

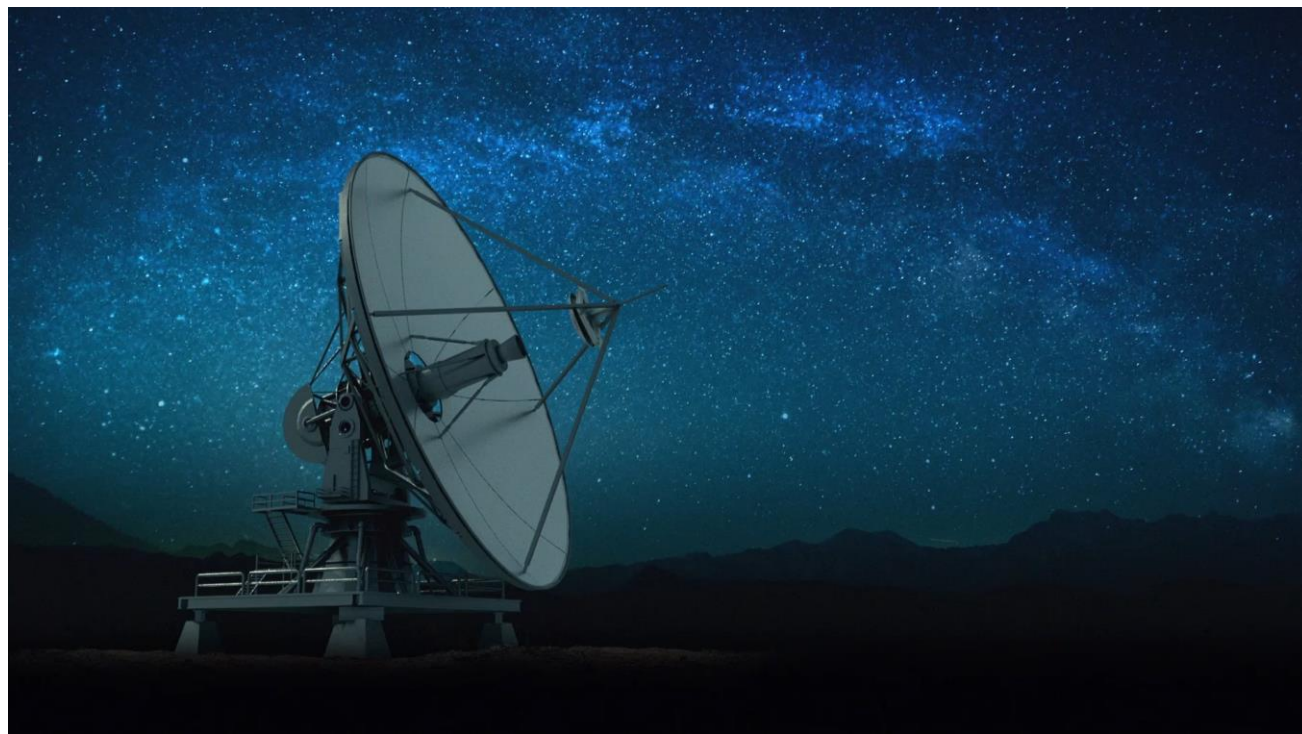


# Trade Radar

Trades & Fades

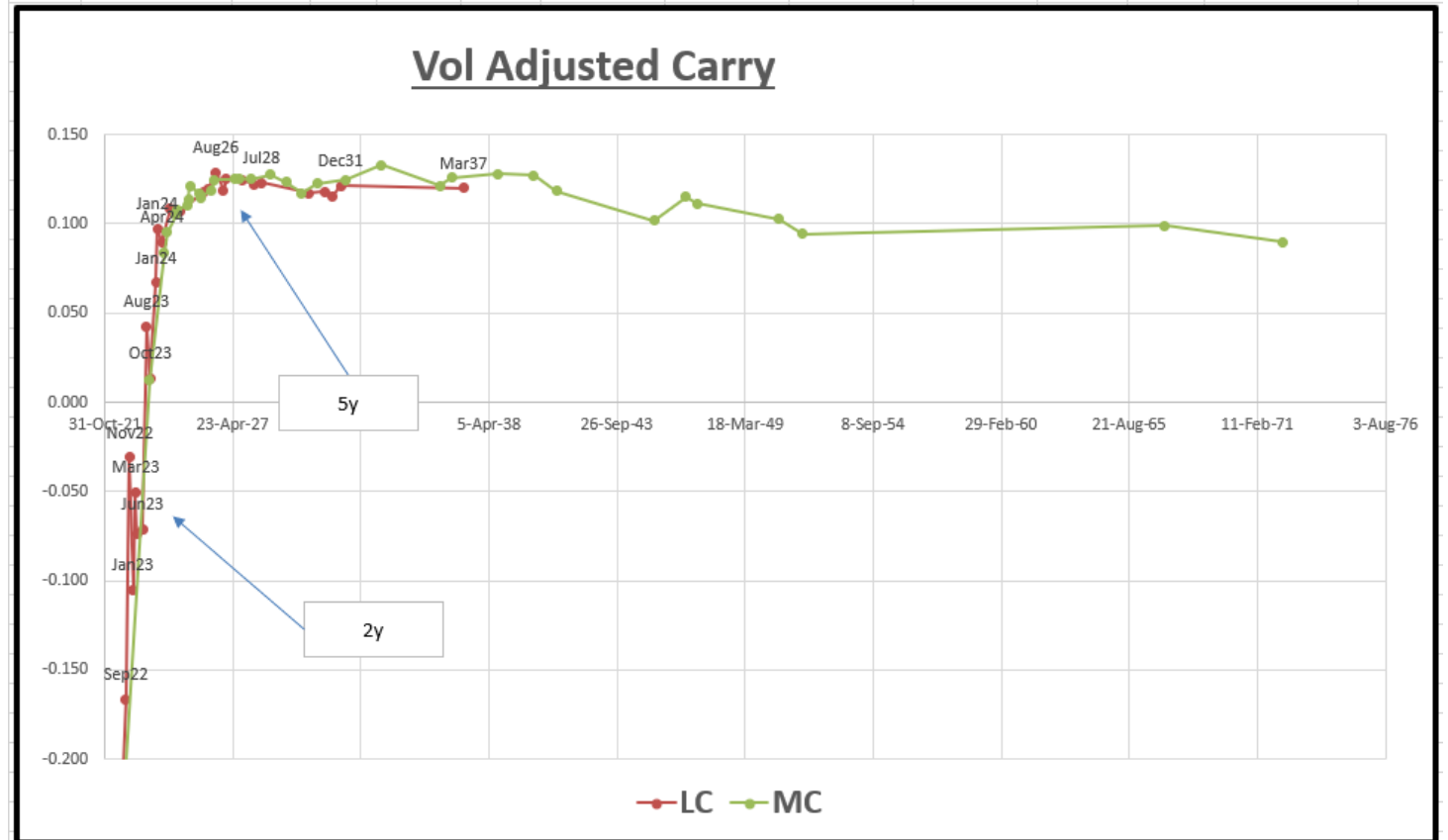
James & Will, Astor Ridge

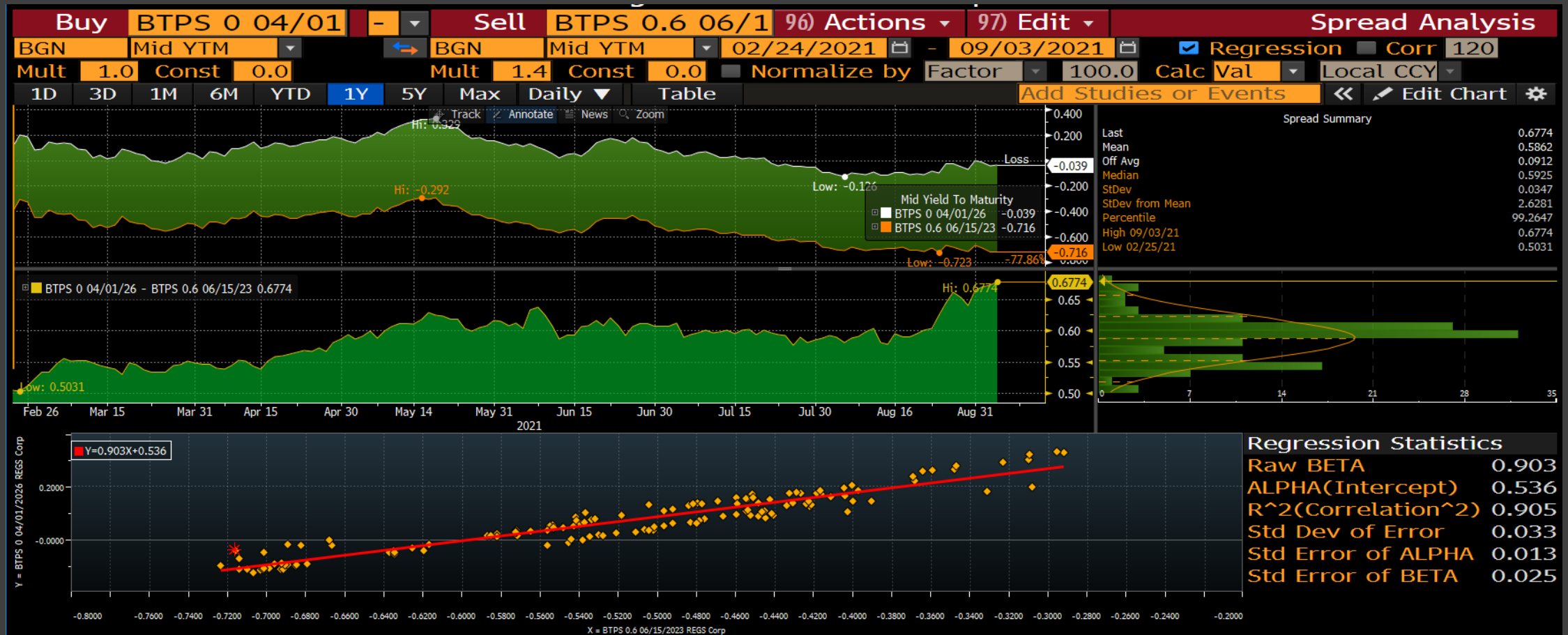
3<sup>rd</sup> September



# Italy: Regression flatteners 2s5s

- Looking at vol adjusted carry as a representation of expected return & 'how the market trades' – the recent sell off favours flatteners in 2s5s



