

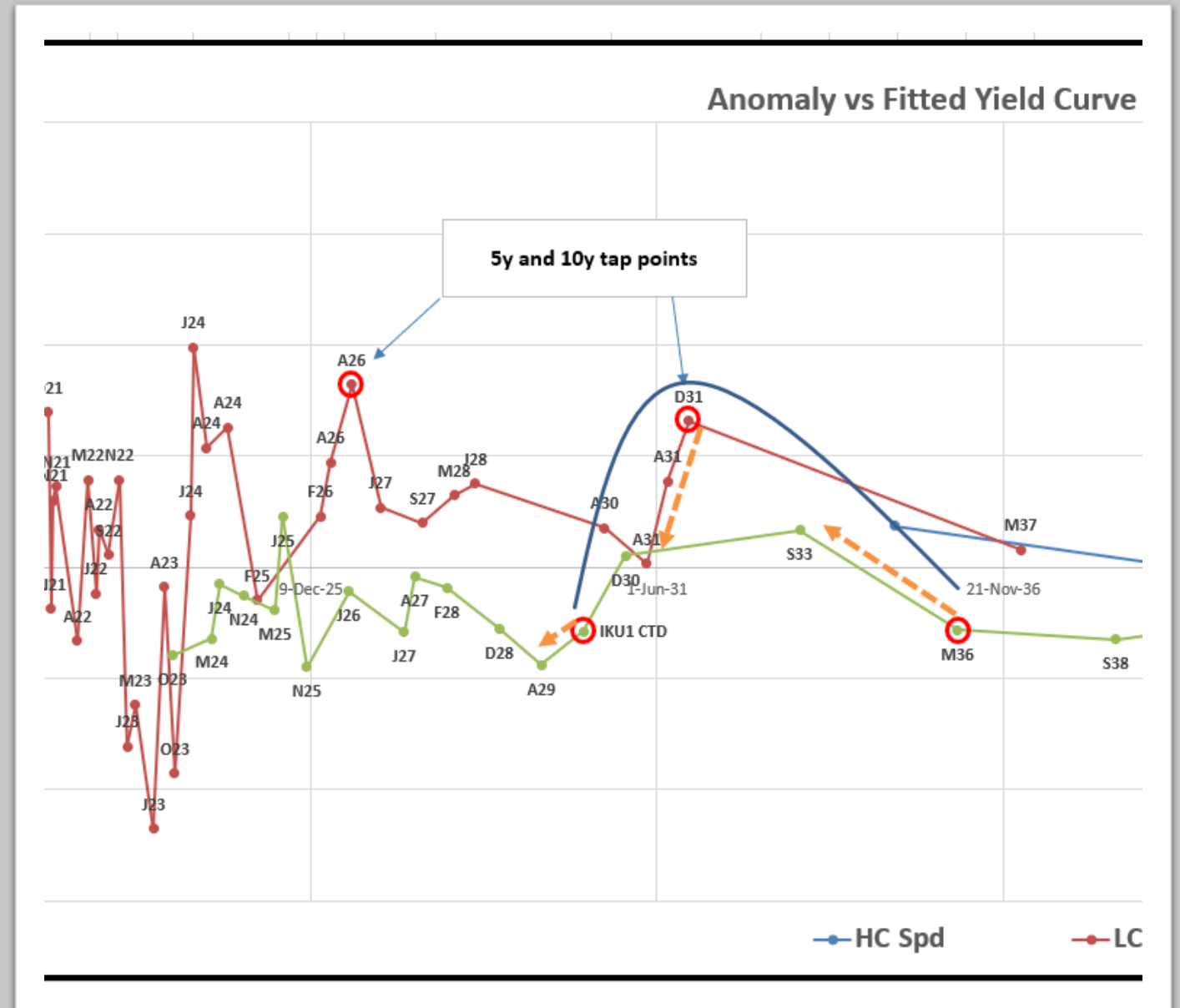


Trade Radar

Trades & Fades from
James & Will, Astor Ridge
Week of 23rd August

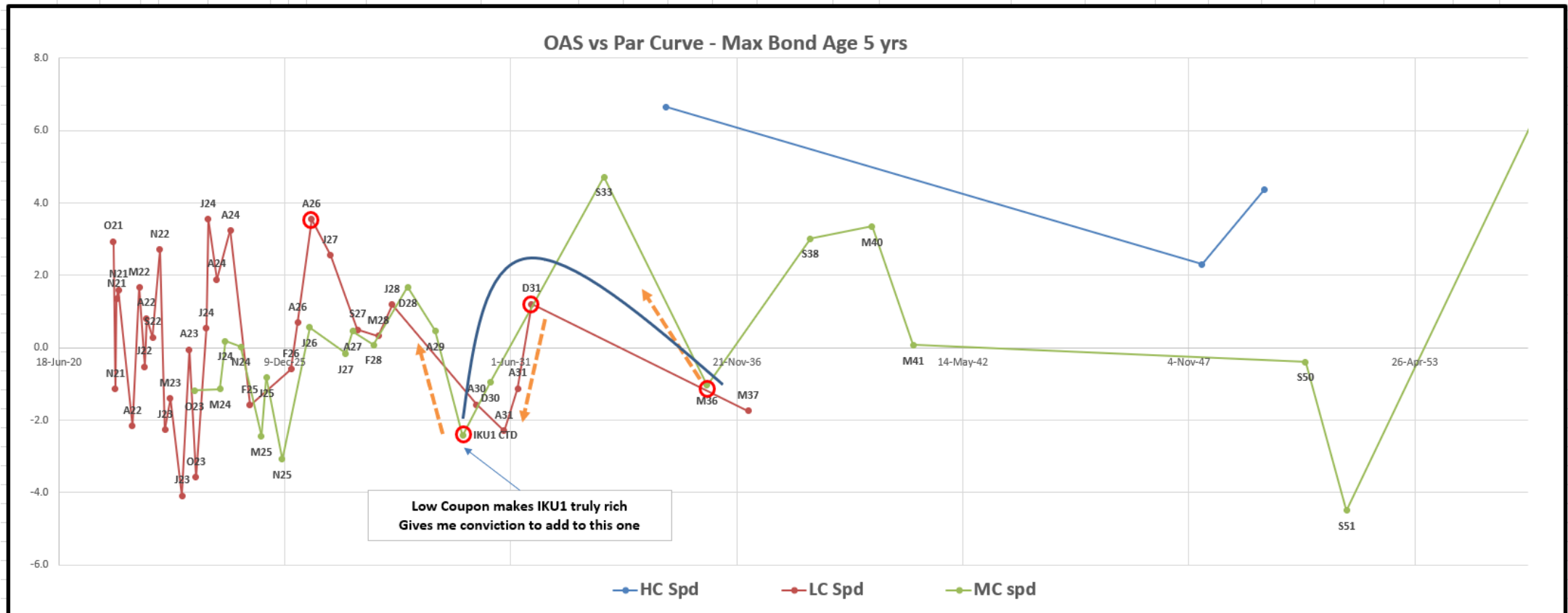
Italy to resume supply with month end tap of 5y and 10y

- On the runs are generally trading cheap on the curve, we see this as a good time to buy the 10y
- Also the IKU1 CTD drops out into the 8y sector and may lose premium
- The old 15y March36 surfs cheaper and looks a great short to balance the trade to take out curve risk



When we value vs OAS we can see that the IKU1 is more expensive than appears under yield analysis

- We want to be able to add to this one, over and after the roll – the drop-out set up feels good if CTA's are all long IK risk for convergence / risk-on and a cheapening on drop out



