



Trade Radar

Thoughts

Trades & Fades

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March 6th

Bespoke Trading Strategies
& Modelling



The week ahead:

- Delta and spreads - flight to quality beats the US theme of rate hikes
- Curve in Derivs – 2s10s steeper forces 15yr point cheap on curvature
- Stops in 5s10s30s seems to aid strong flattening in 10s30s
- Swaps continue to underperform
- Single names: Finland, Austria, Belgium and Ireland have all cheapened putting pressure on France in the context the wider credit risk spectrum
- 10y Invoice spreads have roll but not carry at the recent highs
- Eurex rolls are pretty much done: I suspect front month richening is pretty much done

Supply

- Nether 7y
- Austria 3y & 10y
- Portugal 5y & old 12y
- Ireland TBA
- Italy 3y & 7y TBA Tuesday night
- Ukt 30y tap

Btps curve Flattener: -old 7s +ikM2

- Ikm2 / -old 7y ahead of supply
- New Supply in the much cheaper on the run Feb29 on Friday TBA on Tuesday
- Nice simple Basis trade!!!



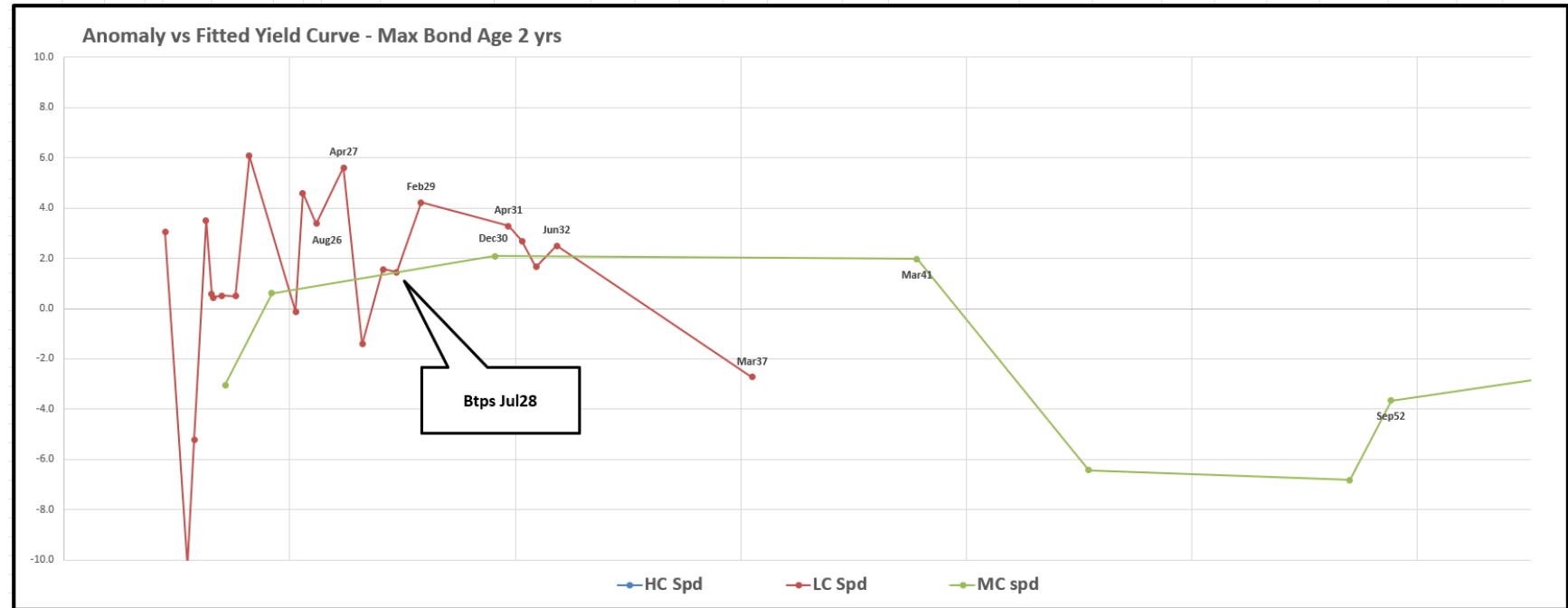
- +10% Delta



- Duration Neutral

Italian RV Anomaly Curve

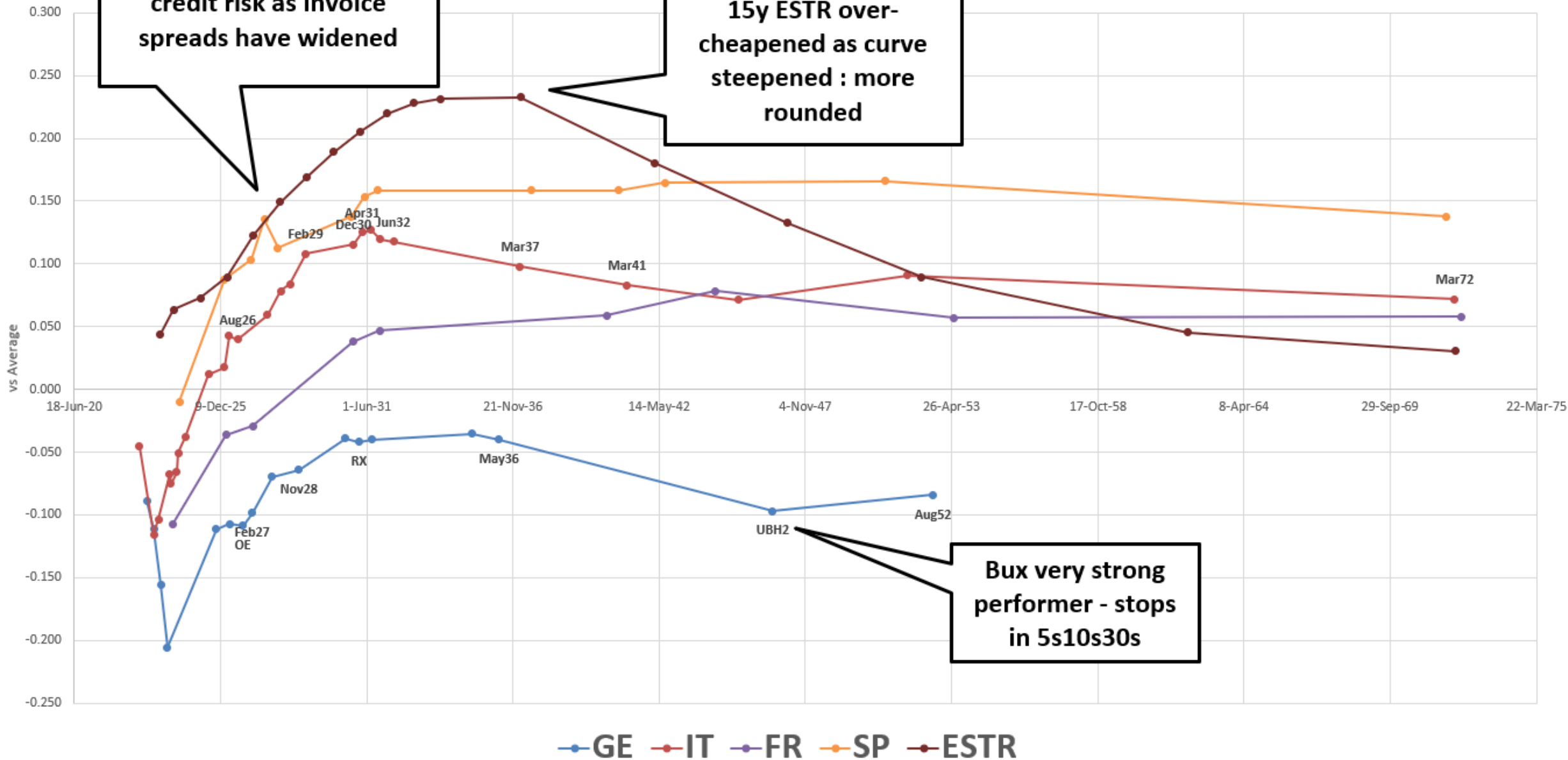
- Sell the old Btps jul28 to buy cheap IKM2 CTD



Changes over 91 Days vs Average (Yield)

2 - 10y Estr has been the only hedge for single name credit risk as Invoice spreads have widened

