

Trades & Fades

EGB 2s 5s 10s

“Who will buy... – the new Dutch 30y?”

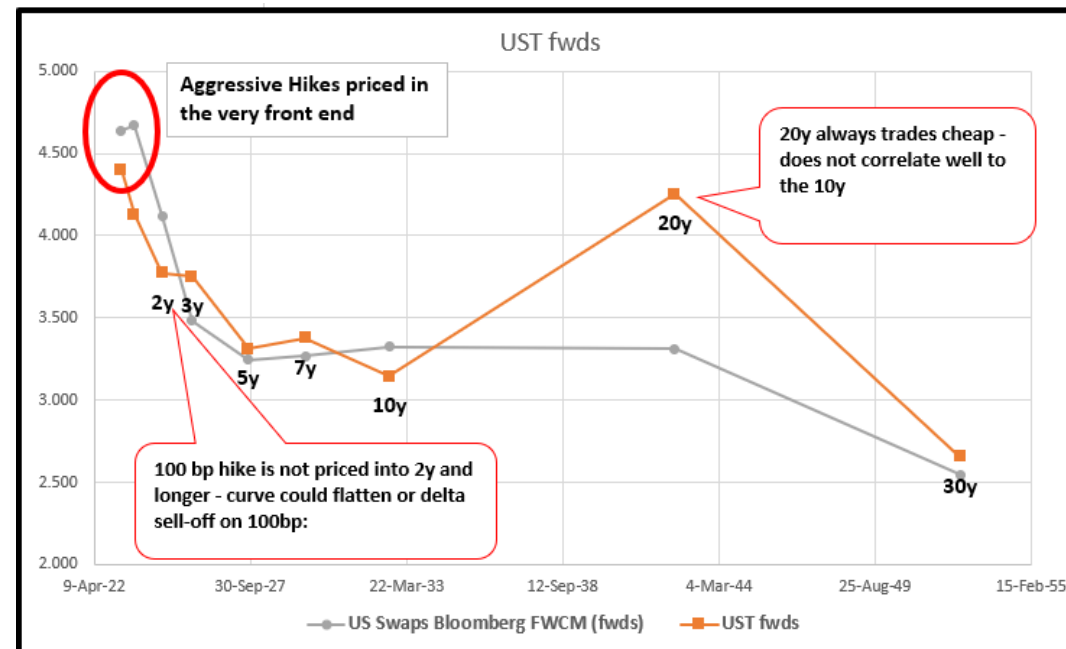
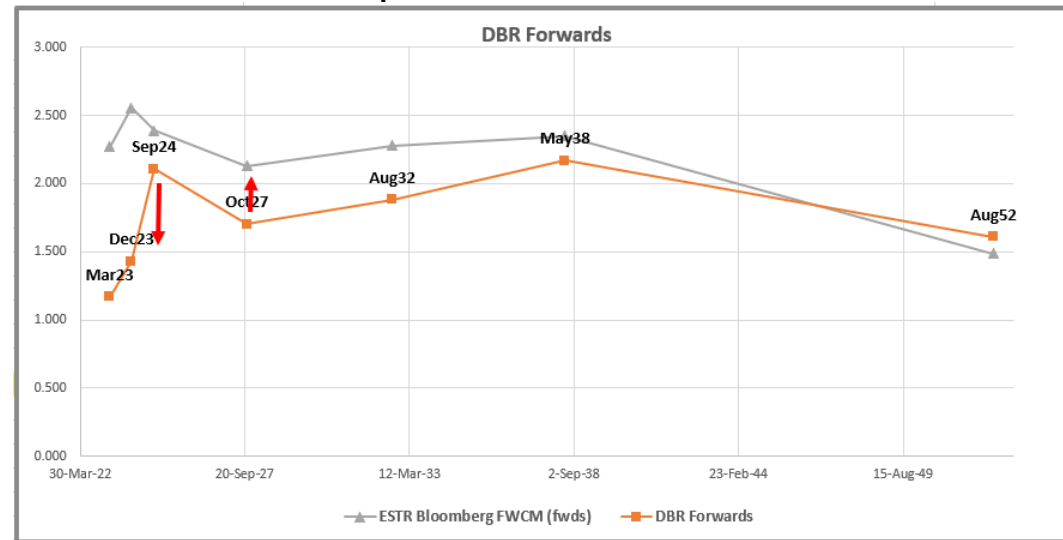
James Rice, Astor Ridge