Trade Graph: -ik
/ +dec31 / -
Mar36
Source:
Bloomberg

Weightings: -1.9 / +2 / -0.1



Trade: Buy
Dec31 vs
IKU1 &
Mar36

Cix: $(+2.0 * \text{yield}[\text{BTPS } 0.95 \text{ 12/01/31 Govt}] - 1.9 * \text{yield}[\text{BTPS } 1.35 \text{ 04/01/30 Govt}] - 0.1 * \text{yield}[\text{BTPS } 1.45 \text{ 03/01/36 Govt}]) * 100$

Weightings: -1.9 / +2 / -0.1

Carry: Flat @-5bp repo spread (3m)

Roll: -0.2bp /3mo (smooth curve roll, no anomaly)

Stats: r2 0.99 (explains of belly via wings, yld changes 53 days of data)

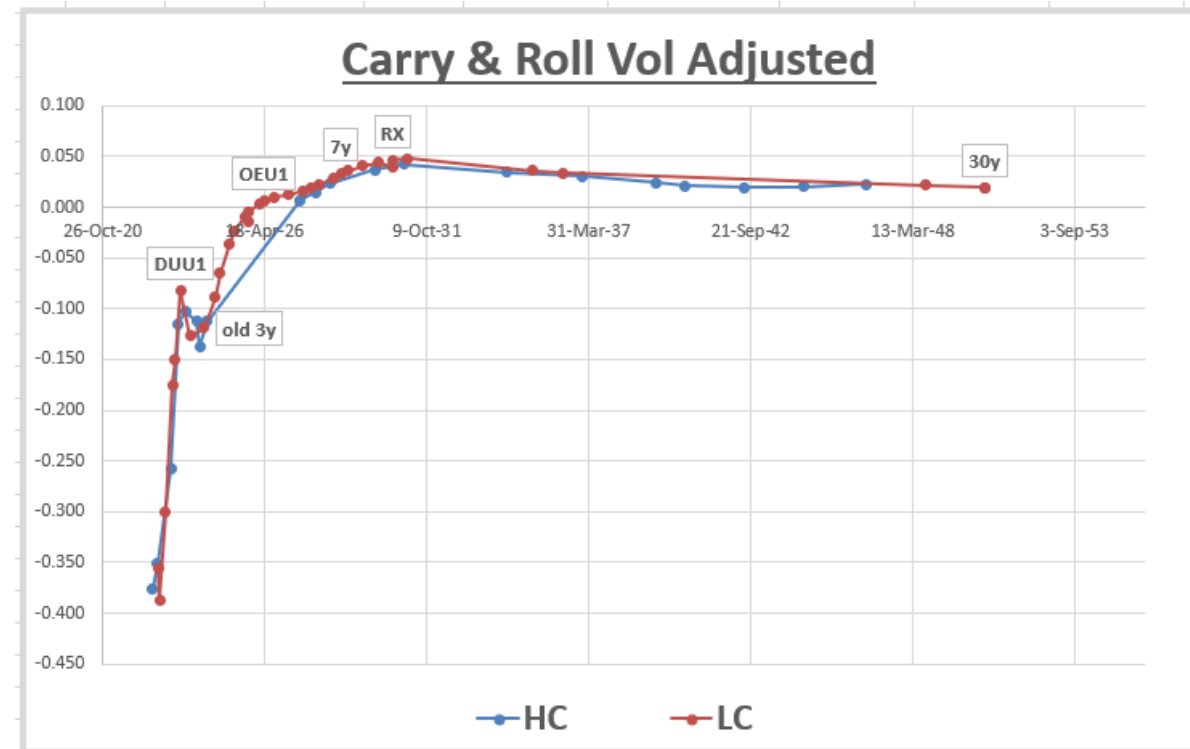
Annualised vol of changes: 0.84bp

Risk Metric: 2.7bp (vol * 3.2, approximates 5th worst day over 2 yrs)

