



Trade Radar

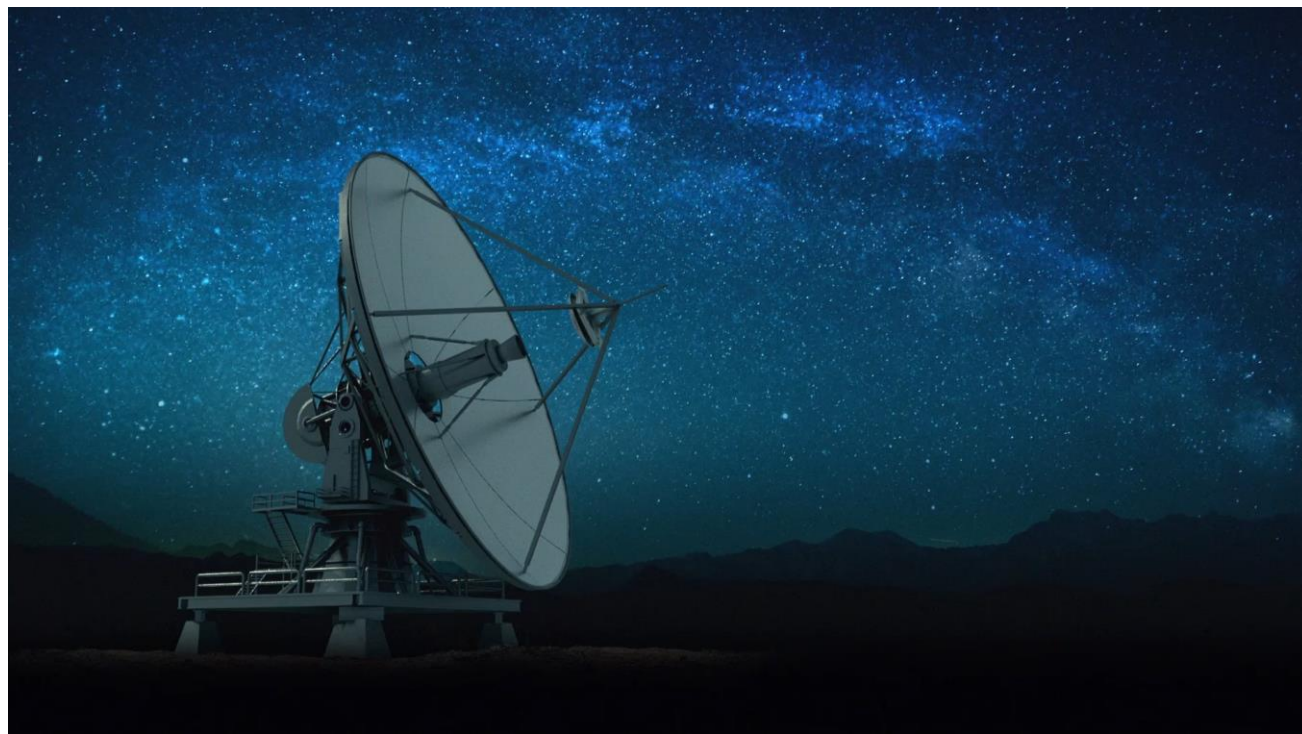
Thoughts

Trades & Fades

James & Will, Astor Ridge

Feb 1st

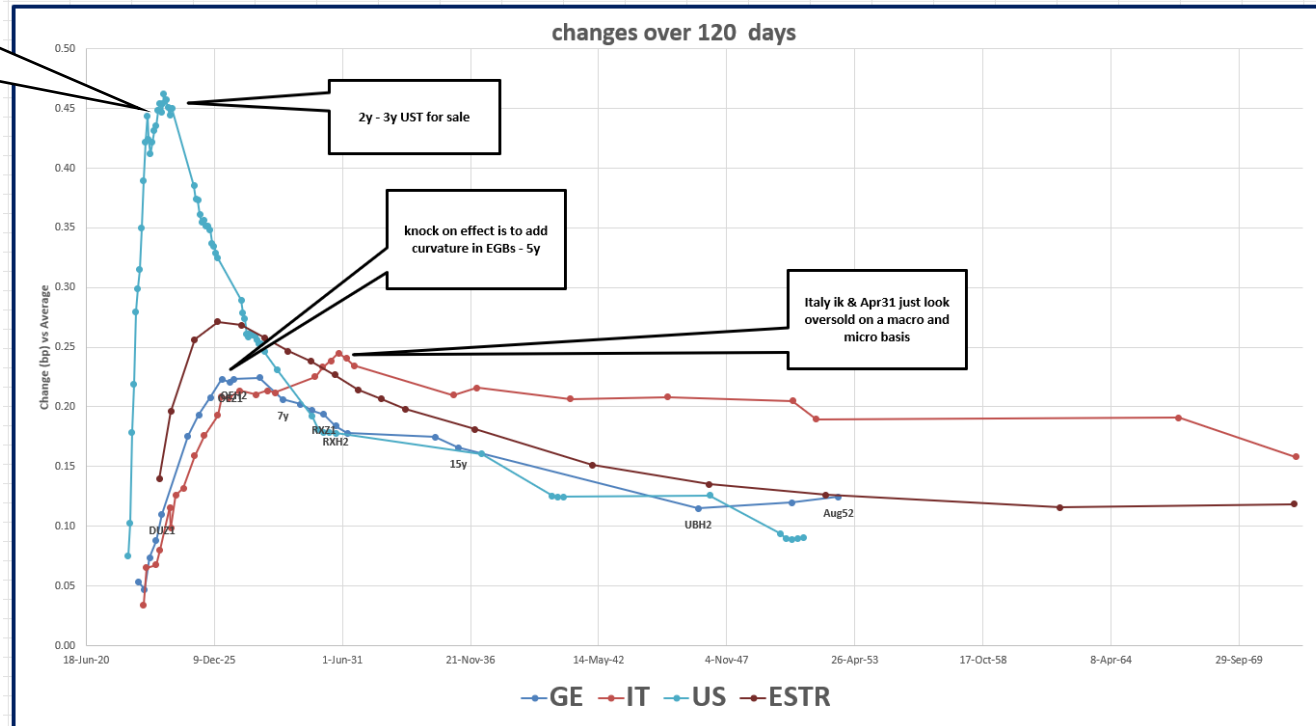
Bespoke Trading Strategies
& Modelling



Thoughts

- Sell Buxl Buy Dbr 48
- Sell Gilt to buy next CTD
- Buy EU 10y vs OATH2
- Steepener EU 10s30s vs France