Sep 19th

Trading Strategies

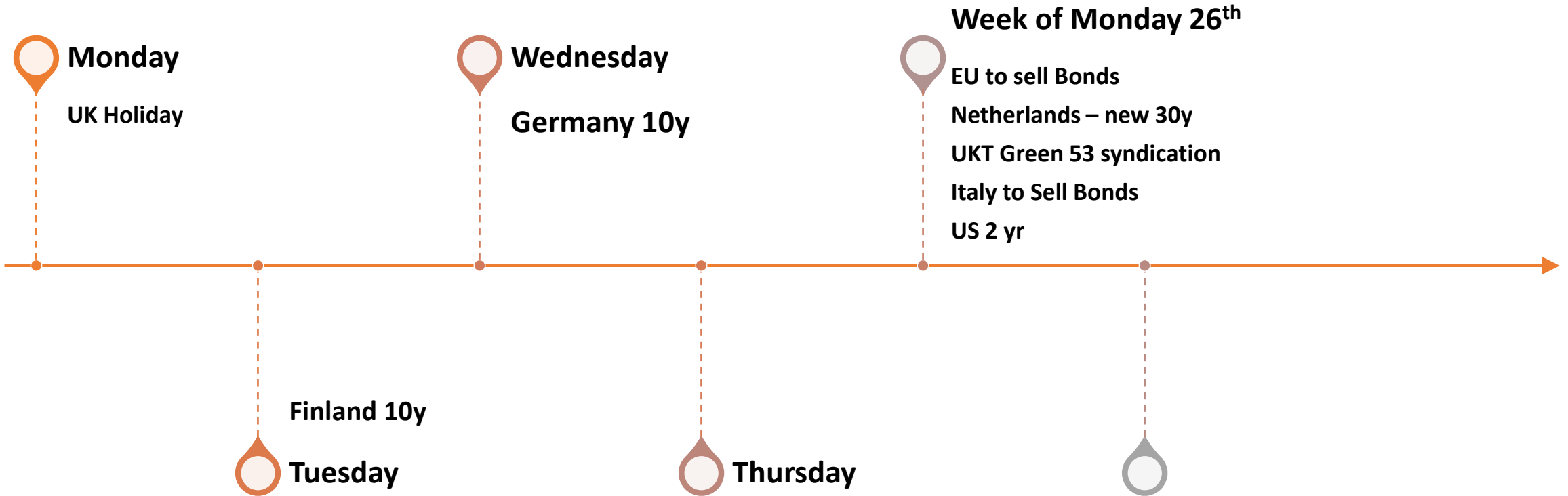
& Modelling

DU/OE flatteners to come off Graph: German and ESTR Forwards



US Delta at risk – 100bp doesn't seem priced into longer tenors (2yrs +)

The week ahead...

