



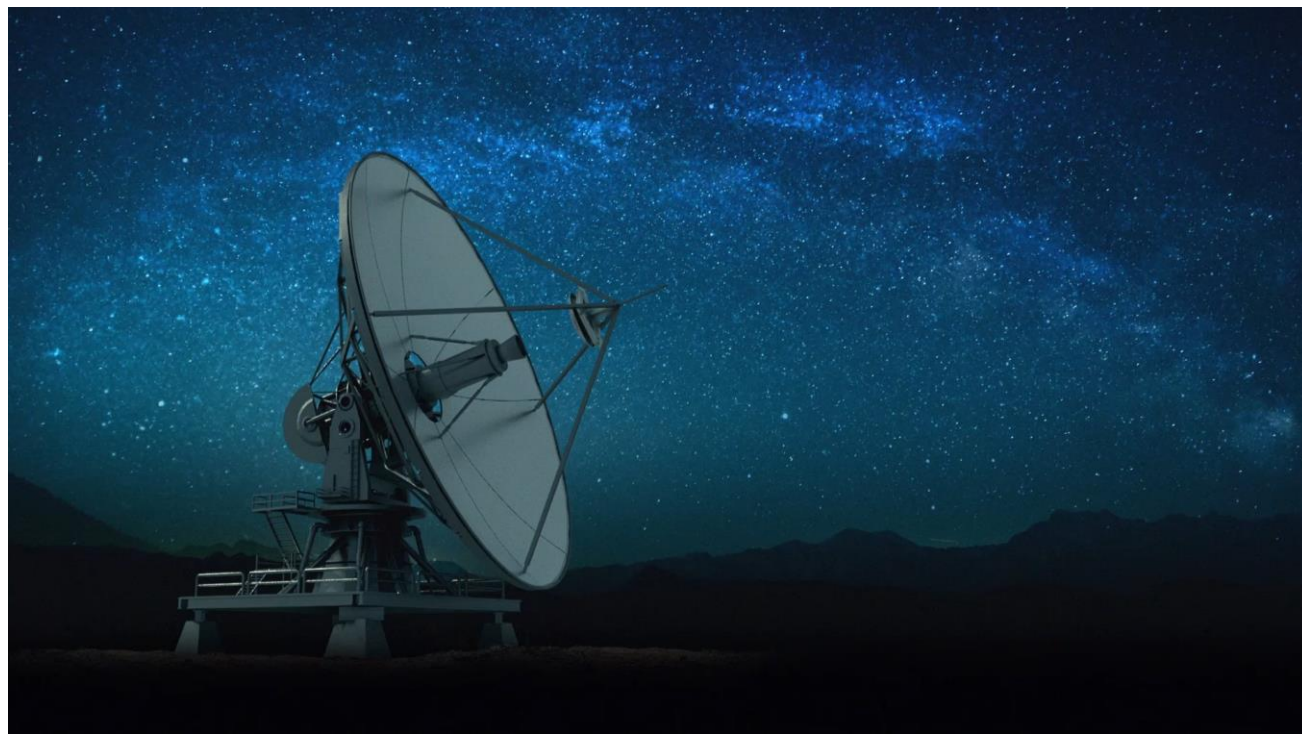
Trade Radar

Trades & Fades

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April 4th

Bespoke Trading Strategies
& Modelling



Fades

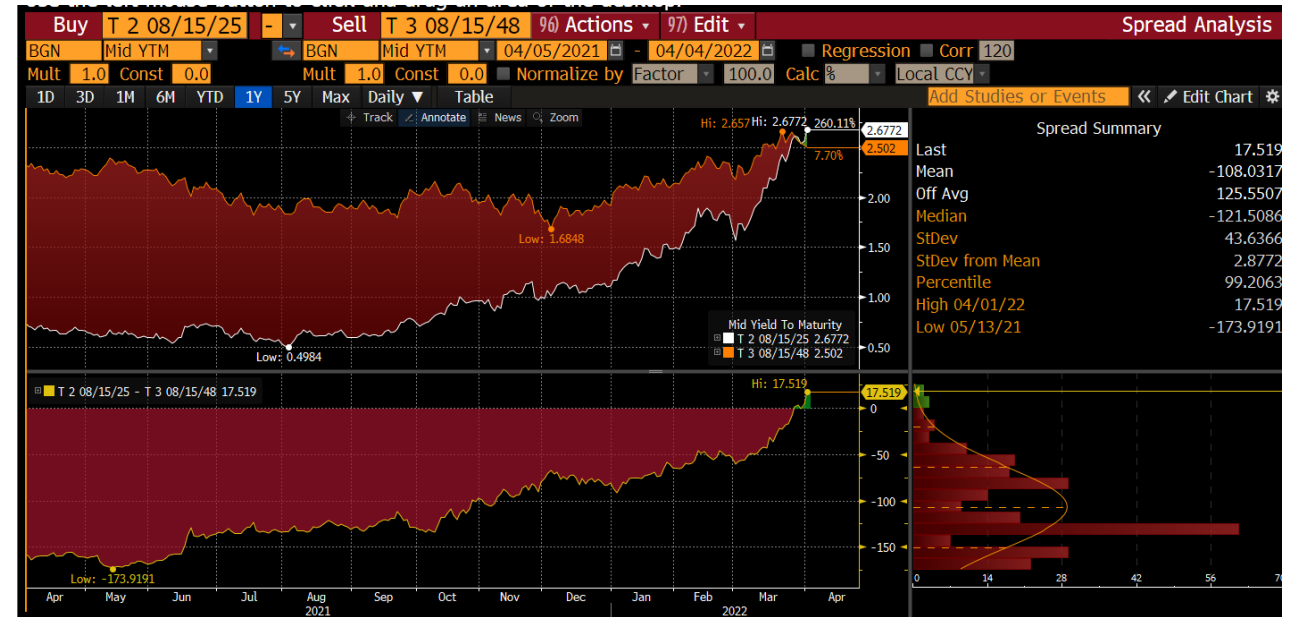
- Delta – we're on the lows, but fundamentally I don't believe in transient inflation or the credibility of CB's who waved it off as that – we're in a bear market, I believe.
- Curve – the biggest mover is the Flattening –FVM2 / WNM2 (Aug26 vs Aug47. Even on some regression ratio this looks powerful...



$$\text{YIELD}[T 2.75 08/15/47 \text{ Govt}] - 0.58 * \text{YIELD}[T 0.75 08/31/26 \text{ Govt}]$$

Fades

- For extra R&C –T Aug48 into +T Aug25 looks wild @ +17.5bp



Fades

- In curve and Credit space we see the recent flattening in Italy 10s30s as extreme and the better R&C carry is to sell the old 15y Mar36 vs shorter
- Spain as an issuer is rich and has started to cheapen again
- on Friday, France started to cheapen again and looks good value in the 5y sector where we think the current 5y goes off the run in a month or so and starts to roll down
- We're watching – Spain into Italy but it's too early at the moment
- Generally we like credit steepeners in the weaker issuers – the least neg carry and roll we can find is to be short the French 50y (72s) which will be tapped next Thursday and long the on the run 30y

We still like this: France 15s20s switch vs ESTR: anti QE gone mad! And now there's a new 2038 15y coming

- Whereas we always knew that high coupon German Longs were a ricket, but there's gold in them there French high coupons
- The apr41s are a cheap bond that even on a cash flow basis (discounting all payments vs smooth zero curve) are decent value and these roll towards HC, rich Frtr Oct38
- Similarly the Frtr 36s roll inexorably to the cheaper 10y Segment and now there's a new low coupon 2038 coming next week
- Hedge the curve up with swaps – I see that as +1.25bp of Carry and Tuck-in (roll to similar bond type) vs Swaps
- See carry and roll next page



P2509[FRTR 4.5 04/25/41 Corp] - P2509[FRTR 1.25 05/25/36 Corp]
France May36 into Apr41 vs Swaps