Germany taps the 7y 0%
2028 on Tuesday 24th
August

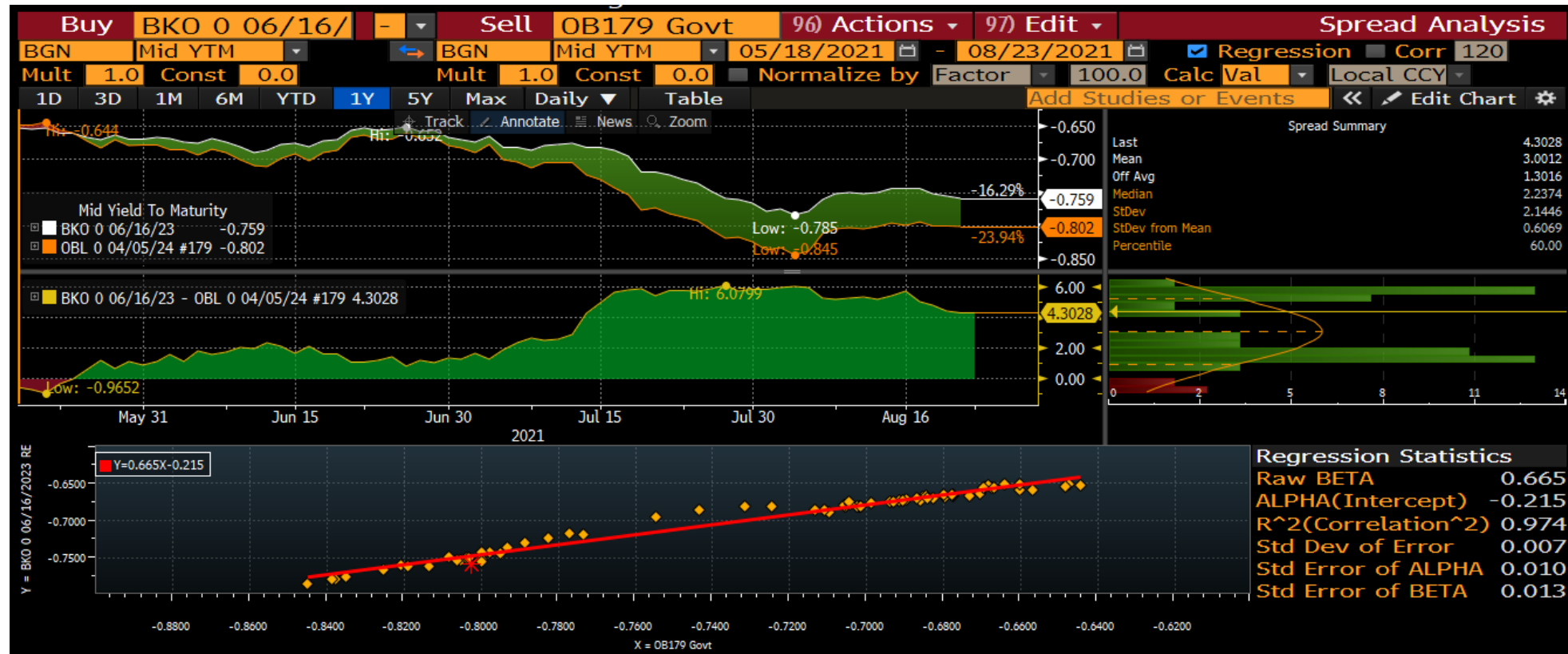
- From Carry & Roll (vol adjusted) the short end has run out of steam
- From a location point of view the old 3y into 2y looks good and bucks the trend of flatteners without loss of carry and roll

- Next taps for Germany are
- 7y tap Nov28 , 24th Aug
- 5y tap, Oct26, 1st Sep
- 10y New Green Aug31, 8th Sep
- 2y Tap Sep21, 5th Sep