'cos I can't fight this tightening anymore – I've forgotten what I started fighting for...!'



- On a macro basis am watching the front of the UST get hit on rate expectations – rather than argue, I see this as a manifestation of the expected rate process and am looking for weakness in the belly of the EGB curve

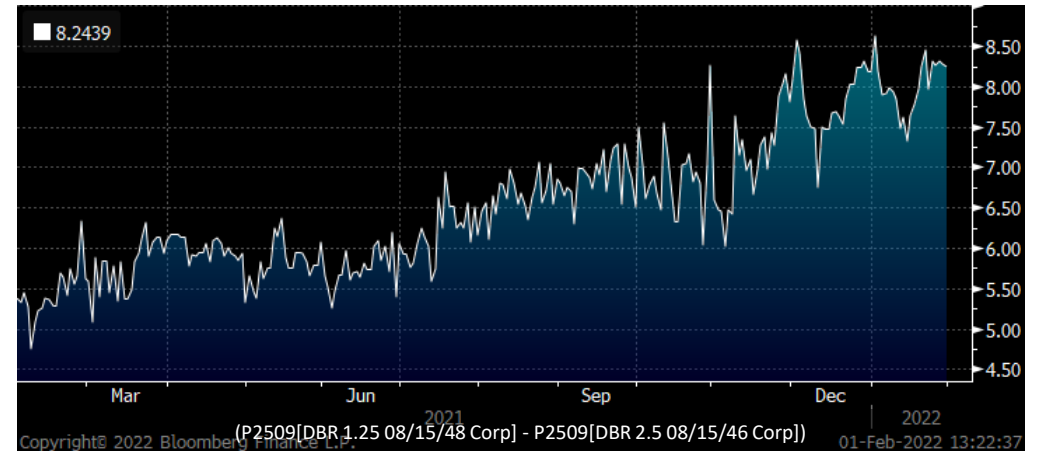
Trade 1 Buxl rich – Sell UBH2 Ctd to buy Dbr 48

