



Trade Radar

Trades & Fades

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25th Oct



- Market getting paid – longs took some pain but still believe in belly cheapening as rate hikes. After stoking the fires of inflation, expecting flattening in 5s10s

- Think that Credit curves should not out-flatten the moves in Swaps – looking for steepeners particularly peripherals where credit should still be an issue



What happened in UKT?...

Changes in UKT bonds and Sonia vs 75 day average

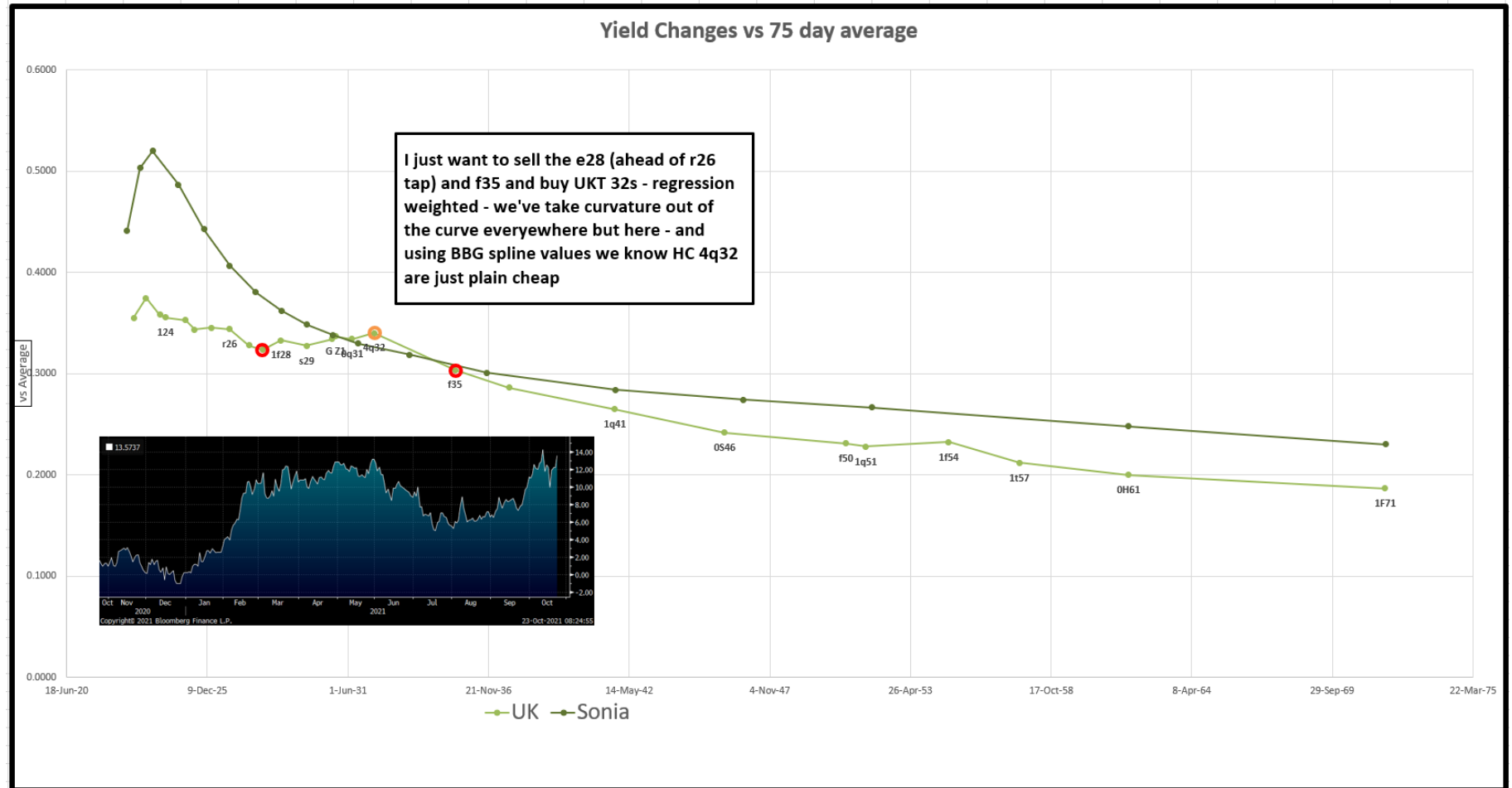
Buy UKT 32 vs

Sell UKT-e28 & -f35

-1 / +2 / -1

33% of risk at this entry level +13.5bp

Sharpe beats other RV structures @ > +16bp so that's my add level



Supply

- Monday 25th

EU 7y

– Late P.M. announcement of Thursday's M&L supply in Italy

- Tuesday 26th

Nether 10y

UKT 5y

Italy, 2y (Jan24)

Germany 7y

- Wednesday 27th

Germany 15y

- Thursday 28th

Italy M&L, TBA

- Following week:

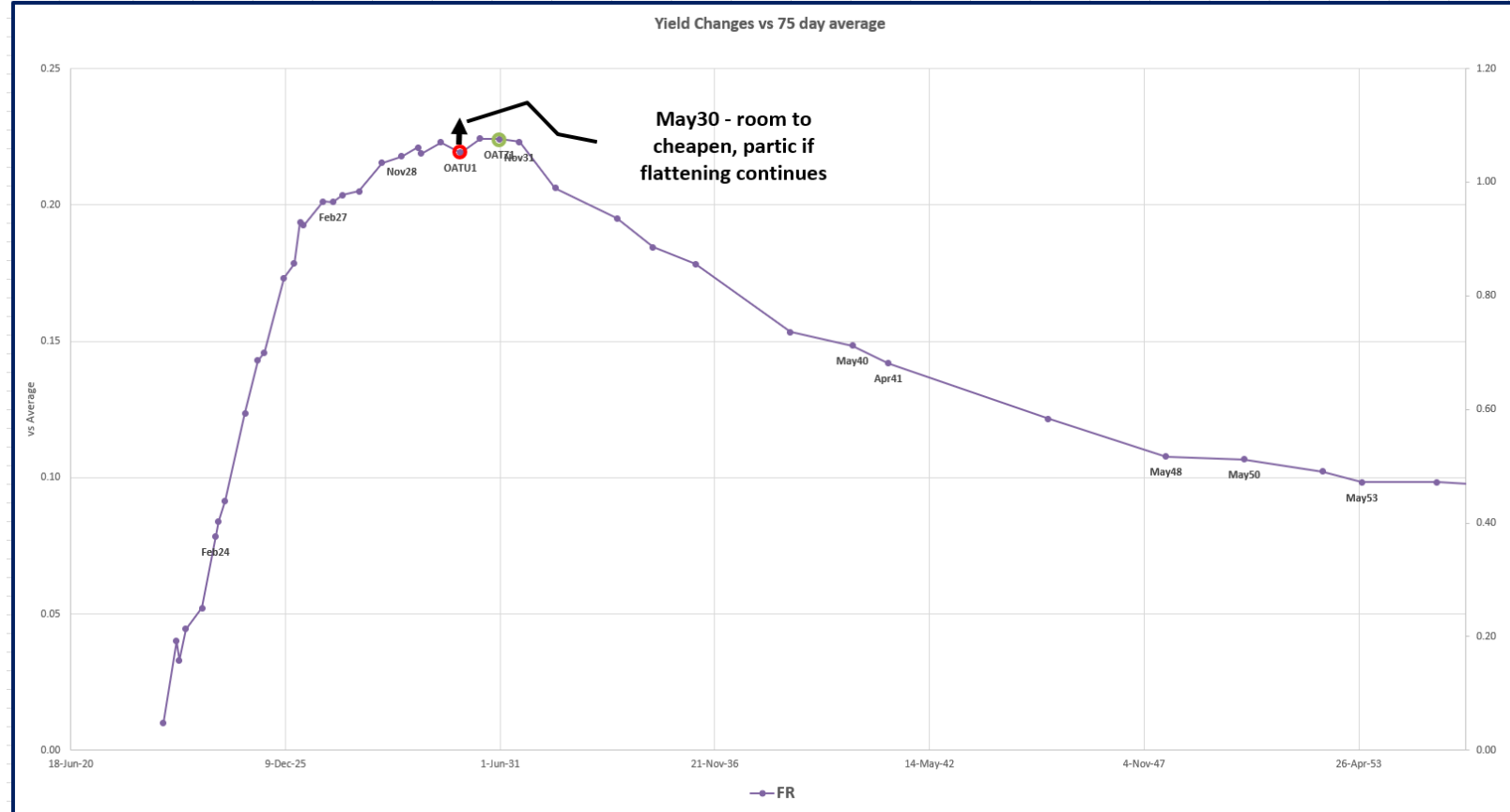
Austria TBA, Germany 5y, Spain and France (Longs) TBA

