

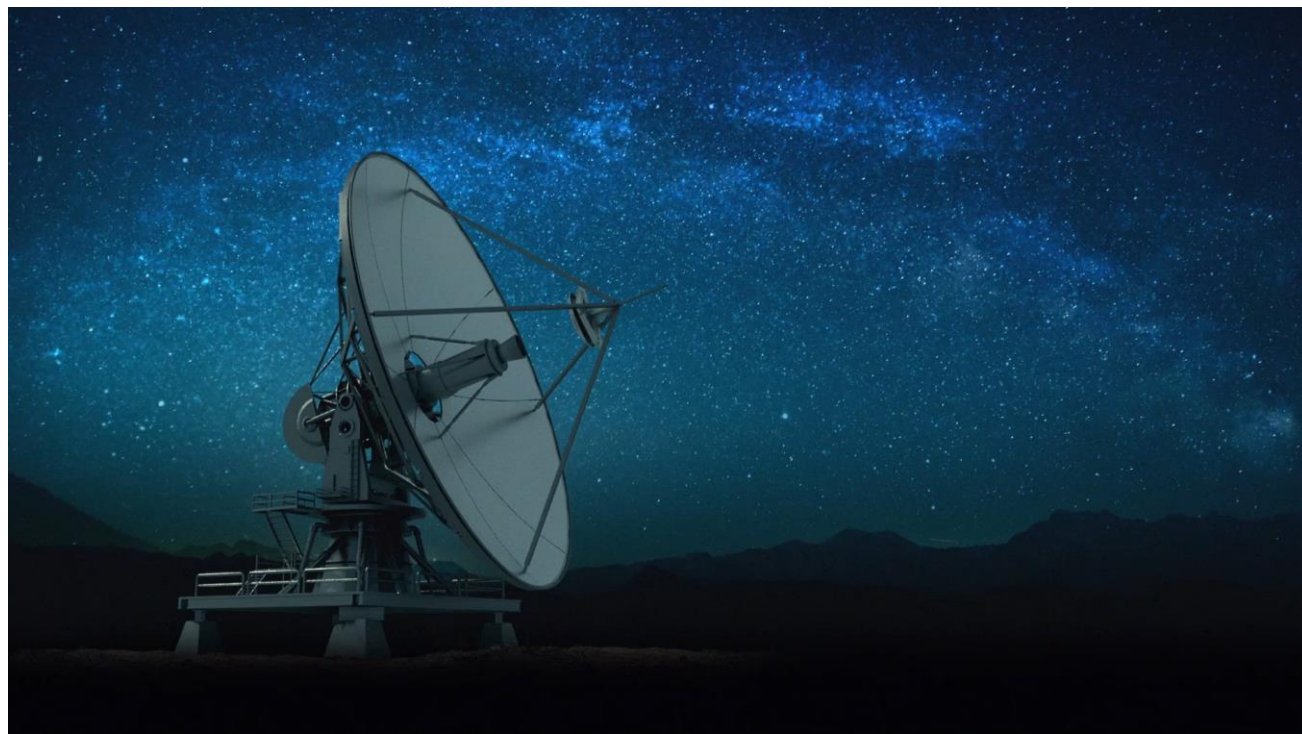


Trade Radar

Trades & Fades

James & Will, Astor Ridge

4th Sep



Trades

France: Buy French OATz1 vs 7y
and 15y

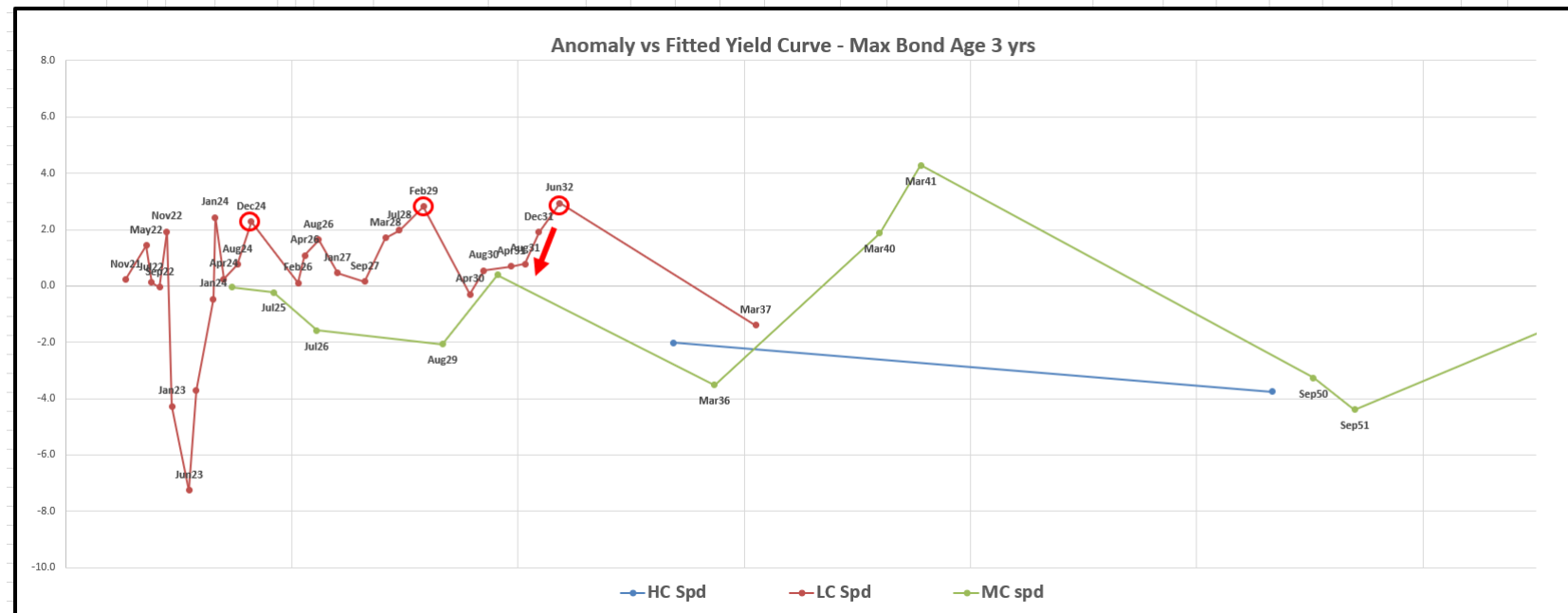
UKT: -s29 / +gilt Contract

Italy: Long 10y vs old 8y and 15y

UST: -fv / +ty / -uxy, 7y TYZ1 cheap

Tesoro
announce 3
New issues
in Italy:
causing old
10y
particularly
to 'bed into'
the curve

- Italy announced its q4 funding with 3 new issues: Dec24, Feb29 & Jun32
- Our observation is that it is only with the advent of new issues can the outgoing benchmarks experience a richening - they are bought up by PEPP without ongoing supply
- Highlighted - we price the new issues by extrapolating the curve. It particularly forces the 10y Dec31 to richen



Buy Italy 10y vs 8y & 15y

- Here we have graphed Long Btps **Apr31** vs short Btps Aug29 & short Btps Mar37 (For more history)
- We would advocate buying the current 10y (**Dec31**) as it's getting close to terminal size and the pressure of cheap, new Jun32s must force it into the curve