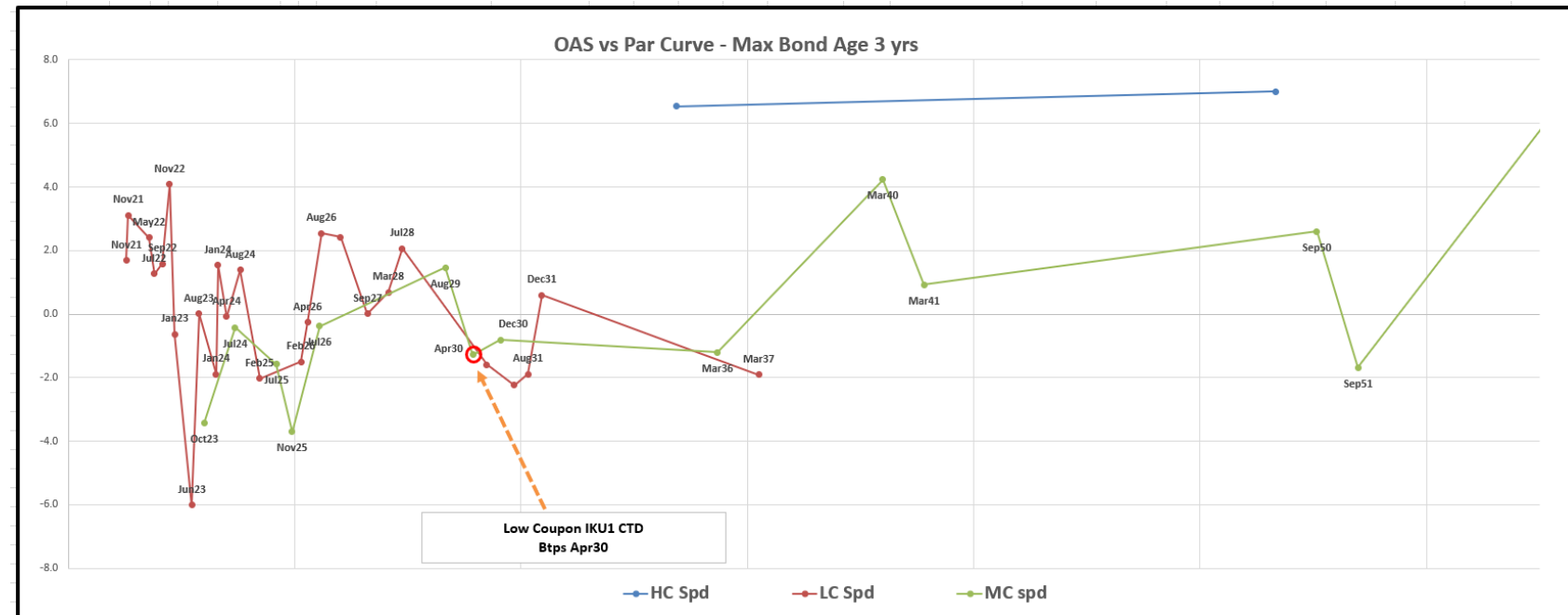
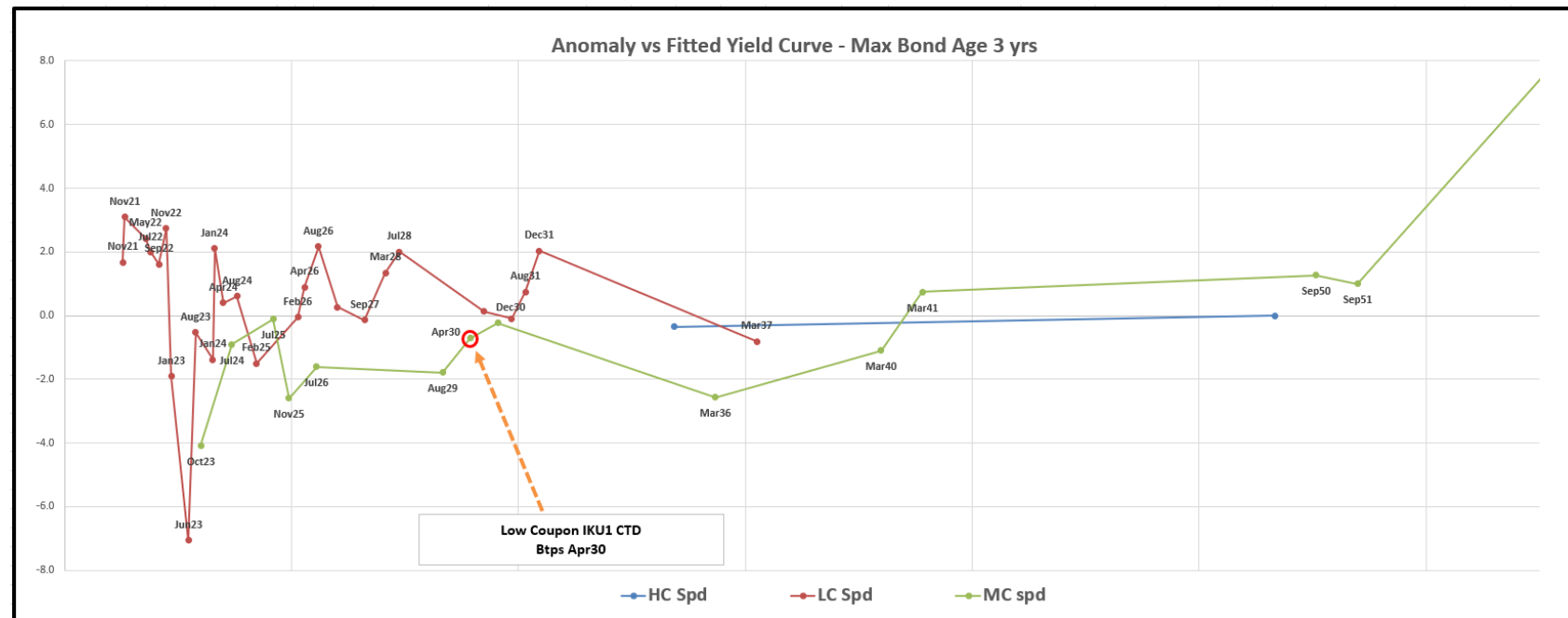


Trade: Sell Btps  
0.6% LC Oct23 / Buy  
Btps 0% Apr 26

- Regression weighted ->  
Trade makes sense, has good location
- Carry: +1.2bp, @-5bp repo spread, reg weighted

IKU1 Btps drop  
out trade:  
+jul28 / -apr30 /  
+dec30

- Consider the two graphs...
- Why do all the Low coupons appear rich in the top graph and why does Apr30 appear 'fair'?
- Because they're are not! – when we value cashflows vs a smooth zero curve (rather than the inadequate metric of yield) – we see the Btps anomalies as better explained – many persistent anomalies are now explained