UKT: 0q25, 1f71, h29

French OATU1 basis: sell vs OATZ1

- We felt that CTD to OATU1, Frtr Oat 2.5% May30 could richen – it did and now looks a sell
- As the curve has flattened – the May30 hasn't flattened anywhere as much as the rest of the curve

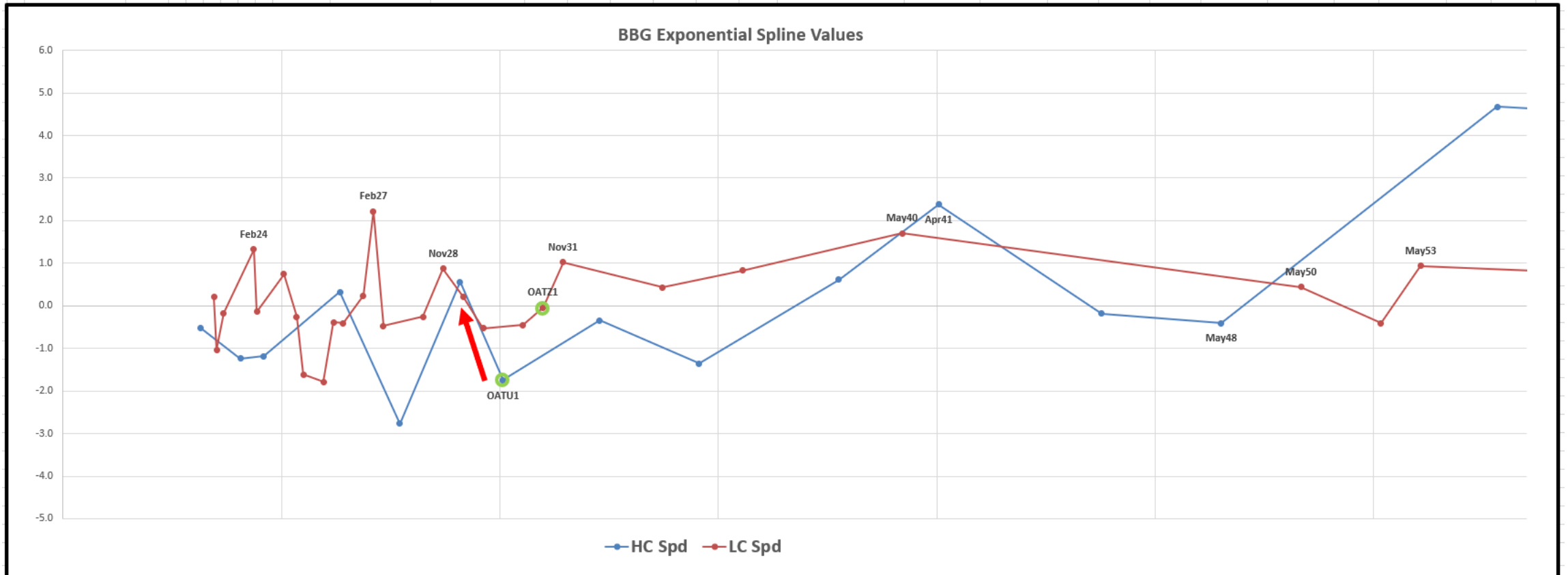
3m yield changes
vs 75 day Average



French OATU1 basis: sell vs OATZ1

- On spline the prior Apr29s have collapsed into the curve and Frtr May30 roll into that point

