



Trade Radar

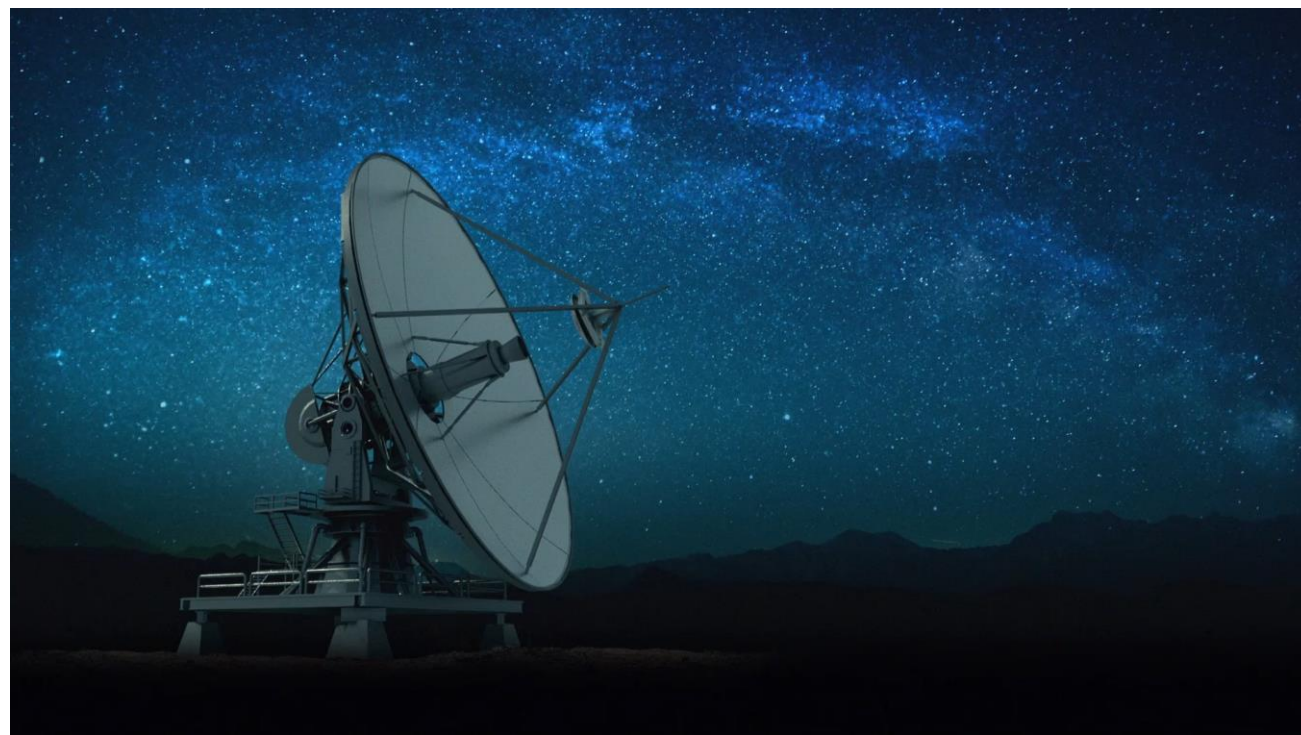
Thoughts

Trades & Fades

James & Will, Astor Ridge

Feb 17th

Bespoke Trading Strategies
& Modelling



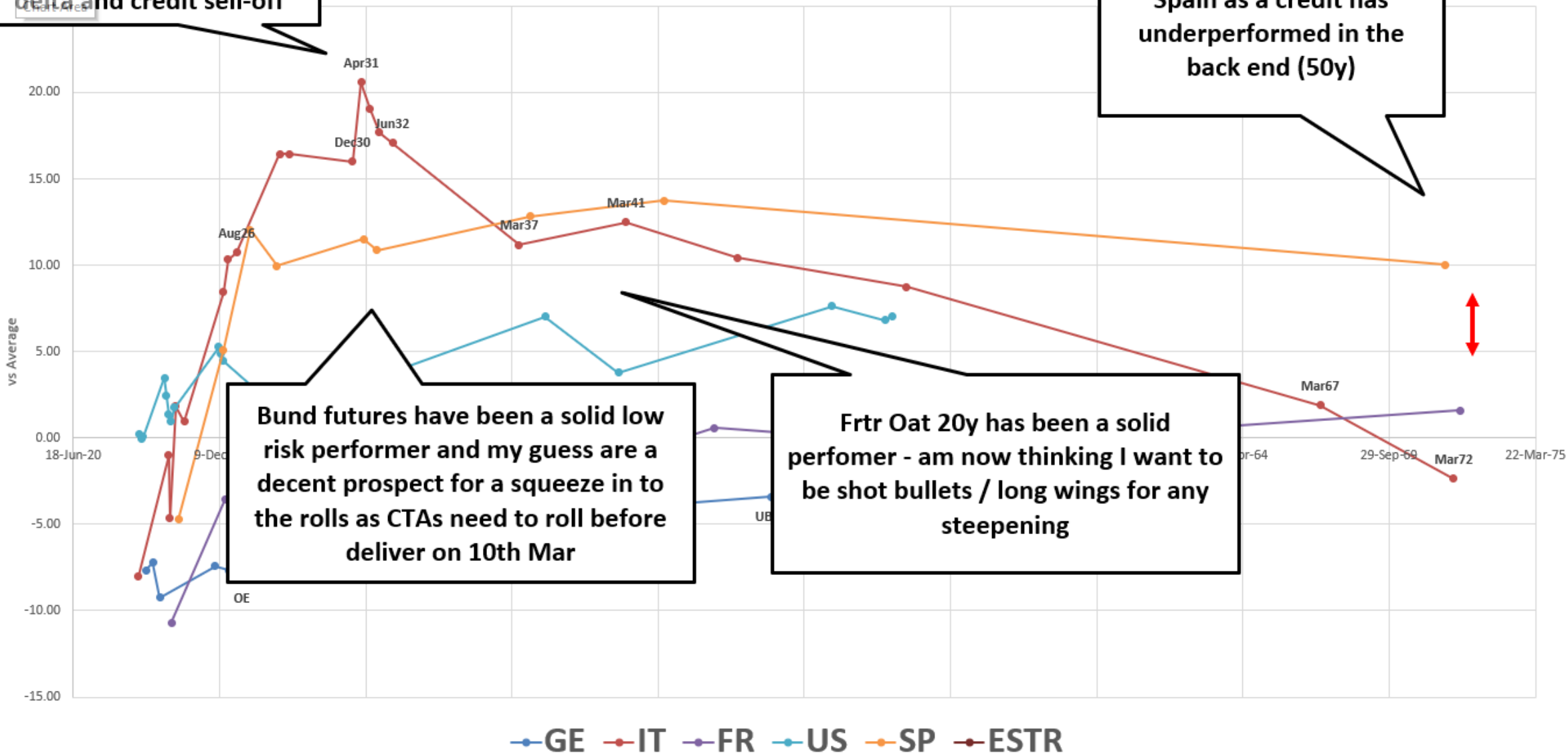
Changes over 90 Days vs Average (Swap)

Italy IKH2 and IKM2 have been marked underperformers in the delta and credit sell-off

Spain as a credit has underperformed in the back end (50y)

Bund futures have been a solid low risk performer and my guess are a decent prospect for a squeeze in to the rolls as CTAs need to roll before deliver on 10th Mar

Frtr Oat 20y has been a solid performer - am now thinking I want to be shot bullets / long wings for any steepening



● GE ● IT ● FR ● US ● SP ● ESTR

Italy: long back month IK CTD vs jul28 & Dec31

- Btps...
- -jul28 / +apr31 (or back months) / -dec31
- Weighting: .4 / 2 / 1.6
- Small entry here 20% (risk)
- Target entry: +10.5bp (based on forwards)
- Rationale: apr31 is an oversold back month CTD, low coupon bond that has been driven into the curve by credit selling and roll prep. On forwards at the higher lvl we see it as value
- $200 * (\text{yield}[\text{BTPS } 0.9 \text{ 04/01/31 Govt}] - 0.2 * \text{yield}[\text{BTPS } 0.5 \text{ 07/15/28 Govt}] - 0.8 * \text{yield}[\text{BTPS } 0.95 \text{ 12/01/31 Govt}])$



Sell France 20y vs OATA & 30y

- Generally we're looking for short ends to bounce but see long ends as overly optimistic in the ability to contain inflation
- Therefore we want to fade the flattening and have steepeners – one nice fade is to sell 20y belly vs wings
- Graphs show using the old 30y – we prefer to use the newer frtr 53 for more value
- Again, smalls here and decent @ <2bp – expecting more curvature than history reveals

