-EDAZ09
EDAH10	2.021	1.91	(0.12)	ZT-EDAH10
EDAM10	2.271	1.91	(0.36)	ZT-EDAM10
EDAU10	2.520	1.91	(0.61)	ZT-EDAU10
EDAZ10	2.769	1.91	(0.86)	ZT-EDAZ10

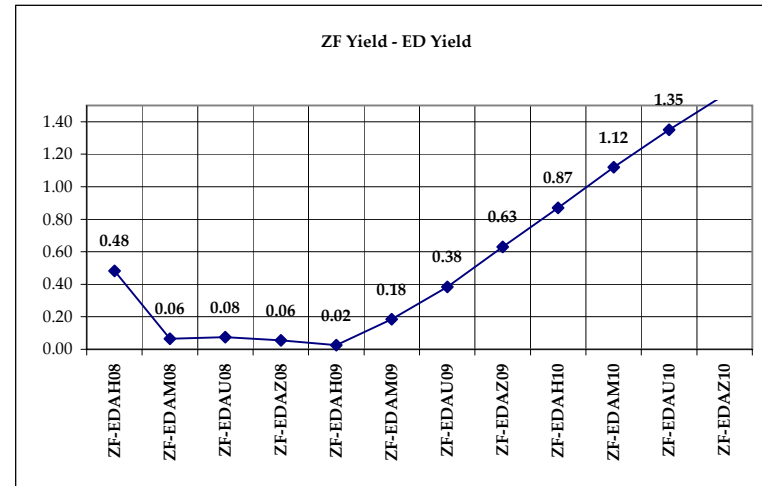
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZF vs Eurodollar Contracts

	ZF			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	16.99	0.48	ZF-EDAH08	95.985
EDAM08	16.57	0.06	ZF-EDAM08	93.915
EDAU08	16.43	0.08	ZF-EDAU08	93.935
EDAZ08	16.45	0.06	ZF-EDAZ08	95.731
EDAH09	16.53	0.02	ZF-EDAH09	96.855
EDAM09	16.69	0.18	ZF-EDAM09	97.455
EDAU09	16.89	0.38	ZF-EDAU09	97.633
EDAZ09	17.14	0.63	ZF-EDAZ09	97.582
EDAH10	17.38	0.87	ZF-EDAH10	97.100
EDAM10	17.63	1.12	ZF-EDAM10	95.863
EDAU10	17.86	1.35	ZF-EDAU10	94.663
EDAZ10	18.07	1.56	ZF-EDAZ10	93.170

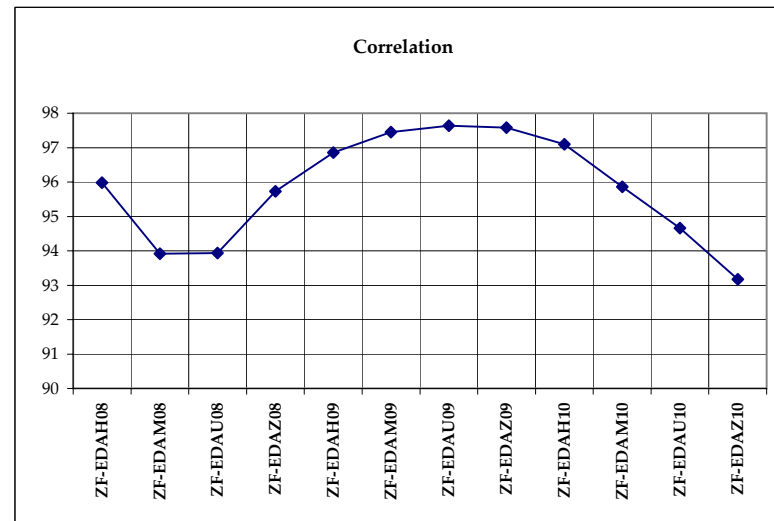
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZF Duration	Spread Duration	
EDAH08	0.027	4.09	4.07	ZF-EDAH08
EDAM08	0.276	4.09	3.82	ZF-EDAM08
EDAU08	0.525	4.09	3.57	ZF-EDAU08
EDAZ08	0.775	4.09	3.32	ZF-EDAZ08
EDAH09	1.024	4.09	3.07	ZF-EDAH09
EDAM09	1.273	4.09	2.82	ZF-EDAM09
EDAU09	1.523	4.09	2.57	ZF-EDAU09
EDAZ09	1.772	4.09	2.32	ZF-EDAZ09
EDAH10	2.021	4.09	2.07	ZF-EDAH10
EDAM10	2.271	4.09	1.82	ZF-EDAM10
EDAU10	2.520	4.09	1.57	ZF-EDAU10
EDAZ10	2.769	4.09	1.32	ZF-EDAZ10

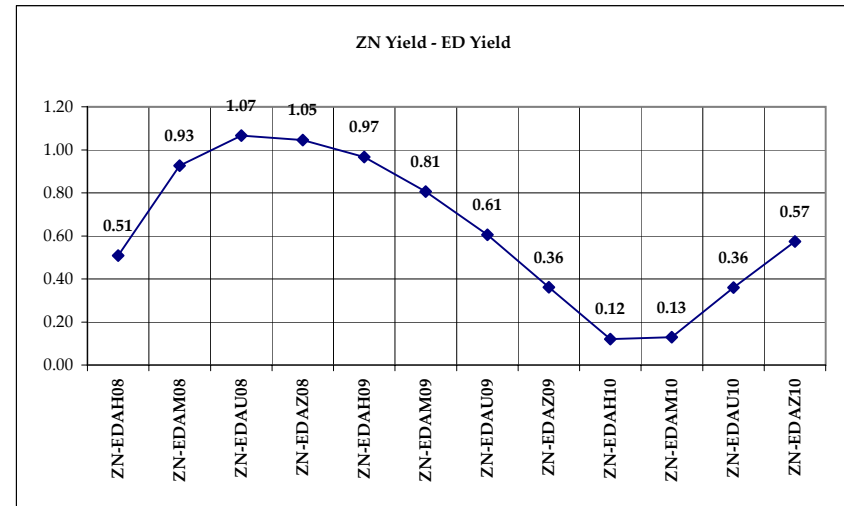
The farther away from 0 the spread duration is the riskier the trade.