Dbr 2050 supply 9th Feb may provide
window to get flattener on at good
levels

- Sell UBH2 CTD Dbr 2.5% May46 to
buy
Dbr 1.35% May48
- vs ESTR
- +8bp (25%)
- Add +10.5bp (75%)

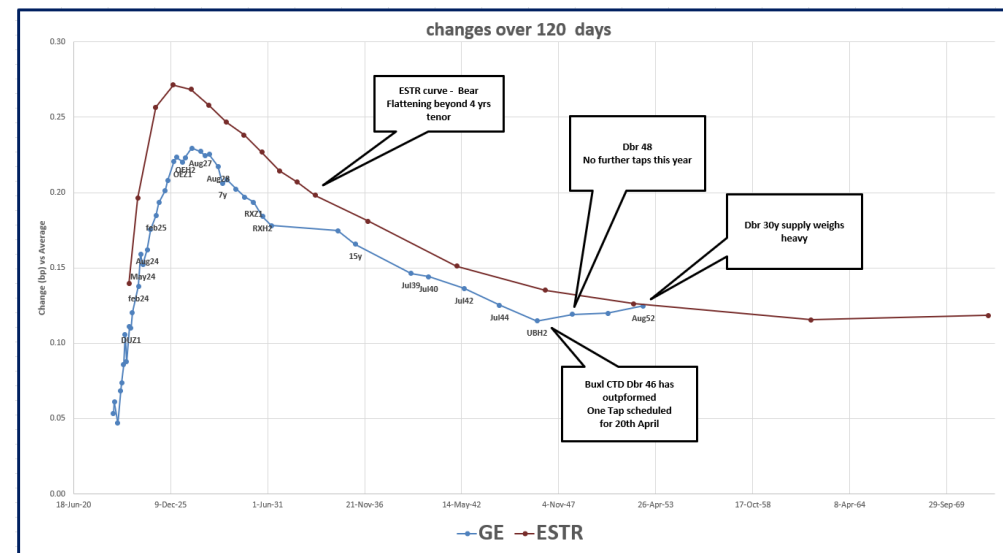
(75 days Sharpe = 0.9 @ +10.5bp)