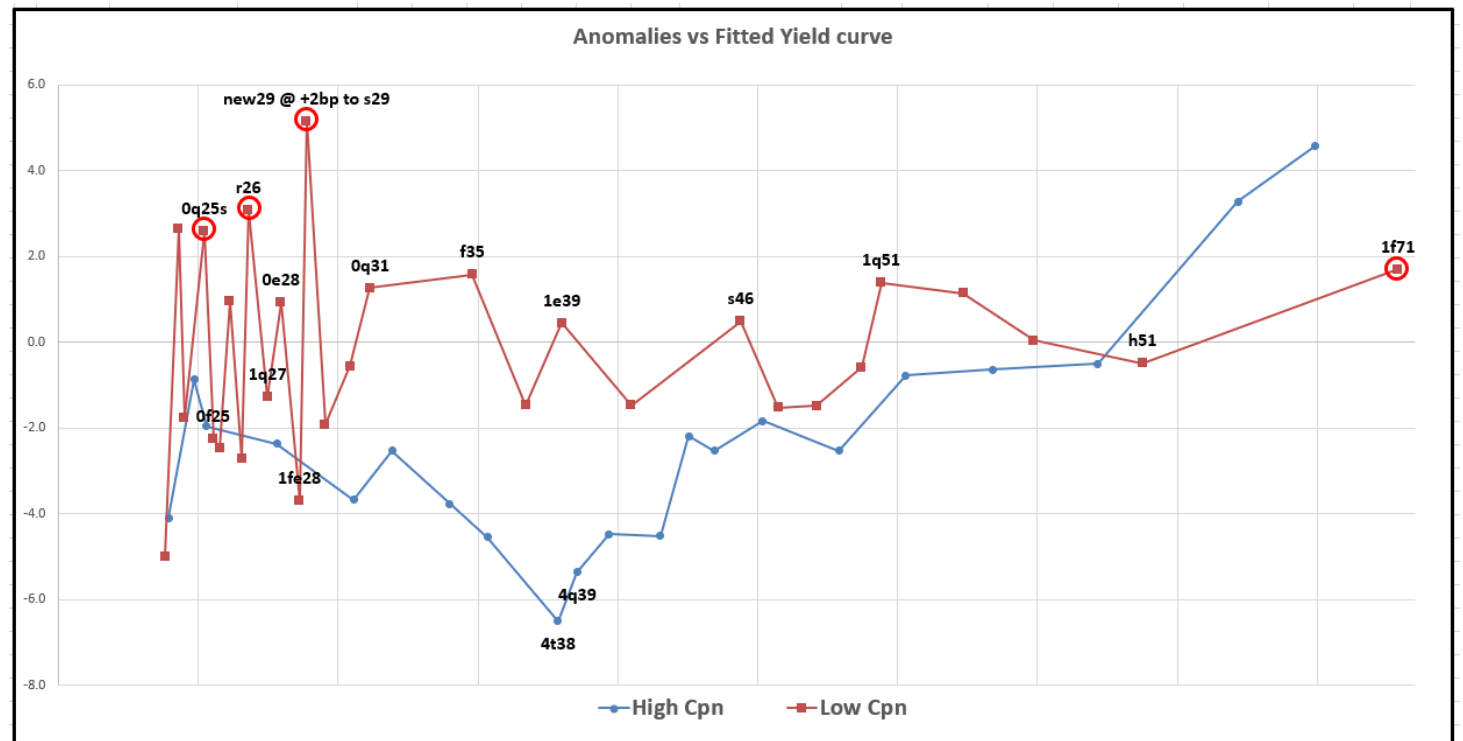
Trade Sell Old 3y Germany vs Schatze
 contract: 1:1
 +4.3bp mid

Trade Graph:
 -obl179 (apr24) / +BKO Jun23 (DUU1 CTD)