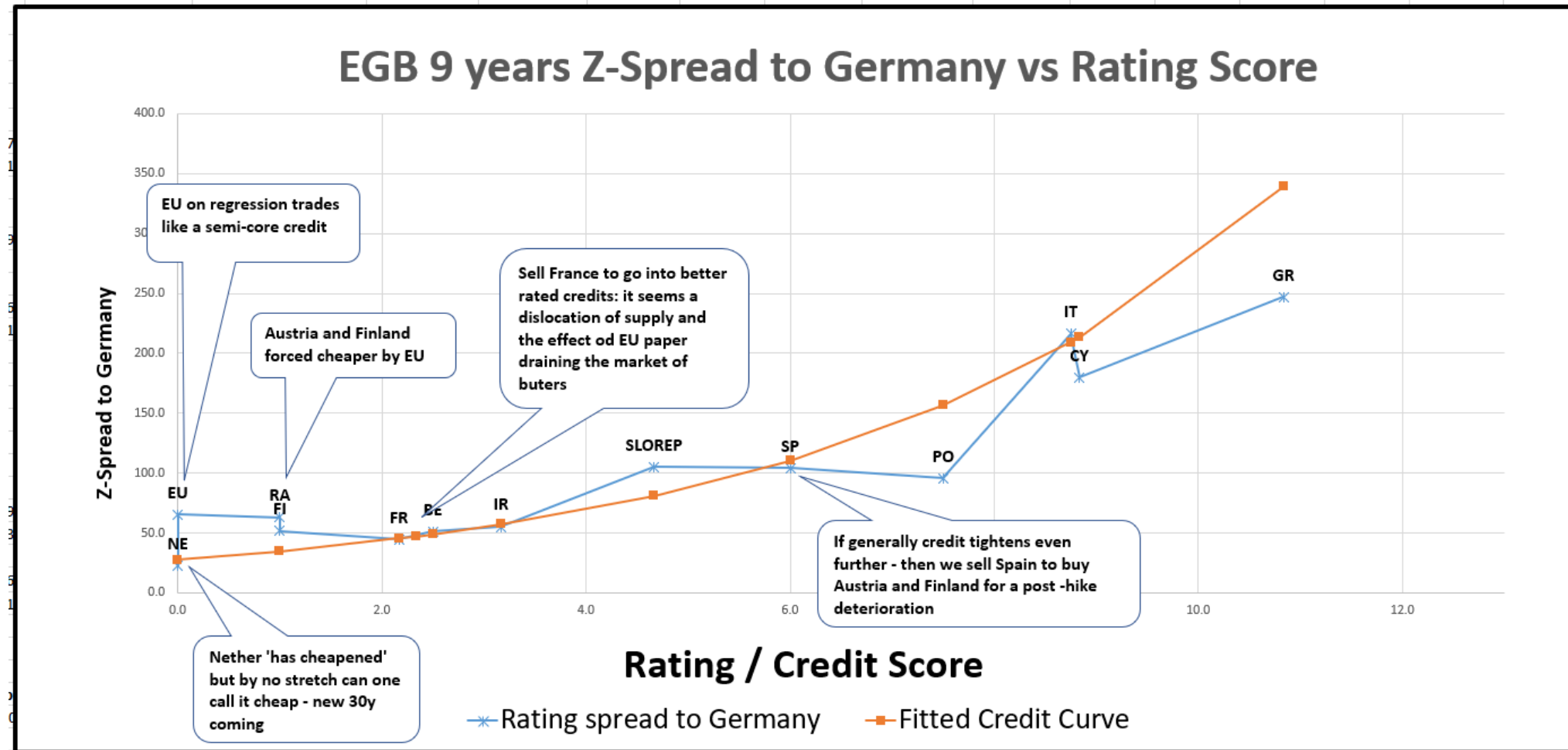


On my Radar

- **Finland and Austria (AA+ / Aa1)** – Trade weak vs France (AA / Aa2) – excessive supply in EU has dented value in the better rated (EU, Nether, Finland, Austria)
- **We dislike EU** – It trades awfully as a credit and we have supply coming. It trades as if the rating belies an issuer that trades to a ‘worst case’ composite
- **Credit** – Neutral risk on/off. France Looks rich here. Selling France and EU vs buying single names in between – Ragb and Rfgb
- **Curves** – Return to 2s5s and 2s4s steepeners, both Outright and vs Estr
- **GC to stay bid (low) into Month end** – cash / cash & credit steepeners
- **Always looking for credit steepeners by default in a deficit environment**
- **Long supply** – syndicate due in UK, still looking for fades towards QT

Finland or Austria 10y: vs EU and France

- These two issuers are about to be or have been supplied and trade cheaper than the worse rated France
- EU has upcoming supply week of the 26th September
- France trading rich almost all credit metrics



Buy Rfgb 9/31 to sell Frtr Nov & EU Jul31

- $200 * (\text{yield}[\text{RFGB 0.125 09/15/31 Govt}] + -0.7 * \text{yield}[\text{FRTR 0 11/25/31 Govt}] + -0.3 * \text{yield}[\text{EU 0 07/04/31 Govt}])$
- +Finland vs EU and France (9yr)
- -0.3 / +1 / -0.7
- Trade has decent Var and asymmetric upside of -5bp to +15bp
- I like scaling into 1/3 my size here on that basis so looking at modest size but I like the theme
- Supply in the 10y bond, Sep32 Finland this week – Sep31 illustrated for more history