Cautious on full size entry as vol has
been high over last 3 months



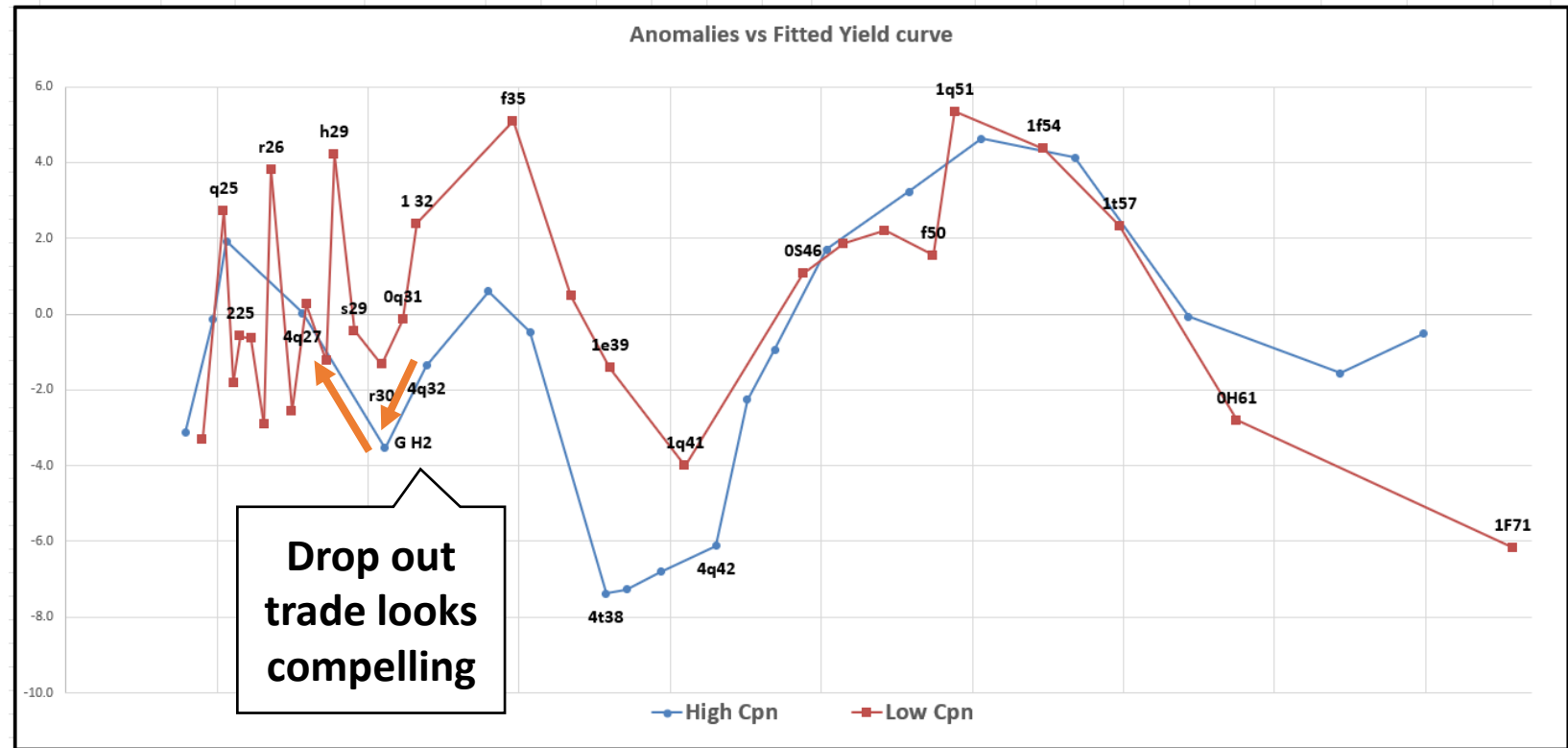
Trade 1 -Buxl rich – Sell UBH2
Ctd to buy Dbr2048 2050 supply
9th Feb may provide window to
get flattener on at good levels

- Yield curves have bear flattened over the last 3 months
- One of the pronounced exceptions is Buxl vs 30y in Germany
- At some point the forwards look compelling to take the Dbr 48 down vs the CTD (or on basis)
- The 46/48 spread should reflect more of what the ESTR curve has done



Trade 2 - Sell Gilt future to buy the June CTD – UKT 4q32

- Sell Ukt 4.75 30 (or G H2)
- Buy UKT 4q32 – CTD into Jun (G M2 and all the way to

