



# Trade Radar

Thoughts coming into December

Trades & Fades

James & Will, Astor Ridge

6<sup>th</sup> December

Bespoke Trading Strategies  
& Modelling



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**Roll Time – Back Months cheap on RV** but rich vs Macro – the fight goes on

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**Year end – 3 Day turn** – repo and Balance sheet scarce –lock up your repo

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**QE – when does the big man fall?**  
There are hints so we're in it small

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**Long forwards too low** in bond space – priced. Is inflation transitory

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Despite polls, **French elections still a reason to sell France** with good location

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**Swap Blindness?** – Was using the swap curve as a valuation mechanism any help

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**Market Seizing up for End of Year -**  
Responding to illiquidity – how to view risk over Year End

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# Futures Rolls

Futures	Z1/H2	Futures Roll (Mid)	Change in Implieds	Spread to 3m Ois	Change on Day	% Amount Rolled	Bid	Ask	AR View	Comments	Name
Rolls	RX	-1.775	0.00%	-0.55%	-0.030	54%	-1.780	-1.770	Buy / Neutral	Front month rich but still squeeze potential.	RXZ1RXH2 comdty
	IK	2.165	-0.03%	-0.16%	0.000	51%	2.160	2.170	Neutral	Same Ctd, but cash is cheapish vs wings	IKZ1IKH2 comdty
	OE	1.225	0.05%	-0.43%	0.000	59%	1.220	1.230	Buy/Sell	Back mth Cheap vs Off the runs, Front month could squeeze after rolls	OEZ1OE2H2 comdty
	DU	0.173	0.02%	-0.52%	0.000	66%	0.170	0.175	Sell	Back Month is cheap and Front rolls poorly	DUZ1DUH2 comdty
	OAT	2.495	-0.05%	-0.43%	0.010	54%	2.490	2.500	Buy	Same CTD	OATZ1OATH2 comdty
	UB	1.830	0.09%	-0.57%	-0.020	53%	1.820	1.840	Neutral	Repo has small effect on dvo1 - squeeze potential	UBZ1UBH2 comdty
	G	1.065	0.11%	-0.32%	0.020	97%	1.060	1.070	Buy	Ctd to front and back - is rich - selling expected in G H2	G-Z1G-H2 comdty
	BTS	0.335	-0.02%	-0.16%	-0.020	49%	0.330	0.340	Buy	Drop out into richer sector - no one to oppose	BTSZ1BTSH2 comdty

## Z1

FUT	FUT_CTD	FUT_CTD_ISIN	FUT_CNVS_FACTOR	FUT PX	CTD PX	Implied	Ch. Implieds	Gross	Open_int (k)	Open_int_Change (k)	Roll	Roll Override	Ch. On Day in Roll (ticks)
RXZ1	DBR 0 08/15/30	DE0001102507	0.603058	172.73	104.135	4.87%	-0.72%	-0.03	647	-303.7	-1.780		-3.0
IKZ1	BTPS 1.65 12/01/30	IT0005413171	0.706291	152.24	107.537	-0.96%	-1.39%	0.01	181	-63.5	2.170		0.0
OEZ1	DBR 0 08/15/26	DE0001102408	0.761347	135.50	103.146	2.22%	0.77%	-0.01	616	-379.1	1.220		0.0
DUZ1	BKO 0 09/15/23	DE0001104859	0.902300	112.37	101.386	0.57%	0.61%	0.00	441	-363.1	0.175		0.0
OATZ1	FRTR 1.5 05/25/31	FR0012993103	0.682206	168.72	115.123	-2.55%	-1.05%	0.02	272	-110.1	2.490		1.0
UBZ1	DBR 2.5 08/15/46	DE0001102341	0.767342	219.61	168.546	-1.74%	2.28%	0.03	189	-73.1	1.820		-2.0
G Z1	UKT 4.75 12/07/30	GB00B24FF097	1.056313	128.02	135.4805	0.69%	0.90%	0.25	21	-1.4	1.070		2.0
BTSZ1	BTPS 0 01/15/24	IT0005424251	0.884938	113.74	100.642	1.15%	-1.42%	-0.01	115	-43.1	0.340		-2.0

