



# 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

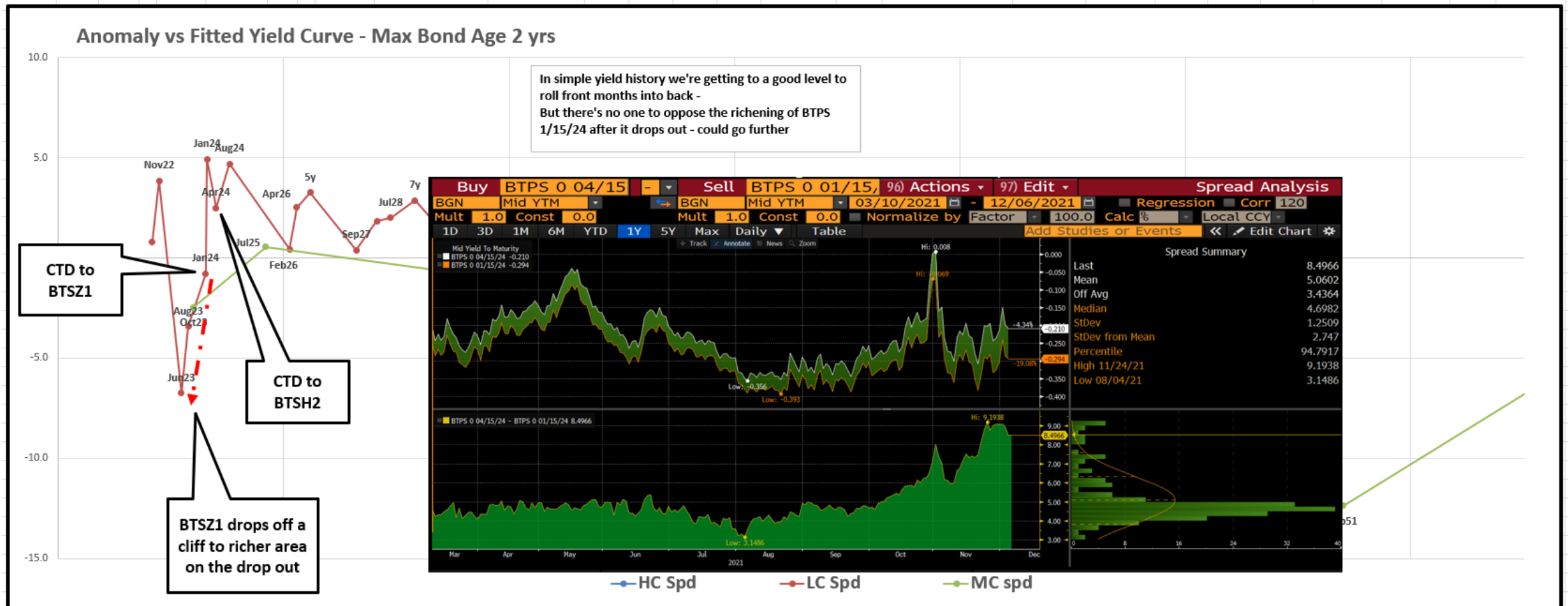
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**Market Seizing up for End of Year -**  
Responding to illiquidity – how to view risk over Year End

