

$$E = 1 - \frac{\sum_{t=1}^T (X_t - X_{t-1})^2}{\sum_{t=1}^T (A_t - A_{t-1})^2}, \text{ where}$$

(A)  $X_t = A_t - B_t$ ;

(B)  $A_t$  = the value at time t of one exposure in a hedge pair; and

(C)  $B_t$  = the value at time t of the other exposure in a hedge pair.