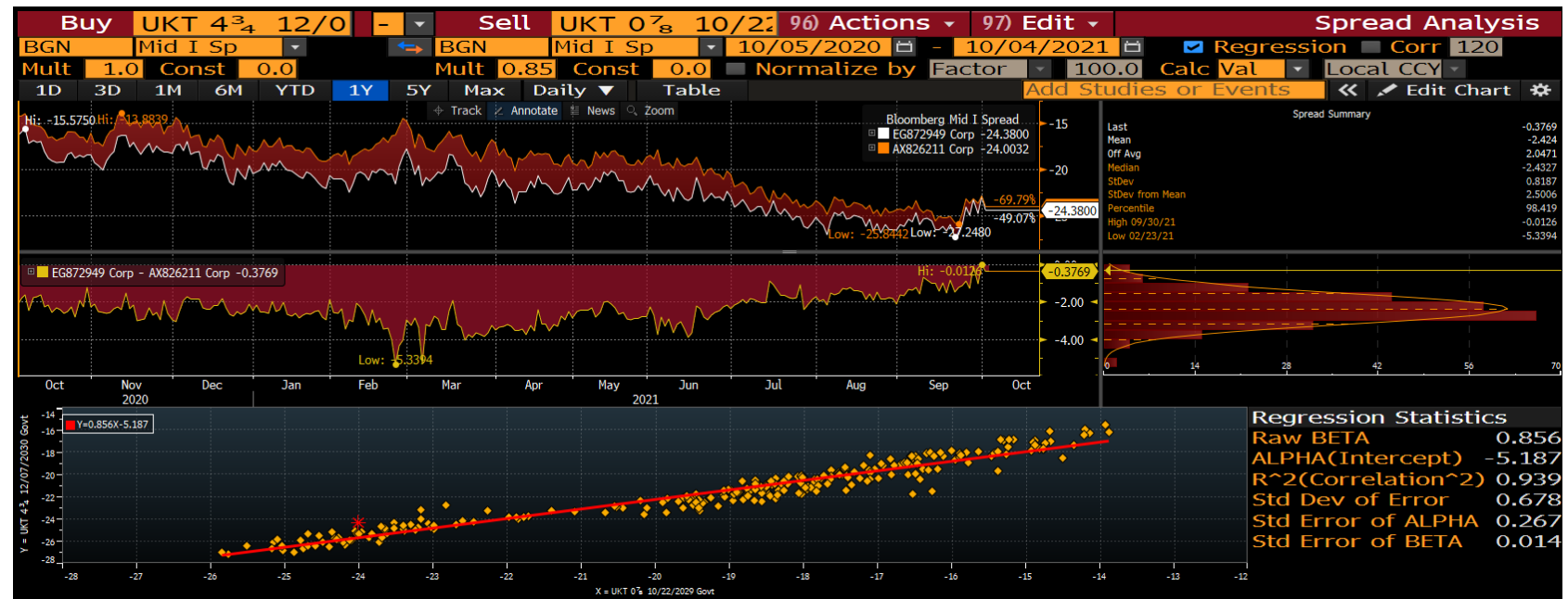
French supply on Thursday - 10y cheap

- Buy French OATZ1 vs 7y and 15y
- Current: +4.2bp
- Enter: +4.7bp (50%)
- Add: +6bp (50%)
- Target: Flat
- Carry & Roll +1.6bp/3mo (@same repo – CTD implied trades 5bp special, assume borrowing spread - 5bp to GC)