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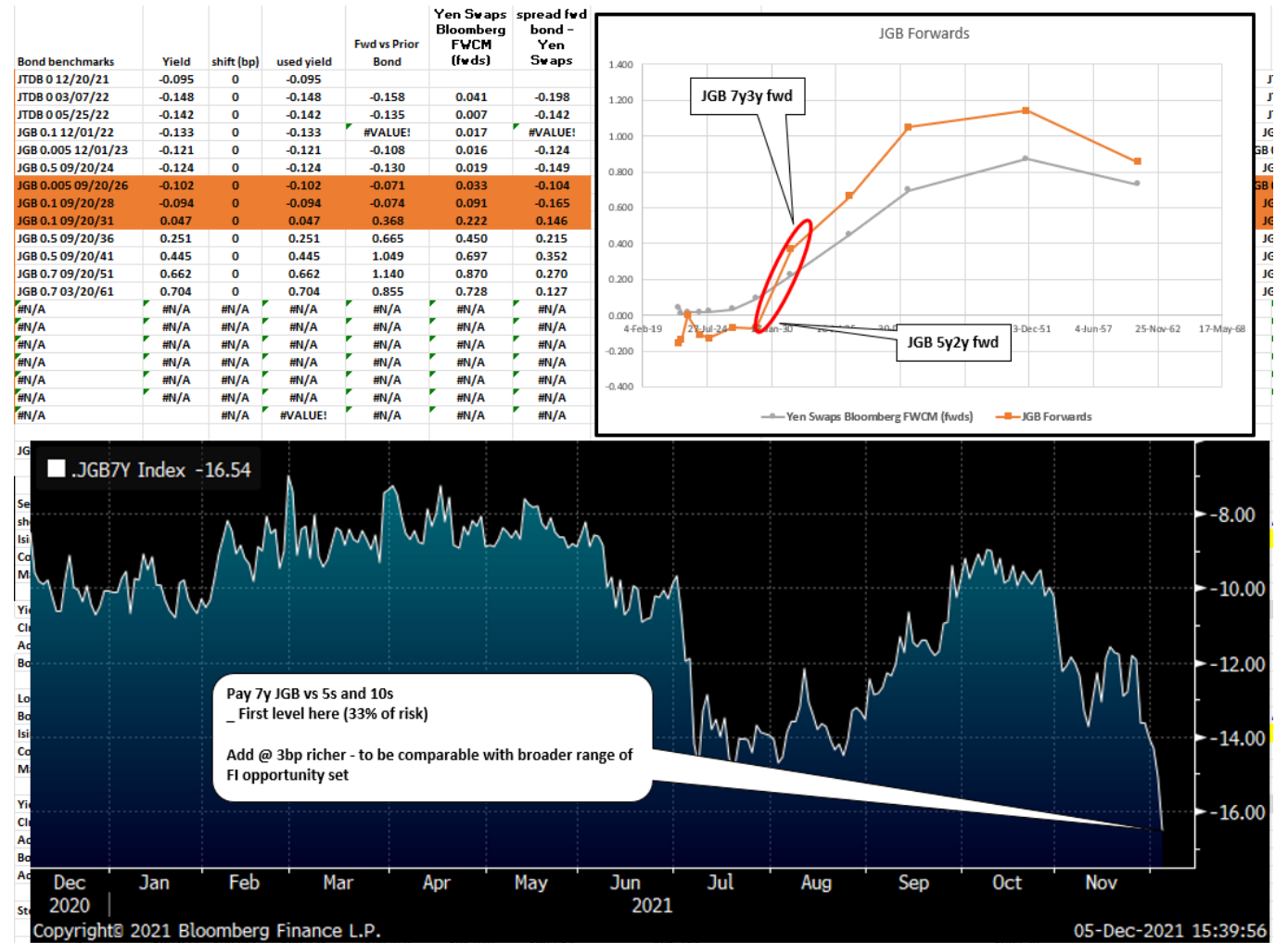
# Apotheosis of BTSZ1: Sell BTSZ1 / Buy BTSH2

