



# Trade Radar

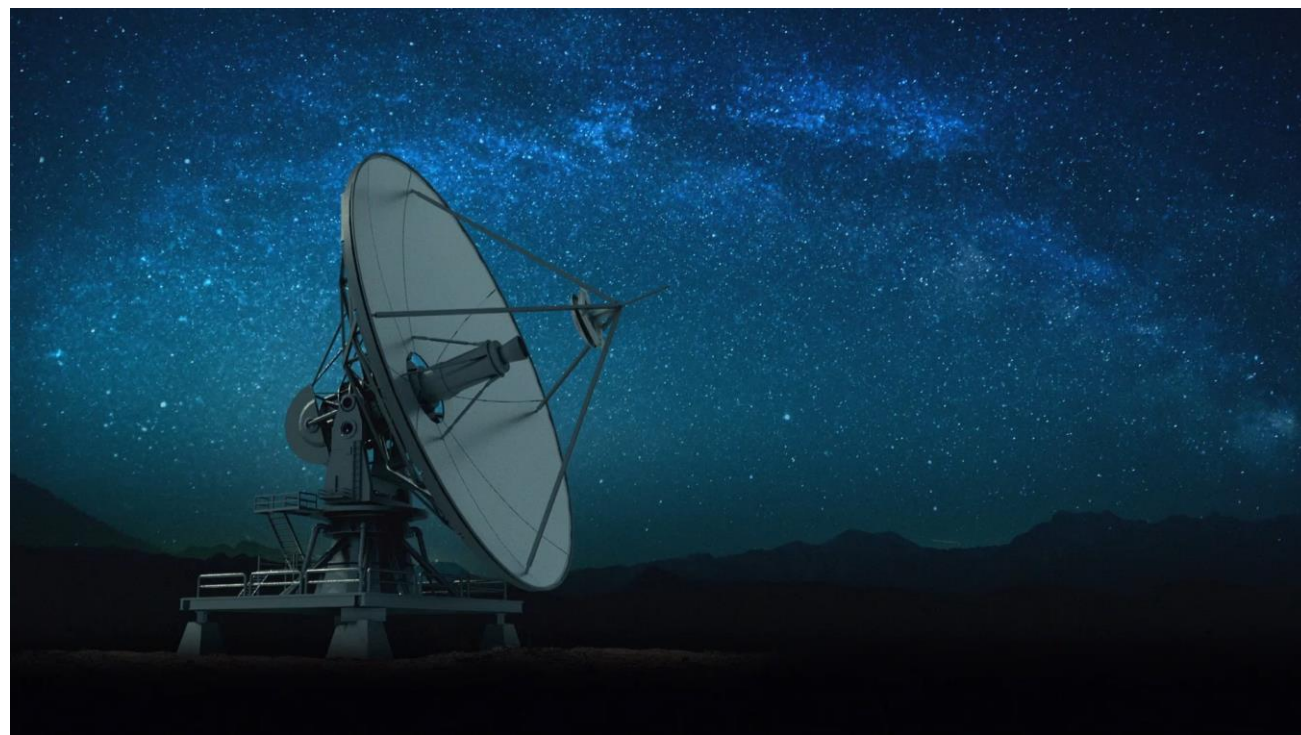
Thoughts

Trades & Fades

James & Will, Astor Ridge

Feb 28<sup>th</sup>

Bespoke Trading Strategies  
& Modelling

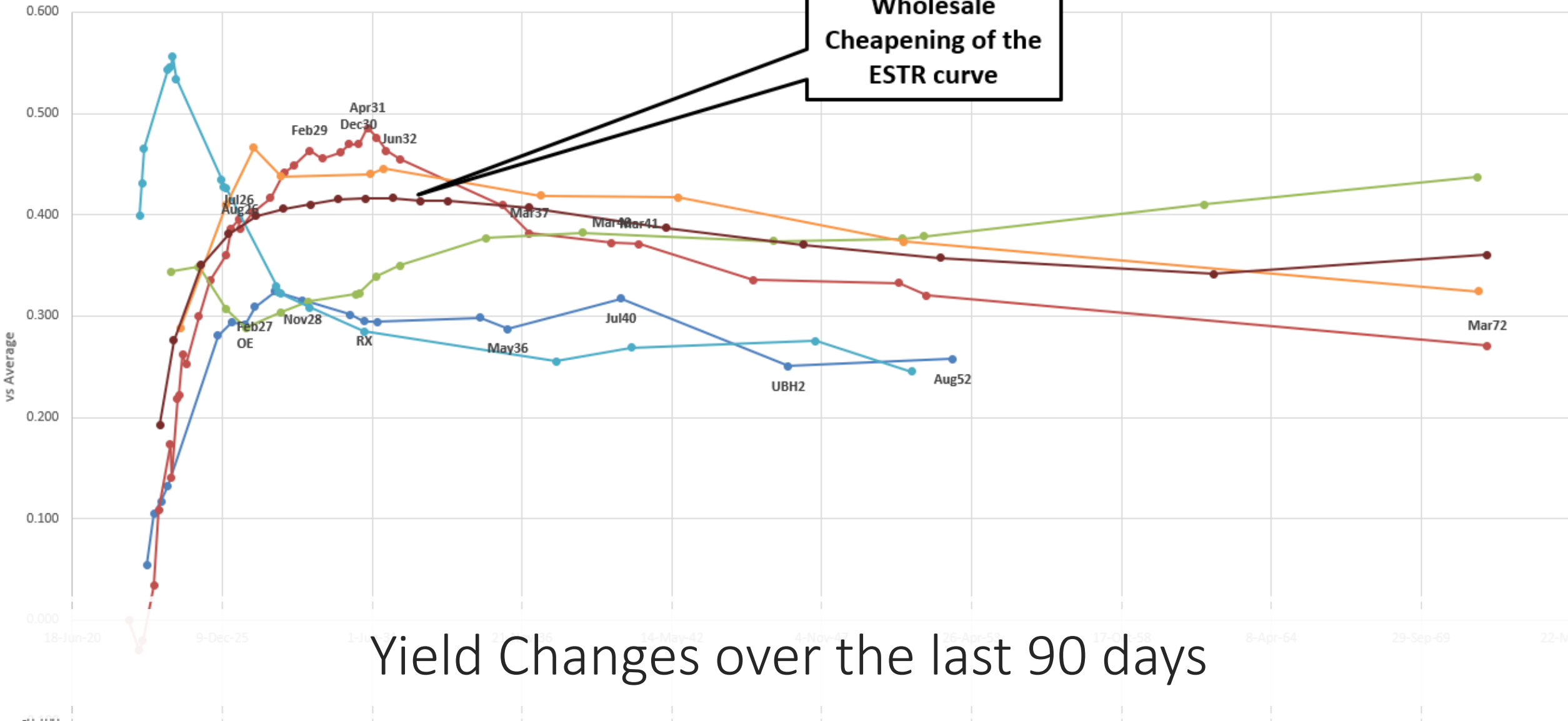


# The week ahead:

- Just some features that are worth looking out for in a volatile environment
- Next two slides are 91 calendar days change vs the average
  - On yield
  - On swap