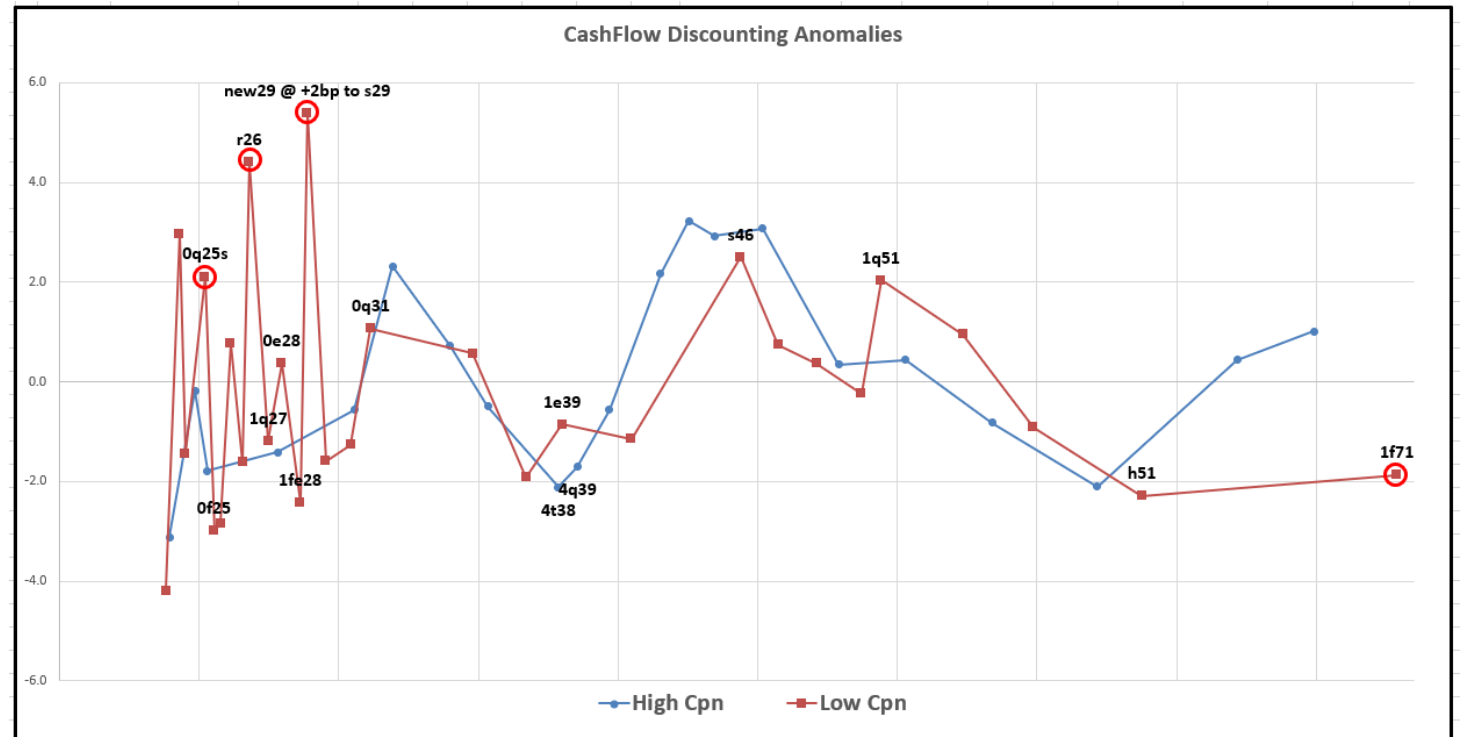
UKT Curve fitting – simple method - yield curve anomalies

- Highlighted are the next 4 issues
 - 0.375% 26
 - XXX% jan29 +2bp vs s29 (indic.)
 - 0.25% 25
 - 1.625% 71