Buy Ragb 2/31 to sell Frtr Nov & EU Jul31

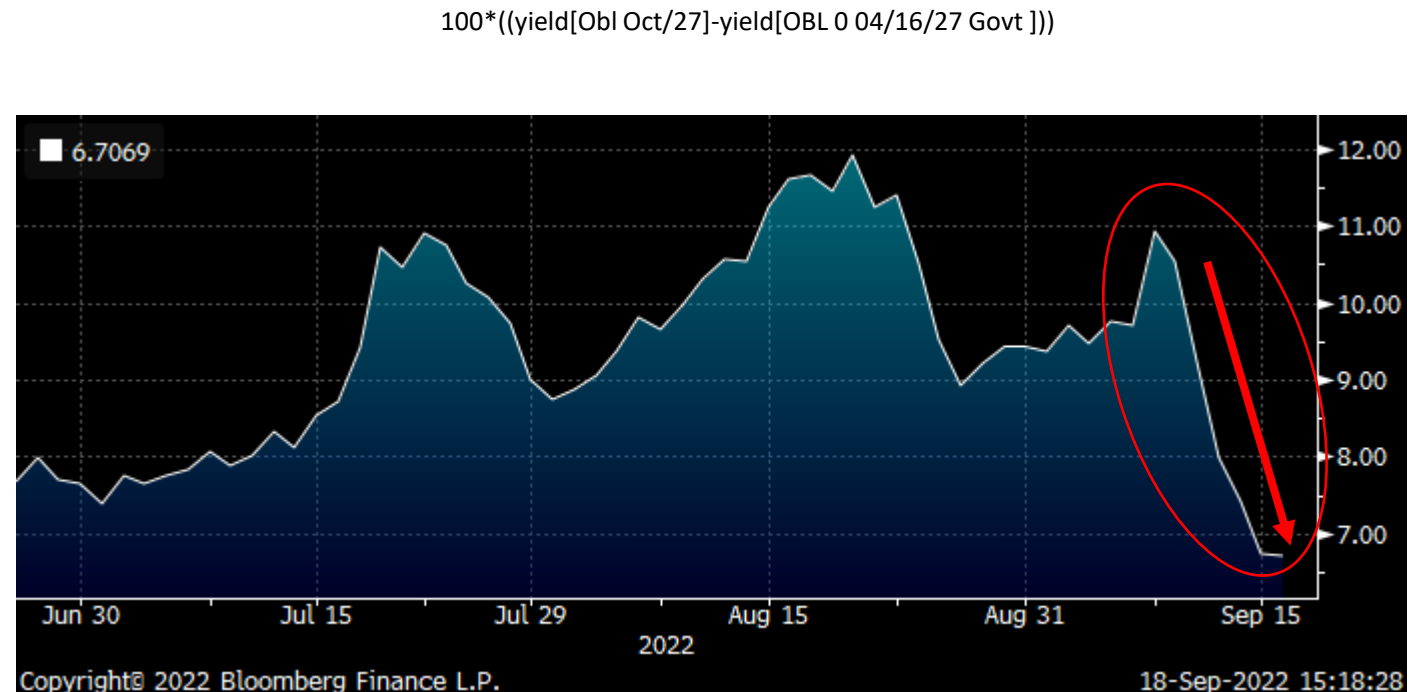
- $200 * (\text{YIELD}[\text{RAGB 0 02/20/31 Corp}] + -0.6 * \text{YIELD}[\text{FRTR 0 11/25/31 Corp}] + -0.4 * \text{YIELD}[\text{EU 0 07/04/31 Corp}])$
- +Ragb vs EU and France (9yr)
- -0.3 / +1 / -0.7
- Trade has decent Var and asymmetric upside of -5bp to +15bp
- I like scaling into 1/3 my size here on that basis so looking at modest size but I like the theme



Germany 5y (OE) too cheap: Last week's trade

Take off OR hedge

- Buy OEZ2 vs sell Dbr feb27 or sell OB185, outright vs ESTR
- Update: Trade made 3.5 bp
- Take off the trade on back of 2s5s steepening NOW or hedge curve with +du / -oe and look for the RV to continue to correct



Quick UKT Anomaly: still on ...

- +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



France : regression sale vs Germany

- Sell Frtr nov31 Buy RXZ2
- 1: 1.15
- $100 * ((\text{yield}[\text{FRTR 0 11/25/31 Govt}] - 1.15 * \text{yield}[\text{BP980366 Govt}]))$
- Do OATZ2 / RXZ2 and then sell Nov31 basis



Cheap Green 53s => 10s30s50s

- Buy Green 53
- Sell G Z2 and Ukt h61
- -4h34 / +green 53 / -1f71
- 0.25 / 1 / 0.75
- Ukt 53 almost no Green premium, syndic supply
- Short leg = futures
- Long leg, 1f71 should cheapen into supply in h61 (4th October)



France 15s/30 credit steepener (vs ESTR)