- Sharpe Ratio vs 3mo Average for entry points: 0.9 & 1.2



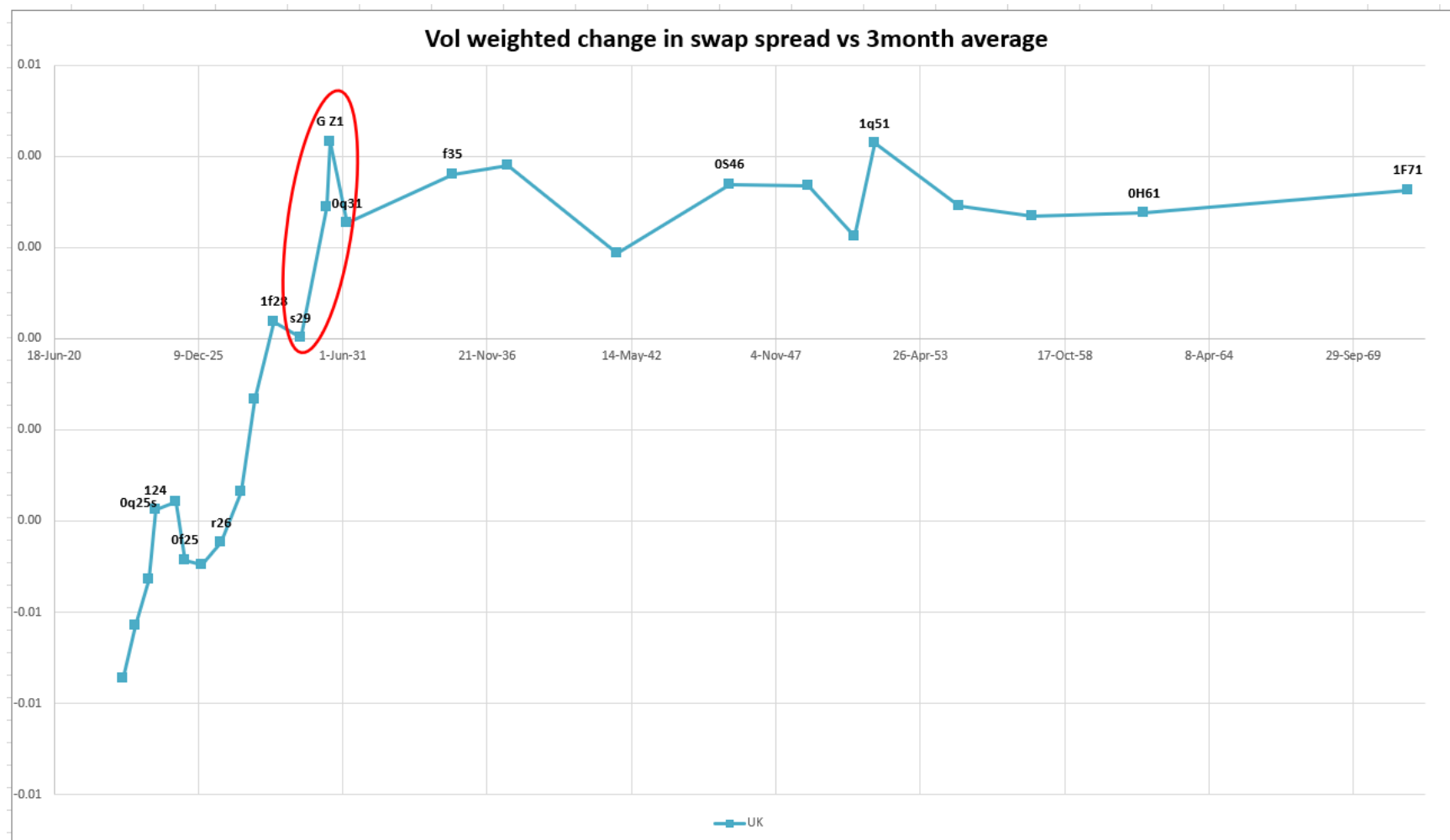
Tap on Wednesday in UKT h29 puts pressure on 7-8yrs:
 Sell UKT s29, Buy Gilt contract (CTD = UKT 4t30) vs Sonia: 1:1 or regression weighted