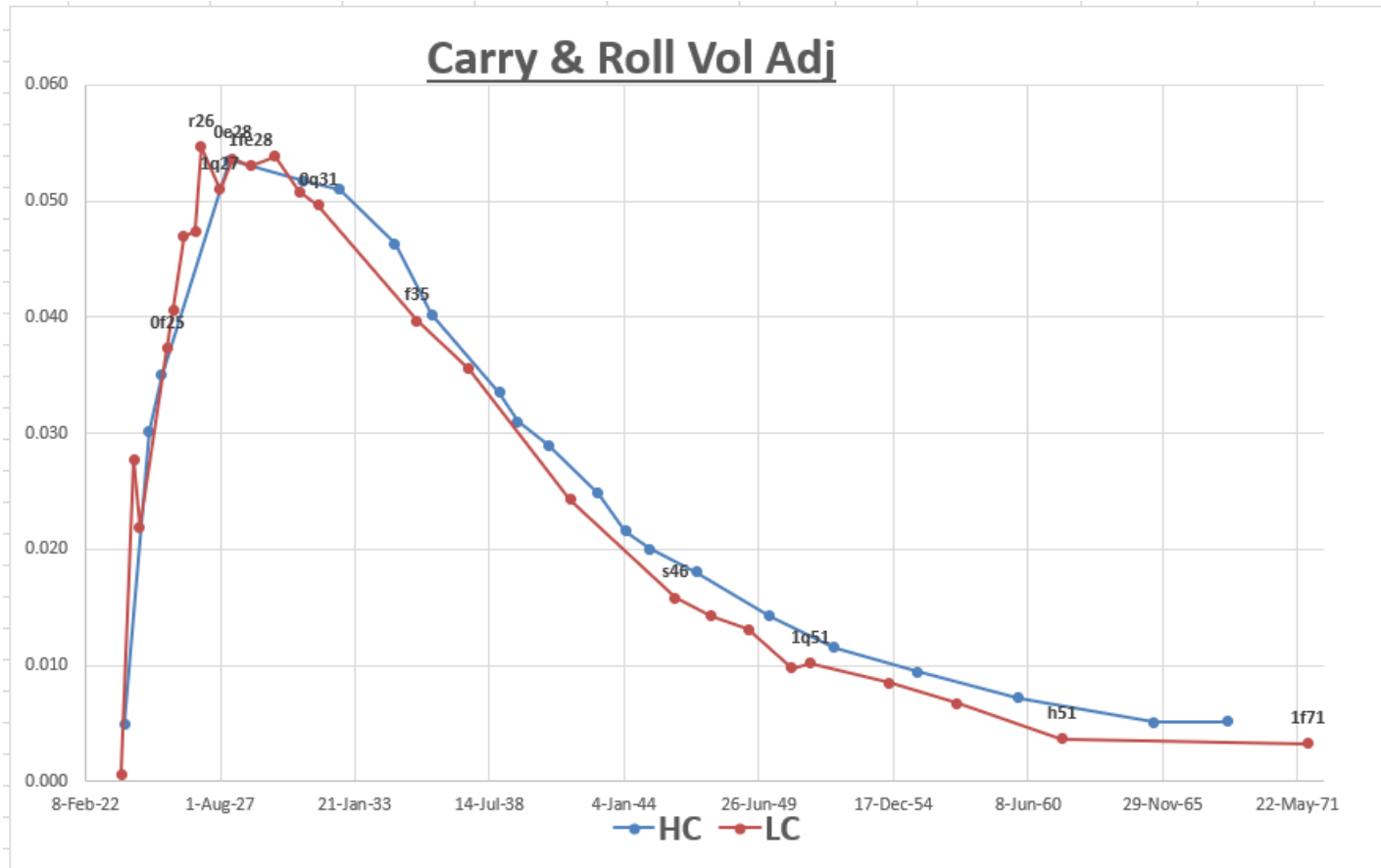


UKT Curve fitting – cash-flow discounting – yield curve anomalies

- Highlighted are the next 4 issues
 - 0.375% 26
 - XXX% jan29 +2bp vs s29
 - 0.25% 25
 - 1.625% 71



* Correctly Discounting each cashflow to a smooth Zero curve gives a much better explanation of UKT Bond Value – partic. the H/L coupon differential