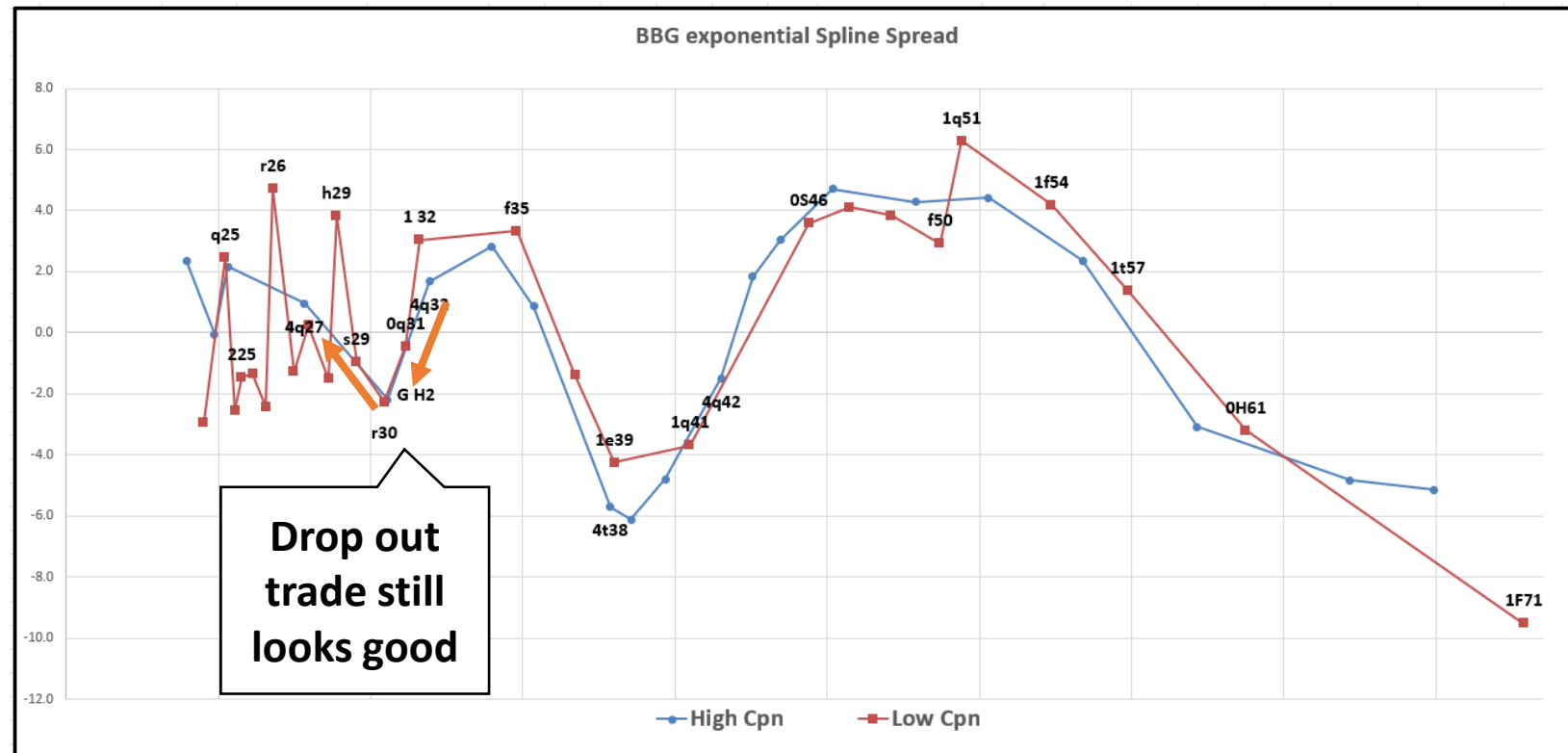


Trade 2 - Let's coupon adjust the UKT yields just to check that it still looks good...

- We use Bloomberg Field 'BB_SPRD_TO_SPLINE_EXPONENTIAL'

This shows the anomaly values vs a smooth, fitted UKT zero curve

The trade still looks compelling from that view



Trade 2 -Let's coupon adjust the UKT yields just to check that it still looks good...

(P2509[UKT 4.25 06/07/32 Corp] - P2509[UKT 4.75 12/07/30 Corp])
Vs Sonia

- We use Bloomberg Field 'BB_SPRD_TO_SPLINE_EXPONENTIAL'

This shows a much more accurate anomaly value vs a smooth, fitted UKT zero curve

The trade still looks compelling from that view

Structurally, value-wise I love this trade but I have to respect that it has spent time at much higher levels

So here, other than a very social piece/size, am waiting in the wings for >13bp.. One to watch

One great alternative is to do a regression weighted fly

-G H2 / +4q32 / -f35

-1.5 / +2 / -0.5

if the G H2 squeezes you get a bit of empathy from the 32s but the 35s position short in the longer tenor gives protection

