

# Frtr 4% 38 into Frtr 4.5% 41

French Anomaly looks steep both relative to France and Germany

James Rice – June 19th

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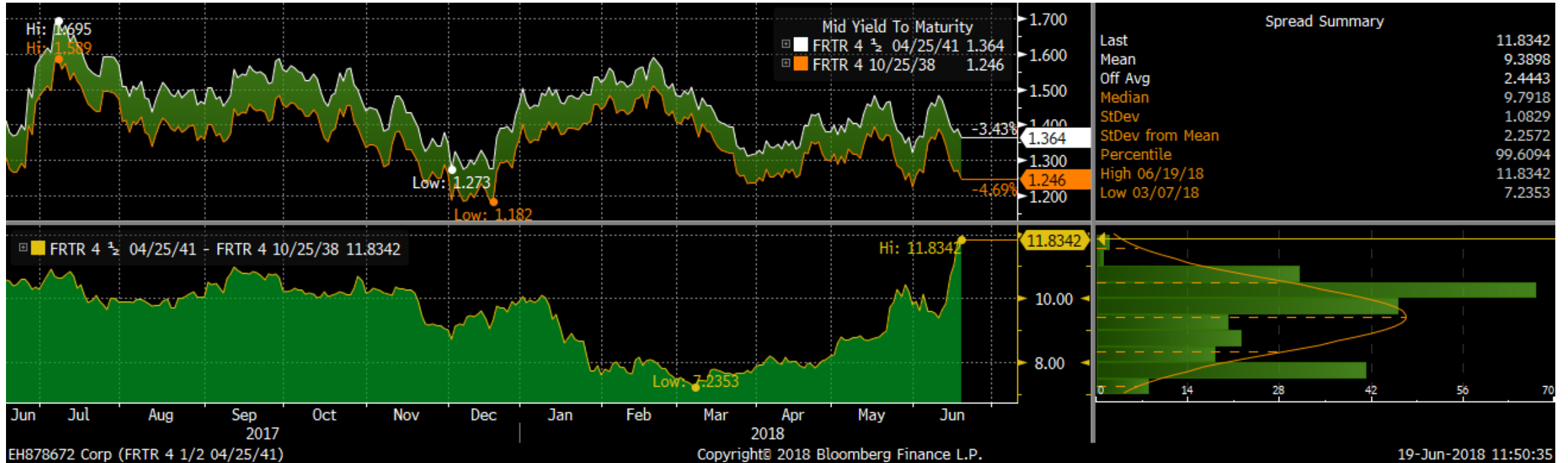
# Trade Mechanics

- Sell €21,9MM Frtr 4% 10/38 (€50k/.01)
- Buy €19,0MM Frtr 4.5% 4/41 (€50k/.01)
- @ +11.7bp

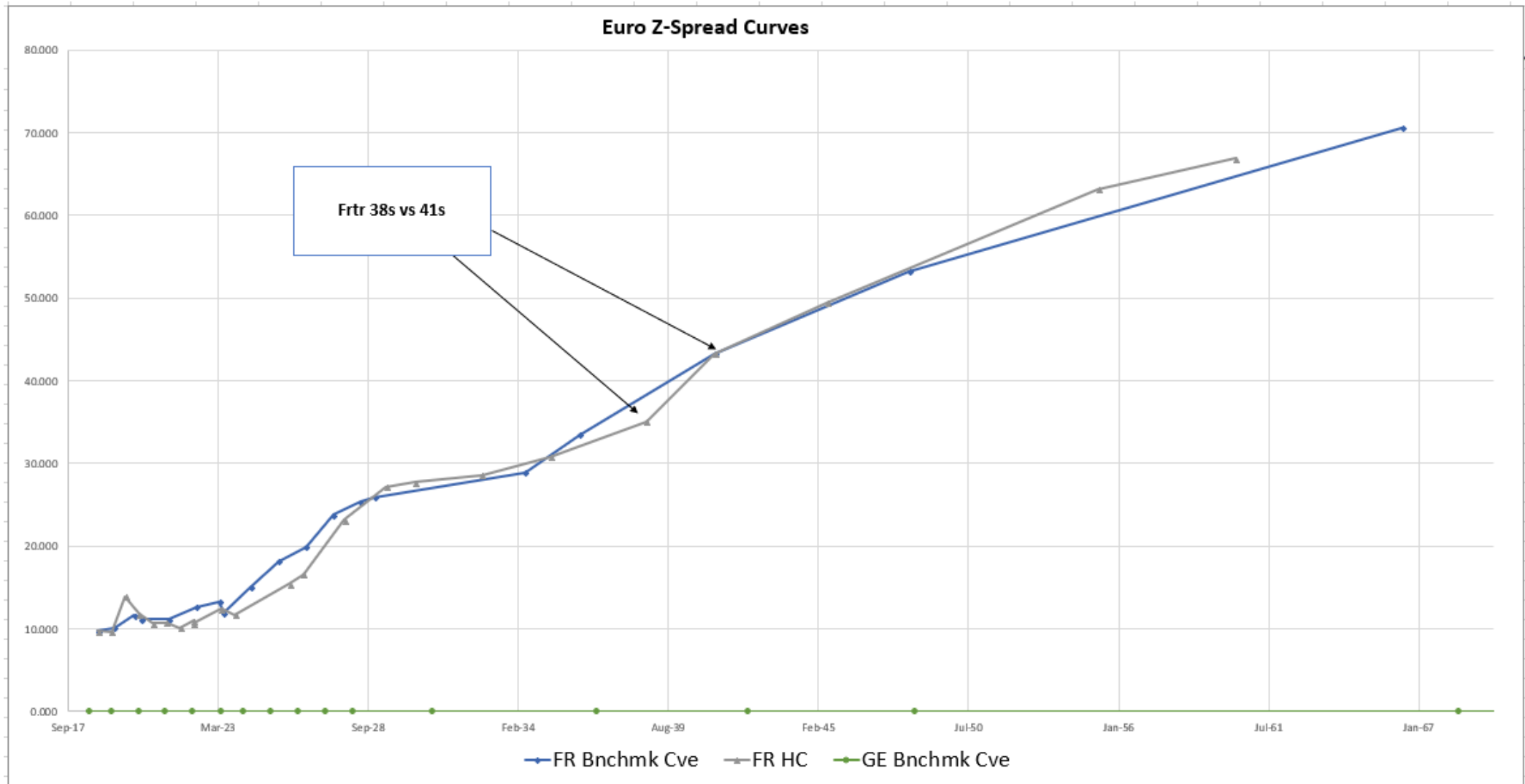
## Plus

- Buy 28 RXU8 contracts
- Sell 11 UBU8 contracts
- Estimated CTD spread: -75.25bp

# Trade History of yield spread - BBG



# Valuation - Euro Z-Spreads vs Germany



# Trade Mechanics

- Bond Roll and Carry using 10bp repo spread

-0.2bp/3mo – Carry

-0.2bp/3mo – Roll

- Hedge Roll and Carry (weighted by 8%)

+0.2bp/3mo – Roll & Carry

# Risks

- German curve could re-flatten without a French response
- French anomalies continue to dislocate
- Repo on Frtr 4% oct 38 could get more scarce (Frtr 38 issue size €26,5Bln, Frtr 41 issue size €33,7Bln)
- Hedge Roll and Carry (weighted by 8%)  
+0.2bp/3mo – Roll & Carry



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