



# Trade Radar

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**Trades & Fades**

**James & Will, Astor Ridge**

**April 11th**

**Bespoke Trading Strategies  
& Modelling**



# Week Ahead

- French Election First Round – France has been heavily discounted
- 3yr U.S. offered continues to pressure OE and EGB 5 yrs
- Spread Steepeners still our objective in 8s / 15s Italy
- RXM2 coming to the end of its travels and starting to look rich
- Generally looking for C&R to put on idiosyncratic steepeners in EGBs vs ESTR
- Supply: Short week so..

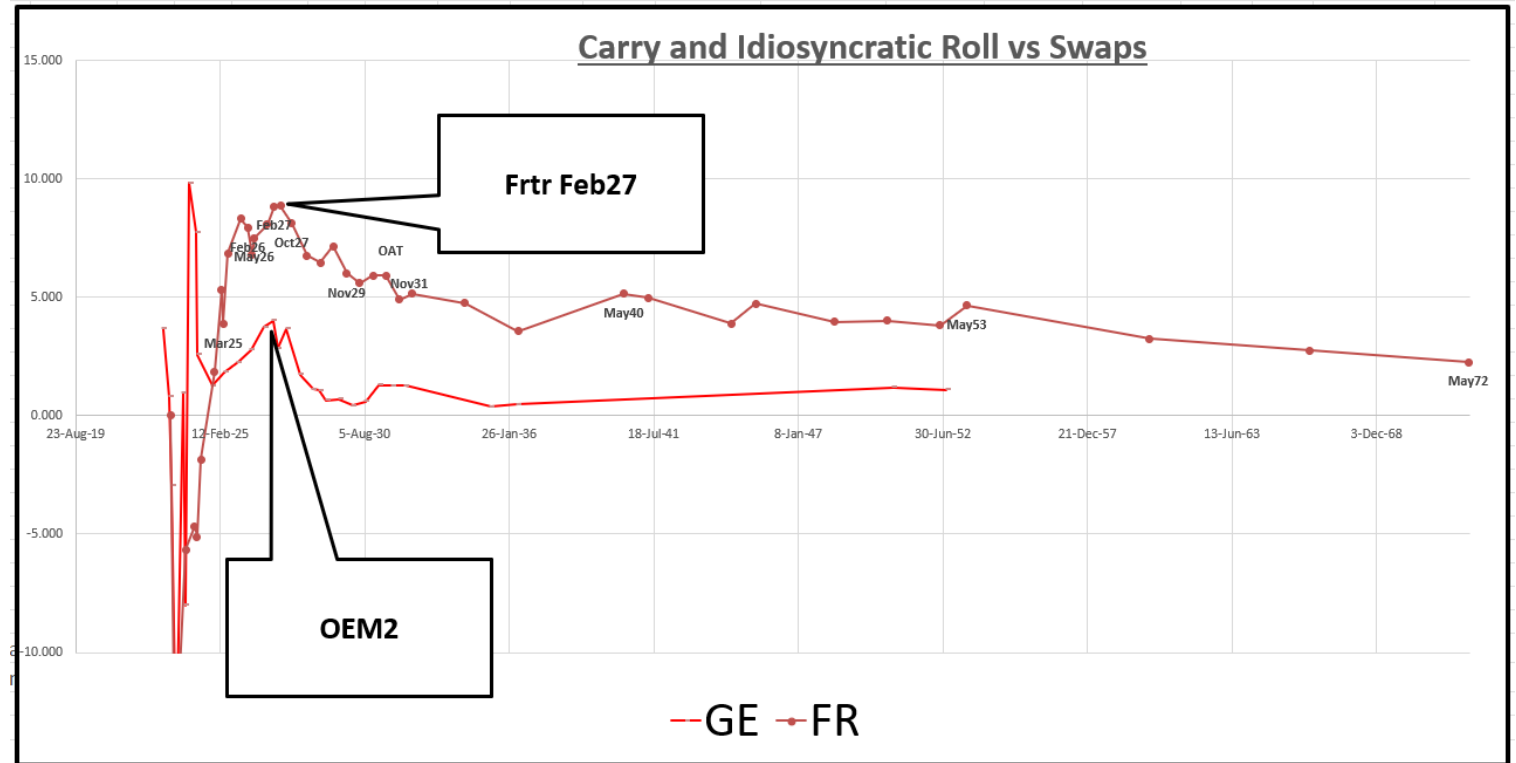
Nether 10y & US 10y on Tuesday, German 2y. Wednesday: Italy 3y, 30y and old 20y (Wed), plus German 10y

# France Offered – 5y offers value

- We don't mind exposure to French credit *in short tenors*
- The 5y Frtr Feb27 will probably go off the run in the next month with a new Frtr Feb28
- The 5y Germany will continue to get sold by CTAs on short end rate expectations in the medium term