## H2

FUT	FUT_CTD	FUT_CTD_ISIN	FUT_CNVS_FACTOR	FUT PX	CTD PX	Implied	Ch. Implieds	Gross	Open_int (k)	Open_int_Change (k)
RXH2	DBR 0 02/15/31	DE0001102531	0.594076	174.51	103.9695	-1.13%	0.00%	0.300	748	326.3
IKH2	BTPS 1.65 12/01/30	IT0005413171	0.712467	150.07	107.5375	-0.74%	-0.03%	0.621	190	81.9
OE2H2	OBL 0 10/09/26	DE0001141844	0.765612	134.28	103.0685	-1.01%	0.05%	0.266	870	430.5
DUH2	BKO 0 12/15/23	DE0001104867	0.902156	112.19	101.502	-1.11%	0.02%	0.287	861	323.3
OATH2	FRTR 1.5 05/25/31	FR0012993103	0.688498	166.23	115.123	-1.01%	-0.05%	0.677	320	113.1
UBH2	DBR 2.5 08/15/46	DE0001102341	0.768712	217.79	168.5455	-1.15%	0.09%	1.128	216	70.3
G H2	UKT 4.75 12/07/30	GB00B24FF097	1.054956	126.95	135.4805	-0.15%	0.11%	1.554	744	-6.3
BTSH2	BTPS 0 04/15/24	IT0005439275	0.884882	113.40	100.532	-0.74%	-0.02%	0.191	110	41.2

% Rolled	Spread to 3m Ois
54%	-0.55%
51%	-0.16%
59%	-0.43%
66%	-0.52%
54%	-0.43%
53%	-0.57%
97%	-0.32%
49%	-0.16%

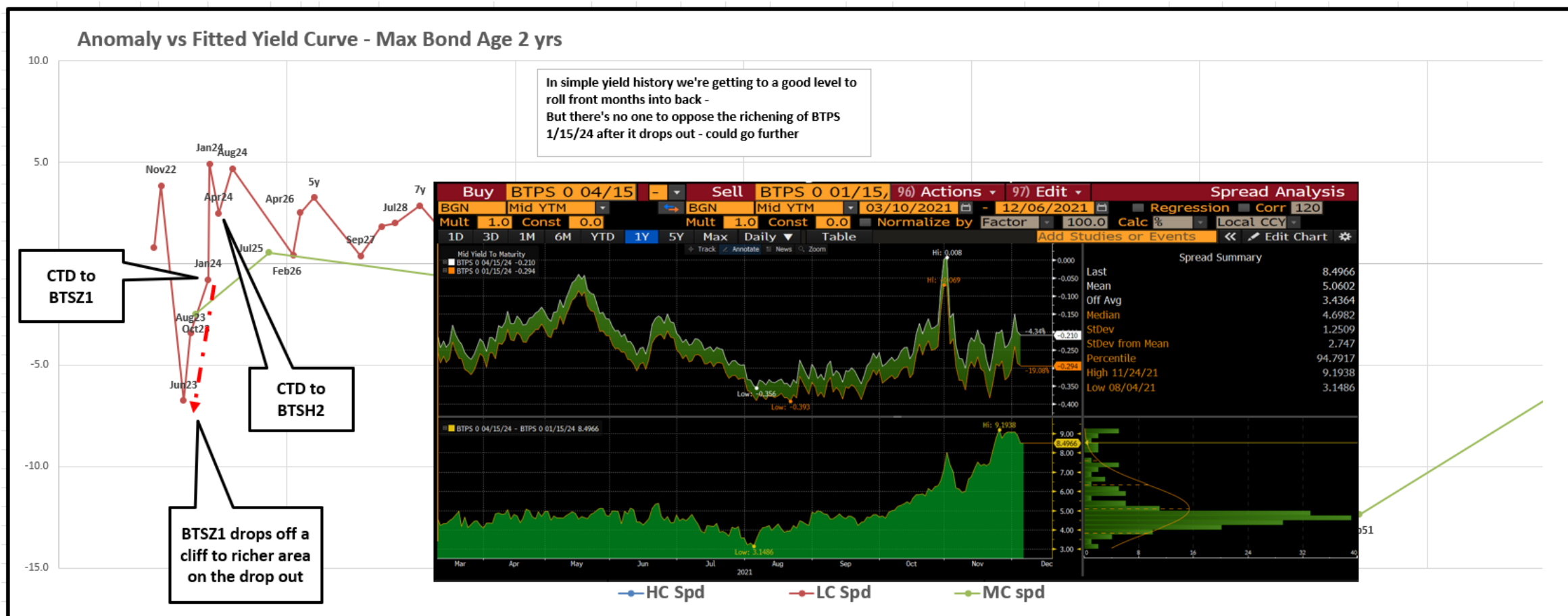
Last Update: 06/12/2021 09:28  
 "Change since" date 03/12/2021

GBP SWAP (vs SONIA) 3M 0.16%  
 EUR SWAP (ESTR) 3M -0.58%

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# Apotheosis of BTSZ1: Sell BTSZ1 / Buy BTSH2