- +Gilt contract minus 85% UKT s29 vs Sonia
- Nett long of invoice spreads (15%)
- If we are concerned about the 'bottom' trade 1:1
- See next slide for changes in swap spreads over last three months
- – G Z1 OVERSOLD!!!



Changes in UKT swap spreads (vs Sonia) – last 3 months

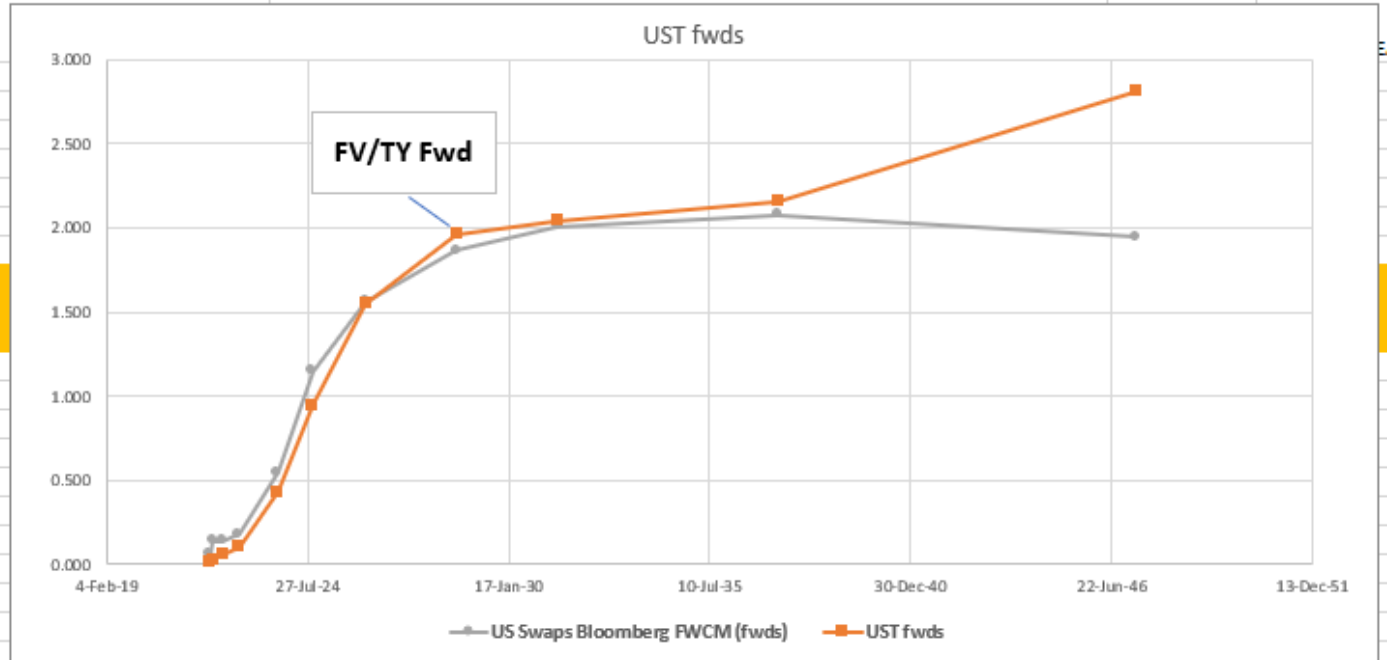
- Gilt contract is oversold
- s29 hasn't reflected the move
- Tap in H29 on 6th October means 7-8y will be under pressure