Rich / Cheap: BBG spline values



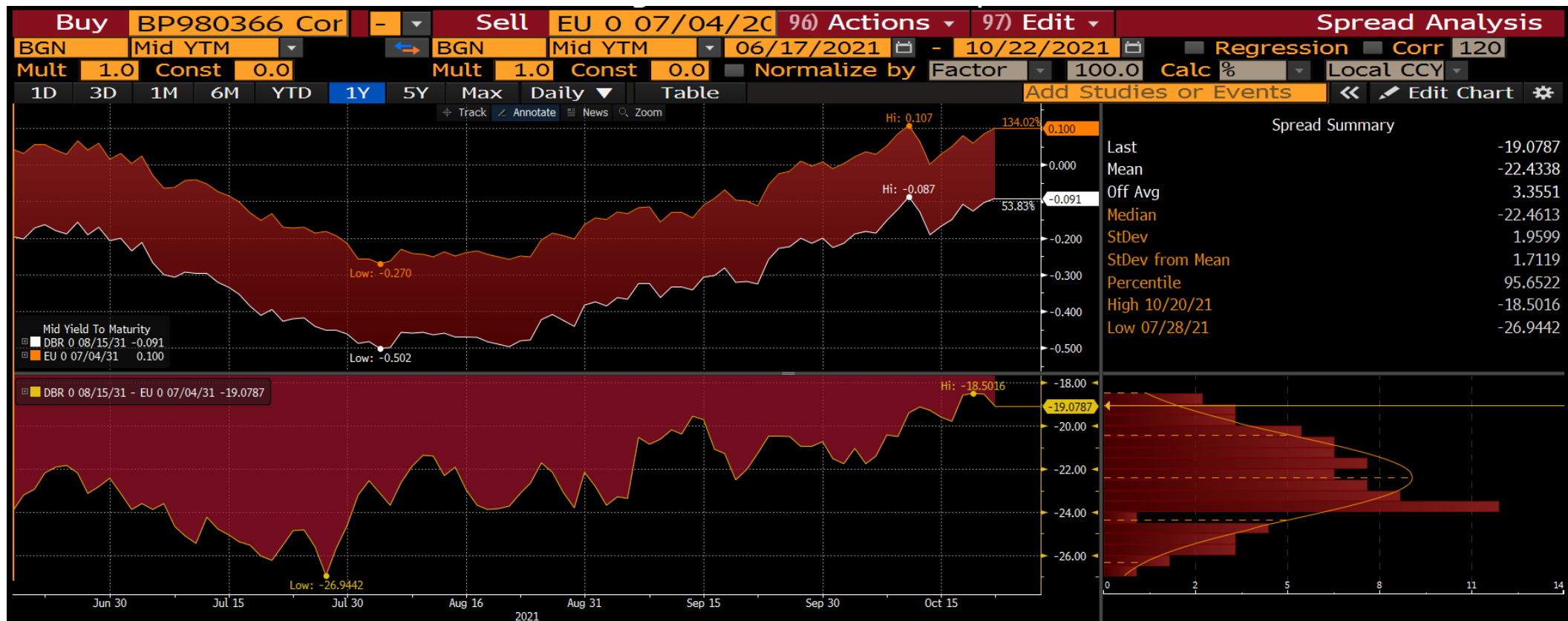
French Frtr May30
(OATU1 CTD) basis:
Sell May30 vs OATZ1

