

"Toto, I've a feeling
we're not doing
Trades and Fades
anymore." ...

ref?

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April 26th

**Trading Strategies
& Modelling**



Supply: next 2 weeks

- US: 2y Tuesday, 7y Thursday
- Italy: 2y tap Tuesday, 5y & 10y on Friday 29th (TBA Tuesday night) – ik/rx widener
- Germany: New 15y Dbr May38, Wednesday – 10s15s steepener, Green Bond 3rd May
- EU 2037 tap, Monday
- UK: Green 10y tap
- France: Longs in May
- Spain: First Thursday in May
- Belgium: Friday May 6th

France Rich / German 15s30s Steep vs Swaps

- France has richened coming into the presidential run-off
- Vs Swaps, the Long End of Germany is cheap. 10s30s has not flattened in as aggressively as swaps
- Sell Frtr May 36 / Buy Dbr May50 vs MMS
- The May36 is an old 20y that rolls towards the cheaper may34 (old15y) with terrible R&C for long end France, +3.9bp vs Estr
- The Dbr 48 is CTD to Sep Buxl and should roll into the richer 46s, +3.5bp vs Estr – so minimal give to go France into Germany
- We have a 15y new Dbr which could steepen the German curve, but could also cause cheapening in other issuers at that tenor (France 36-40)

((SP210[AP115404 Corp] -
SP210[FRTR 1.25 05/25/36 Corp]))

Sell Frtr May36 / Buy
Dbr 48 vs MMS

Enter -32bp
Target -39.5bp

Expected B/O
Friction:2.4bp



France: selling 2yrs (mar25) to buy 18mo and 2.5 yrs

- Update from last week..
- Working well – another 1.5bp to take off



$200 * (\text{YIELD}[\text{FRTR 0 03/25/25 Corp}] - 0.5 * \text{YIELD}[\text{FRTR 1.75 11/25/24 Corp}] - 0.5 * \text{YIELD}[\text{FRTR 1 11/25/25 Corp}])$

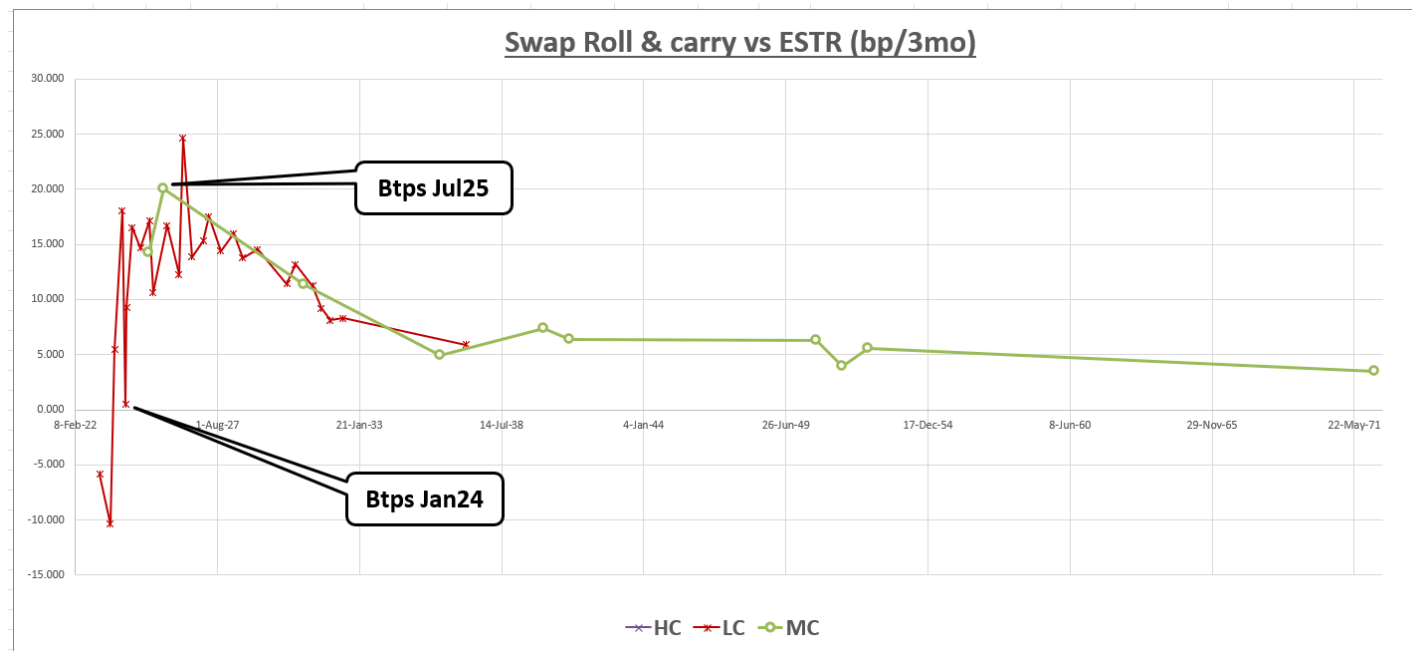
Oversold 3y Italy rolls aggressively down the curve