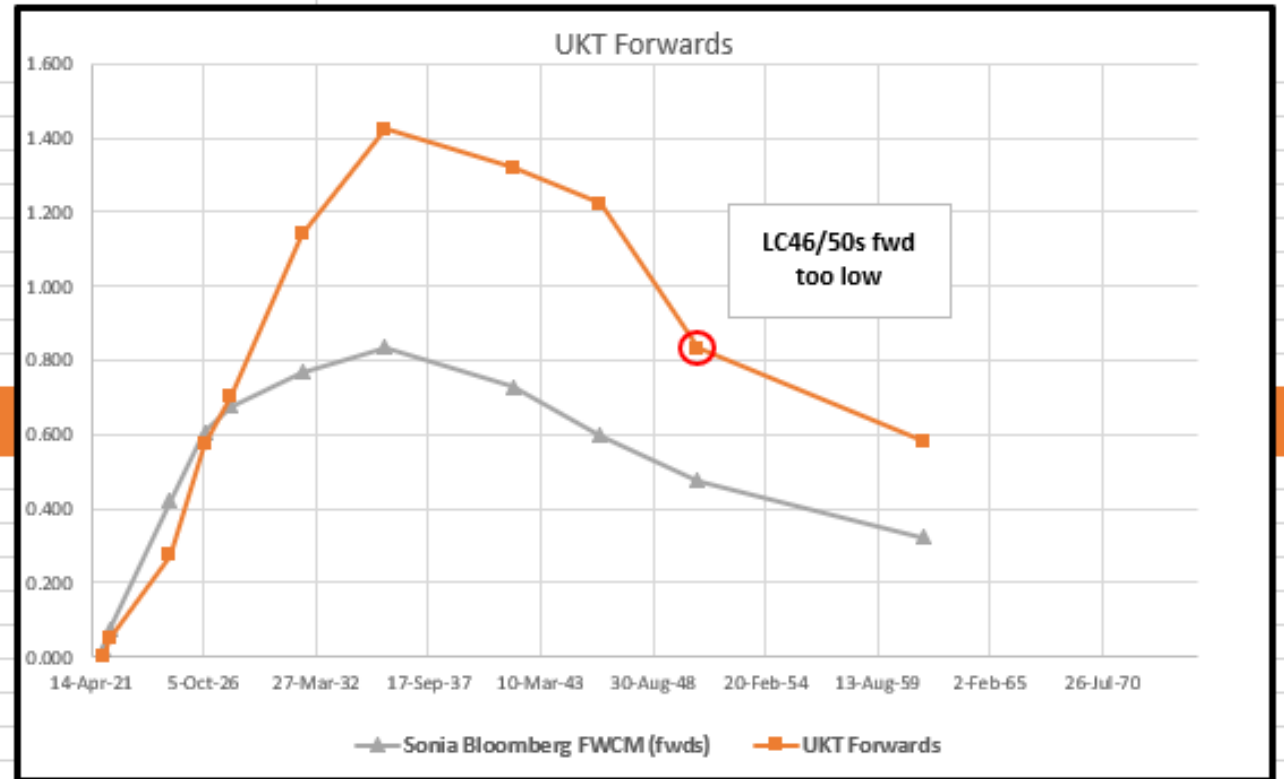
# Trade: IKU1 vs jul28 and IKZ1

- $(+2.0 * \text{YIELD}[\text{BTPS } 1.35 \text{ 04/01/30 Corp}] - 0.5 * \text{YIELD}[\text{BTPS } 0.5 \text{ 07/15/28 Corp}] - 1.5 * \text{YIELD}[\text{BTPS } 0.95 \text{ 12/01/31 Corp}]) * 100$

