

Trades & Fades

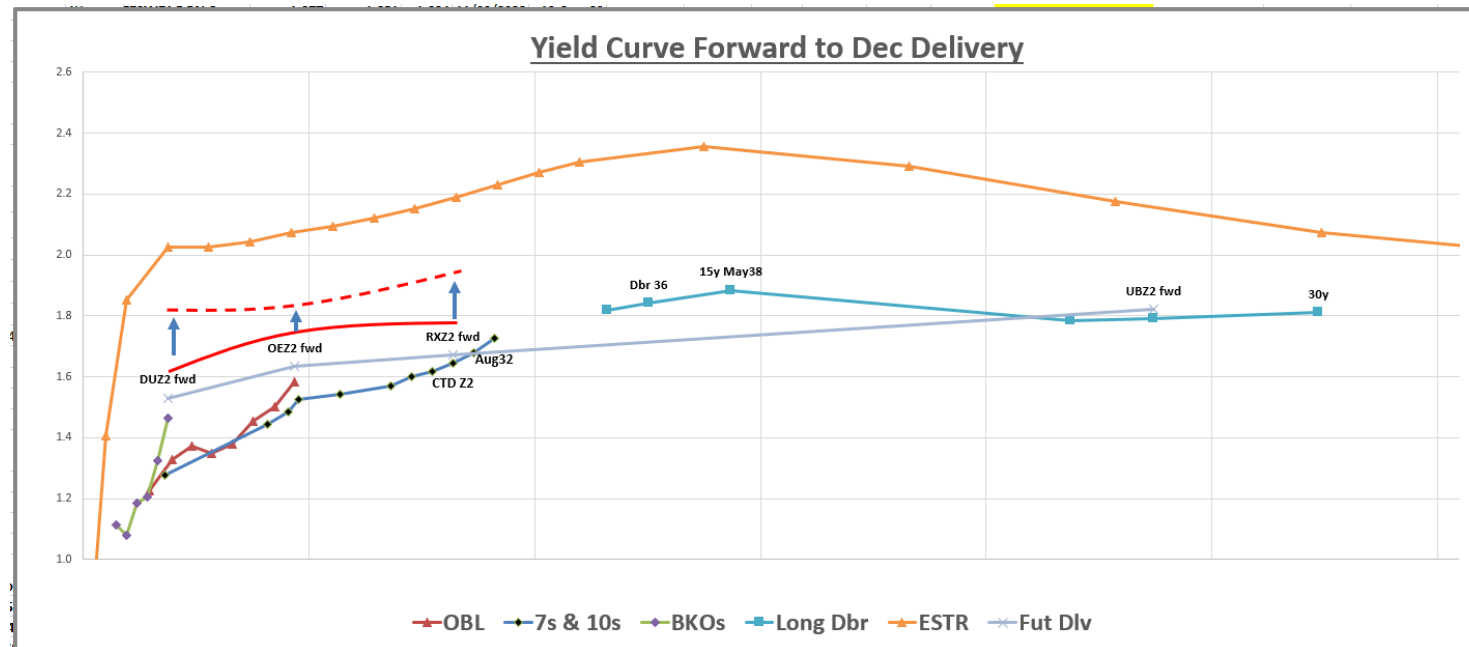
EGB 2s 5s 10s
“Scream if you wanna
go faster”

James Rice, Astor Ridge

Sep 12th

Trading Strategies
& Modelling

DU/OE/RX: too much curvature Outright and vs ESTR



Graph: German Yield Curve, Eurex Futures (out of Dec Delivery)
& ESTR curve (spot)