Dirty TED: ZN vs Eurodollar Contracts

ZN				
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	19.84	0.51	ZN-EDAH08	96.07
EDAM08	19.42	0.93	ZN-EDAM08	92.90
EDAU08	19.28	1.07	ZN-EDAU08	92.68
EDAZ08	19.30	1.05	ZN-EDAZ08	94.77
EDAH09	19.38	0.97	ZN-EDAH09	96.14
EDAM09	19.54	0.81	ZN-EDAM09	96.92
EDAU09	19.74	0.61	ZN-EDAU09	97.20
EDAZ09	19.99	0.36	ZN-EDAZ09	97.33
EDAH10	20.23	0.12	ZN-EDAH10	97.10
EDAM10	20.48	0.13	ZN-EDAM10	95.86
EDAU10	20.71	0.36	ZN-EDAU10	94.66
EDAZ10	20.92	0.57	ZN-EDAZ10	93.17

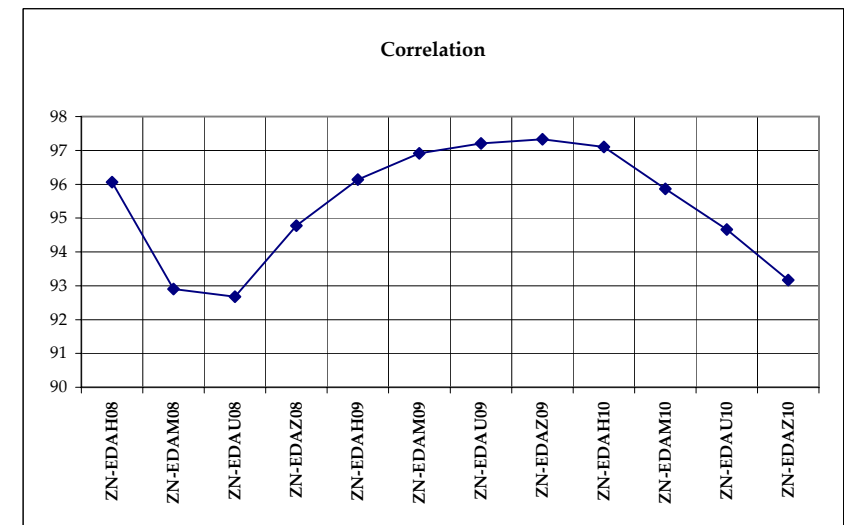
Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days



GE Duration as Fraction of year

	GE Duration as Fraction of year	ZN Duration	Spread Duration	
EDAH08	0.027	6.67	6.64	ZN-EDAH08
EDAM08	0.276	6.67	6.39	ZN-EDAM08
EDAU08	0.525	6.67	6.14	ZN-EDAU08
EDAZ08	0.775	6.67	5.90	ZN-EDAZ08
EDAH09	1.024	6.67	5.65	ZN-EDAH09
EDAM09	1.273	6.67	5.40	ZN-EDAM09
EDAU09	1.523	6.67	5.15	ZN-EDAU09
EDAZ09	1.772	6.67	4.90	ZN-EDAZ09
EDAH10	2.021	6.67	4.65	ZN-EDAH10
EDAM10	2.271	6.67	4.40	ZN-EDAM10
EDAU10	2.520	6.67	4.15	ZN-EDAU10
EDAZ10	2.769	6.67	3.90	ZN-EDAZ10

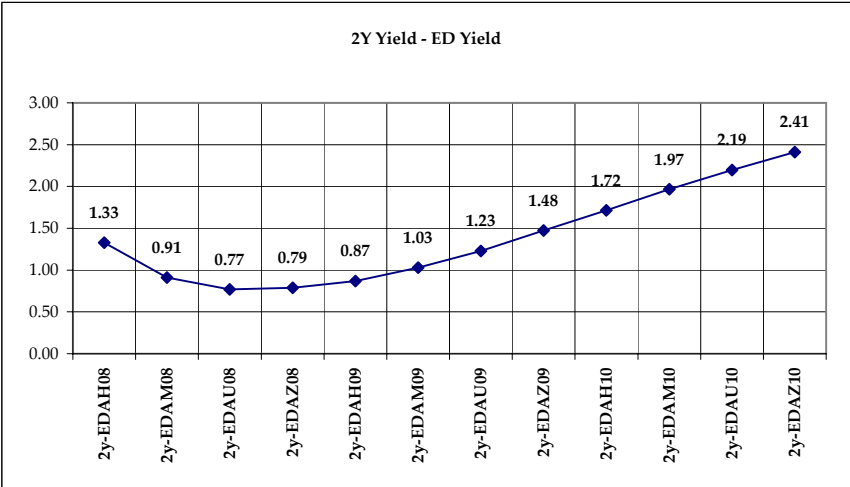
The farther away from 0 the spread duration is the riskier the trade.