UST: TY contract just too cheap on forwards

- What's our boundary condition for cheap bullets in a sell-off?
- When forwards go up sharply and then level off
- See the 7y TYZ1 contract has that property in forwards now
- 5s7s10s looks oversold

Bond benchmarks	Yield	shift (bp)	used yield	Fwd vs Prior Bond	US Swaps Bloomberg FWCM (fwds)	spread fwd bond - US Swaps
B 0 11/02/21	0.057	0	0.057			
B 0 11/30/21	0.038	0	0.038	0.018	0.059	-0.040
B 0 12/30/21	0.035	0	0.035	0.031	0.138	-0.107
B 0 03/31/22	0.047	0	0.047	0.058	0.136	-0.078
B 0 09/08/22	0.075	0	0.075	0.106	0.176	-0.070
T 0.25 09/30/23	0.265	0	0.265	0.432	0.546	-0.114
T 0.375 09/15/24	0.486	0	0.486	0.948	1.146	-0.198
T 0.5 02/28/26	0.835	0	0.835	1.550	1.560	-0.010
T 2.875 08/15/28	1.215	0	1.215	1.961	1.864	0.096
T 1.625 05/15/31	1.439	0	1.439	2.045	2.007	0.038
T 5 05/15/37	1.663	0	1.663	2.160	2.078	0.082
T 3 02/15/47	2.012	0	2.012	2.810	1.943	0.867
#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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#N/A	✓ #N/A	✓ #N/A	✓ #N/A	✓ #N/A	✓ #N/A	✓ #N/A



Buy TYZ1,
Sell FVZ1 &
UXYZ1

- $(+2.0 * \text{YIELD}[\text{T } 2.875 \text{ 08/15/28 Govt}] - 1.0 * \text{YIELD}[\text{T } 0.5 \text{ 02/28/26 Govt}] - 1.0 * \text{YIELD}[\text{T } 1.625 \text{ 05/15/31 Govt}]) * 100$
- Current +15.6bp
- Enter: +17.5 (Sharpe of +1 vs 3mo avg)



Upcoming Supply in EGBs

Date	Country	Tap/Syndication/New Issue	Bill/Bond	Ticker	Maturity	Specific Maturity	Size
05/10/2021	Austria	Tap	Bond	RAGB	3y	20/04/2025	650
05/10/2021	Austria	Tap	Bond	RAGB	10y	20/02/2031	650
05/10/2021	Germany	Tap	Bond	Linker	Various		500
06/10/2021	Germany	Tap	Bond	Bobl	5 Y	09/10/2026	4,000
07/10/2021	France	Tap	Bond	FRTR		25/05/2030	3,000
07/10/2021	France	Tap	Bond	FRTR		25/11/2031	5,000
07/10/2021	France	Tap	Bond	FRTR		25/05/2053	3,000
07/10/2021	Spain	Tap	Bond	SPGB		01/01/2028	2,000
07/10/2021	Spain	Tap	Bond	SPGB		01/10/2031	2,000
07/10/2021	Spain	Tap	Bond	SPGB		01/10/2048	2,000

Inflation expectation rise – 1y1y Euro Inflation Breakevens on a high: $100 * (-EUSWI1 \text{ Currency} + 2 * EUSWI2 \text{ Currency})$