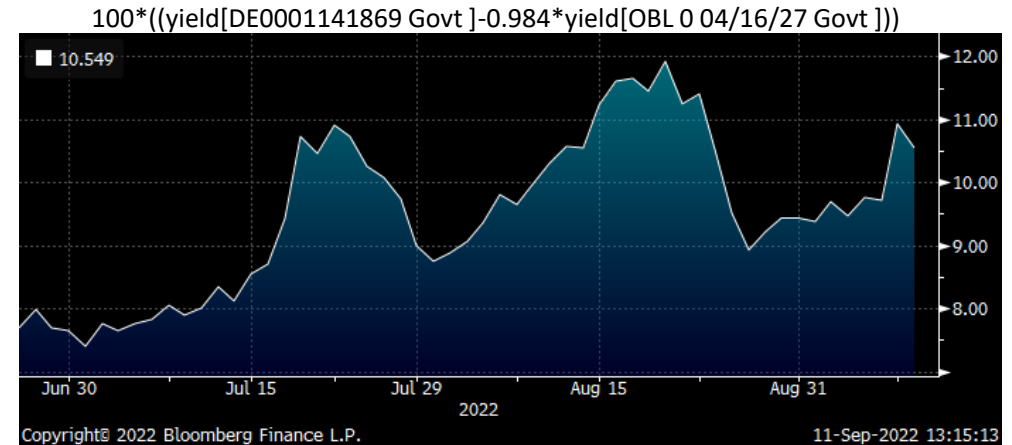
On my Radar

- **Germany 2s 5s 10s** – 5y too cheap either in local expression (Long OEZ2) or vs wider
- **Collateral Easing** – short end bonds sub 2yr start to underperform and catch up with ESTR. France -feb24 / +feb25
- **Credit** – Neutral risk on/off but France has gone too far. Sell to buy better credits for same spread... RAGB etc or credit steepener into the 5y supply
- **Curves** – Germany 4s5s flattener, ESTR 2s3s steepener, Estr 7s10s15s rcv belly
- **Sell Frtr May31 buy Ragb Feb32 as credit widener play**
- **Sell Bgb jun30 vs buy Frtr Feb28 & Ragb Feb32 – leg in**
- **Basis** – sell bko jun24 or bko mar24 vs DUZ2
- **Sell jun30 BGB vs Frtr feb28 & Ragb Feb32**

Germany 5y (OE) too cheap

- Buy OEZ2 vs sell Dbr feb27 or sell OB185, outright vs ESTR
- On my front page I see the OEZ2 as just too cheap
- Euro curves reflect a 'U' shape as the ECB is expected to grapple with inflation over time
- Recent moves in Calendar rolls and stops in 2s5s flatteners had temporarily offering 4s5s flatteners