Carry and Idiosyncratic Roll vs Swaps

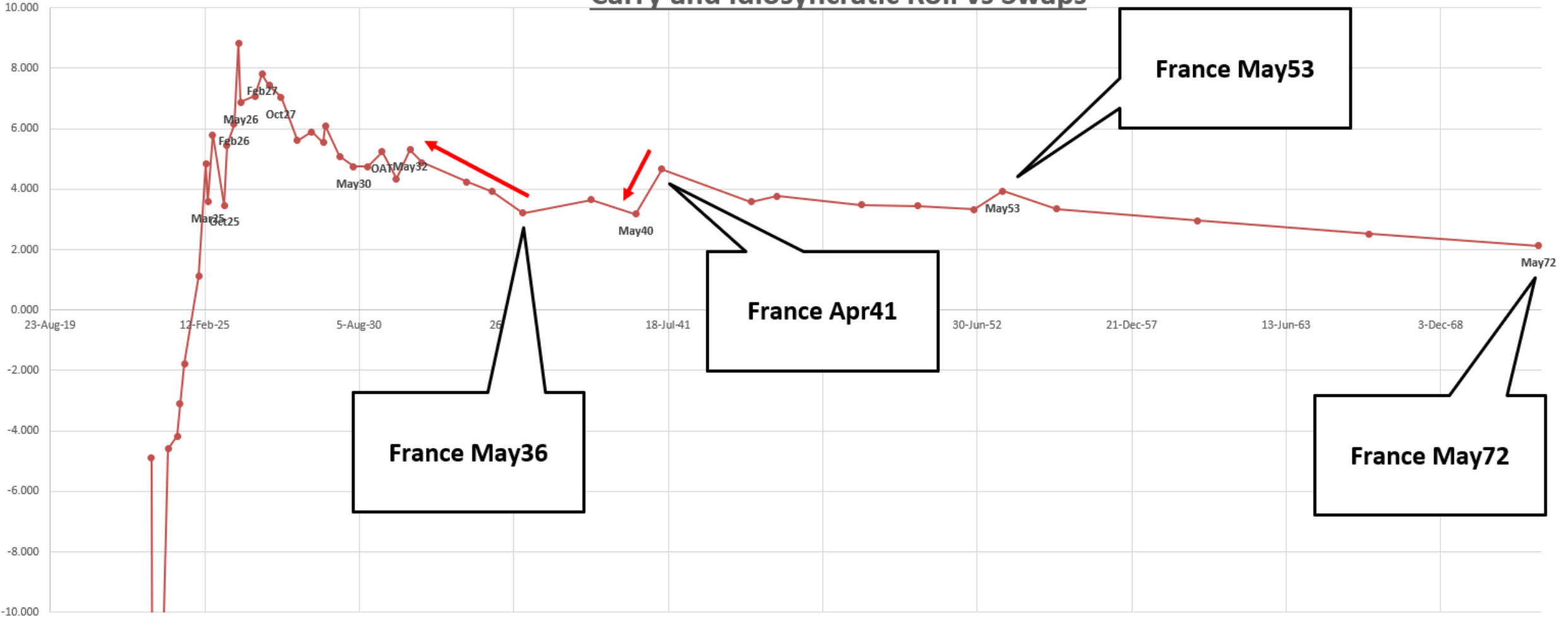


Chart Area

France Apr41

France May53

France May36

France May72

5y Italian supply and a credit short Sell Btps Dec28 to Buy OEM2

- Sticking with our short Italy but moving it to the Btps dec28 vs Long OEM2



$100 * ((\text{YIELD}[\text{DBR 0.25 02/15/27 Corp}] - \text{YIELD}[\text{BTPS 2.8 12/01/28 Corp}]))$



On regression: $100 * ((\text{YIELD}[\text{DBR 0.25 02/15/27 Corp}] - 0.68 * \text{YIELD}[\text{BTPS 2.8 12/01/28 Corp}]))$

Preparing for the new 7y Italy coming soon

- We expect a new June 29 Btps
- Curve is overly flat
- Btps Dec28 roll awfully as an old 10y – selling it allows us to get short the locale of the new cheaper 7y
- Btps Aug27 are an old 10y that rolls down from the cheap 5y sector without being a tap target like the otr 5y
- Trades short the market – so adding 3% long



$$100*((\text{yield}[\text{BTPS 2.05 08/01/27 Govt }]-0.97*\text{yield}[\text{BTPS 2.8 12/01/28 Govt }]))$$

Sell Btps Dec28 vs Aug27 vs MMS



Expect Dec28 to cheapen on new Supply and Aug27 are an old so less adversely affected by tapping than on the run 5yrs

((P2509[BTPS 2.8 12/01/28 Corp] - P2509[BTPS 2.05 08/01/27 Corp]))

Love steepening 10s15s Italy in yield but also like skipping futures and buying Aug30 for roll: we're close

- This one got to our level last week and I missed it
- Still looks decent – skip trying to call the IK and 10y sector as cheap and simply buy Aug30 vs Mar36 – we could get long supply
- I love buying bonds that have dropped out of the IK basket as they roll nicely – Aug30 roll into the rich Apr30
- Sell Mar36 into Aug30 – quite simply has traded short btps so I have weighted it a bit long 11%