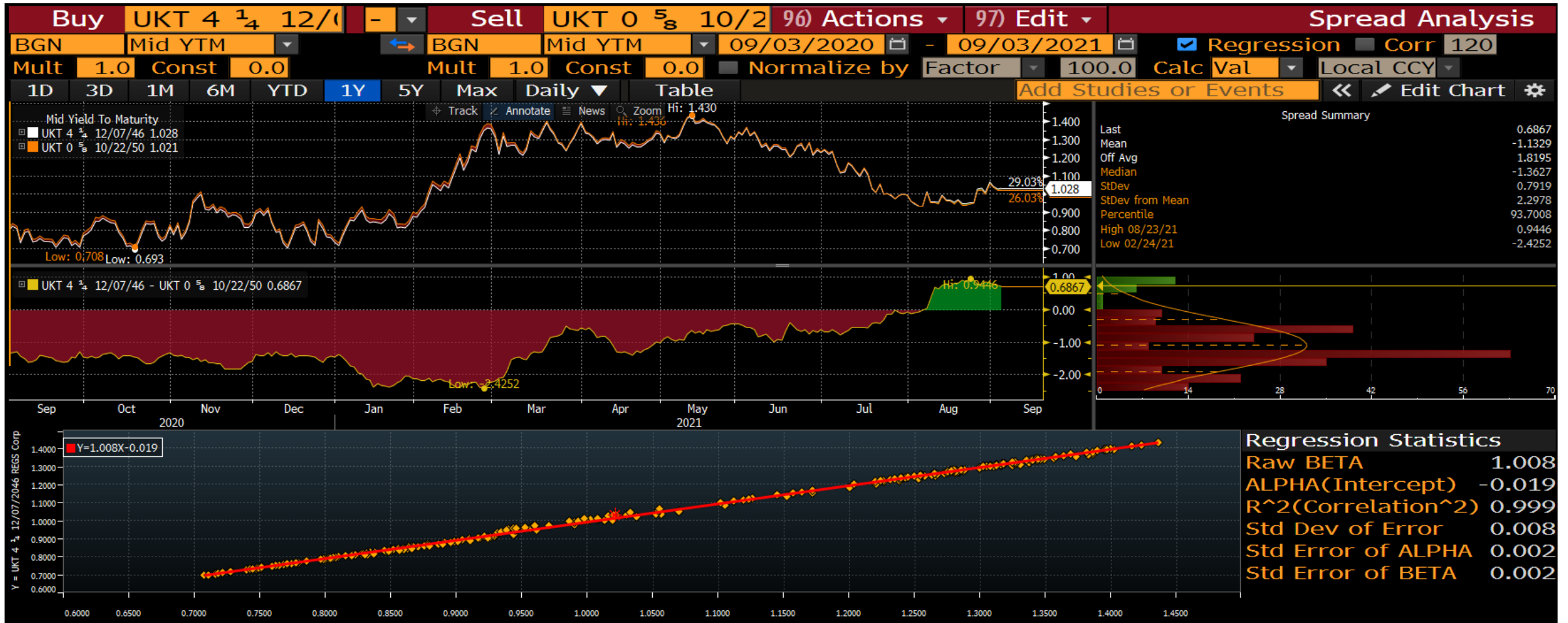


UKT steepener – Generally the curve is too inverted for how it has been trading (on regression) – and shortening is pickup carry. Using lower coupon bonds we can see the best forward to pay is 46s50s (25y4y)

Bond benchmarks	Yield	shift (bp)	used yield	Fwd vs Prior Bond	Sonia Bloomberg FWCM (fws)	spread fwd bond - Sonia
UKTB 0 09/27/21	0.008	0	0.008			
UKTB 0 11/29/21	0.004	0	0.004	0.002	0.021	-0.019
UKTB 0 02/28/22	0.026	0	0.026	0.047	0.072	-0.025
UKT 0.25 01/31/25	0.238	0	0.238	0.273	0.421	-0.148
UKT 0.375 10/22/26	0.349	0	0.349	0.573	0.606	-0.033
UKT 0.125 01/31/28	0.419	0	0.419	0.705	0.676	0.029
UKT 0.25 07/31/31	0.671	0	0.671	1.139	0.767	0.373
UKT 0.625 07/31/35	0.880	0	0.880	1.423	0.836	0.586
UKT 1.25 10/22/41	1.004	0	1.004	1.319	0.728	0.590
UKT 0.875 01/31/46	1.039	0	1.039	1.223	0.598	0.624
UKT 0.625 10/22/50	1.008	0	1.008	0.831	0.474	0.358
UKT 0.5 10/22/61	0.900	0	0.900	0.583	0.323	0.259
#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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#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A



Sell Ukt 50 to buy Ukt High Coupon Dec46: +0.5bp. Carry +0.4bp/3mo  
 @-5bp repo sprd  
 2071 tap on Tuesday 7<sup>th</sup> Sep makes us bearish longer dated forwards



New  
German  
30y offers  
genuine  
Value

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Sell Dbr 50 to Buy Dbr 52 : @ +3.25bp

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New 52s, albeit to be tapped has a known schedule and is inside the PEPP window