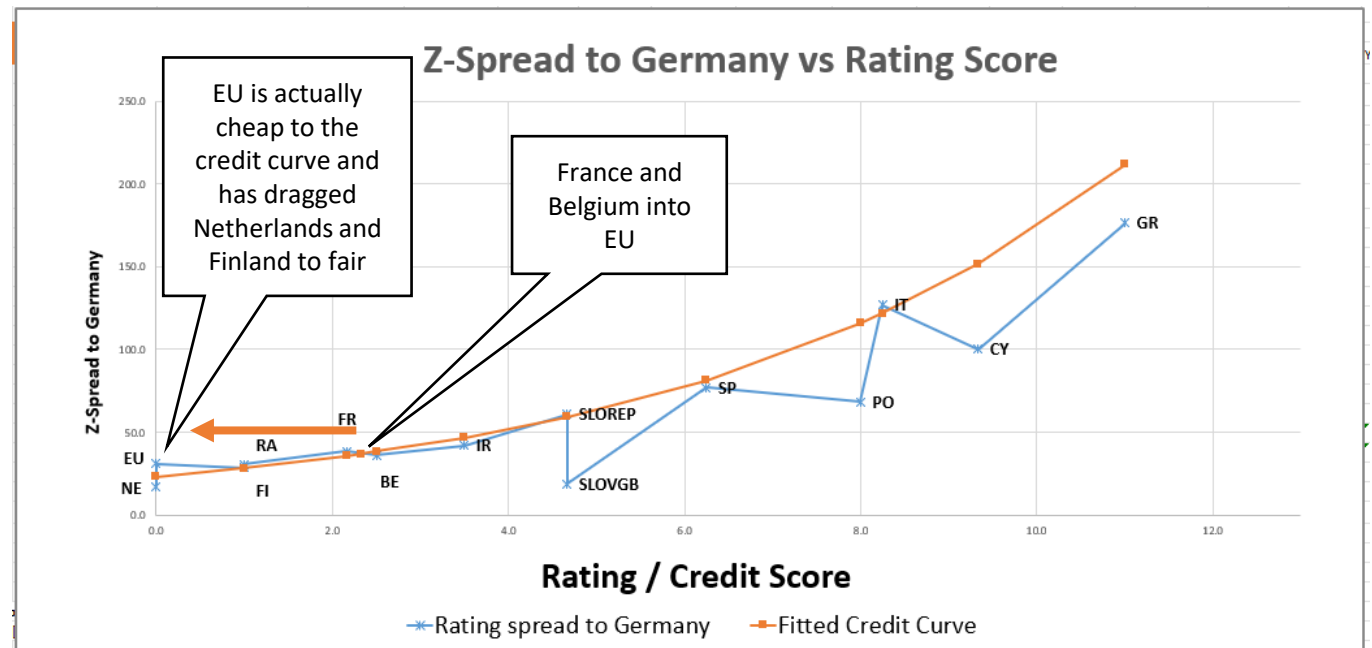


Trade 3 - EU looking cheap as a triple A issuer: sell OATH2 to buy EU jul31

- We expect a dual tranche issue to be syndicated soon – between Monday 7th to Friday 11th February
- Belly plus Long issuance..?
- Nonetheless we seem to be at a boundary where we can improve credit quality from France, Belgium and Ireland into EU for minimal give up in Z-Spread terms
- (YIELD[EU 0 07/04/31 Corp] - YIELD[FRTR 1.5 05/25/31 Corp])
- Sell OATH2 to buy EU jul31: @ +0.5bp, add +2.5bp (based on Sharpe)