- Roll some front month longs into back, but could go further



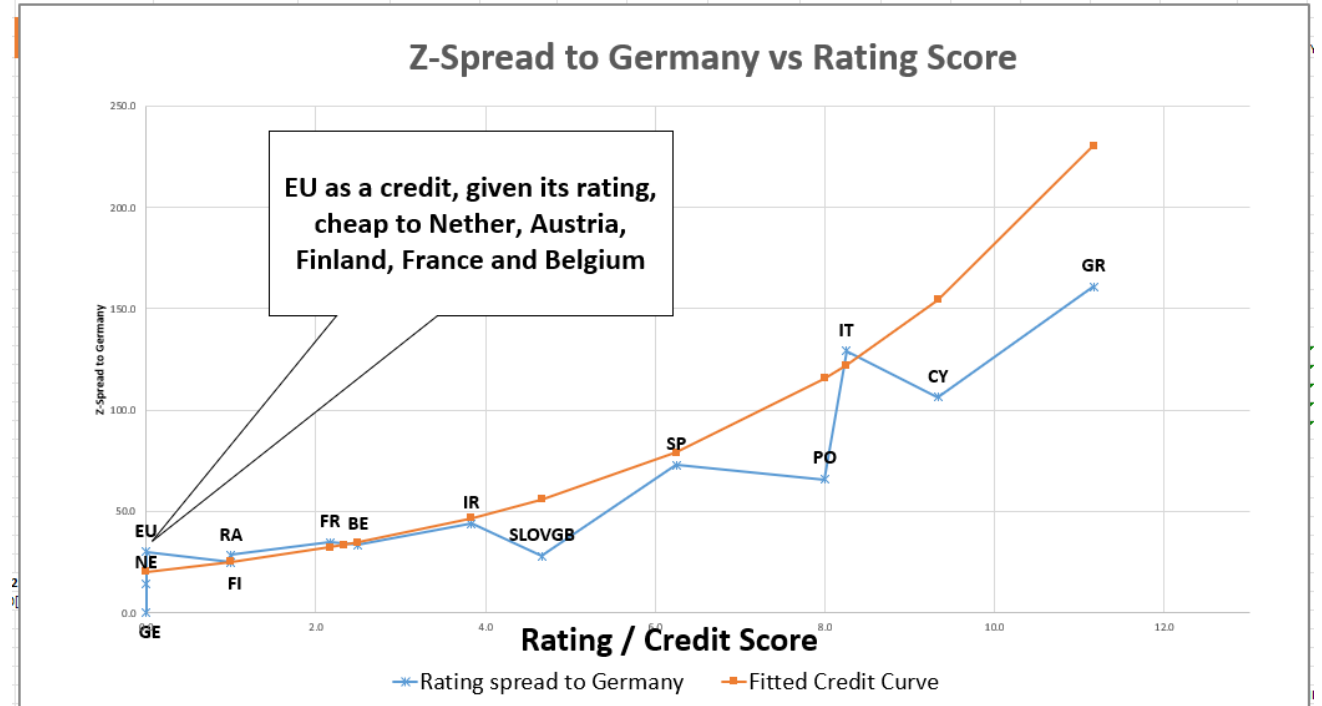
# -Nether 31 / +EU 2031:



- EU suffering from expected supply for next yr
- Countering that we have a triple A issuer that trades cheap
- At the end of the day RV revolves around taking the other side of trades that are completely swamped by sentiment and have lost touch with valuations
- Graph of 10 yr credits vs Rating Score