- Last week brought a new Italian 3y, Aug25
- The old 5y jul25 got absolutely hammered as a hedge bond, but this thing rolls into the much richer feb25 (unlike the new otr 3y) and will get a shot at being CTD to BTS one day (Mar23 contract, High coupon 5% Mar25 don't make it)
- In the sell off recently 3y Italy has taken the brunt to make room for this issue and we're back to extreme Roll levels vs swaps to own the 3y Italian bond
- Can Even sell the 2y Tap bond nov23 instead



- Sell Btps Jan-15-2024
- Buy Btps Jul25
- Vs Swaps
- ((SP210[BIO19593 Corp] - SP210[BTPS 0 01/15/24 Corp]))

Btps C&R



Spain rich on invoice spread : fade with steepeners 5s7s: Trade Update

- Trade Update: started to worked well
- Prob should have taken profit but looks ok again – waiting to add



German 4y heavily sold / French 4yrs rich

- Sell Frtr nov26 to buy Obl Oct26
- Plus buy 7% OE
- Trades short the market so need an extra 7% long
- Again it's all about the specific story and that's embodied in the roll. Call me!



Straight spread
 $100 * (\text{YIELD}[\text{OBL 0 10/09/26 Corp}] - \text{YIELD}[\text{FRTR 0.25 11/25/26 Corp}])$



Spread Plus 7% long in OE
 $100 * (\text{YIELD}[\text{OBL 0 10/09/26 Corp}] - \text{YIELD}[\text{FRTR 0.25 11/25/26 Corp}] + 0.07 * \text{YIELD}[\text{DBR 0.25 02/15/27 Corp}])$

Germany: 8s 30s on the steep: Trade Update

- $\text{yield}[\text{ZR097974 Corp}] - 0.77 * \text{yield}[\text{BJ948280 Corp}]$
- Despite being 'long' trade worked...



Italy: -ik into old 20y: trade Update

- Trade unchanged – still a decent level
- Regression hedged

$100 * ((\text{yield}[\text{BTPS } 3.1 \text{ 03/01/40} \text{ Govt }] - 0.8 * \text{yield}[\text{BTPS } 0.9 \text{ 04/01/31 } \text{ Govt }]))$



France: 1y gap too good to be ignored: trade update, working

- Sell Nov29 and buy Nov30 – it's a narrow gap but we love the theme of extending towards the OATM2 futures contract. R&C still small pick up without the same old 15y anomaly risk of futures CTD
- $\text{yield}[\text{FRTR 0 11/25/30 Govt}] - \text{yield}[\text{FRTR 0 11/25/29 Govt}]$



EU 37s – seen cheaper during the war

- The best correlated benchmark to EU is France - am on hold for a bit more on this one
- if I sell the rich Frtr may36 to buy the EU37s I get a recent spread high
- This thing trades with a delta long. If I sell the delta long then in something nice and liquid it's not quite as compelling
- Hoping for cheaper and remains to be see what goes on in France after Sunday



Straight Spread

$$100 * (\text{YIELD}[\text{EU 0.4 02/04/37 Corp}] - \text{YIELD}[\text{FRTR 1.25 05/25/36 Corp}])$$



Taking out directionality with OATM2

$$100 * (\text{YIELD}[\text{EU 0.4 02/04/37 Corp}] - \text{YIELD}[\text{FRTR 1.25 05/25/36 Corp}] + -0.14 * \text{YIELD}[\text{FRTR 1.5 05/25/31 Corp}])$$

Core / Semi-Core corner

- Austria 30s 50s: Exit
- Recent flattening of Estr 30s x 50s has dragged 50y France & 50y Austria flatter vs the 30y
- The narrative is that there is much more convexity on the very low price bonds
- This is true cash for cash switches – but on a duration matched switch: ‘eeeehhh... not so much!’
- We look to get out of long Austria here vs 30y – just too illiquid and am nervous about the long term credit for a country so proximate to the Ukraine



YIELD[RAGB 0.7 04/20/71 Corp] - YIELD[RAGB 0.75 03/20/51 Corp]

Core / Semi-Core corner

- Ireland May27 look rich
- As a credit I think it's running out of steam and don't mind selling post QE
- On the radar – maybe have a little more room to richen – but Ireland has been dragged richer by France's moves
- On Swap Spread to German CTD to OEZ2 I quite like this trade @ > -16bp this start to look compelling to sell Ireland and buy the Sep OE CTD





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