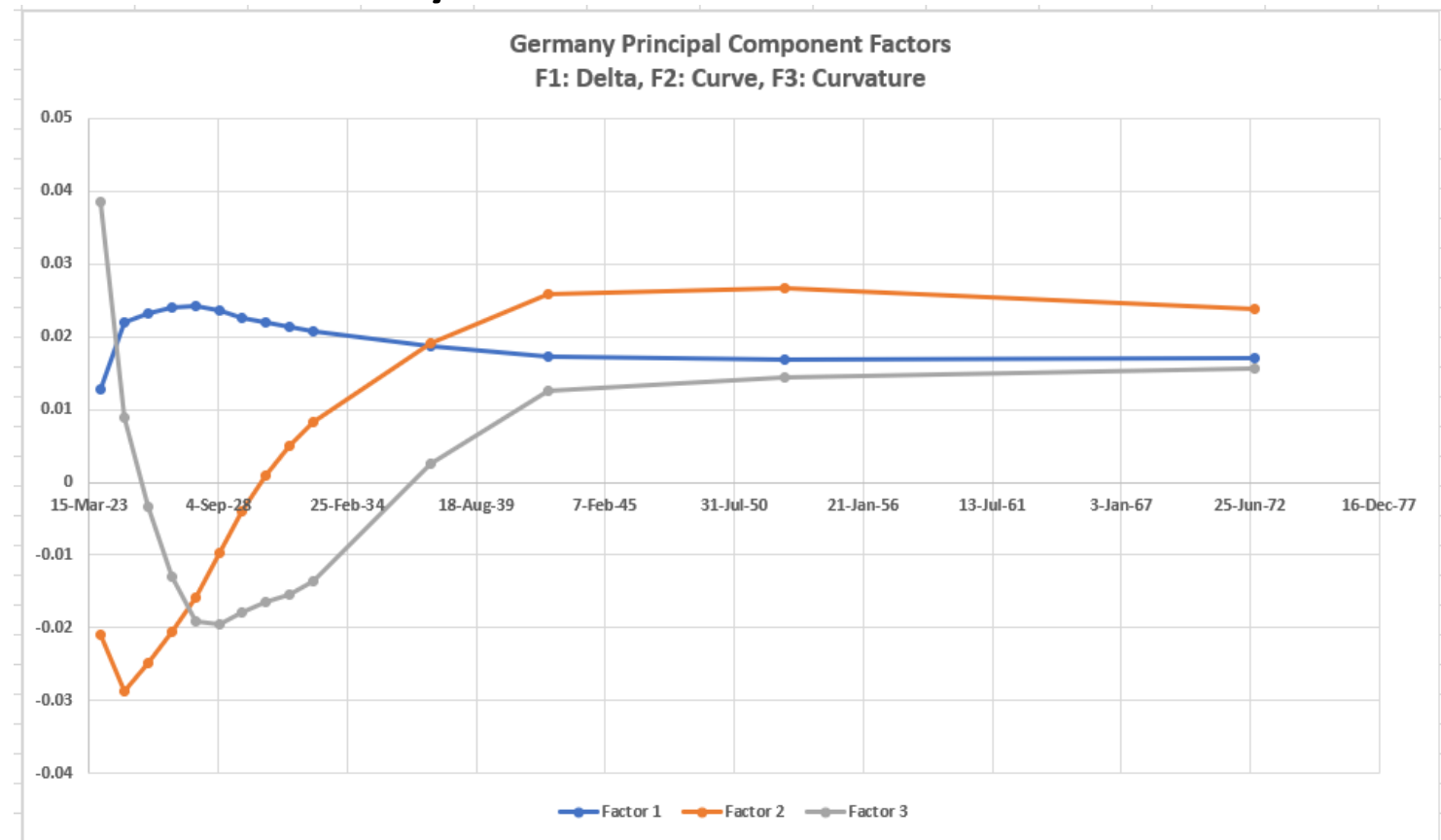
- May38 tap bond has cheapened due to new Frtr 43
- Next Long supply could include 30yrs (missed last time)
- One of the very few structures where we have seen a credit flattening (bond curve out-flattens swaps)



$(YIELD[FRTR 1.5 05/25/50 Corp] - YIELD[FRTR 1.25 05/25/38 Corp]) - 1.0 * ((YIELD[FRTR 1.5 05/25/50 Corp] - 0.01 * P2509[FRTR 1.5 05/25/50 Corp]) - (YIELD[FRTR 1.25 05/25/38 Corp] - 0.01 * P2509[FRTR 1.25 05/25/38 Corp]))$

Services: PCA / Default / Regression / Optimisation / Efficiency

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- My objective is to help you control the Var of your RV expressions while maximising the return
- I use those same principles to scan the market for new trades and set take off levels for current positions





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