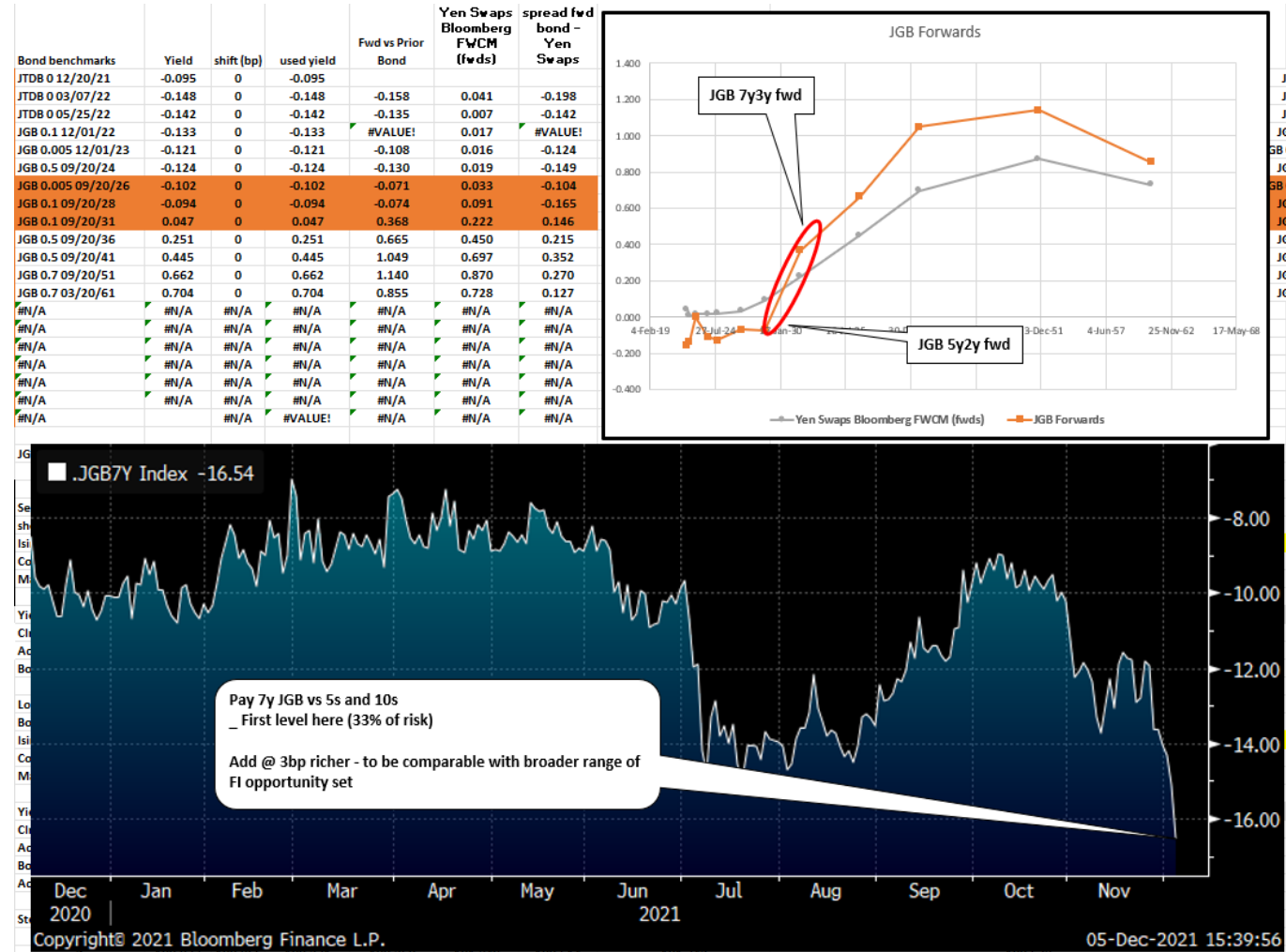
\* Rating score is credit rating plus outlook for three major rating agencies

10	latitude	15%	cubic	Rating	Swap Spread								
on	Actual Bond des	Z-Spread	Spread to Interp Ge	spread to Germany	YAS_BOND_YLD	SP210	Fitch	S&P	Moody	Fitch Outlook	S&P Outlook	Moody Outlook	
Used													
BP980366 Corp	DBR 0 08/15/31	15-Aug-31	-28.9	0.5	0.0	-0.382	-47.5	AAAu	AAAu	Aaa	STABLE	STABLE	STABLE
BN942725 Corp	NETHER 0 07/15/31	15-Jul-31	-15.1	14.3	0.0	-0.249	-33.3	#N/A	AAAu	Aaa	STABLE	STABLE	STABLE
EU000A3KSXE1 Govt	EU 0 07/04/31	4-Jul-31	0.6	30.0	0.0	-17.608	-17.7	AAA	#N/A	Aaa	STABLE	POS	STABLE
BP579116 Corp	RFGB 0.125 09/15/31	15-Sep-31	-4.5	24.8	1.0	-0.135	-22.9	AA+	AA+	Aa1	STABLE	STABLE	STABLE
BN764557 Corp	RAGB 0 02/20/31	20-Feb-31	-0.8	28.6	1.0	-0.127	-19.4	#N/A	AA+	Aa1	STABLE	STABLE	STABLE
BO939537 Corp	FRTR 0 11/25/31	25-Nov-31	5.3	34.7	2.2	-0.026	-12.9	AAu	AAu	Aa2	NEG	STABLE	STABLE