See graph vs Yields & Vs swap

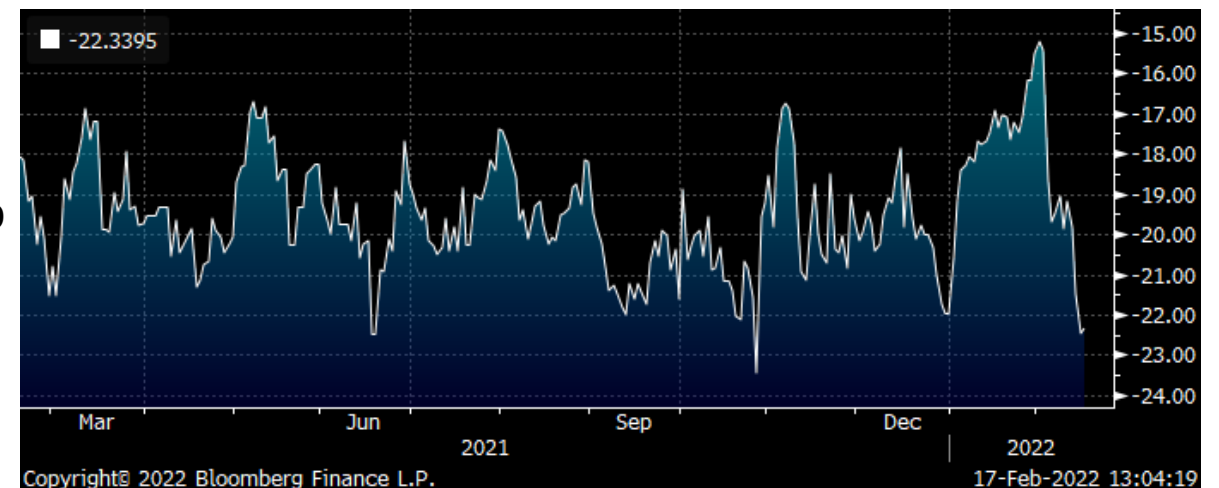
Also anomaly Frtr 40 into HC BGB 41 – for pro PEPP and Carry