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



# 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...

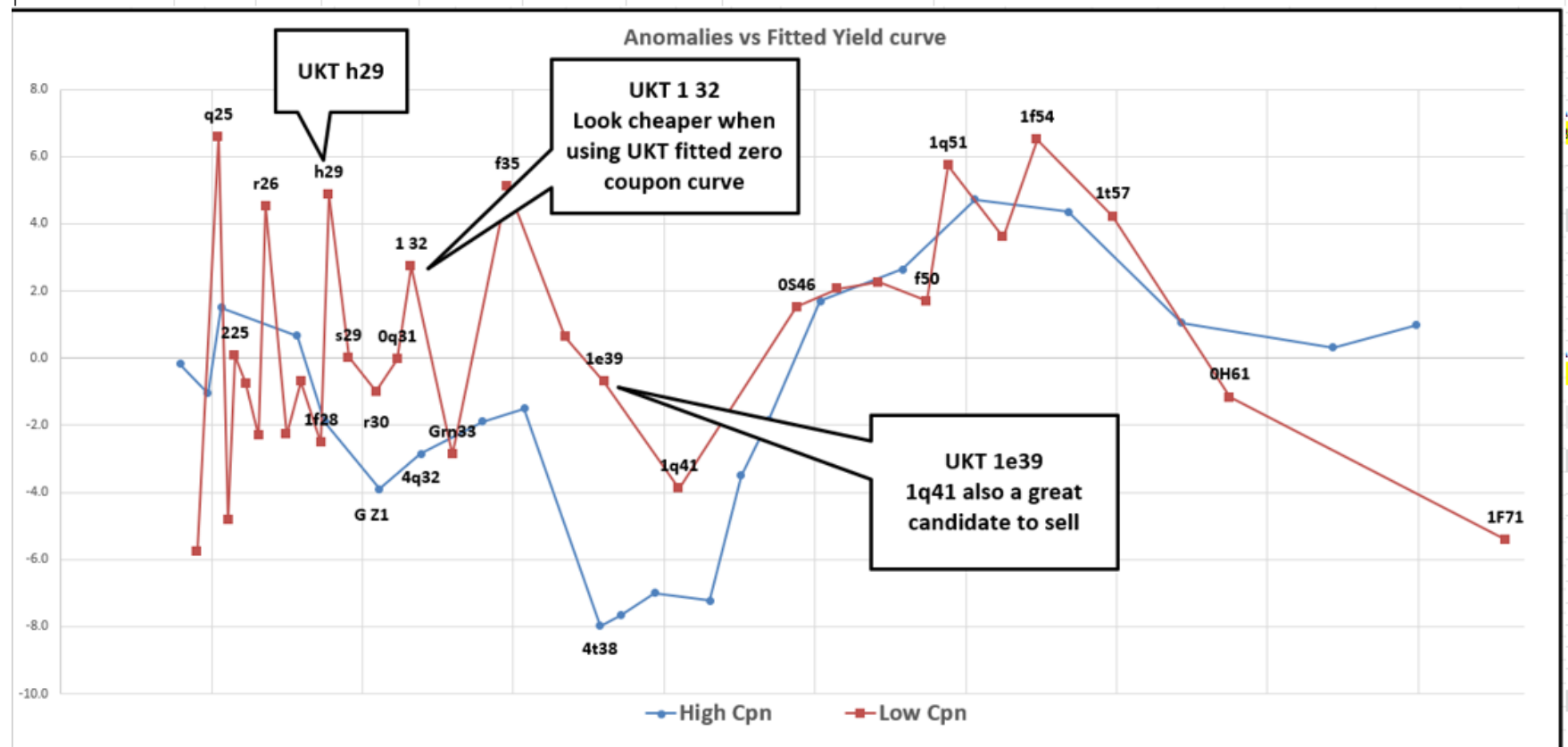
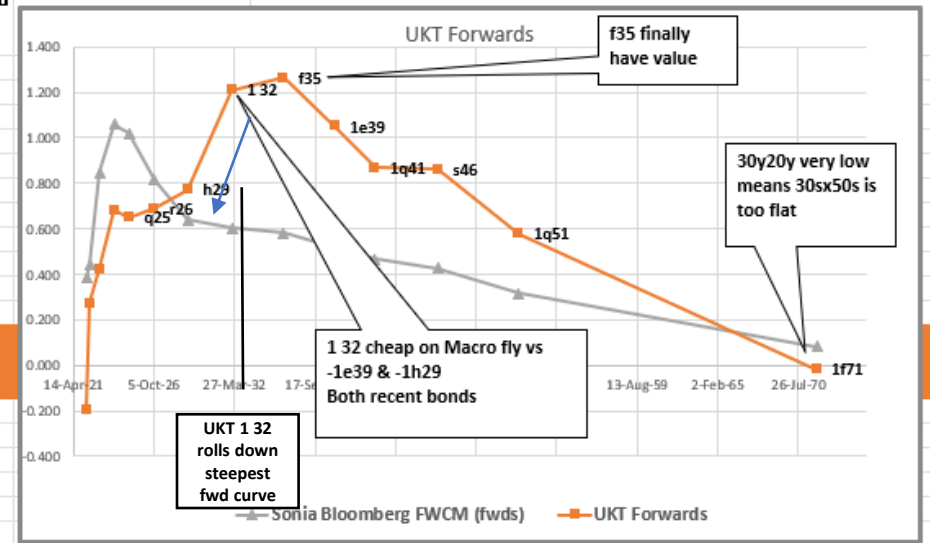
Trade in UKT:

-h29 / +1 32 / -1e39

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

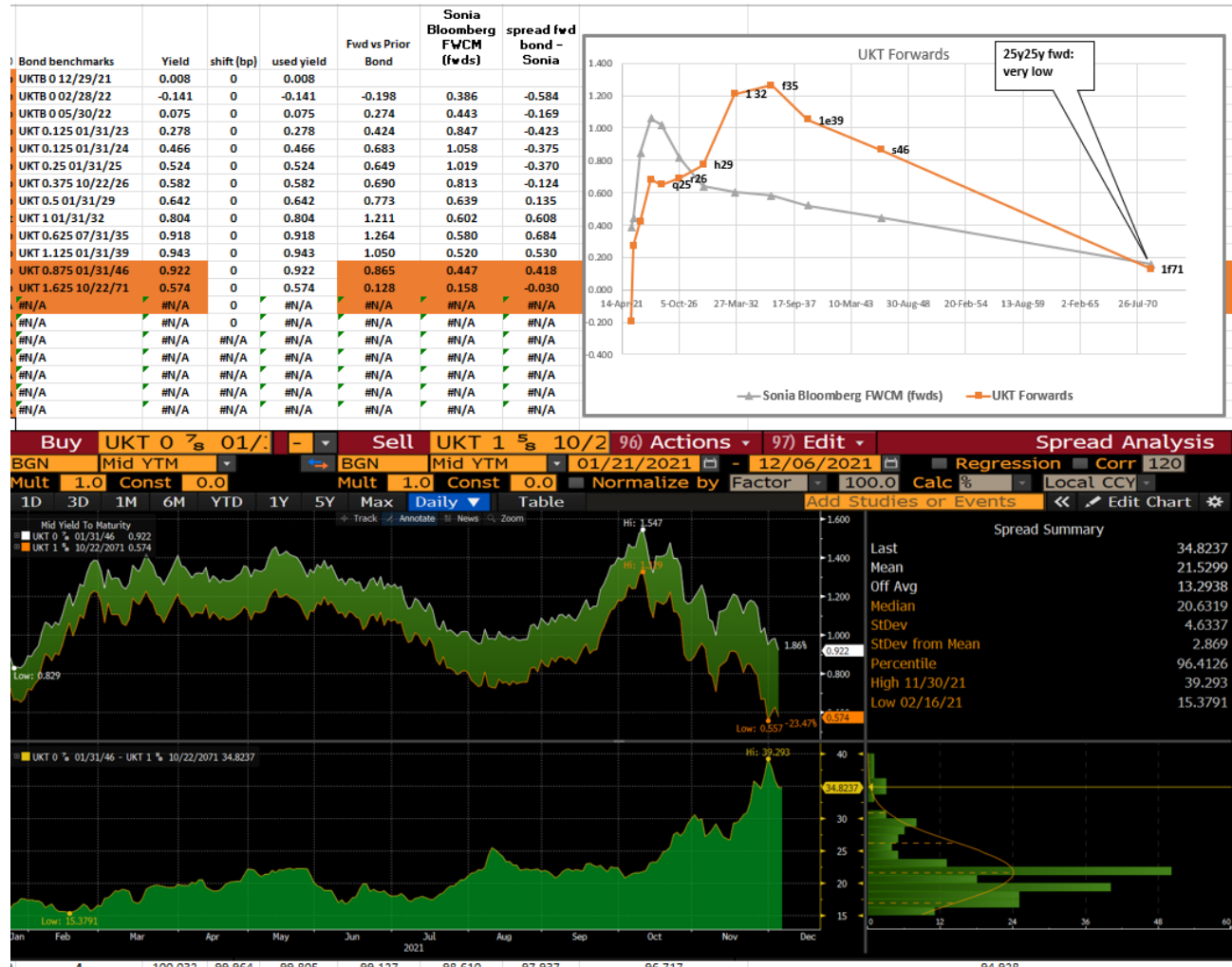
Also starting to like:  
-h29 +f35 -1e39