TERM TED: 2y vs Eurodollar Contracts

	2y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	3.78	1.33	2y-EDAH08	-91.065
EDAM08	3.36	0.91	2y-EDAM08	-90.219
EDAU08	3.22	0.77	2y-EDAU08	-90.926
EDAZ08	3.24	0.79	2y-EDAZ08	-90.219
EDAH09	3.32	0.87	2y-EDAH09	-92.588
EDAM09	3.48	1.03	2y-EDAM09	-92.924
EDAU09	3.68	1.23	2y-EDAU09	-92.922
EDAZ09	3.93	1.48	2y-EDAZ09	-92.326
EDAH10	4.17	1.72	2y-EDAH10	-90.934
EDAM10	4.42	1.97	2y-EDAM10	-88.625
EDAU10	4.65	2.19	2y-EDAU10	-86.616
EDAZ10	4.86	2.41	2y-EDAZ10	-84.384

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days.
 These are measuring YIELD correlations.

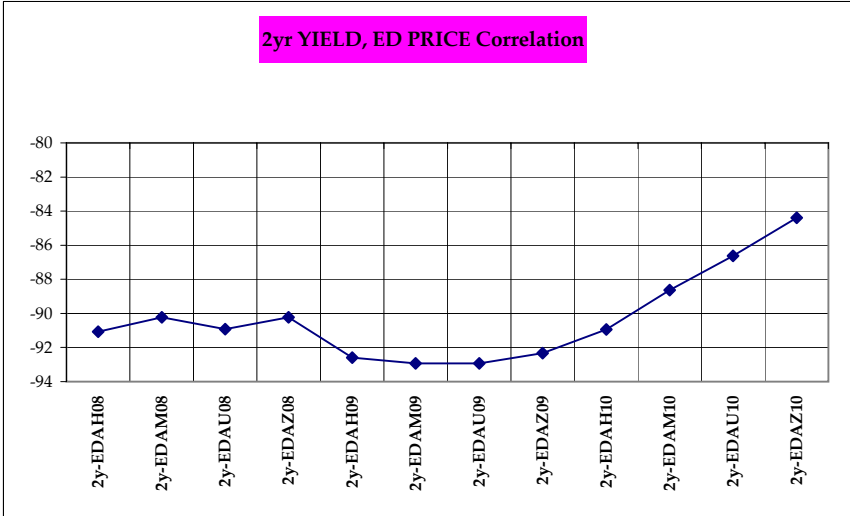


GE Duration as Fraction of year

	2Y Duration	Spread Duration	
EDAH08	0.027	1.93	2y-EDAH08
EDAM08	0.276	1.93	2y-EDAM08
EDAU08	0.525	1.93	2y-EDAU08
EDAZ08	0.775	1.93	2y-EDAZ08
EDAH09	1.024	1.93	2y-EDAH09
EDAM09	1.273	1.93	2y-EDAM09
EDAU09	1.523	1.93	2y-EDAU09
EDAZ09	1.772	1.93	2y-EDAZ09
EDAH10	2.021	1.93	(0.09) 2y-EDAH10
EDAM10	2.271	1.93	(0.34) 2y-EDAM10
EDAU10	2.520	1.93	(0.59) 2y-EDAU10
EDAZ10	2.769	1.93	(0.84) 2y-EDAZ10

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

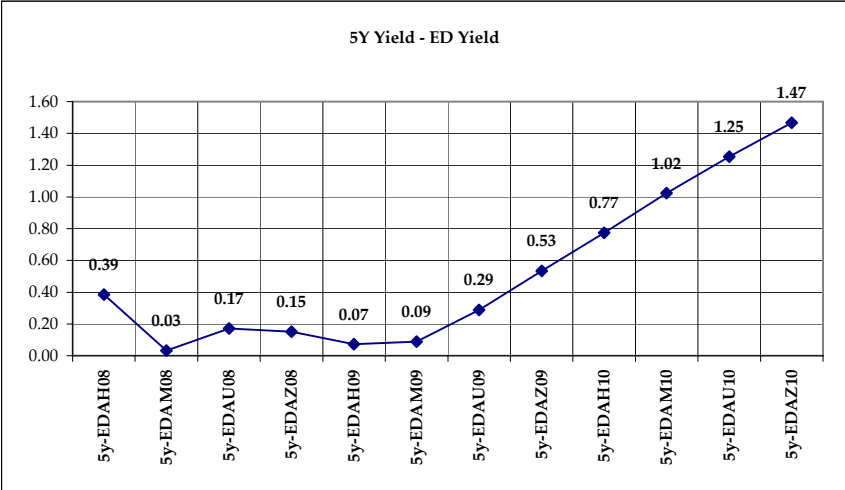
2yr YIELD, ED PRICE Correlation



TERM TED: 5y vs Eurodollar Contracts

	5y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	4.15	0.39	5y-EDAH08	-94.487
EDAM08	3.74	0.03	5y-EDAM08	-92.601
EDAU08	3.60	0.17	5y-EDAU08	-92.982
EDAZ08	3.62	0.15	5y-EDAZ08	-92.601
EDAH09	3.70	0.07	5y-EDAH09	-95.532
EDAM09	3.86	0.09	5y-EDAM09	-96.003
EDAU09	4.06	0.29	5y-EDAU09	-96.069
EDAZ09	4.30	0.53	5y-EDAZ09	-95.884
EDAH10	4.54	0.77	5y-EDAH10	-95.232
EDAM10	4.79	1.02	5y-EDAM10	-93.884
EDAU10	5.02	1.25	5y-EDAU10	-92.585
EDAZ10	5.24	1.47	5y-EDAZ10	-91.028

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.