Regressed on Yields

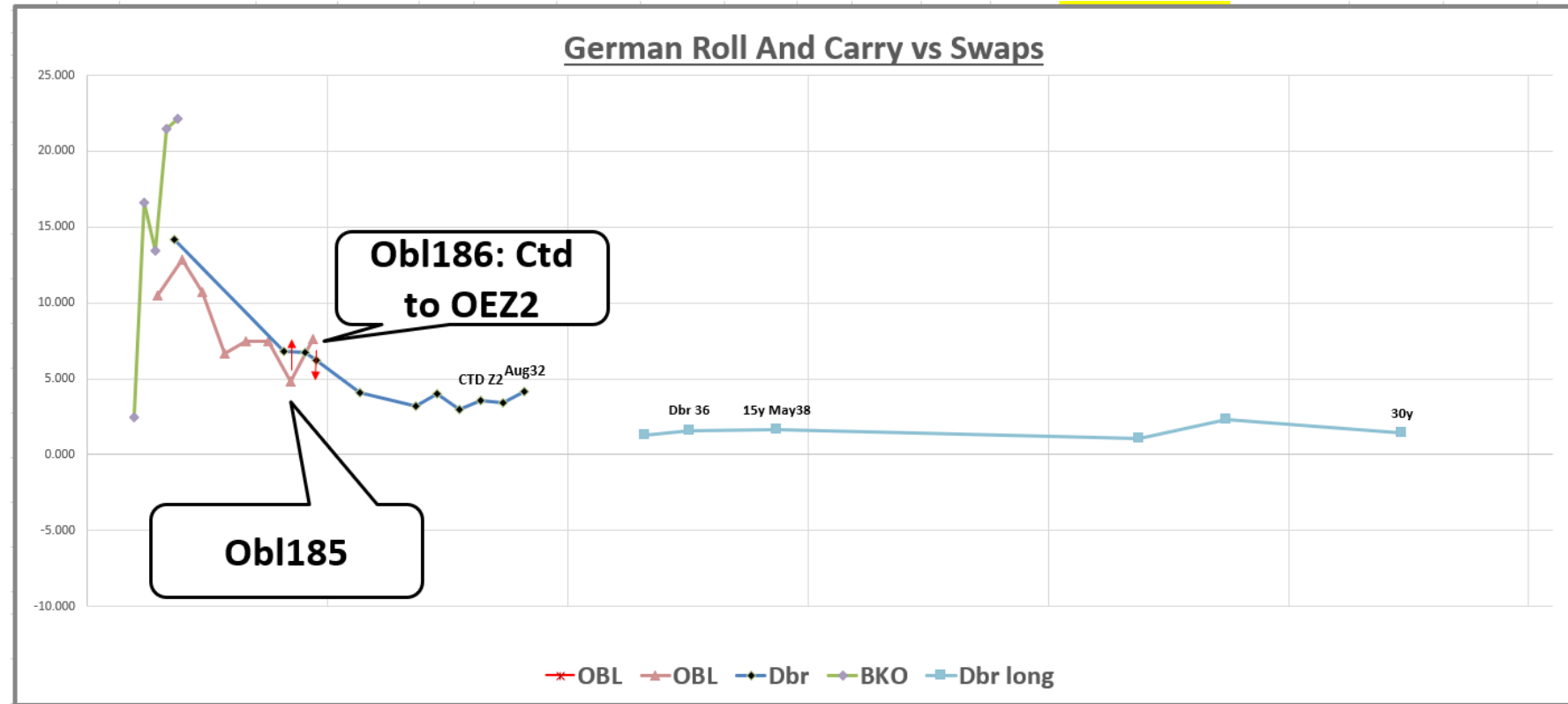


Regressed vs 50% swap Hedge



Germany 5y (OE) too cheap: C&R vs Swaps

- Ob185 just had a decent delivery – this has taken out shorts and they can now cheapen
- Although Ob186 is a tap bond it's cheap, liquid and will have a repo bid over dec delivery
- Sell the Dbr Feb27 is an alternative overly. I like a singularity of my longs and a diversity in my shorts to capture idiosyncratic moves in bond value



Germany: -old2y / +OE / -RX
Weighting: 0.333 / 1 / 0.667

- Again extracting the value of the OE contract without selling the cheap DU or CTD we choose to sell bko jun24
- Used older issues for history
May24 / dbr aug27 (2nd CTD) / Dbr Aug31