# Changes over 91 Days vs Average (Yield)

**Wholesale  
Cheapening of the  
ESTR curve**

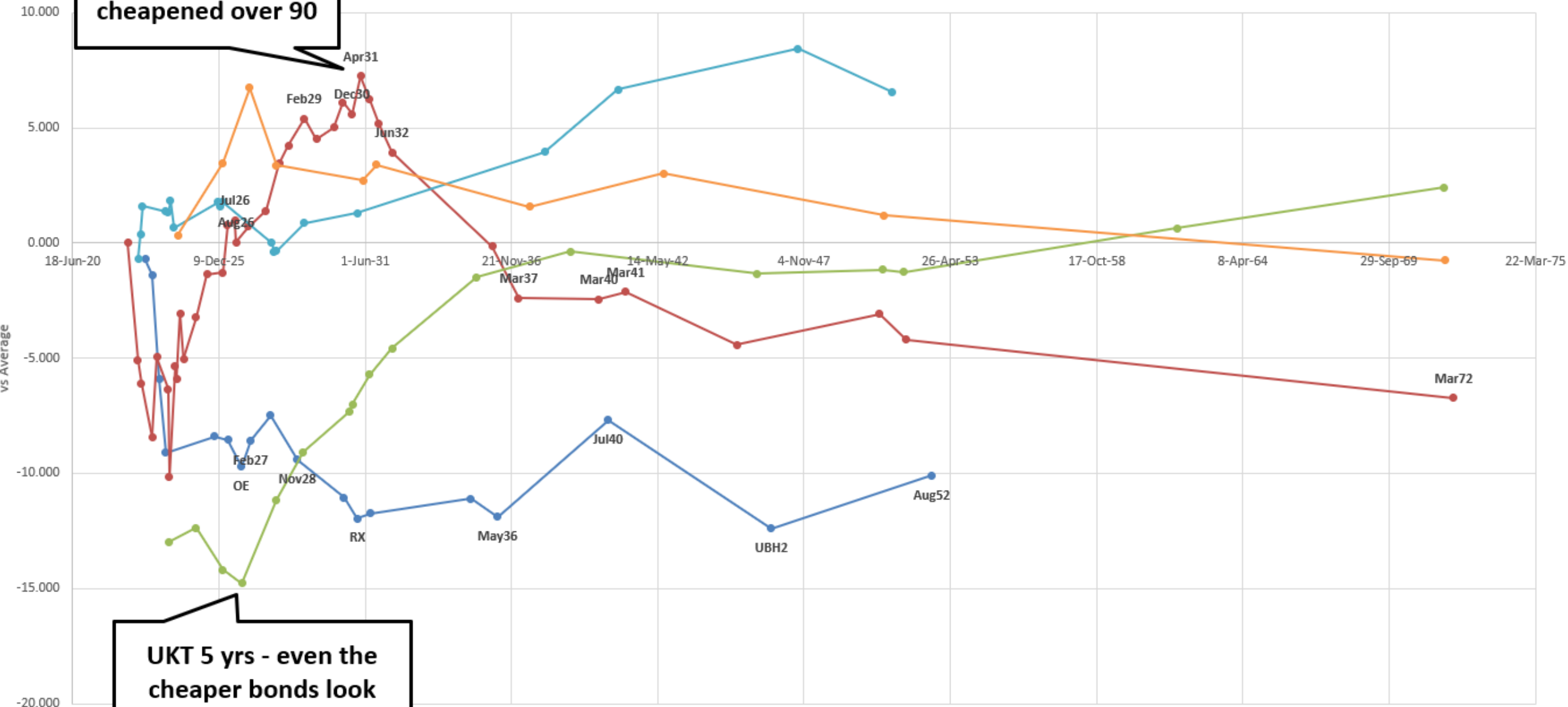


Yield Changes over the last 90 days

GE IT UK US SP ESTR

# Changes over 91 Days vs Average (Swap)

Italian Back month futres have cheapened over 90



UKT 5 yrs - even the cheaper bonds look rich on fwds vs wider curve

—●— GE —●— IT —●— UK —●— 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

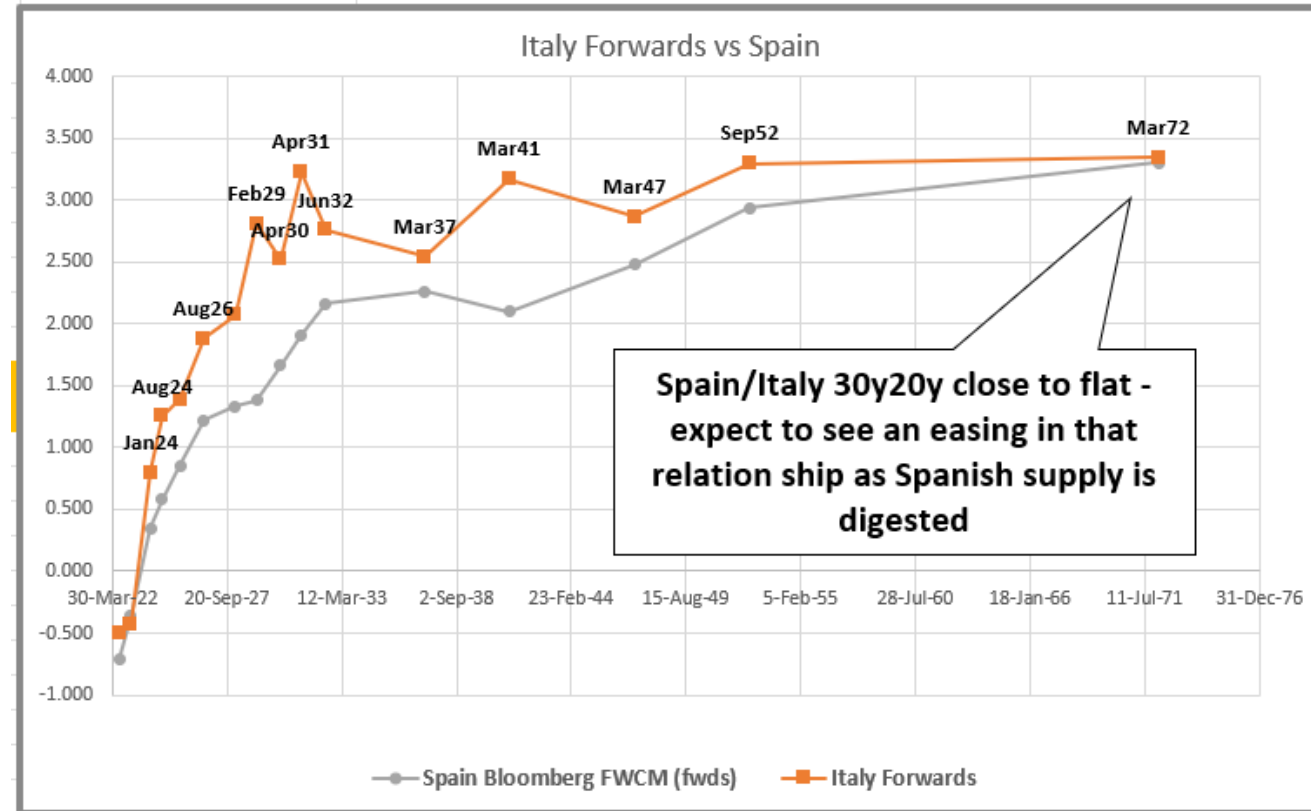


Vs swap



# 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



# Germany announces increased defence spending: German invoice spreads look vulnerable

Core and Semi Core invoice spreads widened  
Although regression may off lite to us about the future, certainly  
historically German invoice spreads look rich





# Regressing French Invoice spreads vs Germany – France got to cheap levels

- Long end French supply on Thursday may be a good chance to get French inv spreads vs Germany. On regression  $OATISPE - 60\% RXAISPE =$  look for the highs again in this one up until Wednesday?



# Some specific countries got too cheap to France – looking at those farthest from continental Europe: Ireland

- Ireland on a regressed basis vs France and Spain looks ok..
- Take Ireland vs France and then rotate, by buying back France next Wednesday ahead of supply
- To leave us with... Ireland vs Spain and Germany

$(+2.00 * \text{yield}[\text{IRISH } 0 \text{ 10/18/31 Govt}] - 1.00 * \text{yield}[\text{DBR } 0 \text{ 02/15/31 Govt}] - 1.00 * \text{yield}[\text{SPGB } 0.5 \text{ 10/31/31 Govt}]) * 100$