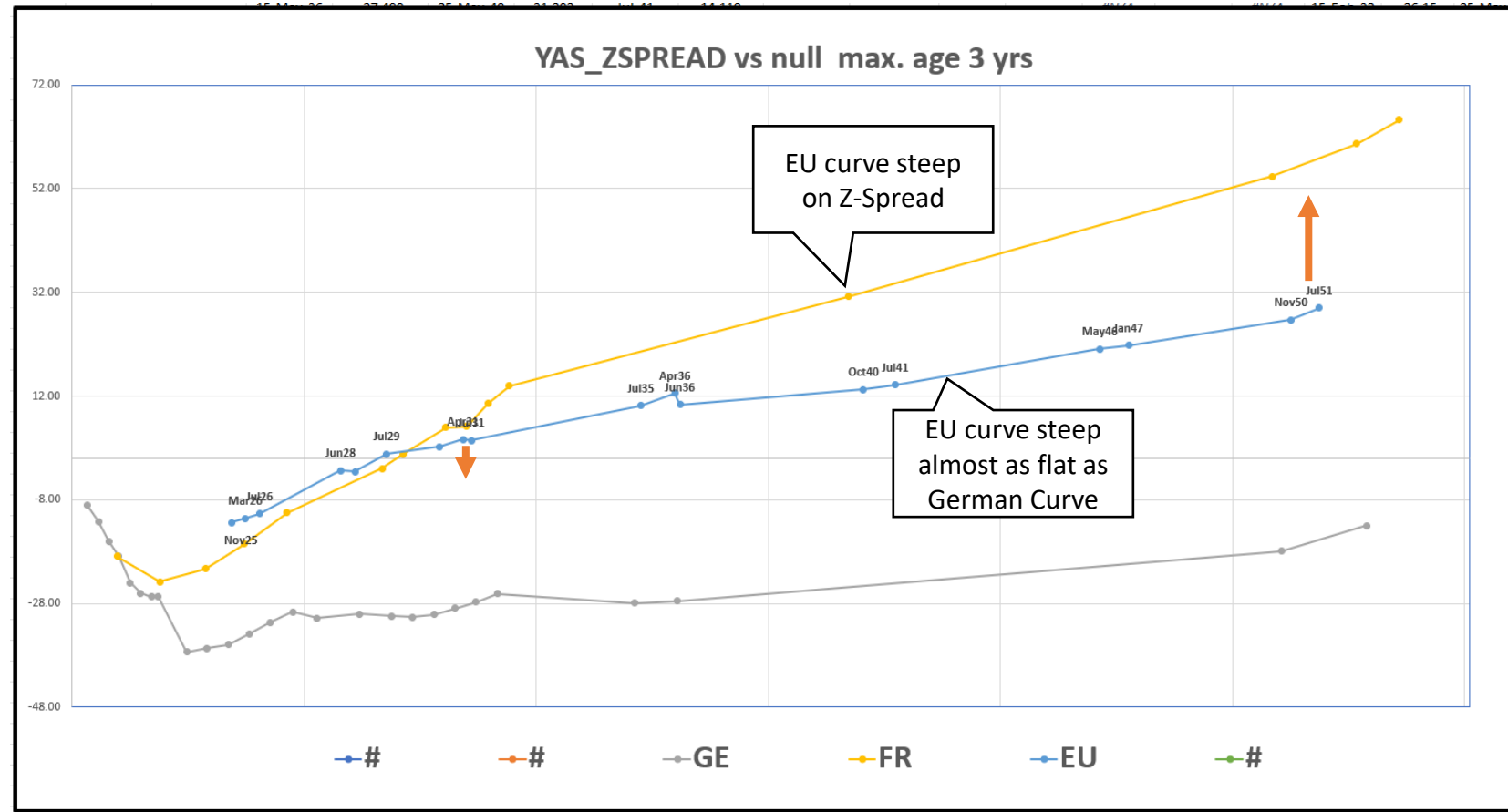


Sell OATH2 to buy EU jul31: @ +0.5bp, add +2.5bp (based on Sharpe)



Trade 4 – EU Steepener vs France flattener – 10s30s forwards weighted

- With long EU supply always possible, this issuer should trade cheaper in the long end
- France as a curve vs ESTR is already pretty steep – z-spread vs tenor is almost a straight line
- We expect to see these two curves have similar gradients in long tenors as issuance in EU forces the market to acknowledge the relationship sub 10years. Under ten years EU trades at or over France



Trade 4 – EU steepener vs Flattener in France 10s30s – using forward weightings (10y20y fwd)

- France 10y20y forward is

$(\text{YIELD}[\text{FRTR } 0.75 \text{ 05/25/52 Corp}] - 0.35 * \text{YIELD}[\text{FRTR } 1.5 \text{ 05/25/31 Corp}])$

- EU 10y20y forward is

$(\text{YIELD}[\text{EU } 0.7 \text{ 07/06/51 Corp}] - 0.35 * \text{YIELD}[\text{EU } 0 \text{ 07/04/31 Corp}])$

France 10y20y minus EU 10y20 on this indexes gives us ...

It's another one to sit and wait.

On long French supply, if we can get $> +0.33$ (0.01 = 1bp), I think we want this trade and it's a great way to be short for more EU supply in a rich tenor





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