EUSA10 10y	EUSA10 10y	8-Dec-31	0.0	#N/A	2.3	0.104	0.0	AA	AA	Aa3	Stable	Stable	Stable
BN483716 Corp	BGB 0 10/22/31	22-Oct-31	4.0	33.4	2.5	-0.044	-14.3	#N/A	AAu	Aa3	STABLE	STABLE	STABLE
BN332357 Corp	IRISH 0 10/18/31	18-Oct-31	14.5	43.8	3.8	0.065	-3.8	A+	AA-	A2	STABLE	STABLE	POS
#VALUE!	#VALUE!	#VALUE!	#VALUE!	#N/A	#N/A	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
BJ326581 Corp	SLOVGB 1 05/14/32	14-May-32	-1.4	28.0	4.7	-0.078	-20.1	A	A+	A2	STABLE	STABLE	STABLE
BQ183879 Corp	SPGB 0.5 10/31/31	31-Oct-31	43.4	72.8	6.3	0.347	24.8	#N/A	Au	Baa1	STABLE	NEG	STABLE
BO969685 Corp	PGB 0.3 10/17/31	17-Oct-31	36.6	65.9	8.0	0.279	17.9	#N/A	BBBu	Baa2	STABLE	STABLE	STABLE
BP968841 Corp	BTPS 0.95 12/01/31	1-Dec-31	99.7	129.1	8.3	0.912	80.7	#N/A	BBBu	Baa3u	STABLE	POS	STABLE
ZP482036 Corp	CYPRUS 0.625 01/21/30	21-Jan-30	76.7	106.4	9.3	0.590	57.8	BBB-	BBB-	Ba1	STABLE	STABLE	STABLE
BN765185 Corp	GGB 0.75 06/18/31	18-Jun-31	131.3	160.7	11.2	1.206	112.5	BB	BB	Ba3	STABLE	POS	STABLE