UKT
Vol/Var adjusted
Carry and Roll

bp per 3m/annualised
vol

- Top of the curve in Carry and Roll (vol adjusted) is the 5y -8y segment

The new 29s not shown here
but will look cheap

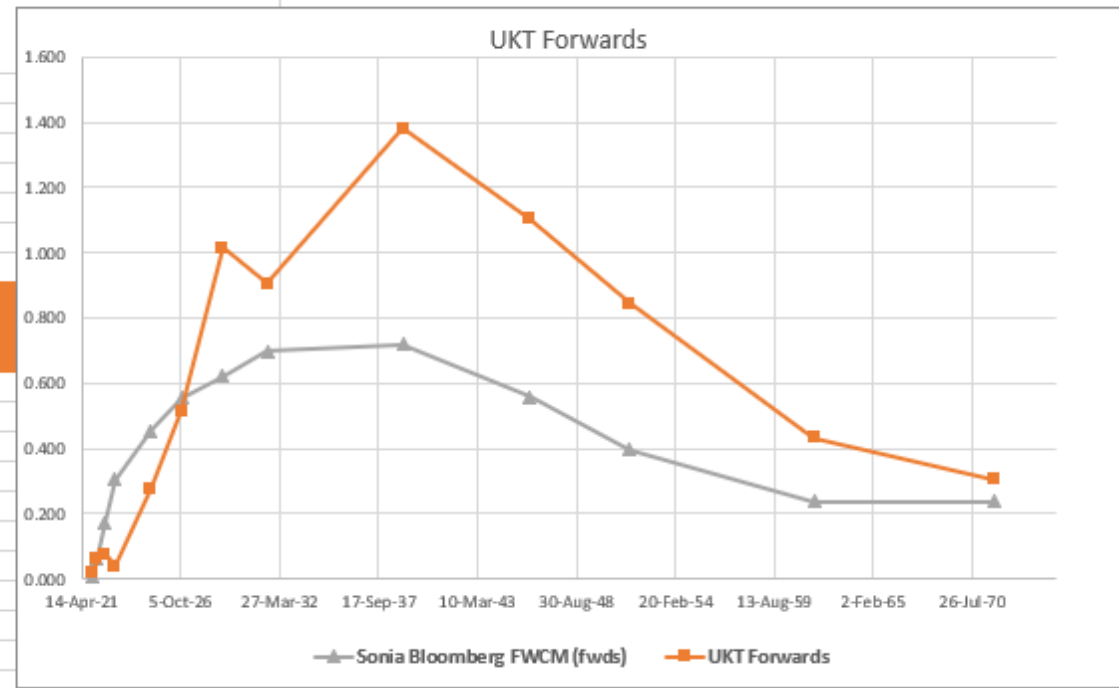
UKT Forwards Rates

– avoiding rich buyback issues

Makes the forwards of the fly:

+new29 -31s +39s look interesting and inconsistent with the shape of the Sonia curve and the rest of the Bond curve

Bond benchmarks	Yield	shift (bp)	used yield	Fwd vs Prior Bond	Sonia Bloomberg FWCM (fws)	spread fwd bond - Sonia
UKTB 0 09/13/21	-0.009	0	-0.009			
UKTB 0 11/15/21	0.011	0	0.011	0.017	0.008	0.009
UKTB 0 02/14/22	0.037	0	0.037	0.061	0.063	-0.002
UKT 0.5 07/22/22	0.056	0	0.056	0.077	0.173	-0.096
UKT 0.125 01/31/23	0.093	0	0.093	0.038	0.305	-0.266
UKT 0.25 01/31/25	0.200	0	0.200	0.277	0.453	-0.175
UKT 0.375 10/22/26	0.304	0	0.304	0.514	0.554	-0.040
UKT 0.7 01/31/29	0.517	0	0.517	1.014	0.621	0.393
UKT 0.25 07/31/31	0.614	0	0.614	0.907	0.697	0.209
UKT 1.125 01/31/39	0.925	0	0.925	1.380	0.718	0.662
UKT 0.875 01/31/46	0.972	0	0.972	1.103	0.558	0.544
UKT 1.25 07/31/51	0.952	0	0.952	0.845	0.395	0.450
UKT 0.5 10/22/61	0.830	0	0.830	0.434	0.237	0.197
UKT 1.625 10/22/71	0.752	0	0.752	0.305	0.237	0.067
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A





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