

**Juan Manuel Pazos**  
 Chief Economist  
 +54 11 4898 6606  
 jmpazos@tpcgco.com

**Federico Angel Martin**  
 Strategist  
 +54 11 6237 6633  
 famartin@tpcgco.com

Strategy - Argentina

May 16, 2023

# Weekly Strategy Brief

## Trade Book

### New Trades

Trade	Trade Details	Rationale
<b>LCD</b>		
Buy TX26	Open PX: 311.4 Target PX: 328.8	Opening Date: 16/05/23
		We open this trade as we like the high carry it offers, and we expect some yield compression.

### Open Trades

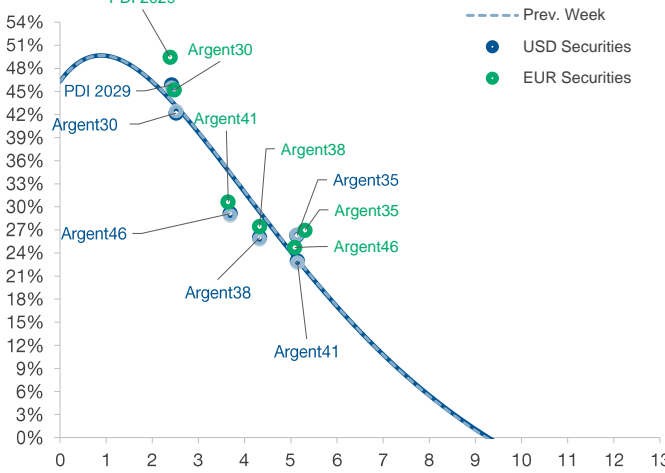
Trade	Trade Details	Rationale
<b>LCD</b>		
Buy TDF24	Open PX: 19,210 Current PX: 23,815 Target PX: 24,747	Opening Date: 06/03/23 TR: +2,430bps
		We maintain this trade as we observe that the market is pricing an event of FX correction between TDS23 and TDF24, while under our base scenario, we are not assuming such an event at the beginning of the next administration. This results in the TDF24 trading as a pure USD-L, rather than a CER.
Buy TX28	Open PX: 273.7 Current PX: 294.9 Target PX: 302.6	Opening Date: 03/04/23 TR: +952bps
		We maintain this trade as we like the high carry it offers, and we consider it should be shielded from the credit risks weighing down on the ARS curve.

## Global-Law Securities Curve

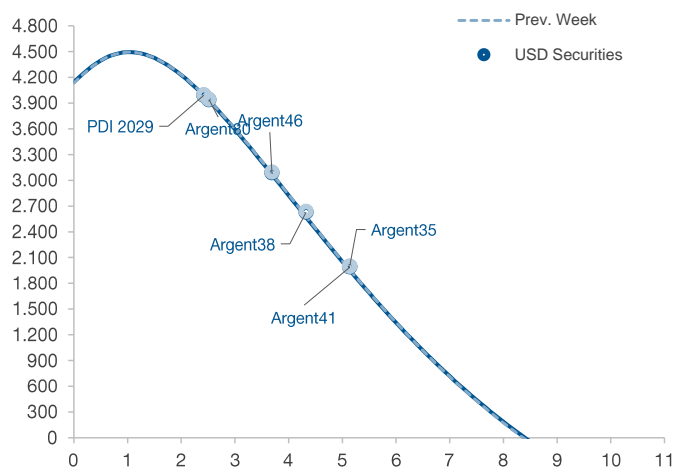
The global-law curve had a mixed week with total returns ranging between -83 and +139bps. The old indenture reported total returns of -57bps for Argent38 and -83bps for Argent41. In the belly, Argent46 clocked in with a total return of -49bps. In the back-end, Argent35 accumulated +96bps of total return. Finally, in the front-end, Argent30 ended the week with a performance of +139bps. In this context, the front-end is trading near 26.00c (+0.35c compared to last week), while the back-end is trading near 23.55c (+0.20c). The Argent30 vs. Argent35 spread closed at 2.45c (+0.15cwo), below its historical average of 3.11c. We calculate the indenture spread by creating two synthetic portfolios combining the Argent30 and Argent35 so that their duration matches that of the Argent38 and Argent41. Once we have those weights, we use them to weigh the prices of the Argent bonds and create synthetic duration-adjusted bonds. We then calculate the spread of the synthetic versus the 38s and 41s, which should reflect the indenture spread. For Argent38 it decreased to 5c (-0.50c)—above its historical average of 4.82c—and dropped to 2.8c for Argent41 (-0.49c)—above its historical average of 3.26c.