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Vs Fitted curve looks cheap

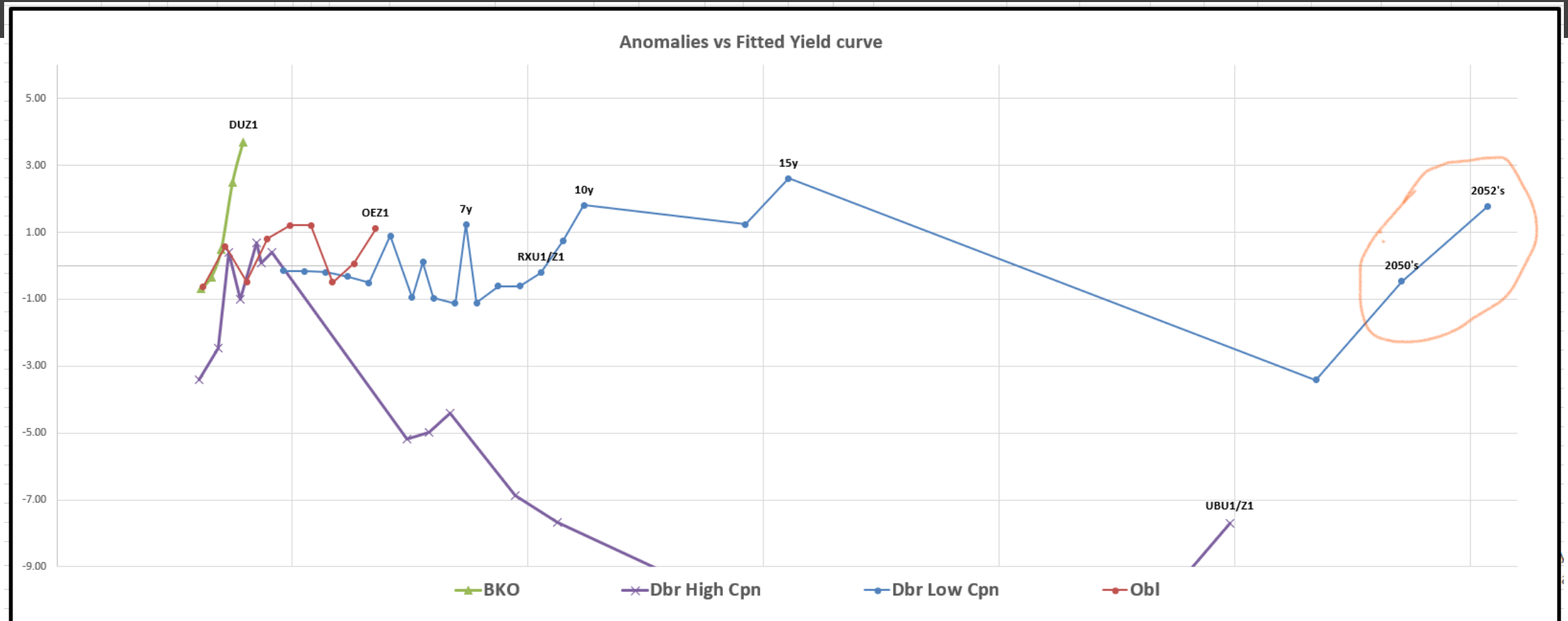
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Assuming similar vol to the 50s we get a pickup in convexity



# German Curve Anomalies: Rich/Cheap

- We've gone for selling the 2050's as the 2048's have a higher coupon and are costly to short



# On the Radar: -3s +7s -15s in Spain

- One we're looking at – good location on a regression basis – Spain rich on the blend here so maybe additional short Is not a bad idea
- Need it a touch cheaper on duration neutral history
- +ve carry
- $(+2.0 * \text{yield}[\text{SPGB 0 01/31/28 Govt}] - 1.4 * \text{yield}[\text{SPGB 0.25 07/30/24 Govt}] - 1.0 * \text{yield}[\text{SPGB 0.85 07/30/37 Govt}]) * 100$



Spain -3s +7s  
-15s on  
duration  
neutral



- $(+2.0 * \text{YIELD}[\text{SPGB } 0 \text{ 01/31/28 Corp}] - 1.2 * \text{YIELD}[\text{SPGB } 0.25 \text{ 07/30/24 Corp}] - 0.8 * \text{YIELD}[\text{SPGB } 0.85 \text{ 07/30/37 Corp}]) * 100$



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