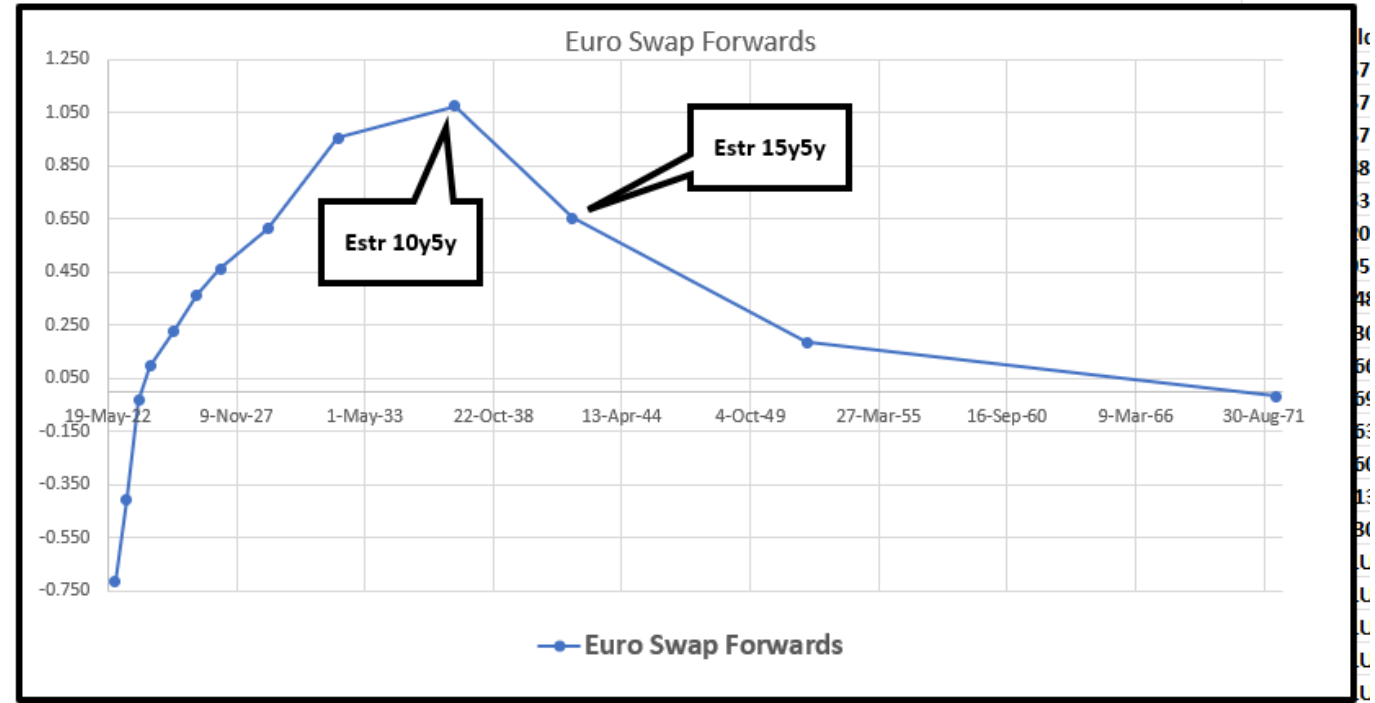
15y ESTR over-cheapened as curve steepened : more rounded



Bux very strong performer - stops in 5s10s30s

ESTR 10s15s20s fly

- Forwards ->



<- History

Trade Expression: rcv ESTR 15y vs 10y and 20y

- Trades with a slight flattening bias so we impose modest (5%) steepener
- $(+2.00 * \text{EESWE15 Curncy} - 0.90 * \text{EESWE10 Curncy} - 1.10 * \text{EESWE20 Curncy}) * 100$
- Rationale: stops in 10s vs 5s and 30s are causing this to be the best idiosyncratic fwd steepener
- Long term I see the Euro curve as having to reflect both inflation and credit risk – both of which should re-steepen the swap curve
- What I like is the location is extreme even given the markets flight to quality bid for F.I.



Italy: long back month IK CTD vs jul28 & Dec31

- From last week
- Btps...
- -jul28 / +apr31 (or back months) / -dec31
- Weighting: .4 / 2 / 1.6

Worked nicely – we only got to a level to incept small so we take it off around here / slightly richer



Sell France 20y vs OATA & 30y

Last week...

Small trade for us and tbh probably too illiquid to get on in size

Worked see graph – but I still see frtr 40 as rich in a macro context – so cover but not in a hurry

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



As Belgium as a single name has hugely blown out this last week we now see frtr 40 into bgb HC 41s as a pro QE narrower – but... daily vol has sky rocketed in these spreads E.g. over 90 days the daily realised vol of changes was 1.2bp. Over the last week that has double to in excess of 2bp we need to overlay swap spreads to contain the risk or simply concentrate on same issuer / liquid postioning



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

- Last week we looked at long French invoice spreads vs short 60% German spreads – that worked and we'd definitely take it off – feels like tremendous pressure on France as a hedging name vs other core and semi-core (non-German Debt)

((P2509[FRTR 1.5 05/25/31 Corp] - 0.6 * P2509[DBR 0 02/15/31 Corp]))





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