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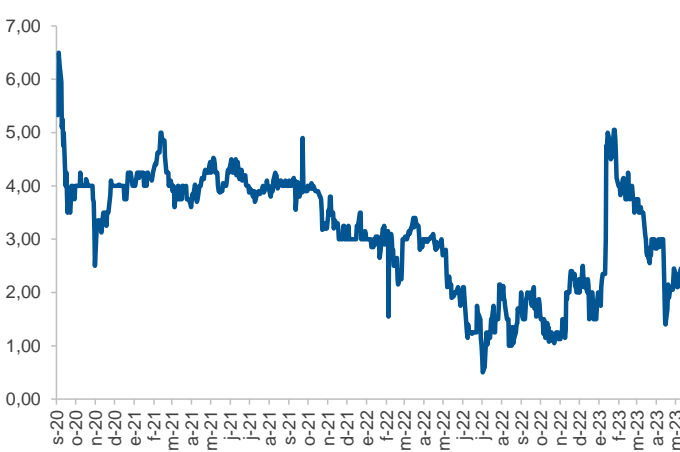
Globals Yield Curve | YTM



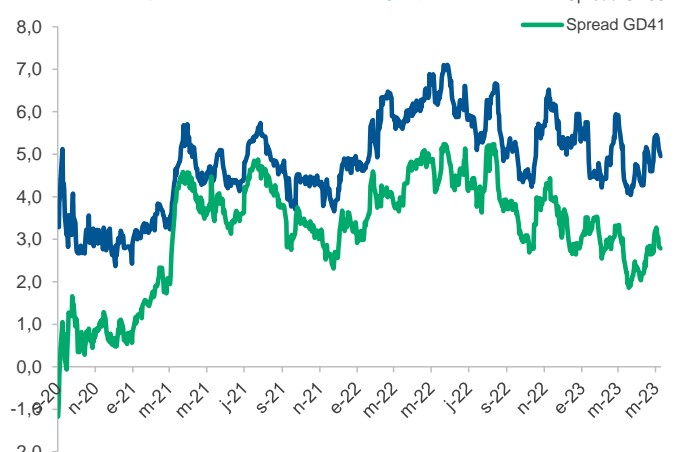
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



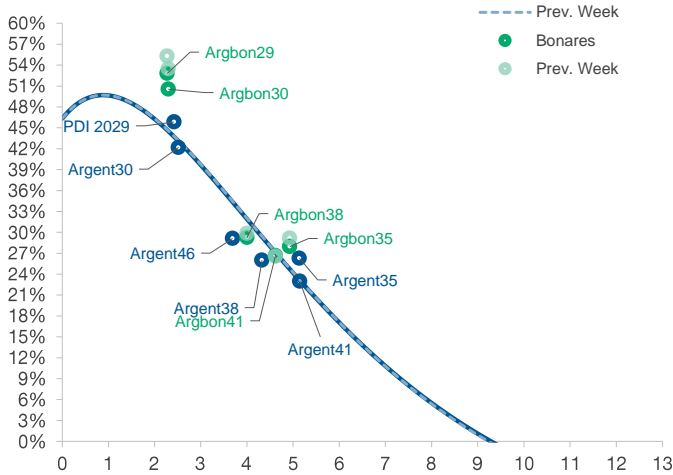
	15-may.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,4	45,8	25,40	8	-19	-12	32	-756	-724	140	-505	-364
Argent30	2,5	42,2	26,00	4	136	139	15	-889	-873	69	-459	-390
Argent38	4,3	26,0	29,25	24	-81	-57	108	-516	-408	436	-930	-494
Argent46	3,7	29,1	23,75	12	-61	-49	50	-903	-853	213	-865	-653
Argent41	5,1	23,0	26,30	24	-108	-83	108	-488	-380	448	-852	-404
Argent35	5,1	26,3	23,55	12	84	96	51	-788	-737	215	-854	-640