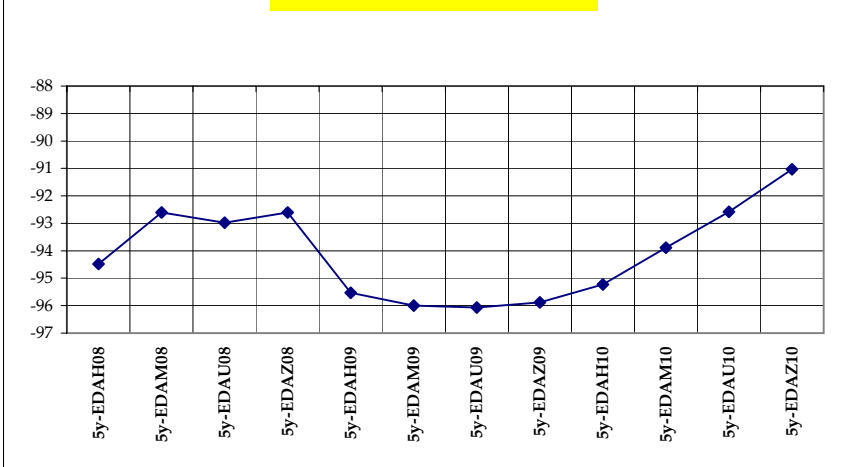


GE Duration as Fraction of year

	5Y Duration	Spread Duration	
EDAH08	0.027	4.62	4.60 5y-EDAH08
EDAM08	0.276	4.62	4.35 5y-EDAM08
EDAU08	0.525	4.62	4.10 5y-EDAU08
EDAZ08	0.775	4.62	3.85 5y-EDAZ08
EDAH09	1.024	4.62	3.60 5y-EDAH09
EDAM09	1.273	4.62	3.35 5y-EDAM09
EDAU09	1.523	4.62	3.10 5y-EDAU09
EDAZ09	1.772	4.62	2.85 5y-EDAZ09
EDAH10	2.021	4.62	2.60 5y-EDAH10
EDAM10	2.271	4.62	2.35 5y-EDAM10
EDAU10	2.520	4.62	2.10 5y-EDAU10
EDAZ10	2.769	4.62	1.85 5y-EDAZ10

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

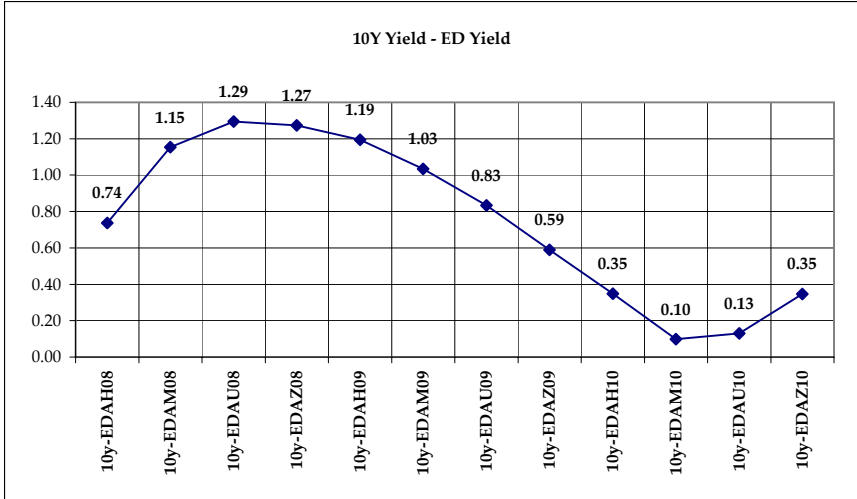
5yr YIELD, ED PRICE Correlation



TERM TED: 10y vs Eurodollar Contracts

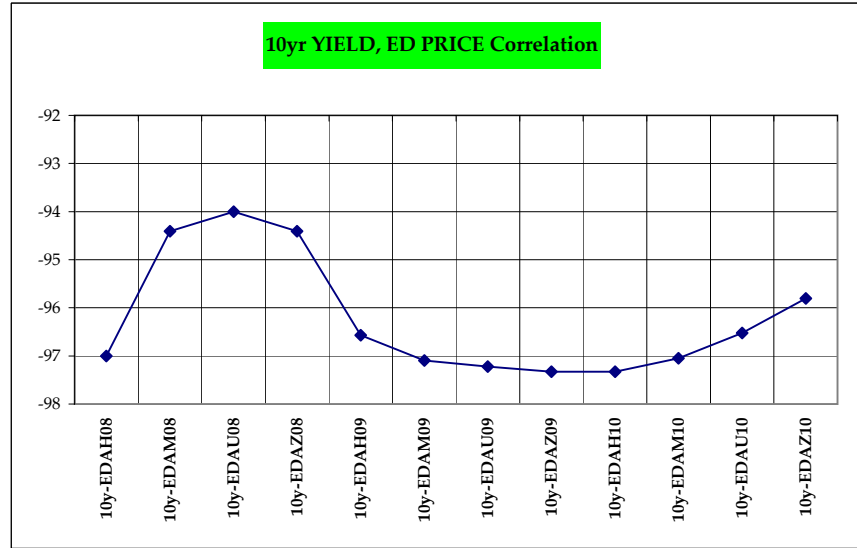
	10y			
	Spread Price	Spread Yield	Spread Name	Correlation* (percent)
EDAH08	4.15	0.74	10y-EDAH08	-97.001
EDAM08	3.74	1.15	10y-EDAM08	-94.409
EDAU08	3.60	1.29	10y-EDAU08	-93.999
EDAZ08	3.62	1.27	10y-EDAZ08	-94.409
EDAH09	3.70	1.19	10y-EDAH09	-96.567
EDAM09	3.86	1.03	10y-EDAM09	-97.098
EDAU09	4.06	0.83	10y-EDAU09	-97.220
EDAZ09	4.30	0.59	10y-EDAZ09	-97.329
EDAH10	4.54	0.35	10y-EDAH10	-97.329
EDAM10	4.79	0.10	10y-EDAM10	-97.047
EDAU10	5.02	0.13	10y-EDAU10	-96.522
EDAZ10	5.24	0.35	10y-EDAZ10	-95.802