# EU 4y supply on Monday: containment of spread risk just difficult in EU – requires even more leverage in wideners

- Being long EU **AND** Bunds vs short short France seems the only way to have contained EU risk during the last year of supply
- Consider long 1 unit of EU **and** 0.9 units of Germany to be short 1.9 units of France
- 10y tenor graph to the right, pictured...
- The real issue here is our struggle to contain the cheapening drift in EU bonds as spreads widen



- Am not sure I love EU bonds here – the issuance entity doesn't feel determined and hence robust – but I'd be taking back shorts if I had any

# German Green August 30 tap Wednesday:

- German Green 2030 trade with a 3% delta vs the CTD to RXM2 (June RX))
- I see the bond 4.5bp rich to the same maturity regular Dbr
- In terms of greeniums, I like them all at -3bp but in this environment I want -2.5. I just don't care if it doesn't get there
- On that basis – I'd buy the issuance vs RXM2, if this index gets over -6.5bp. Street may be short or they may just hang around...

$((\text{YIELD}[\text{ZO291992 Corp}] - 1.03 * \text{YIELD}[\text{DBR 0 02/15/31 Corp}]))$



# Spain 42 on Thursday

$$(+2.00 * \text{yield}[\text{SPGB 1 07/30/42 Govt}] - 0.70 * \text{yield}[\text{SPGB 0.5 10/31/31 Govt}] - 1.30 * \text{yield}[\text{SPGB 1 10/31/50 Govt}]) * 100$$

- On fly vs 10y and 30y...
- 0.7 / 2 / 1.3



- On box 10s20s Spain vs France it looks unimpressive
- On straight regression vs 30y bond looks like it could cheapen 4bp – stand back and let it happen.... Maybe short some French 20y vs OATM2



$$100 * ((\text{YIELD}[\text{SPGB 1 07/30/42 Corp}] - \text{YIELD}[\text{SPGB 0.5 10/31/31 Corp}]) + -0.9 * (\text{YIELD}[\text{FRTR 0.5 05/25/40 Corp}] - \text{YIELD}[\text{FRTR 1.5 05/25/31 Corp}]))$$

# French Longs on Thursday

- 10y 2032
- 30y 2053
- And old high coupon 3.25 45
- All other things being equal I need France 10s30s 5 steeper to get excited

$$(+2.0 * \text{YIELD}[\text{FRTR 1.5 05/25/31 Corp}] - 1.6 * \text{YIELD}[\text{DBR 0 02/15/31 Corp}] - 0.4 * \text{YIELD}[\text{BTPTS 1.65 12/01/30 Corp}]) * 100$$

- As a credit France seems to have support vs IK and RX about 2/3 bp from here – I would tentatively have some there



- The HC 45 look interesting – cheap bond when I re-invest all cash-flows at the right rate
- Vs selling Frtr May40 – which I hate, they're +9.5bp
- @ > + 10.5bp I think they look good – needs to trade with a 2% delta long

