



# Trade Radar

Trades & Fades

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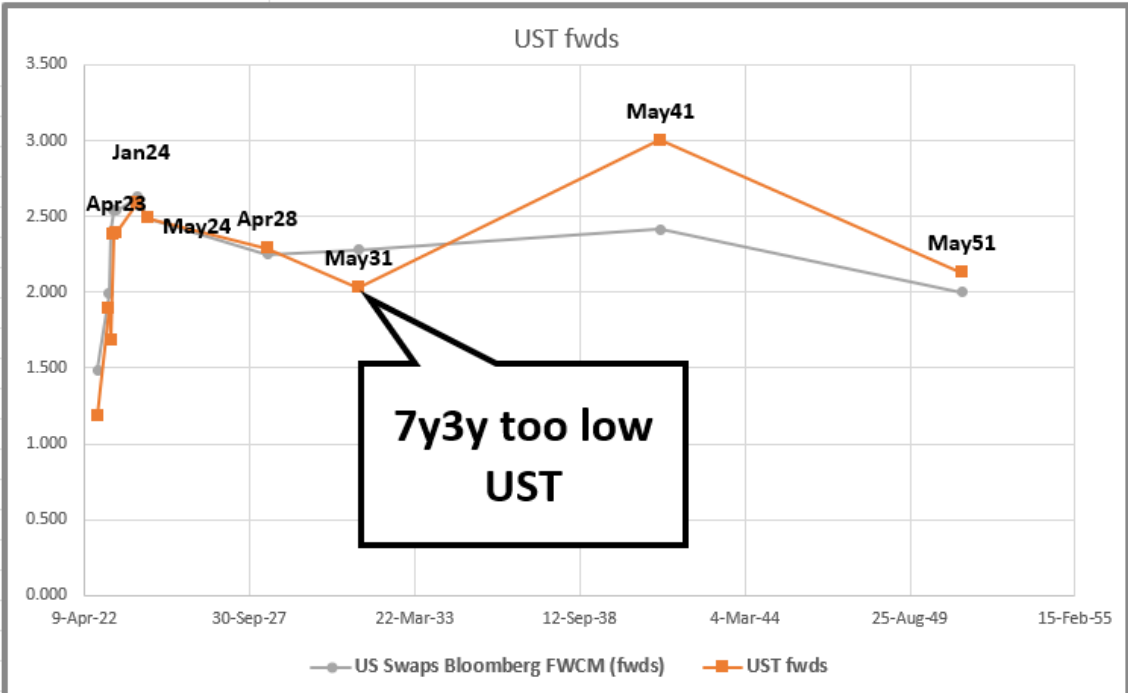
Bespoke Trading Strategies  
& Modelling



# Fades

- Short Delta – Forward Curve are super inverted – Where it's extreme, such as 7s10s (7y3y fwd) in the US and elsewhere in Europe, I'm interested in fading that
- I struggle to see any long forwards going much below 2%

Bond benchmarks	Yield	shift (bp)	used yield	Fwd vs Prior Bond	US Swaps Bloomberg FWCM (fwds)	spread fwd bond - US Swaps
B 0 06/16/22	0.384	0	0.384			
B 0 09/15/22	0.786	0	0.786	1.183	1.487	-0.305
T 0.125 01/31/23	1.262	0	1.262	1.898	1.991	-0.093
T 0.125 02/28/23	1.296	0	1.296	1.688	2.404	-0.716
T 0.125 03/31/23	1.387	0	1.387	2.386	2.537	-0.151
T 0.125 04/30/23	1.462	0	1.462	2.394	2.537	-0.143
T 0.125 01/15/24	1.901	0	1.901	2.596	2.629	-0.034
T 0.25 05/15/24	1.993	0	1.993	2.490	2.489	0.001
T 1.25 04/30/28	2.184	0	2.184	2.292	2.250	0.042
T 1.625 05/15/31	2.135	0	2.135	2.029	2.280	-0.251
T 2.25 05/15/41	2.540	0	2.540	3.004	2.415	0.589
T 2.375 05/15/51	2.430	0	2.430	2.131	2.003	0.129
#N/A	#N/A	0	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	0	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	0	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	0	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	0	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	0	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	0	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	0	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	0	#N/A	#N/A	#N/A	#N/A



# Fades

- Buy Cheap futures contracts – in a bear market for fixed income – keeping the CTD cheap on the curve is bit like holding a beach ball under water. Eventually the additive value of being CTD causes it to richen up
- We want to be long Eurex Futures contracts when they are cheap forward vs other non special cash bonds and pick up the difference between Implied repo and GC
- We use a price adjustment technique to re-represent the ctd bonds as if they had an enhancement reflecting the low IRR of the futures contract

# Fades

- Credit Curve Steepeners
- We're moving into a high inflation, high issuance, non QE environment
- The mantra is bond steepeners vs OIS
- Be long bond that roll into rich un tapped segments
- Stay liquid around recent issues (less than 2 years old)
- Stay liquid around futures contracts
- Buy on the runs towards the end of their tap cycle
- Value bond in yield *and* Cash-flow terms – It's not called Yield to Maturity for no reason!!!

# Back to neutral on Germany vs other issuers and vs Swaps

- Truth be told we would have been stopped on this one
- Germany had a rocky ride to be as high as +56bp on invoice spread
- On the regressed form (lower graph, it very middle of the range)
- CMB 10y Germany – 76%  
10y ESTR:  
RV0002P 10Y BLC Curncy - 0.76 \*  
EESWE10 Curncy

German  
ESTR  
Invoice  
Spread



Germany  
version  
regression  
weighted  
swap

# Flatteners are back on: Italian 7s vs 8s with Roll

- Been trying to avoid the micro RV but this one makes sense to me
- Sell btps Feb28 – they roll awfully towards the 5y tap bond (Apr27) and are plain rich. %y supply EOM too
- Buy Btps Aug30 – the higher rate environment favours the lower coupons – also am for choice a seller if ik/rx here and prefer being long this low coupon 0.95% vs Feb28 2% coupon
- The Aug30 rolls into the much richer apr30 too
- On regression it trades long 11%  
 **$100 * ((\text{BTPS } 0.95 \text{ } 08/01/30 \text{ Govt} - 1.11 * \text{BTPS } 2 \text{ } 02/01/28 \text{ Govt} ))$**



$$100 * ((\text{BTPS } 0.95 \text{ } 08/01/30 \text{ Corp} - 1.11 * \text{BTPS } 2 \text{ } 02/01/28 \text{ Corp}))$$

# Italian Credit Curve steepener: short 10y for supply

- Sell on the run 10y Btp Jun32
- Buy Btps Aug30 for roll down
- Vs ESTR
- 10y Tap on Wednesday 30<sup>th</sup> March
- +3.8bp /3mo – mostly from idiosyncratic roll down and some carry in shorter bonds



((P2509[BTPS 0.95 06/01/32 Corp] - P2509[BTPS 0.95 08/01/30 Corp]))



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