Price = Outright Decimal Price - Euro Contract Price
 Yield = ABS(Proxy Yield - Implied Euro Contract yield)
 *Correlation = ED Correlation to Treasury Future over 10 days
 These are measuring YIELD correlations.



	GE Duration as Fraction of year		10Y Duration	Spread Duration	
EDAH08	0.027		8.30	8.27	10y-EDAH08
EDAM08	0.276		8.30	8.02	10y-EDAM08
EDAU08	0.525		8.30	7.78	10y-EDAU08
EDAZ08	0.775		8.30	7.53	10y-EDAZ08
EDAH09	1.024		8.30	7.28	10y-EDAH09
EDAM09	1.273		8.30	7.03	10y-EDAM09
EDAU09	1.523		8.30	6.78	10y-EDAU09
EDAZ09	1.772		8.30	6.53	10y-EDAZ09
EDAH10	2.021		8.30	6.28	10y-EDAH10
EDAM10	2.271		8.30	6.03	10y-EDAM10
EDAU10	2.520		8.30	5.78	10y-EDAU10
EDAZ10	2.769		8.30	5.53	10y-EDAZ10

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

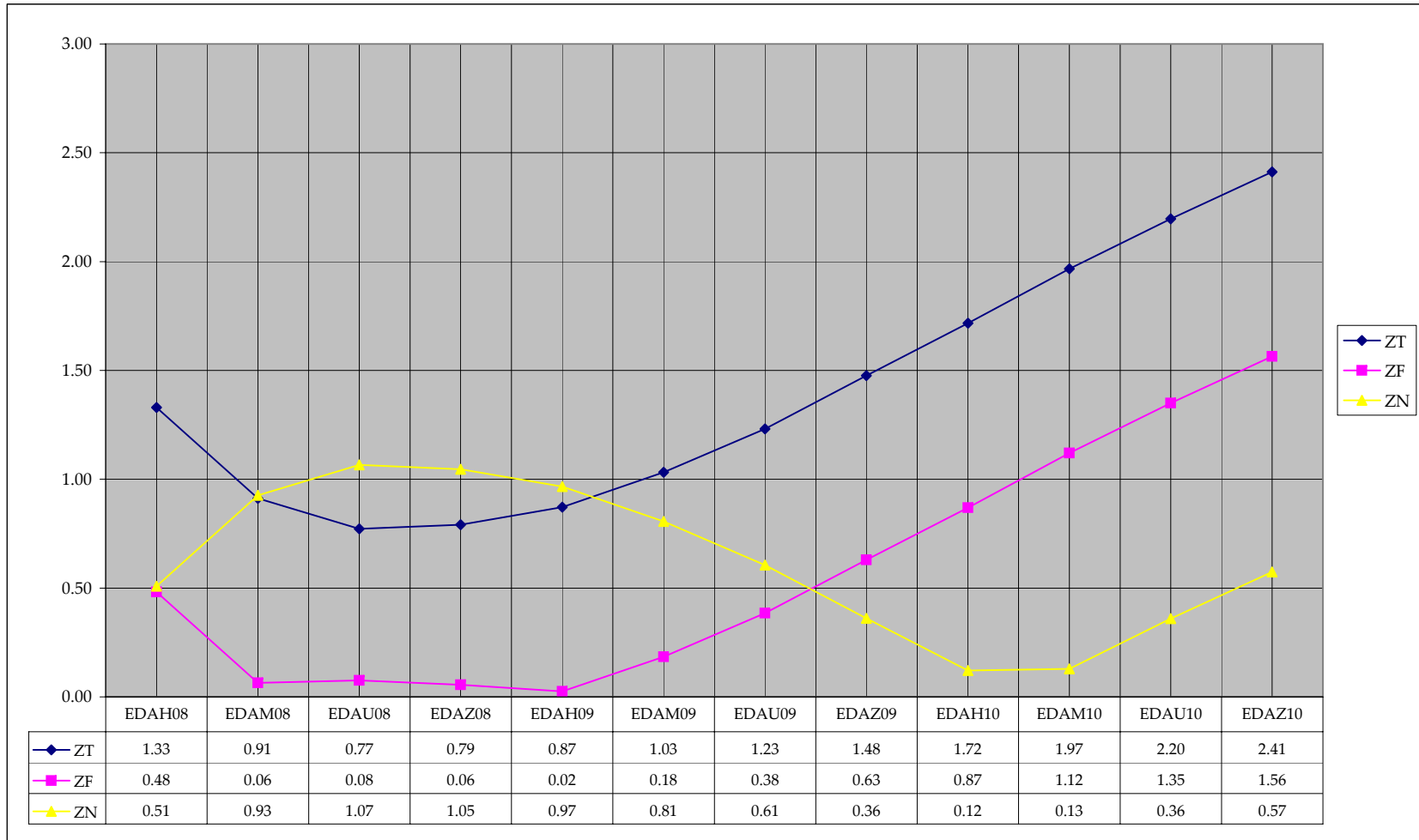


Dirty TED Curve

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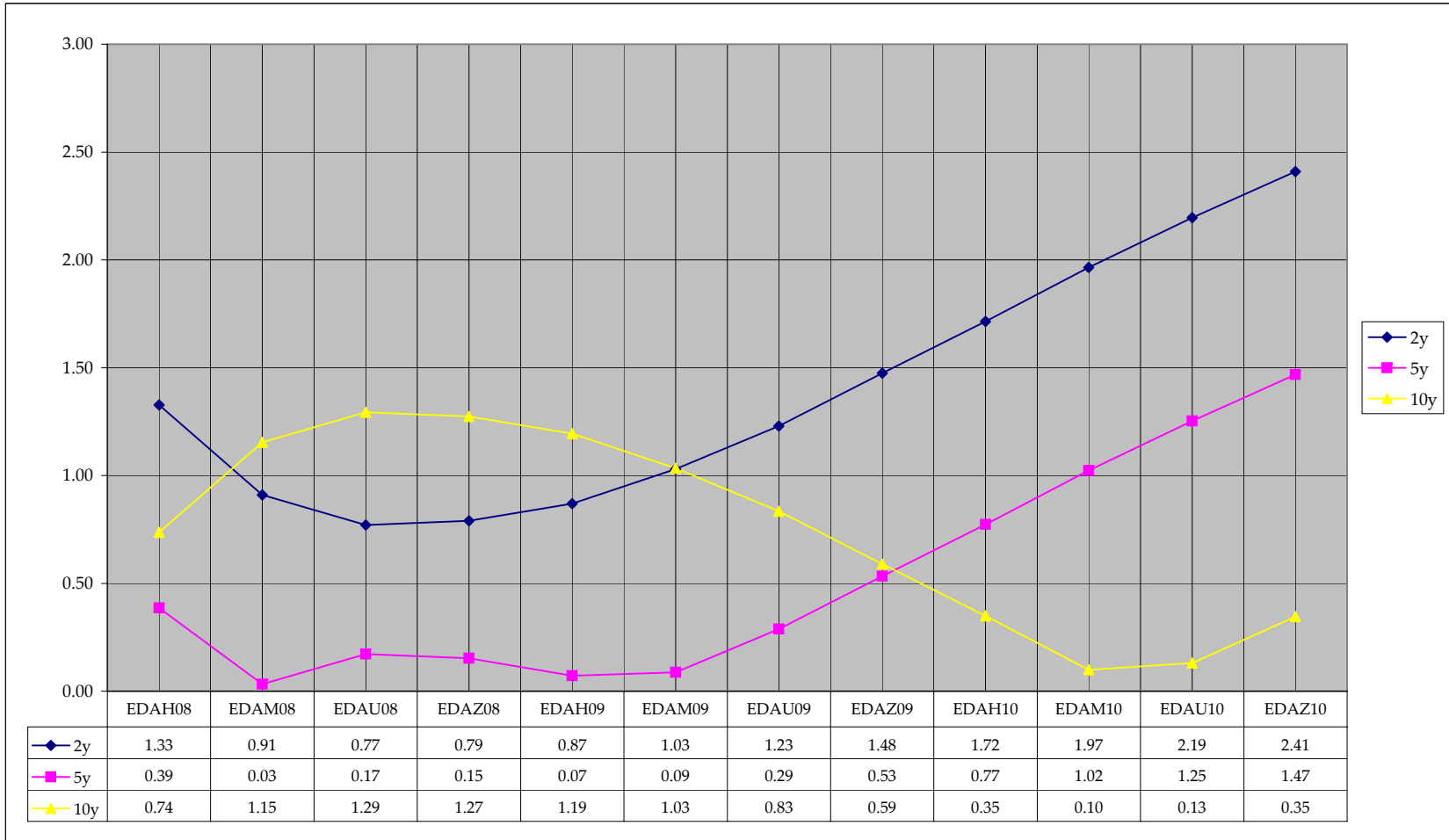
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Chart values show the differences between ED contract and Treasury Futures contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis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