# Sell 7y JGB – vs 5s and 10s: rate path unlikely

- Rates expected to rise only after 5y point
- Seems too distant and overly informed
- Expect 7y to underperform
- Risks: Opposing the JGB rally



Forwards and Anomalies lead us to...

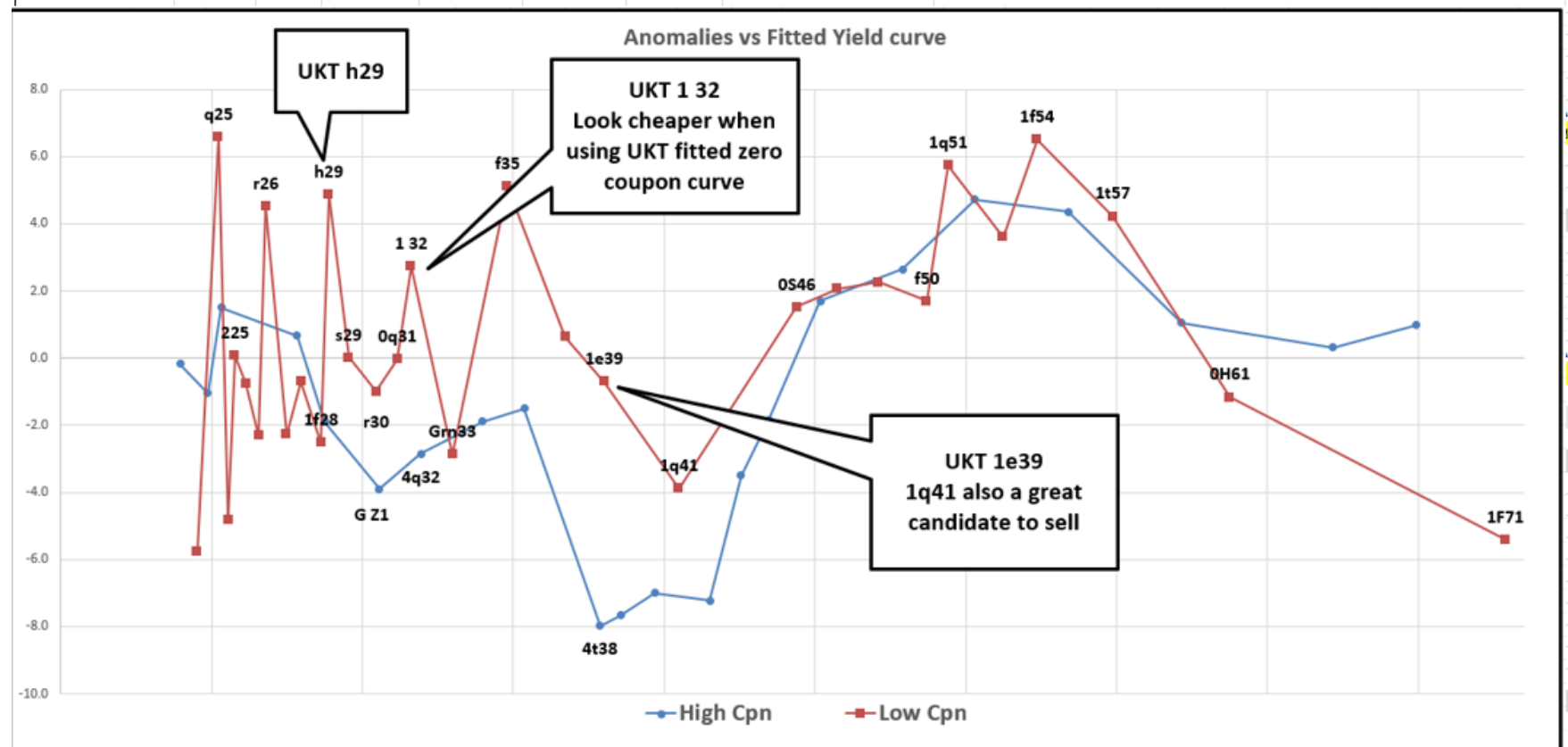
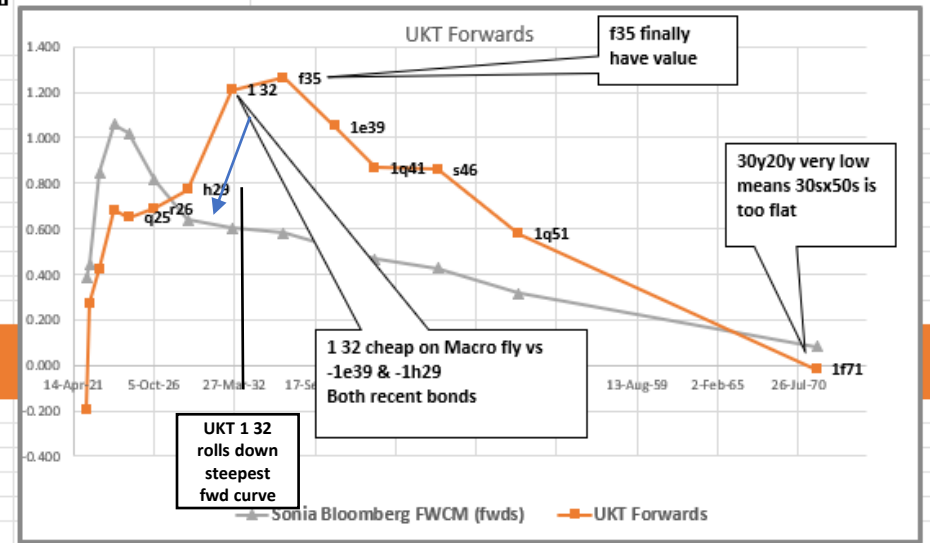
Trade in UKT:

-h29 / +1 32 / -1e39

New 32s vs H29 offer powerful gap over Sonia despite invoice spreads being at their richest