- Spread of Spreads vs MMS:
+5.9bp
- Target +3bp



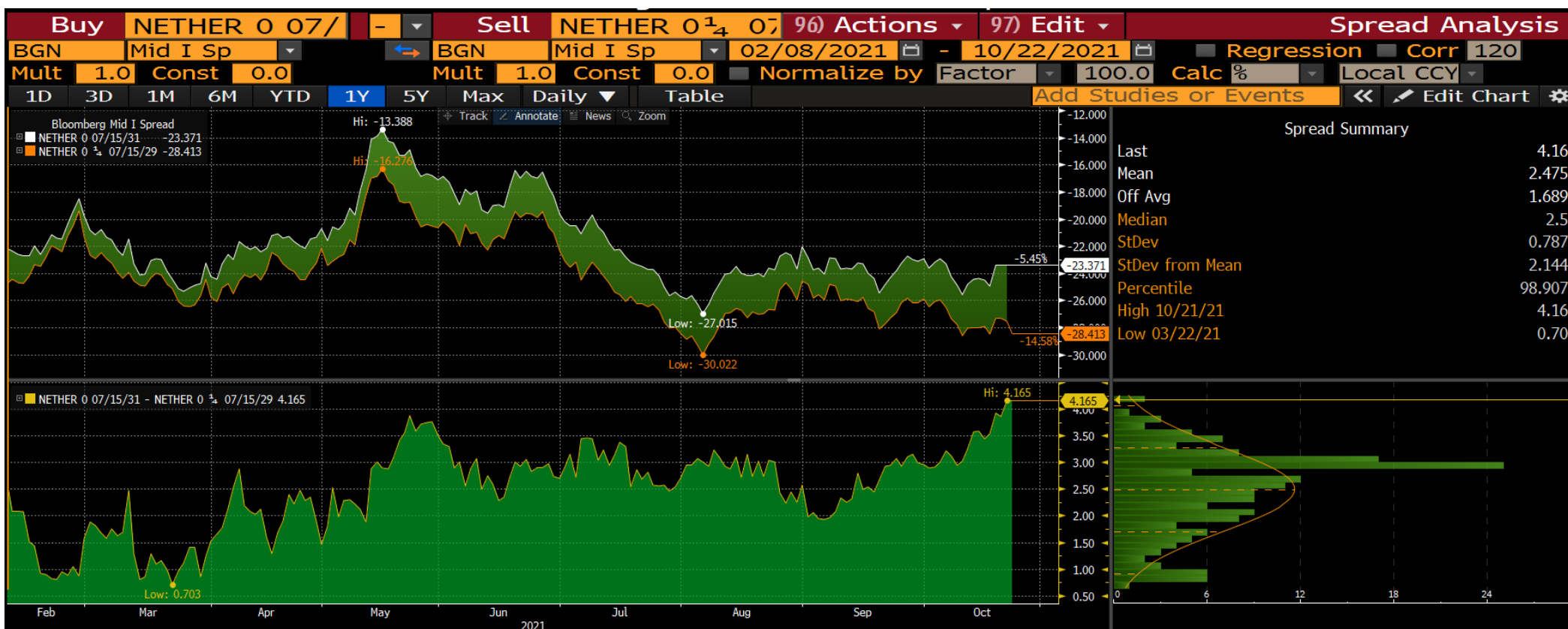
EU tap of 2028

- Not much to say – but EU has performed and out-flattened other issuers
- At the margin I'd sell some 10y EU 31s to go back German 10y – the latter was supplied this last week and has struggled to perform.
- -19.1bp



Nether 31s

- Generally Core Europe has started to flatten in a delayed response to the swap curve and the US – I still like that theme and also observe that the 10y point in Nether has been hit hardest.
- Sell Old8y (July 29) vs Nether 10s (July 31s) is pretty steep in absolute terms. Looks solid vs Swaps
- Probably the best pick in core Europe 7s10s flatteners with the exception of some micro Basis trades 8s/9s



Nether 31s as a credit...



- I don't mind Long Nether vs Germany – and conversely if I want to sell EU vs Core then...
- Buy Nether 31 vs Sell RXZ1 and Sell EU 31
- -RXZ1 / +Neth31 / -EU31
- Weighting: -1.8 / +2 / -0.2
- It's a modest weighting (10%) in the EU, just allows me to lighten up on that name a bit
- $(+2.0 * \text{YIELD}[\text{NETHER 0 07/15/31 Corp}] - 0.2 * \text{YIELD}[\text{EU 0 07/04/31 Corp}] - 1.8 * \text{YIELD}[\text{BJ948280 Corp}]) * 100$

German 7y: vs OEZ1 and Dbr Feb30

- German 7y supply sell OEZ1 & Dbr Feb30
- Quick tactical hedge. The Dbr Feb30 is rich former CTD now rich
- Weightings: -0.7 / +2 / -1.3
- Good on yield fly
- Neutral on swap fly so look for some discount going into the tap
- Enter: > +5bp