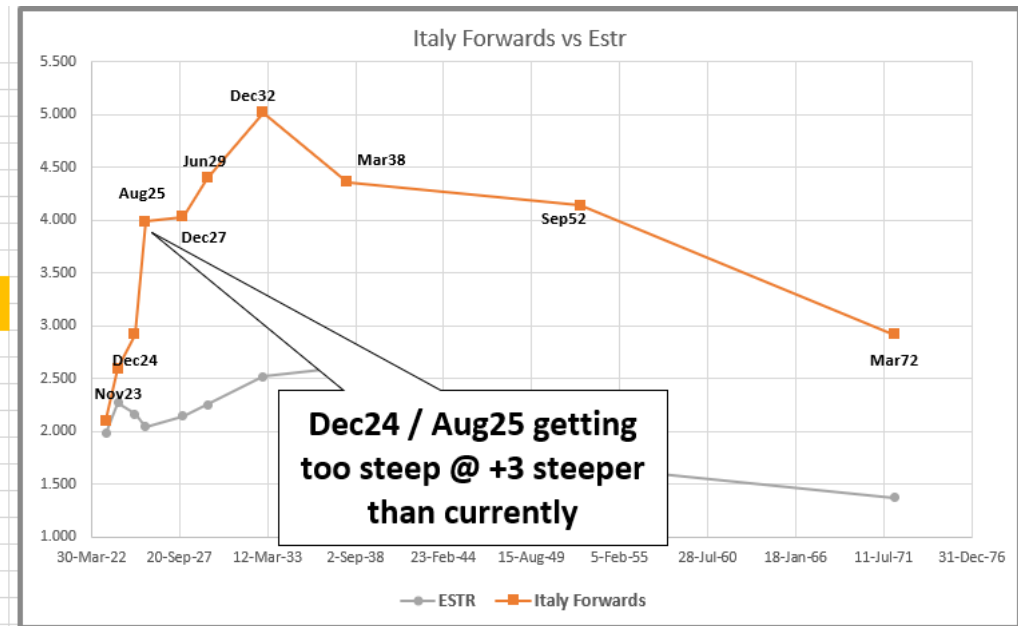


$200 * (\text{YIELD}[\text{DBR } 0.5 \text{ 08/15/27 Corp}] - 0.667 * \text{YIELD}[\text{BP980366 Corp}] - 0.333 * \text{YIELD}[\text{DBR } 1.5 \text{ 05/15/24 Corp}])$

Buy Btps 3y supply in Aug25 in 3bp time

- Dec24 / Aug25 will be too steep from forwards @ +3bp from here (see forwards)
- I shifted Btps Aug25 (supply bond) higher by 3bp and recalculated the forwards – tht defines where I draw my line in the sand and get buying

Bond benchmarks	Yield	shift (bp)	used yield	Fwd vs Prior		spread fwd bond - ESTR
				Bond	ESTR	
BOTS 0 11/30/22	0.624	0	0.624			
BOTS 0 02/28/23	1.416	0	1.416	2.099	1.979	0.120
BTPS 0 11/29/23	2.152	0	2.152	2.592	2.271	0.322
BTPS 0 12/15/24	2.504	0	2.504	2.915	2.164	0.751
BTPS 1.2 08/15/25	2.811	3	2.841	3.989	2.040	1.949
BTPS 2.65 12/01/27	3.342	0	3.342	4.029	2.145	1.884
BTPS 2.8 06/15/29	3.564	0	3.564	4.398	2.254	2.144
BTPS 2.5 12/01/32	4.012	0	4.012	5.022	2.518	2.504
BTPS 3.25 03/01/38	4.109	0	4.109	4.358	2.612	1.746
BTPS 2.15 09/01/52	4.120	0	4.120	4.138	1.667	2.471
BTPS 2.15 03/01/72	3.823	0	3.823	2.914	1.369	1.545
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
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Buy Btps 3y supply in Aug25 in 3bp time

- Sell BTSZ2 / Buy Btps Aug25 / Sell Btps Sep27
- Target here +11bp
- Curve has flattened but supply could end up adding too much PC3 (curvature) at this point a tap bond is too cheap
- Weightings: -0.6 / 1 / -0.4
- Cix: $200 * (\text{YIELD}[\text{BTPS } 1.2 \text{ 08/15/25 Corp}] + -0.4 * \text{YIELD}[\text{BTPS } 0.95 \text{ 09/15/27 Corp}] + -0.6 * \text{YIELD}[\text{BTPS } 0 \text{ 12/15/24 Corp}])$