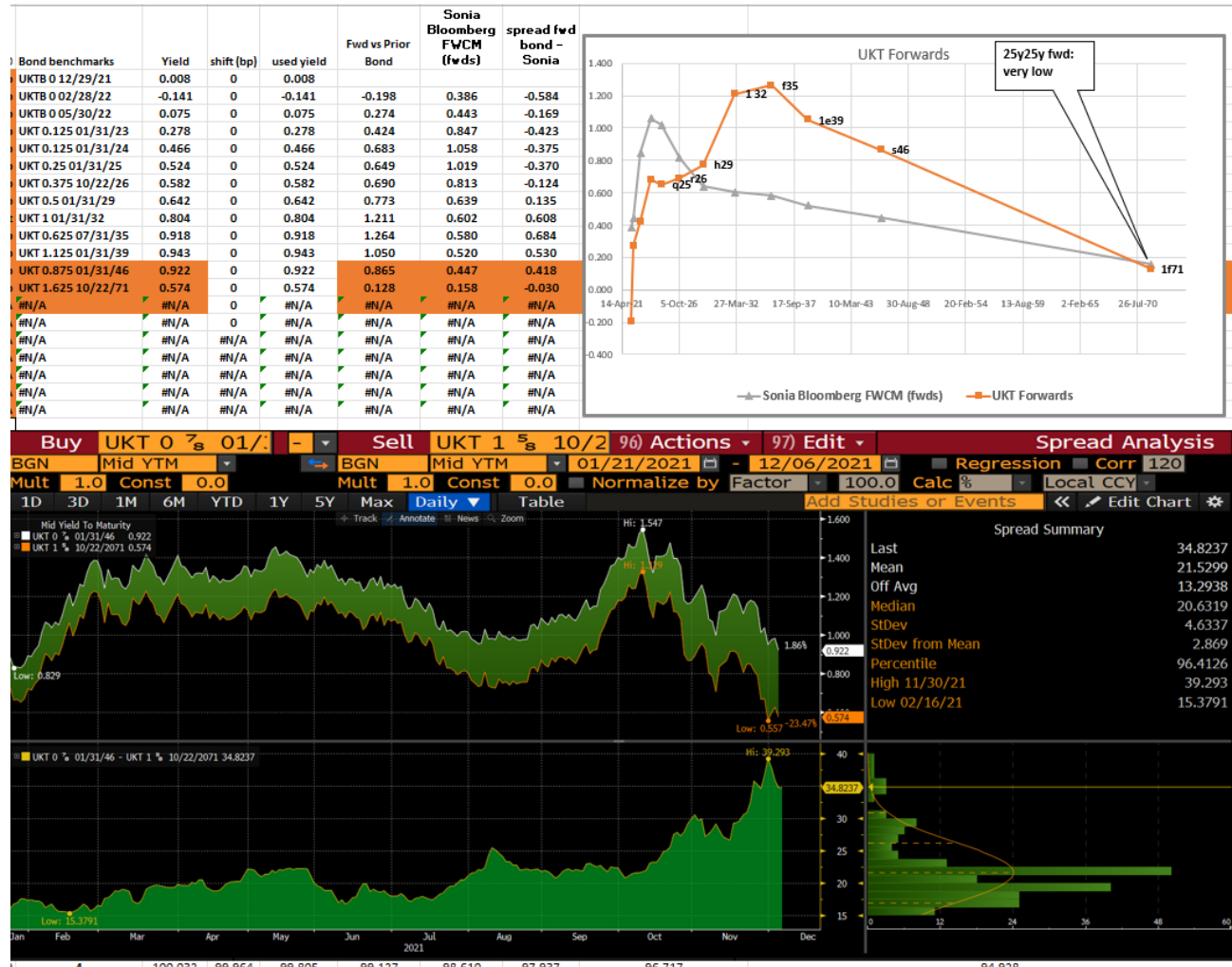
Also starting to like:  
-h29 +f35 -1e39

Bond benchmarks	Yield	shift (bp)	used yield	Fwd vs Prior Bond	Sonia Bloomberg FWCM (fws)	spread fwd bond - Sonia
UKTB 0 12/29/21	0.008	0	0.008			
UKTB 0 02/28/22	-0.141	0	-0.141	-0.198	0.386	-0.584
UKTB 0 05/30/22	0.075	0	0.075	0.274	0.443	-0.169
UKT 0.125 01/31/23	0.278	0	0.278	0.424	0.847	-0.423
UKT 0.125 01/31/24	0.466	0	0.466	0.683	1.058	-0.375
UKT 0.25 01/31/25	0.524	0	0.524	0.649	1.019	-0.370
UKT 0.375 10/22/26	0.582	0	0.582	0.690	0.813	-0.124
UKT 0.5 01/31/29	0.642	0	0.642	0.773	0.639	0.135
UKT 1 01/31/32	0.804	0	0.804	1.211	0.602	0.608
UKT 0.625 07/31/35	0.918	0	0.918	1.264	0.580	0.684
UKT 1.125 01/31/39	0.943	0	0.943	1.050	0.520	0.530
UKT 1.25 10/22/41	0.934	0	0.934	0.870	0.466	0.405
UKT 0.875 01/31/46	0.922	0	0.922	0.860	0.426	0.434
UKT 1.25 07/31/51	0.867	0	0.867	0.578	0.315	0.263
UKT 1.625 10/22/71	0.574	0	0.574	-0.017	0.084	-0.101
#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