## Local-Law Hard Currency Securities Curve

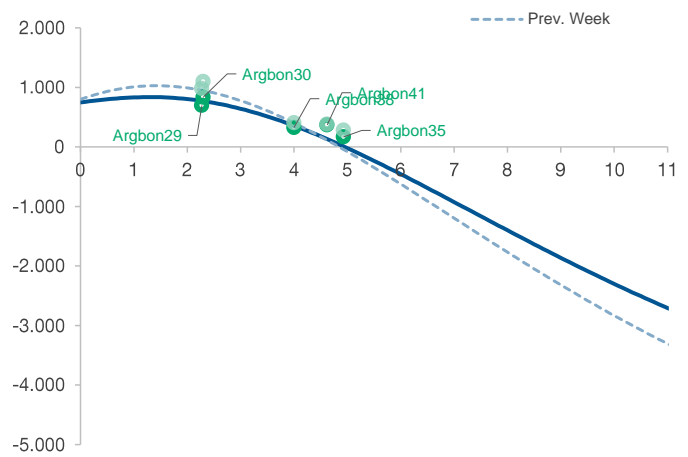
**This week, total returns in the local-law curve were positive ranging between 0 and +779bps.**

This week, total returns in the local-law curve were positive ranging between 0 and +779bps. Bonar38 and Bonar41 showed a total return of +288bps and 0bps, respectively. In the back-end, Bonar35 showed a total return of +662bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of +779bps. In this context, the front-end is trading near 21.43c (1.56c compared to the previous week), and the back-end is trading near 22.13c (+1.38c). The Bonar30 vs. Bonar35 spread closed at -0.70c (+0.175c) and is still below its historical average at 1.27c. Lastly, the legislation spread (Argent30 vs. Bonar30) dropped to 4.58c (-1.20c), above its historical average of 2.83c.