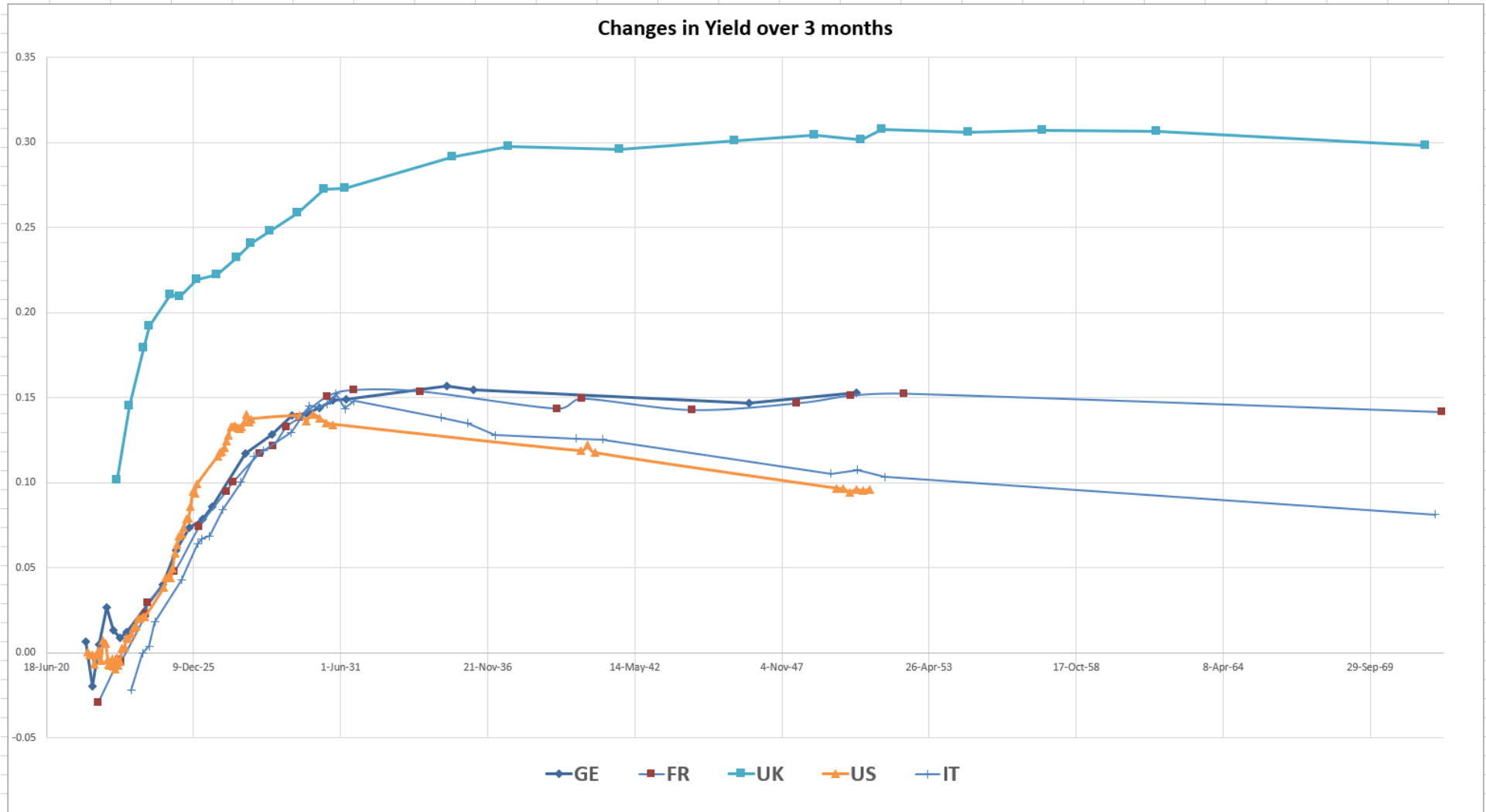


Market Delta Hit a bottom and bounced – looking to fade the sell-off in Italian Swap Spreads