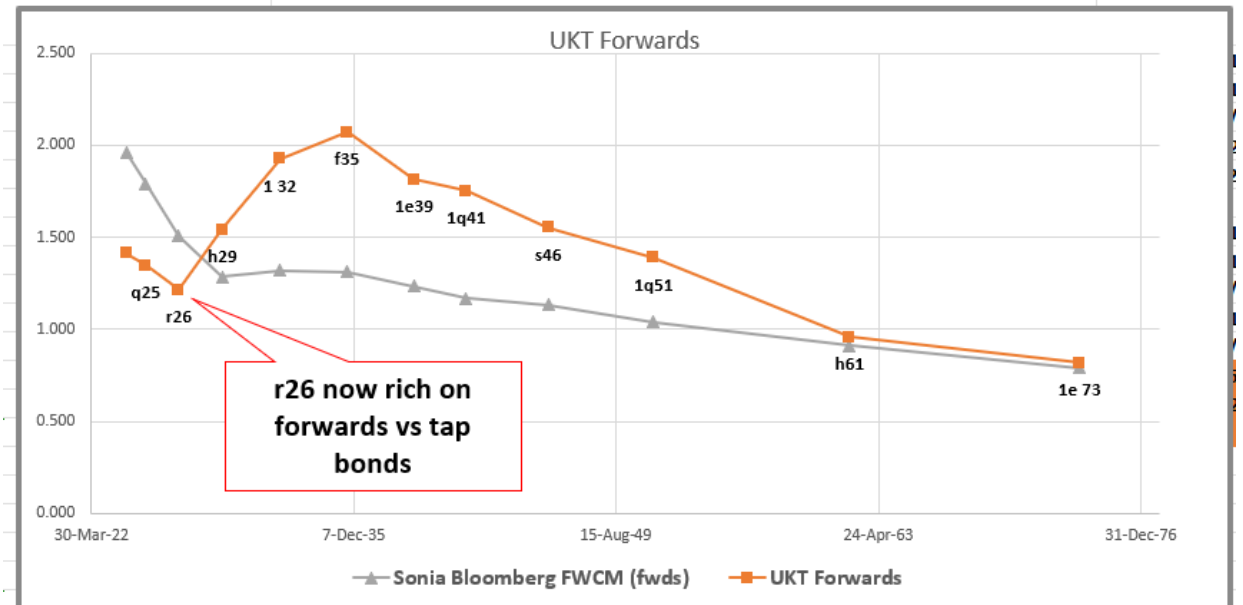


# UKT q25 supply on Wednesday

- Love 'em as a wing to short 5yrs which got rich on forwards end of last week
- UKT +q25 -r26 +h29
- Weights: +1.3 / -2 / +0.7
- If you wanna spice it up by selling anomalous bonds... be my guest



$$(+2.00 * \text{yield}[\text{UKT } 0.375 \text{ 10/22/26 Govt}] - 1.30 * \text{yield}[\text{UKT } 0.25 \text{ 01/31/25 Govt}] - 0.70 * \text{yield}[\text{UKT } 0.5 \text{ 01/31/29 Govt}]) * 100$$





# 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)
- This marketing was prepared by James Rice, a consultant with Astor Ridge. It is not appropriate to characterize this e-mail as independent investment research as referred to in MiFID and that it should be treated as a marketing communication even if it contains a trade recommendation. A history of marketing materials and research reports can be provided upon request in compliance with the European Commission's Market Abuse Regulation. Astor Ridge takes no proprietary trading risk, has no market making facilities, and has no position in any security we discuss in this e-mail. The views in this e-mail are those of the author(s) and are subject to change, and Astor Ridge has no obligation to update its opinions or the information in this publication. If this e-mail contains opinions or recommendations, those opinions or recommendations reflect solely and exclusively those of the author, and such opinions were prepared independently of any other interests, including those of Astor Ridge and/or its affiliates. This publication does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the those who receive it. The securities discussed herein may not be suitable for all investors. Astor Ridge recommends that investors independently evaluate each issuer, security or instrument discussed herein, and consult any independent advisors they believe necessary. The value of, and income from, any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.
- You should not use or disclose to any other person the contents of this e-mail or its attachments (if any), nor take copies. This e-mail is not a representation or warranty and is not intended nor should it be taken to create any legal relations, contractual or otherwise. This e-mail and any files transmitted with it are confidential, may be legally privileged, and are for the sole use of the intended recipient. Copyright in this e-mail and any accompanying document created by Astor Ridge LLP is owned by Astor Ridge LLP.
- Astor Ridge LLP is regulated by the Financial Conduct Authority (FCA): Registration Number 579287
- Astor Ridge LLP is Registered in England and Wales with Companies House: Registration Number OC372185
- Astor Ridge NA LLP is a member of FINRA/SIPC: CRD Number 282626
- Astor Ridge NA LLP is a member of the National Futures Association (NFA): Firm ID Number 0499303
- Astor Ridge NA LLP is Registered in England and Wales with Companies House: Registration Number OC401796