Ukt 25y25y very low: 25x50 steepener

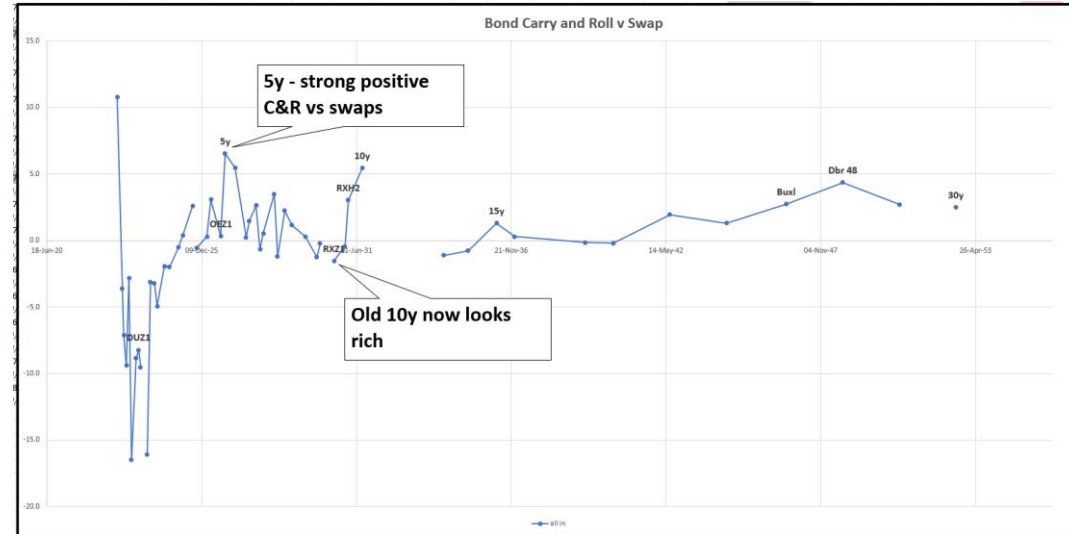
- Looking for +7bp steepening from here
- Ukt 1f71 / +s46





# Pay 5y4y Germany vs Swaps for carry and Location

- +OEH2 / -Dbr Aug30  
(outgoing CTD to RXZ1,  
tight over turn
- Stay cash:cash until end of  
Dec when settlement rolls  
into January next yr

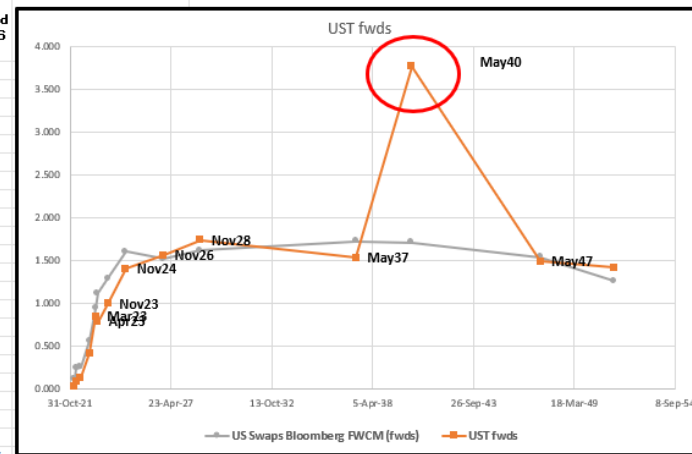


UST:

-USZ1 /  
+ old 20y /  
-WNZ1

- On my Radar – but not quite there given recent vol
- +T May40 vs -USH2 & -WNH2
- Great trade – just given recent vol, I just need a little more: entry level
- Target +44bp, to enter – forwards and stats look silly at that level – but that's my level when I compare it to other Sharpe ratios over the Year end period

Bond benchmarks	Yield	shift (bp)	used yield	Fwd vs Prior Bond	US Swaps Bloomberg FWCM (fwd)	spread fwd bond - US Swaps
B 0 01/04/22	0.039	0	0.039			
B 0 02/01/22	0.034	0	0.034	0.029	0.114	-0.086
B 0 03/03/22	0.049	0	0.049	0.078	0.235	-0.157
B 0 06/02/22	0.090	0	0.090	0.129	0.251	-0.122
B 0 12/01/22	0.253	0	0.253	0.412	0.554	-0.142
T 0.125 03/31/23	0.401	0	0.401	0.845	0.937	-0.092
T 0.125 04/30/23	0.423	0	0.423	0.781	1.116	-0.335
T 0.5 11/30/23	0.590	0	0.590	0.990	1.288	-0.298
T 0.75 11/15/24	0.852	0	0.852	1.401	1.603	-0.202
T 1.25 11/30/26	1.134	0	1.134	1.554	1.516	0.038
T 1.5 11/30/28	1.299	0	1.299	1.733	1.611	0.122
T 5 05/15/37	1.409	0	1.409	1.532	1.722	-0.190
T 1.125 05/15/40	1.756	0	1.756	3.764	1.706	2.058
T 3 05/15/47	1.699	0	1.699	1.487	1.539	-0.051
T 2.375 05/15/51	1.670	0	1.670	1.412	1.257	0.155
#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
UST fwds	0.1Y 0.25Y	0.2Y 0.25Y	0.2Y 0.3Y	0.5Y 0.5Y	1Y 0.3Y	1.3Y 0.25Y





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