Vs yield

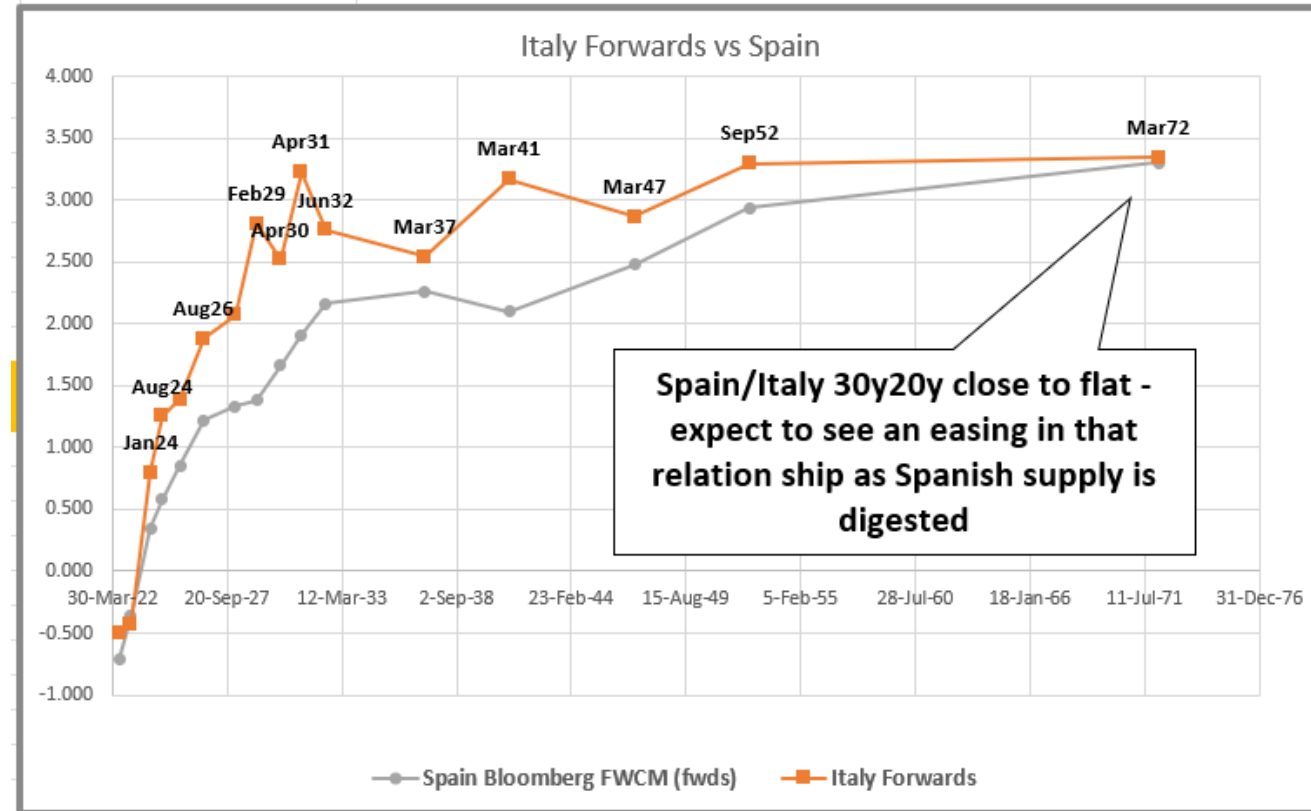


Vs swap



Spain 10s50s flattener vs Italy 10s50s steepener

- Call for bonds and details...
- 30y20y Spain almost flat to 30y20y Italy has flattened in the back end
- Yes it should flatten – but no forwards should go lower than issuers in a much better shape
- Our expression is the 10s50s box: Spain/Italy

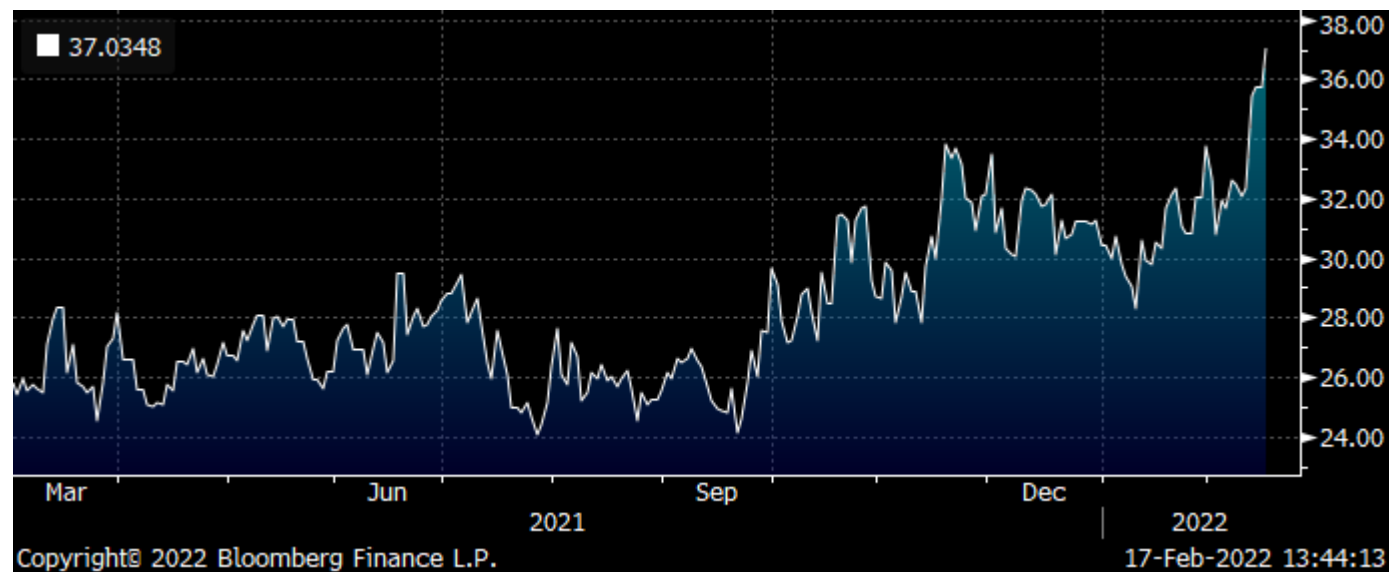


See RXH2 in CTD Basis for last turn of the cards

- Worst case the trade collapses at delivery less the funding cost vs the implied
- If the CTA and non-RV user base is very short the RXA (as one of THE star performing contracts vs a wide remit of assets – the it has potential to detach itself from the CTD as shorts have to cover
- We expect an asymmetry in the basis behaviour as we approach month end and futures expiry on March
- We also see the implied very low on apr31 – which mean RXM” as an expression of dbr 2/31 forward cheaper by 1 – 1.5bp vs other less repo special bonds – therefore we also feel that non ctd basis is vulnerable here – call for details

Spread of Spreads: UKT -r26 / +f35

- Buy UKT f35 / sell 35% UKT r26, all vs Sonia
- Fwd weighting 1 / 0.35
- Vs Sonia
- (P2509[UKT 0.625 07/31/35 Corp] - 0.35 * P2509[UKT 0.375 10/22/26 Corp])
- Trade should work in the rally as aggressive hikes are overly priced in Sonia rather than cash
- Fwd weighting gives some protection from further bear flattening





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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