Yield



Vs MMS

German 10y: oversold vs 9y and 15y – supply in the latter

- The on the run 10y rolls far better than the 15y – so we don't mind being short old 15y vs 10y
- A fly structure helps us capture some of that roll..
- -Dbr Feb30 / +Dbr Aug31 / -Dbr May35
- -1.7 / +2 / -0.3
- Supply next week in 15y: Dbr May36
- Seems like vs the Derivative Curve 10yrs have found a bottom – I like both legs here vs Swaps



Yield

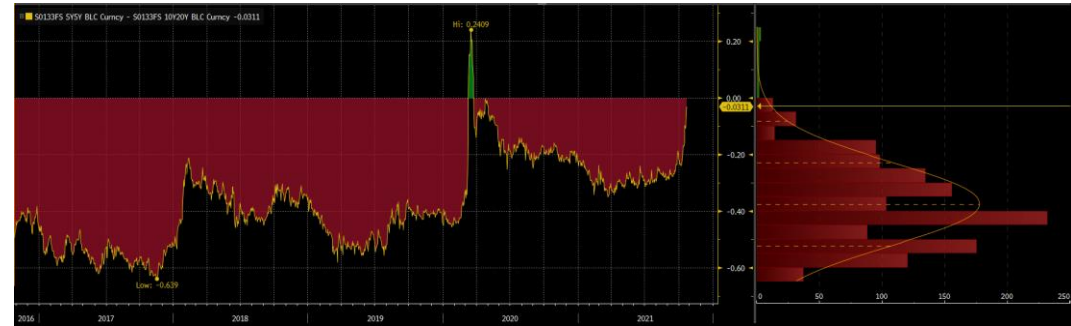


Vs MMS

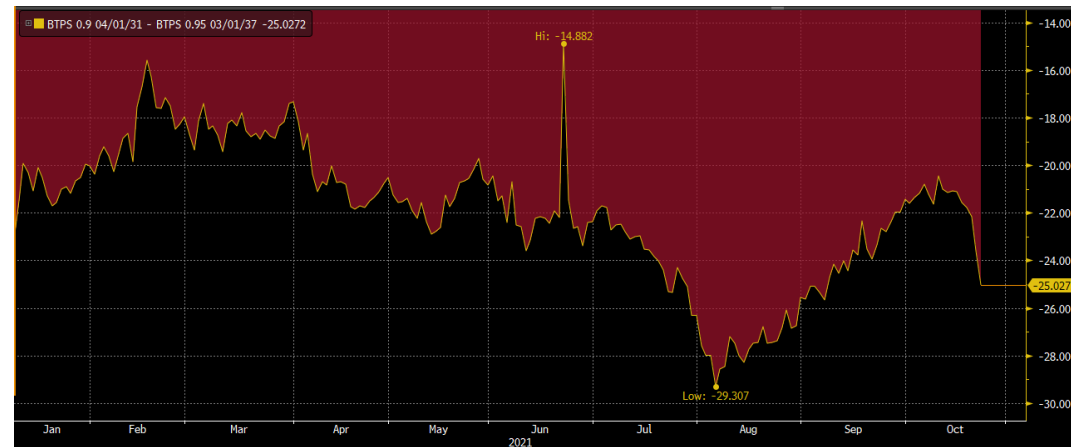
Also looking at...

- When is 10s30s too flat?

Eonia 5y5y vs 10y20y –



- Credit steepeners in Peripherals vs MMS: Italy +9y vs -15y... this graph keep swill keep going as we like credit steepener vs swaps



- Holland: -Nether 6y vs 10y, vs MMS Nether just didn't flatten



Also looking at...