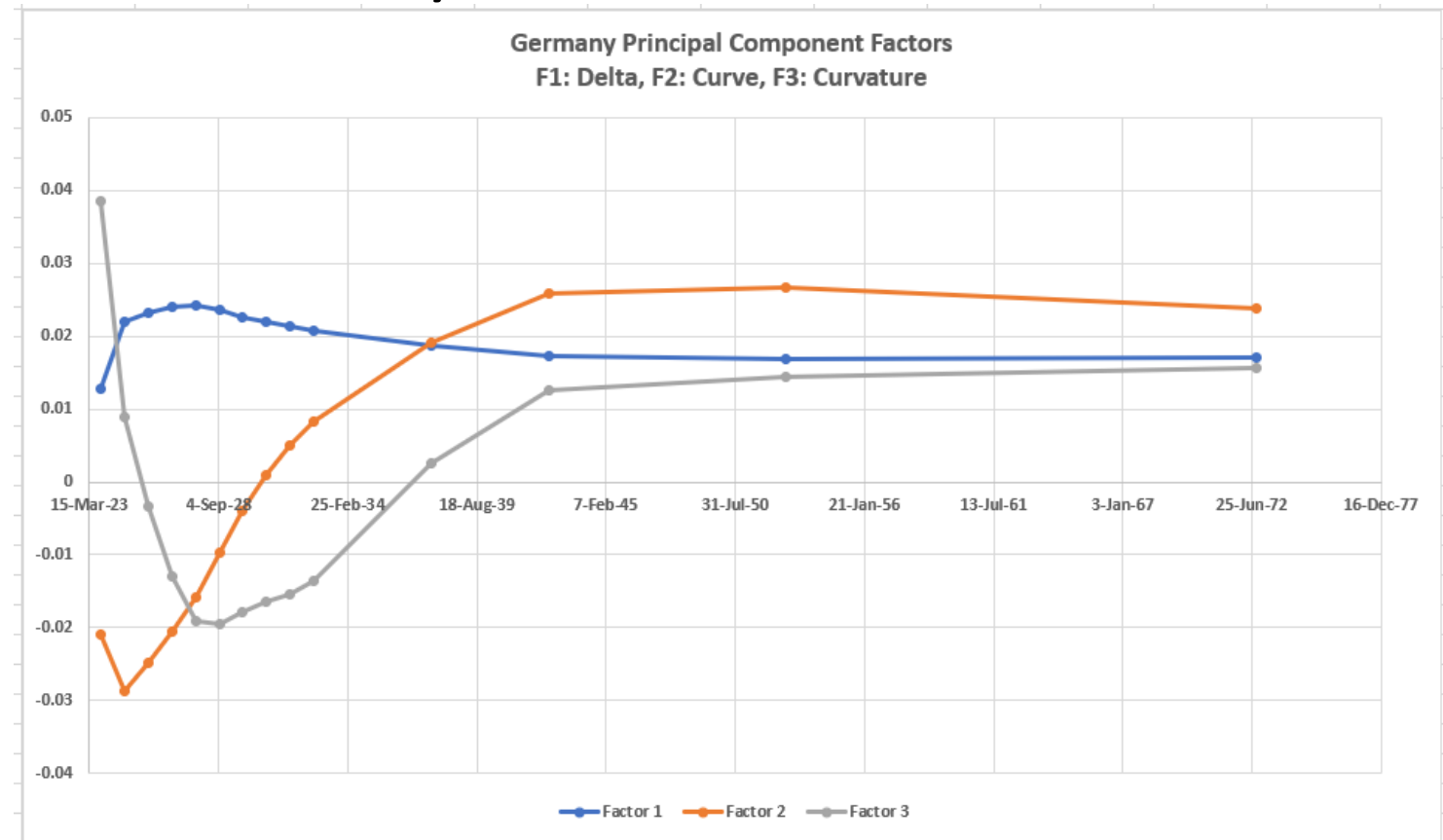
Quick UKT Anomaly:

- +1e39 / -1q41 / +s46
- Weightings: 0.33 / 1 / 0.67
- CIX:
 $200 * (\text{yield}[\text{UKT } 1.25 \text{ 10/22/41 Govt}] + - 0.333 * \text{yield}[\text{UKT } 0.875 \text{ 01/31/46 Govt}] + - 0.667 * \text{yield}[\text{UKT } 1.125 \text{ 01/31/39 Govt}])$
- Rationale: we have the green 53s which may steepen the curve – steeper curve cheaper PC3: sell belly



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