90 Day Bank Bill / Three Year Treasury Bond Strip Calculator – User Guide

A Strip trade refers to a trade where between 5 and 20 consecutive traded months of a 90 Day Bank Bill Futures contract, beginning with the spot contract, are bought and/or sold simultaneously with the same volume for each of those traded months at an average price against the Three Year Treasury Bond Futures contract.

Step 1 – Update the Red fields on the right of the spreadsheet

(i) Enter the value for the strip traded – ie 8 (for the eight strip)
(ii) Enter the traded strip price as it appears on Sycom – ie 995.00 (for a 5 under trade)
(iii) Enter the volume of the trade – ie 50 lots
(iv) Enter the basis for the 3year Bond leg – commonly the bid or the offer at the time of the trade – for this example we will use 9533 (decimal place not required)
(v) Enter the 3 year Bond ratio for the Bank Bills/3 year Bond spread (Sourced from the spot YT-IR inter-commodity spread ratio)

Step 2 – Using the bid/offer prices in the IR Commodity Future window on SYCOM as a guide – input prices for each of the legs traded in the strip – leaving the remainder blank (decimal place not required).

Note: The price for the spot contract (the first in the strip series) is input beside the cell labelled 1st Mth - continue down for the remainder of the series.

When prices for each of the Bank Bill legs has been entered you will see to the right the average price calculated by the spreadsheet – this figure should correspond to the number displayed in blue cell labelled Strip Average price equals. You will need to massage the prices to achieve the correct average.

For example: by changing a price by one point in the following strips will have the following affect

Strip	One point price change = an average price change of
5	0.20
8	0.125
10	0.10
11	0.090
12	0.085
20	0.050

The number of 3year Bonds for the trade is also calculated and is displayed in blue – labelled YT Volume equals.

EXAMPLE: The 8 strip trades at a price of 995.00 for 50 lots – the last trade in the 3yr bonds was 95.33 – the current YT-IR ratio is 20 x 17. The details should be entered in the spreadsheet as per below.

Strip Calculator

update red fields

	Price	Average Price
1st Mth	9546	
2nd Mth	9556	
3rd Mth	9552	
4th Mth	9538	
5th Mth	9523	9543.00
6th Mth	9512	9537.83
7th Mth	9503	9532.86
8th Mth	9494	9528.00
9th Mth		9528.00
10th Mth		9528.00
11th Mth		9528.00
12th Mth		9528.00
13th Mth		9528.00
14th Mth		9528.00
15th Mth		9528.00
16th Mth		9528.00
17th Mth		9528.00
18th Mth		9528.00
19th Mth		9528.00
20th Mth		9528.00

Strip Traded ie: 8 Strip	8
Strip Traded Price	995.00
Strip Volume (lots)	50
3yr Basis (no decimal)	9533
IR - YT Ratio (20 X ?)	17.0
YT Volume equals	340
Strip Average price equals	9528.00

From this example we know that the average price we need to achieve for the Bank Bills is 9528.00 (5 points below the 3year Bond price - from the pricing formula). The strip calculator confirms this. The calculator has given the number of 3year Bonds to swap as part of the trade – 340 in this case.