$\text{YIELD}[\text{BTPS } 1.45 \text{ 03/01/36 Corp}] - 0.89 * \text{YIELD}[\text{BTPS } 0.95 \text{ 08/01/30 Corp}]$

Second order widenings in Spain, means steepeners

- Generally we're not a fan of the Spanish credit – further we like widenings vs core
- A second order version of that is to look for credit steepeners -5s10s looks too flat in Spain vs ESTR so we try and issue select for the best Roll and Carry
- I Like – Spgb Oct29 into Spgb Apr27 or Spgb Jan27. The Jans are a bit more liquid but the Apr27 as an old 10y could go missing as it rolls into the super scarce Oct26 which was the prior 10y
- This is quite a strategic one – Steeper curve vs Credit on weaker credit with good location, carry and decent idiosyncratic roll



((P2509[SPGB 0.6 10/31/29 Corp] - 1.0 * P2509[SPGB 1.5 04/30/27 Corp]))

Wideners in Italy means steepeners in credit

The new 7y is gonna be cheap

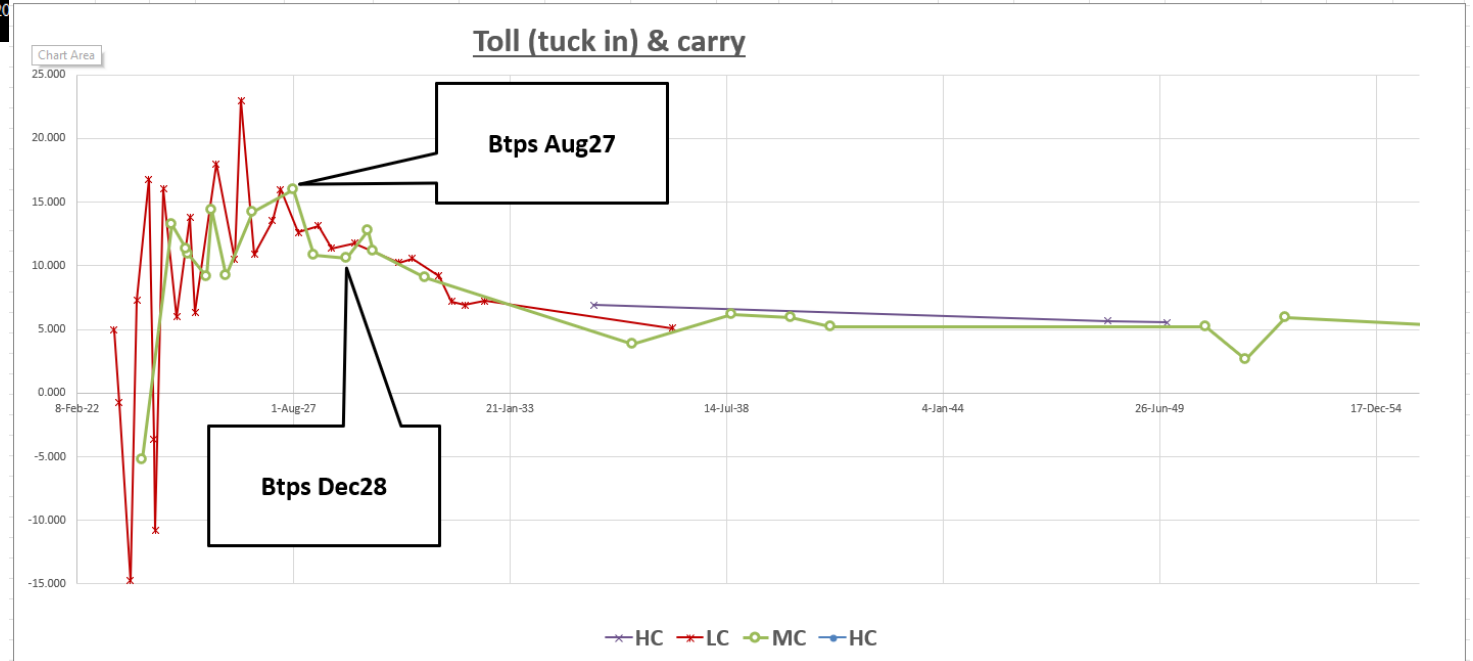


- Regression Italy vs Swaps looks like this on the graph = Italy rich



RV0005P 10Y BLC Curncy - 1.28 * EESWE10 Curncy

- As a by product I want to find steepeners with best Carry and Roll (vs ESTR), that make decent play around the new 7y supply – hence sell Btps dec28 / + Btps Aug27 →





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