| 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                    |
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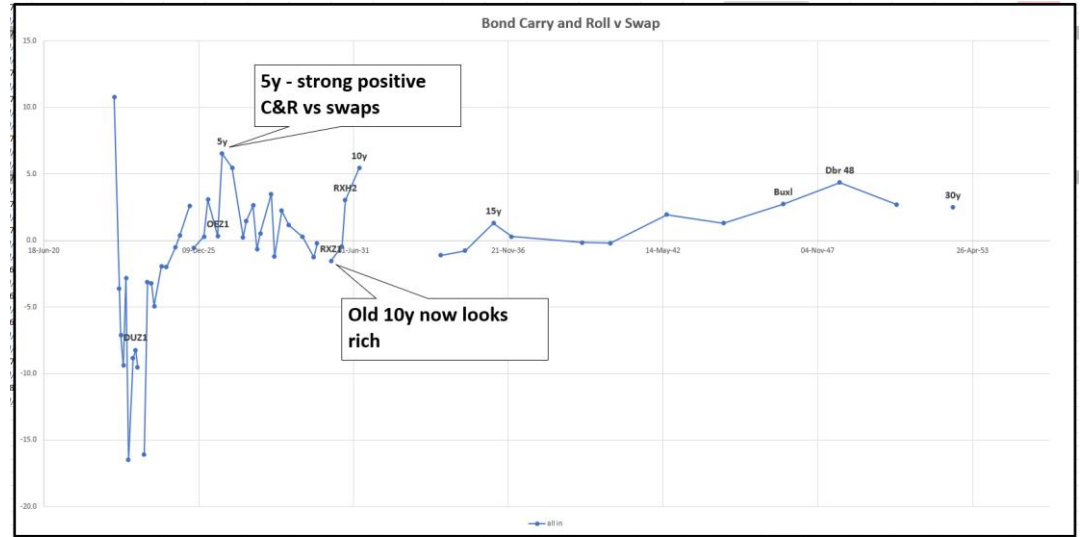
Ukt 25y25y very low: 25x50 steepener

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



# Pay 5y4y Germany vs Swaps for carry and Location

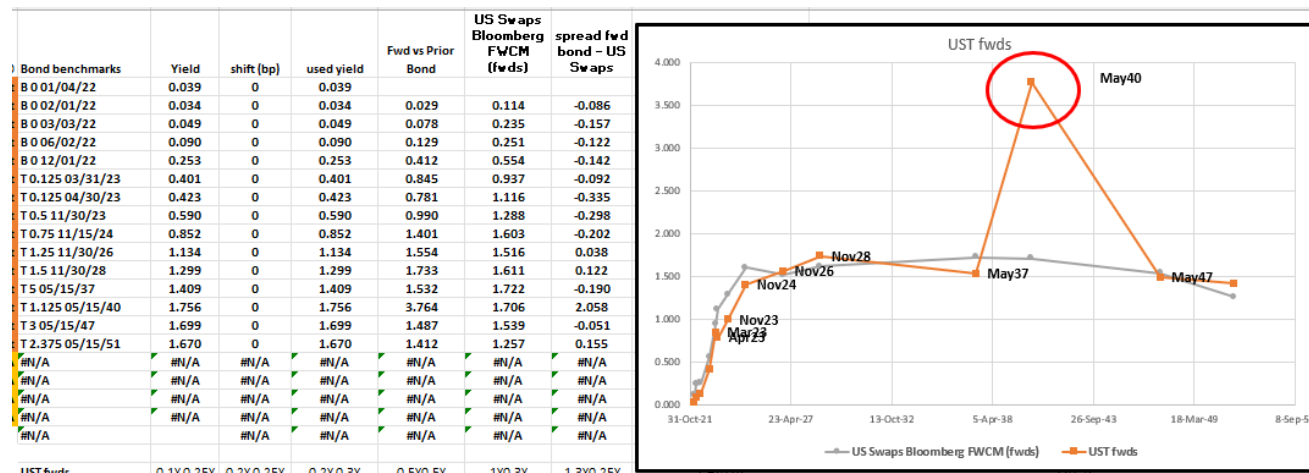
- +OEH2 / -Dbr Aug30  
(outgoing CTD to RXZ1,  
tight over turn
- Stay cash:cash until end of  
Dec when settlement rolls  
into January next yr



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







# 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](mailto:james.rice@astorridge.com)
- Website: [www.astorridge.com](http://www.astorridge.com)
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