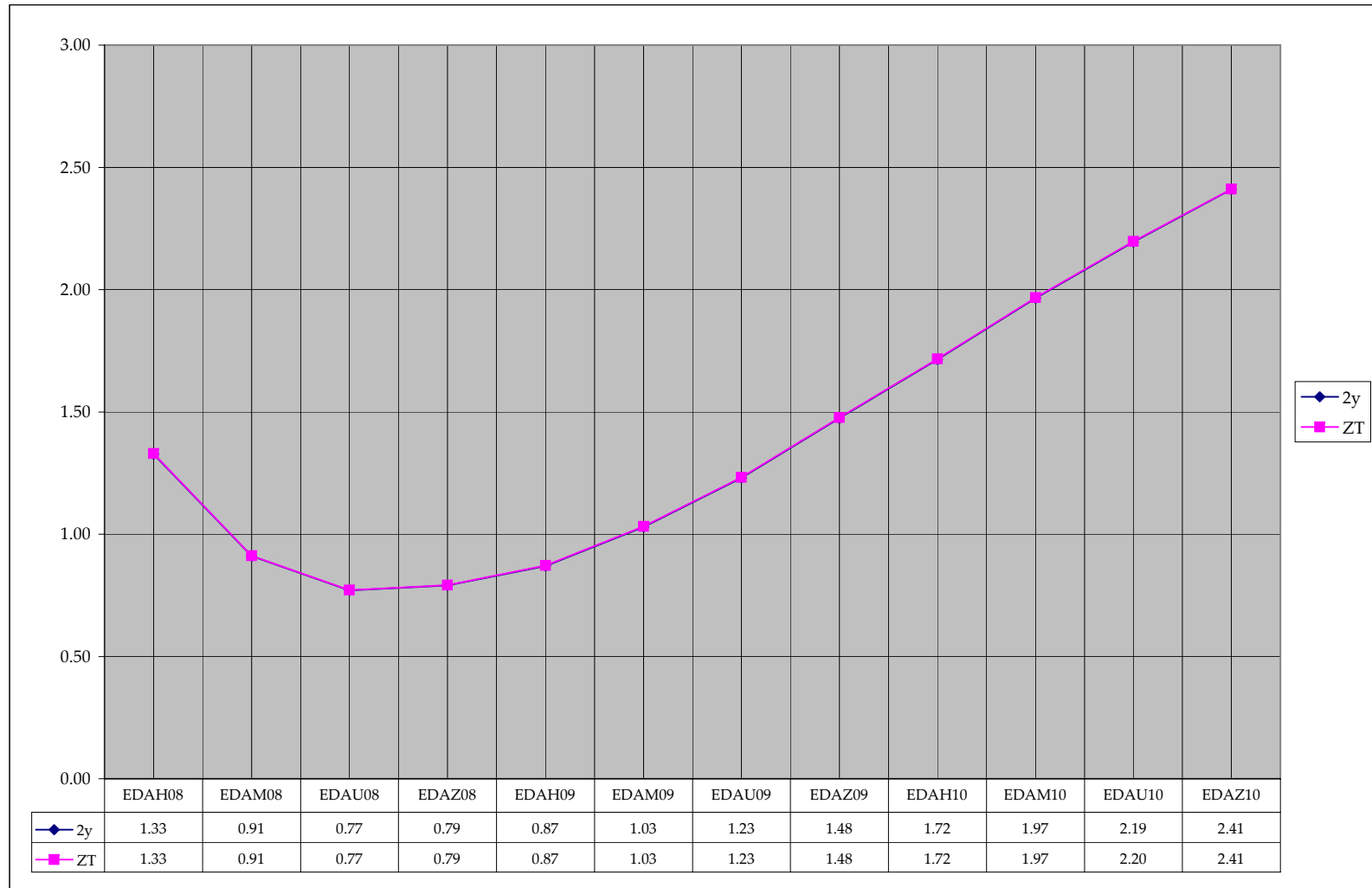


TED Curve

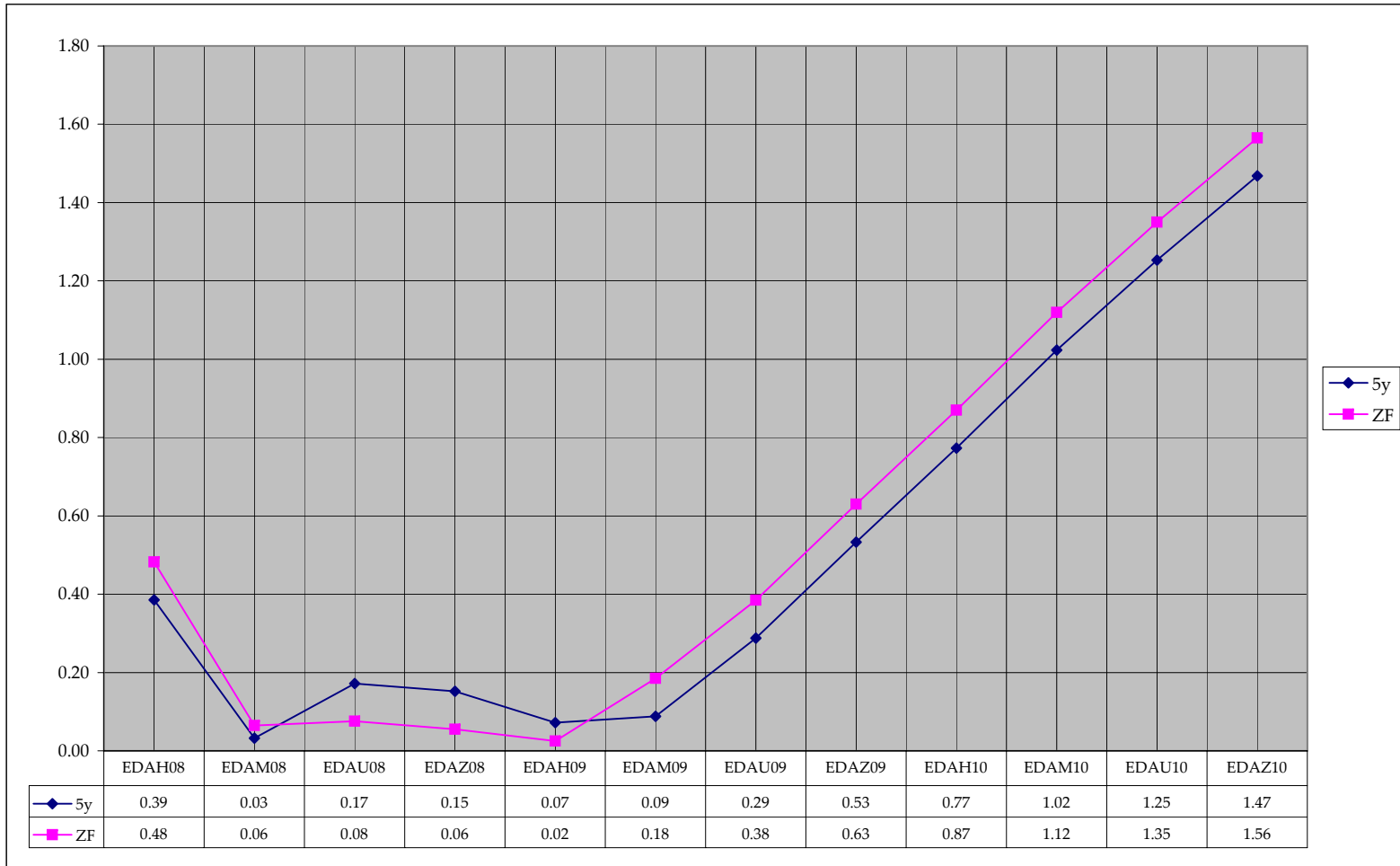
Chart values show the differences between ED contract and Treasury Cash contract. Those values can be seen in the table at the bottom of the chart. Each cash treasury is then plotted on the chart to compare differences in the durations and basis point values.