- Ukt 0s46 / + 1q41 vs Sonia, cash steepeners ahead of ultras tap – more supply over time in 46s – like this steepener



- Deferred CTD too cheap in UKT: 32s will have repo value over its delivery events:
- Regression Weighted Fly UKT: -s29 / +4q32 / -f35 vs yield or swaps. -1.4 / +2 / -0.6 (how it trades)



Yield



Vs Sonia

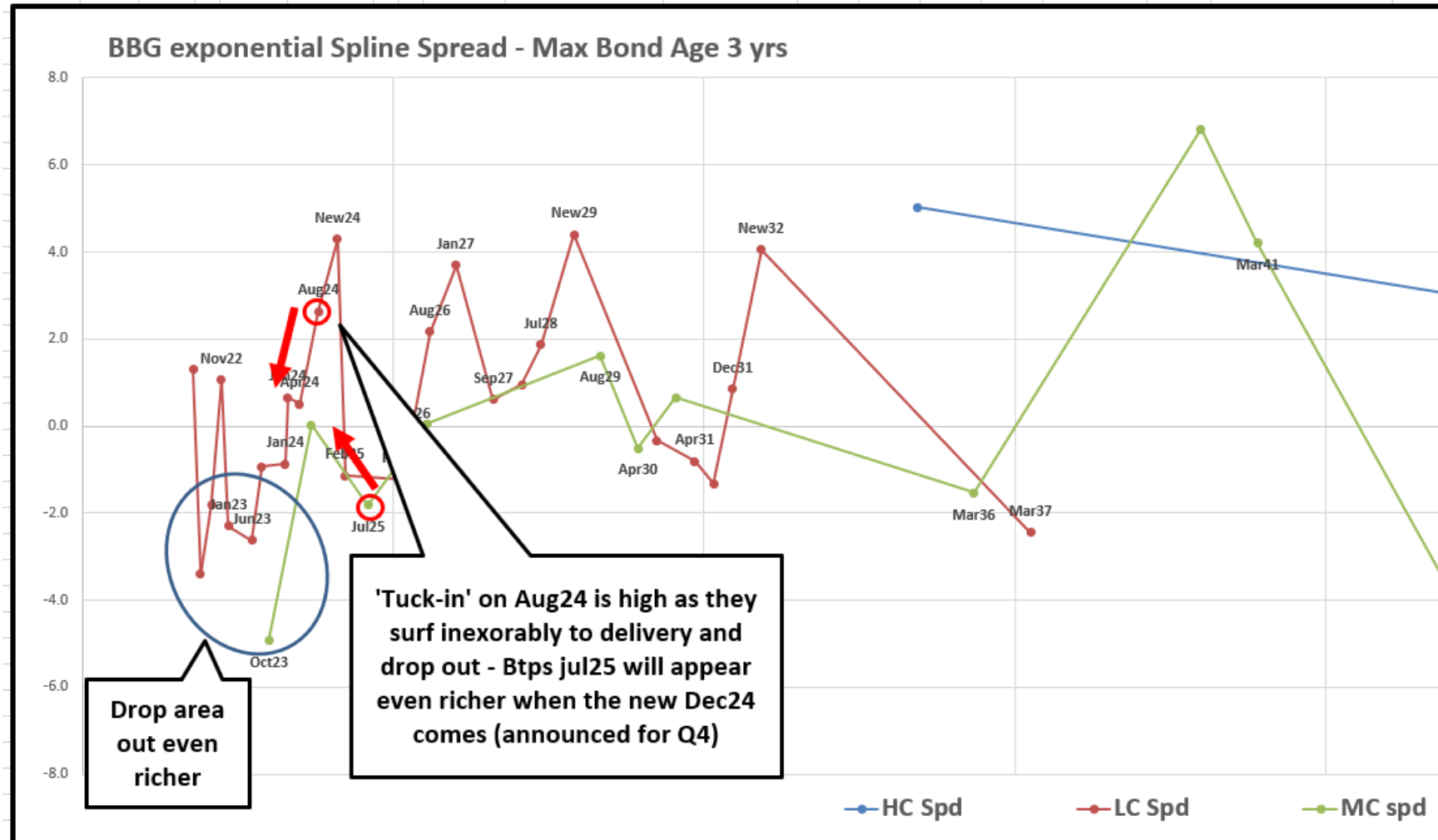
Credit Steepener in Btps: -Jul25 into +Aug24

- 3.8bp vs MMS



Credit Steepener in Btps: - Jul25 into +Aug24

Tuck in Values look good –
idiosyncratic roll for Aug24
vs jul25 is good...





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