Carry and Roll in France (vs Estr)->

Feels like Leverage has used the view on Rates and superposed the notion of Euro-Bloc weakness to sell France – could be too far, but mind the gap



# Sell Germany 5y vs France 5yr: Trades with a long so add 10% short

- France 5y / Germany 5y

$\text{YIELD}[\text{FRTR 0 02/25/27 Corp}] - \text{YIELD}[\text{DBR 0.25 02/15/27 Corp}]$

## Regression form

- France 5y / -1.1 \* Germany 5y

$\text{YIELD}[\text{FRTR 0 02/25/27 Corp}] - \text{YIELD}[\text{DBR 0.25 02/15/27 Corp}]$

Sizes: 25% here, full size in 4bp time

Duration

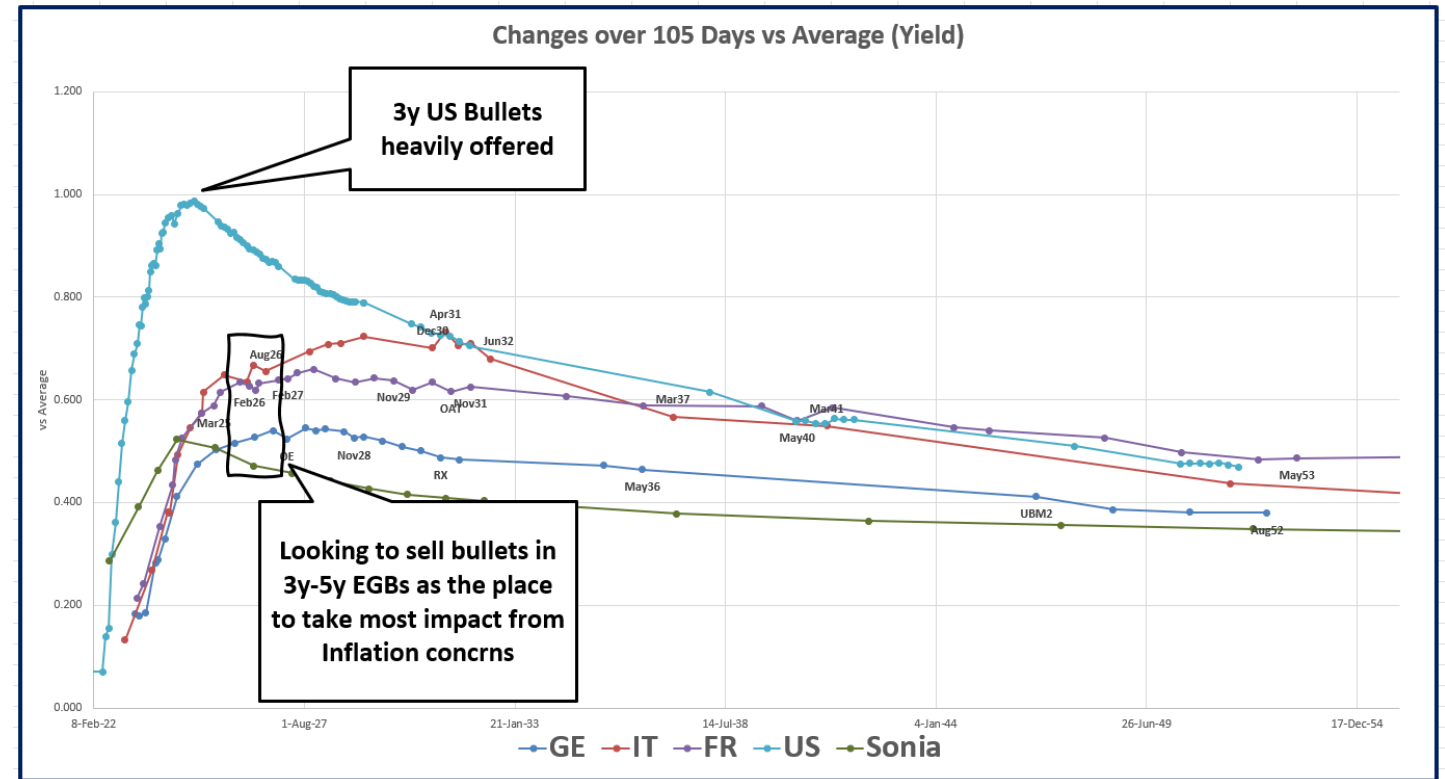


Extra 10% short Delta



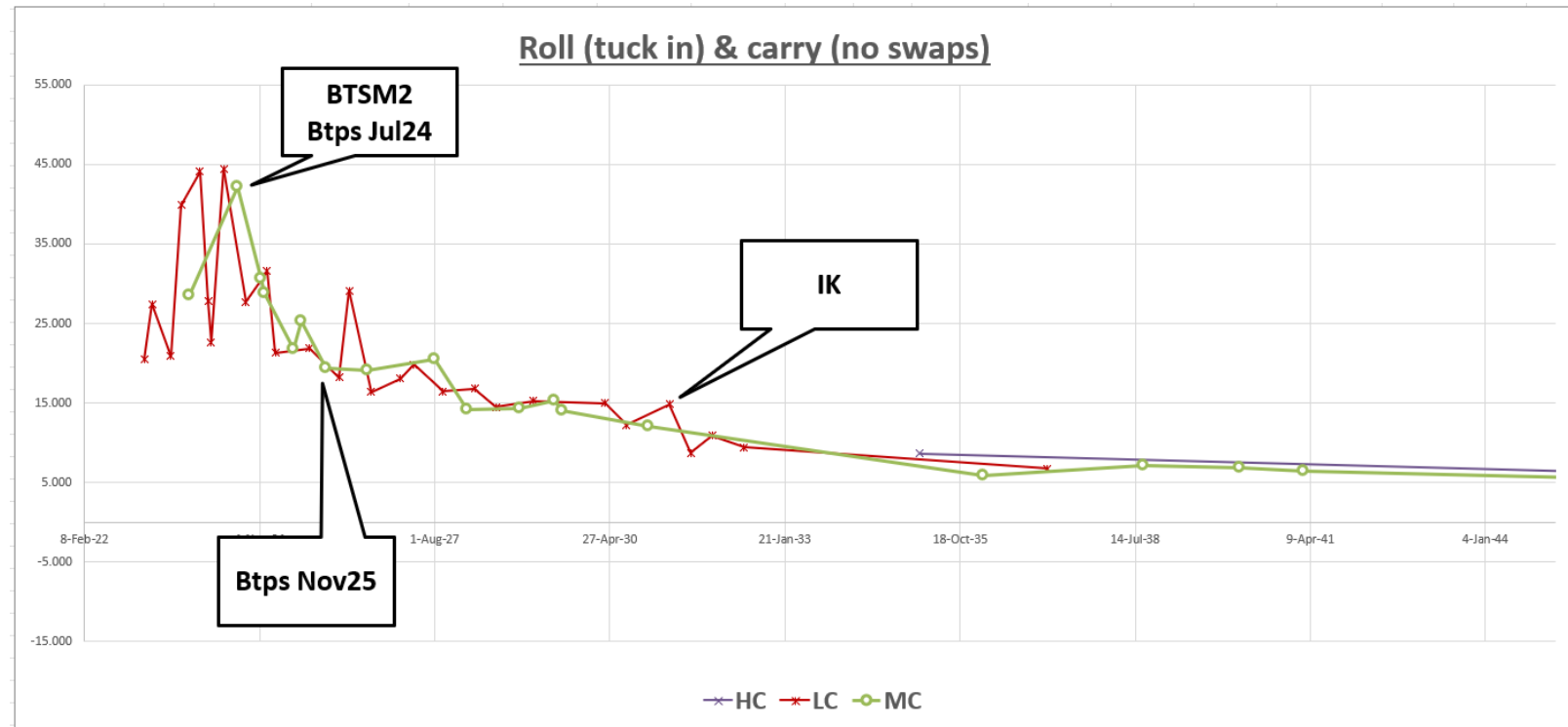
# Want to sell bullets in 3y – 5y Europe

- Consider the chart showing moves in EGB and US yields over the last 105 days
- You can see how the rate hike expectations reflect a sharpened rhetoric wrt to the hiking cycle
- We think this will become the narrative for Europe to – possibly in slightly longer tenors as turning ECB expectations can be like turning a tanker
- Let's go hunting for decent short belly structures around here



# Italy new Btps 1.2% Aug 25, makes Nov25 look rich

- I'm pricing this Bad Boy @ +21bp to the outgoing Dec 24 old 3y into which it rolls
- Aug25 carries ok, but rolls poorly – it's the Dec24 that should pickup value now
- ***What it does do is make the old 7y Nov25 look pretty rich***, which in turn has a shot at being CTD & could then trade cheap
- So the trade I actually like is buying BTSM2, selling Btps nov25 and buying a little IK to protect myself – alternatively ahead of supply I can omit this last piece



# Holland Tap affords chance to get short France

- Long Holland 9 y vs  
-67% France, OATM2  
-33% Germany, RXM2
- Basically in some simple Bayesian model the European credits expand and compress like some sort of Accordion or Squeezebox. Weaker credits expand vs core dragging semi-core some of the way and vice versa – this offers opportunity around supply
- One of our favourites is to trade Nether vs ‘the Blend’ (France and Germany in this case)
- Nether vs Germany and France – it also offers the opportunity to get short France on this morning’s bounce
- Looking for a couple more basis points to do some size