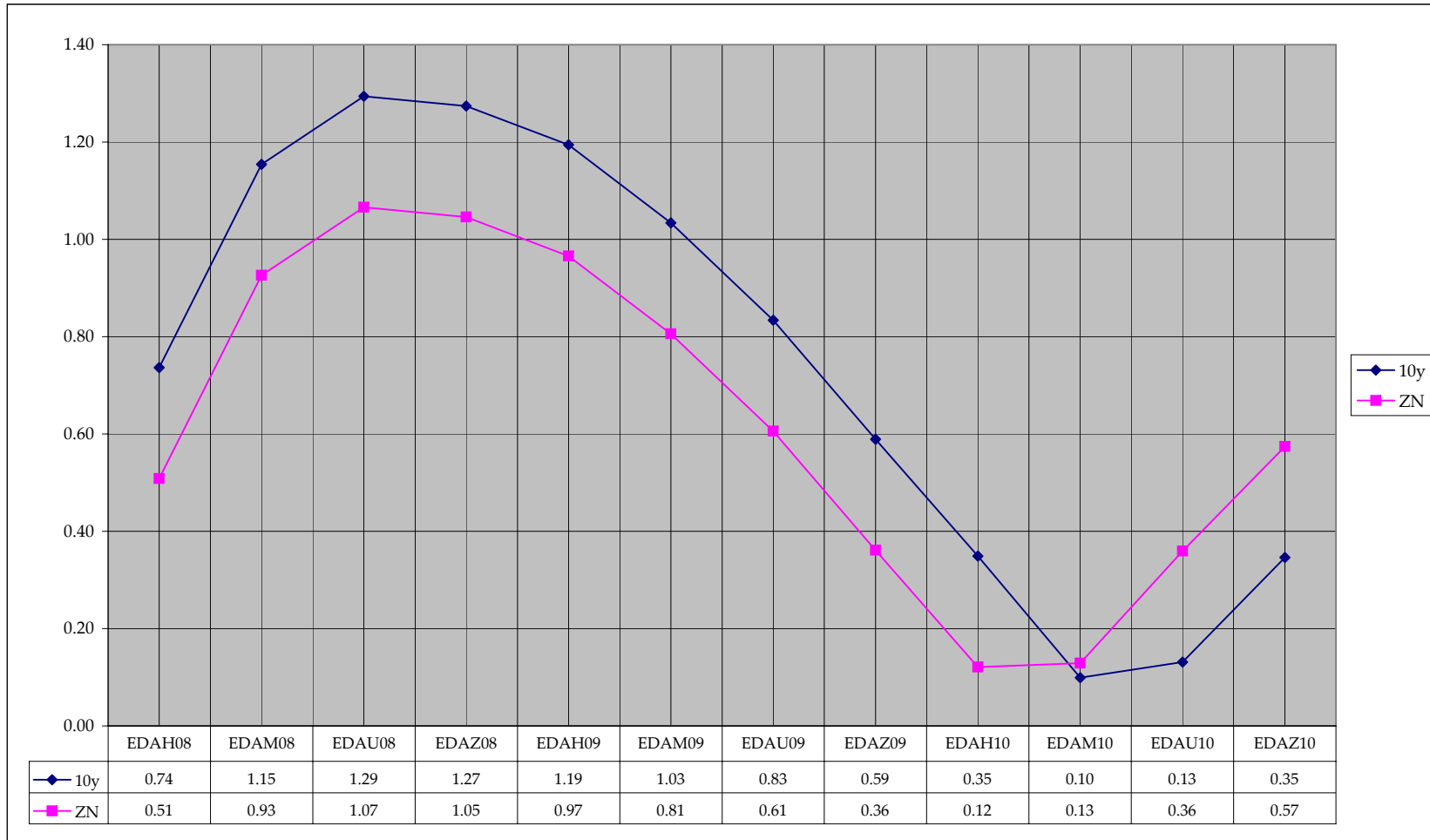
2y Basis TED Curve



5y Basis TED Curve



10y Basis TED Curve



Packs

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	last Yield	Net Last Yield	Last Price
Q.ED.White	2.530	5.125	9752.063
Q.ED.Red	2.737	7.000	9731.875
Q.ED.Green	3.685	6.375	9639.875
Q.ED.Blue	4.472	3.000	9563.750
Q.ED.Gold	5.058	0.750	9507.250