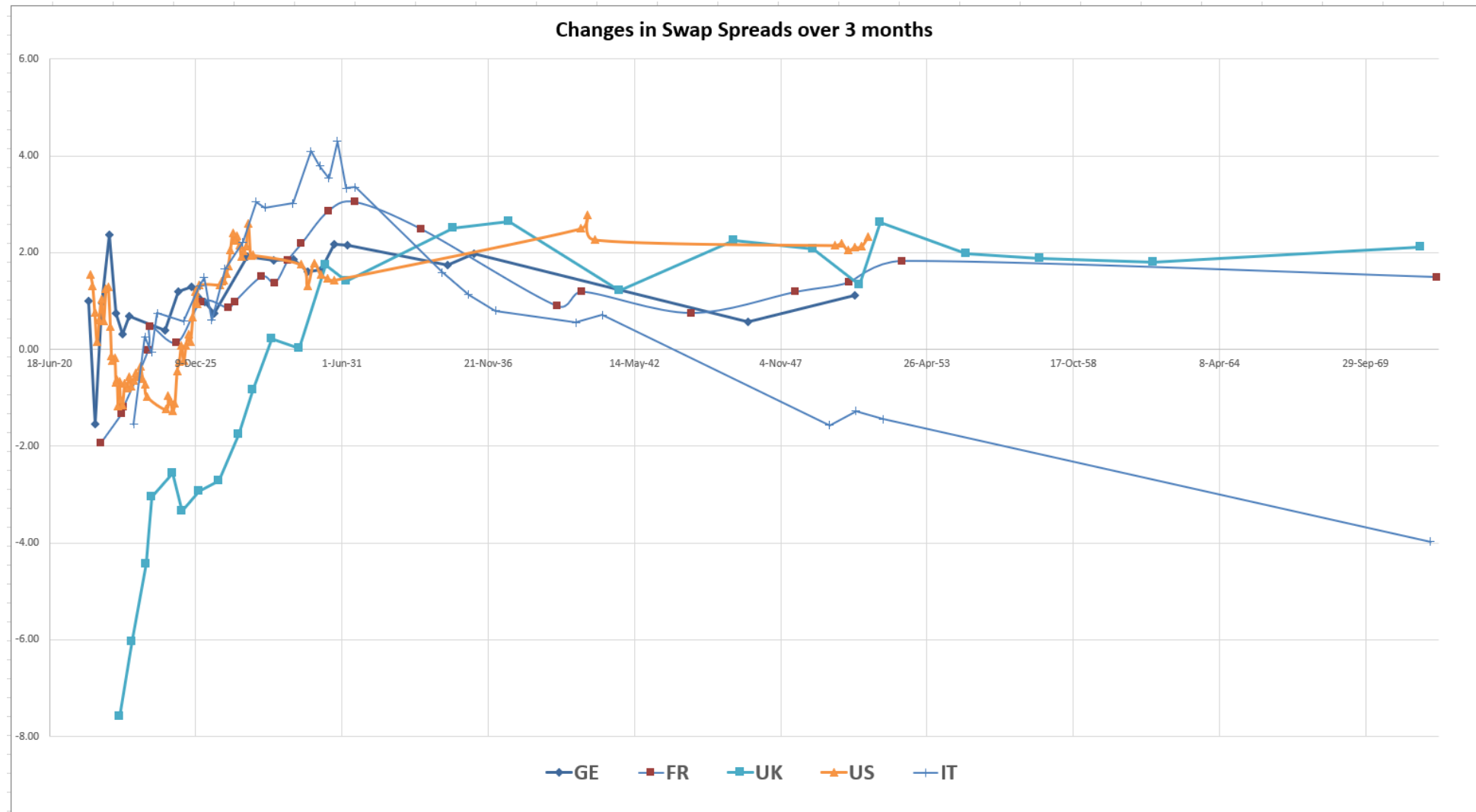
- PCA Factor 1 – blend of France, Germany & Italy outright long
- $100 * (0.8 * RV0004P\ 10Y\ BLC\ Curncy + 0.12 * RV0005P\ 10Y\ BLC\ Curncy + 0.08 * RV0002P\ 10Y\ BLC\ Curncy)$
- Graph: Factor 1 (bp)



Yield Changes over last 3months (65 trading days) - UKT: biggest bear steepening



Swap Spread Changes over last 3 months (65 trading days) – Italy 10y biggest sell off vs OIS



Taking off..

- Germany short High Coupon 20y vs RX and UB
- Italy Long 37s vs 36s and 51s
- Long France 66s vs 52 and 72s
- Keeping an outright Delta Long and looking for more Fades of the sell-off





James Rice

- UK: 14-16 Dowgate Hill, London ec4r 2su
- US: 60 Rumson rd, rumson, nj 07760
- Office: +44 (0) 203 -143 - 4178
- Mobile: +44 (0) 7540-117705
- Email: james.rice@astorridge.com
- Website: www.astorridge.com
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