# OEU2 Ctd rolling in and say good buy to old OEU2 Ctd Aug26

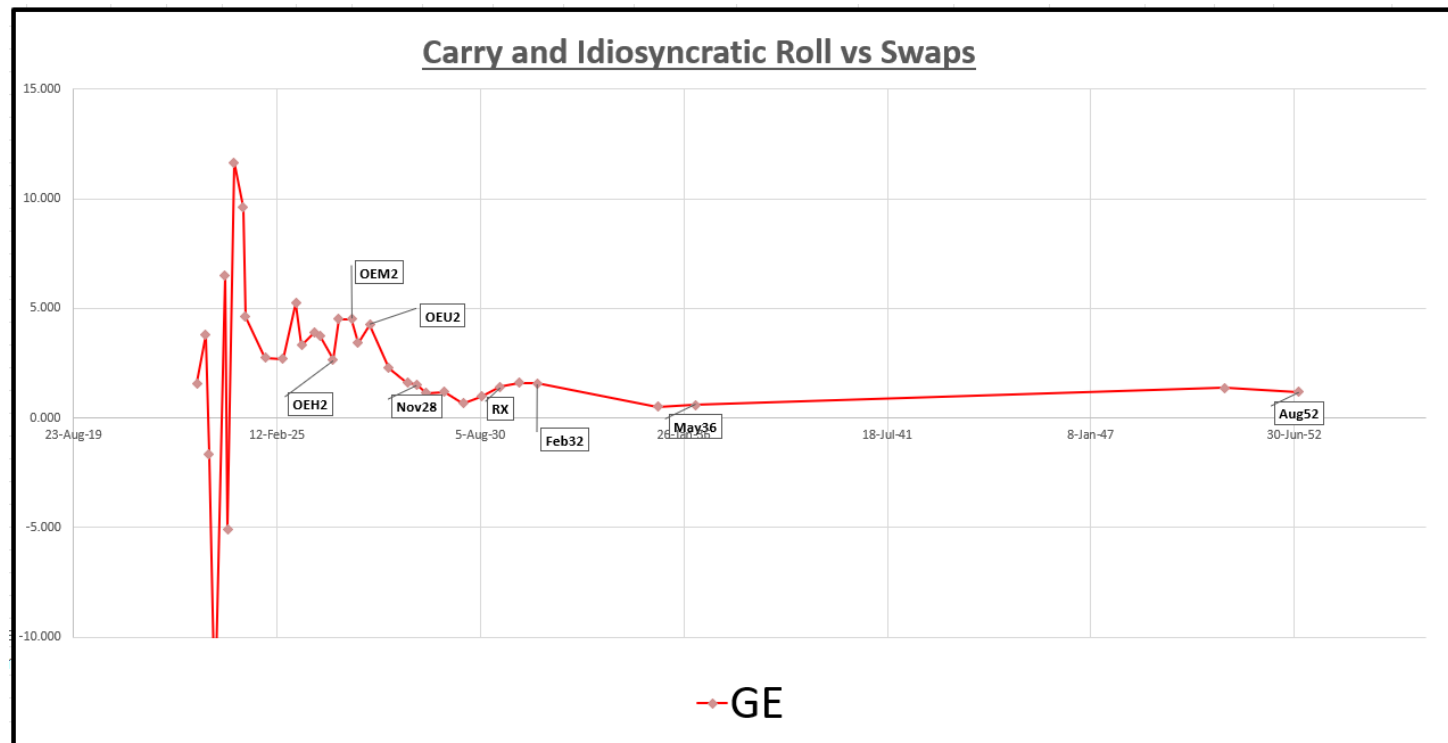
- We love these futures roll trades –  
The old CTD that dropped out of OEH2 after March is rich and ages poorly
- We skip over the current contract and buy the upcoming CTD Dbr Aug27 which should have its apotheosis as an old 10y when it becomes CTD – it's been pretty drained by QE, which is why the OE CTDs trade rich
- So we  
Sell Dbr Aug26 / Buy Dbr Aug27  
vs ESTR



((P2509[DBR 0.5 08/15/27 Corp] - P2509[DBR 0 08/15/26 Corp]))



# German Carry & Roll vs ESTR



- So the C&R of the current OE (OEM2) relies on the low implied repo – we think this could rise
- Either Dbr Aug27 or OEM2 are good purchases vs the Dbr Aug26 – check repo!
- Note also: the Old 15y (may35) looks like a sell vs 10yrs – we like this steepener coming into supply in new May38s at eom. This is a short month and with Easter coming, the street won't get long to position for this



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