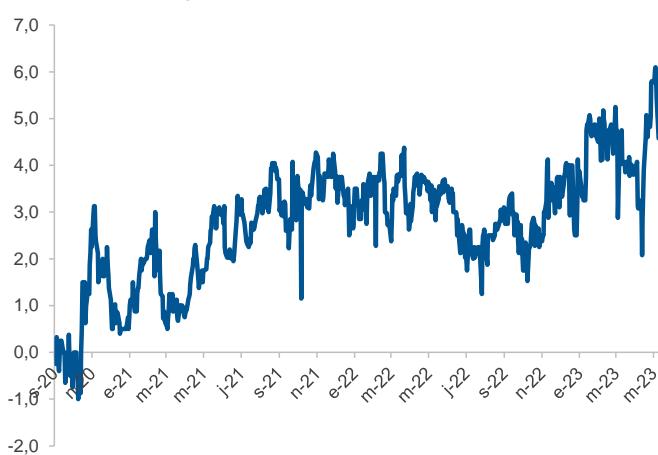
**Globals Yield Curve | YTM**



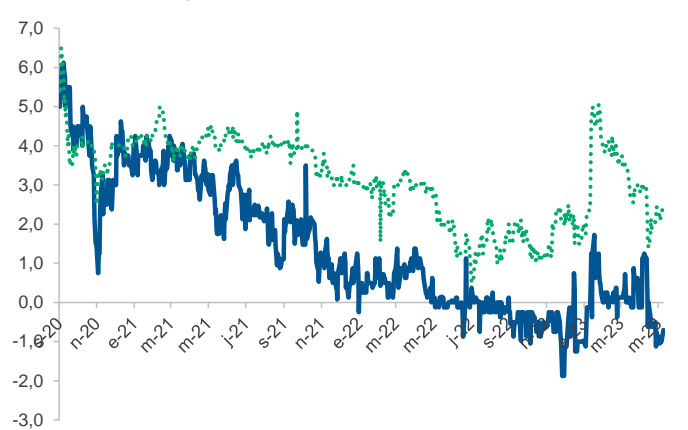
**Legislation Spread | Spreads**



**GD30 vs. AL30 | Spreads**



**AL30 vs. AL35 | Spreads**



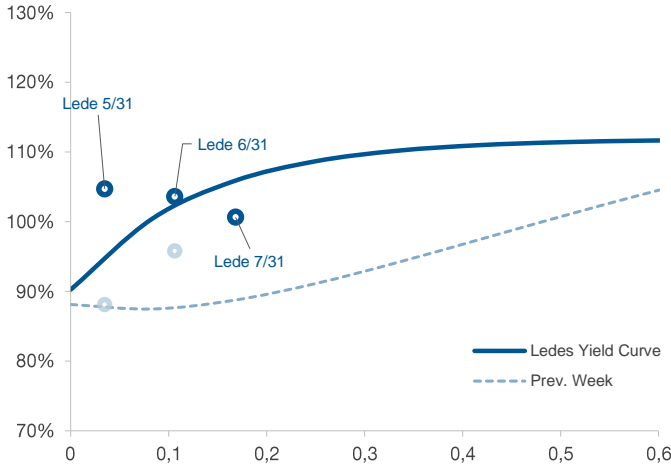
	15-may.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
<b>PDI 2029 AL</b>	2,3	52,8	21,88	9	660	670	35	-1.455	-1.420	153	-1.223	-1.070
<b>Argent30 AL</b>	2,3	50,5	21,43	5	774	779	17	-1.590	-1.572	76	-1.331	-1.254
<b>Argent38 AL</b>	4,0	29,3	26,75	29	259	288	119	-893	-775	439	-2.077	-1.638
<b>Argent41 AL</b>	4,6	26,7	23,00	30	-30	0	121	-1.186	-1.065	465	-2.135	-1.670
<b>Argent35 AL</b>	4,9	28,0	22,13	14	648	662	55	-930	-875	219	-1.434	-1.215

## ARS Fixed-Rate Securities Curve

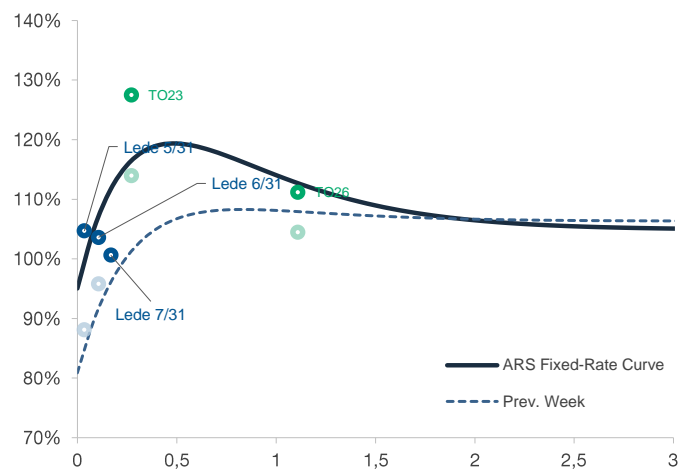
**The performance on the Ledes was mixed, with an average total return of +31bps. For the Botes, the total return was negative. The Lede of May was the one reporting the highest total return at +101bps. In the case of Bote23, the total return was -215bps, given -255bps of clean price variation and +40bps of carry. Bote26's total return was -476bps given a change in the clean price of -596bps and a carry of +121bps. If we look at the entire ARS space—including fixed-rate, dollar-linked, inflation-linked, and FRNs—we find that the BADLAR reported the best performance on a weekly basis, with a total turn of +134bps.**

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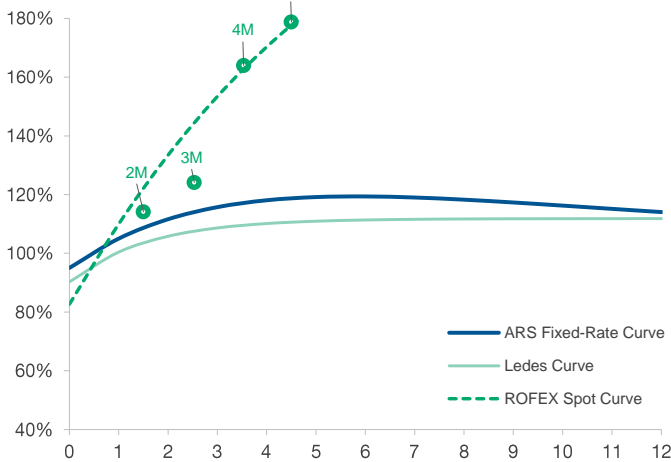
Ledes Yield Curve | YTM



ARS Fixed-Rate Curve | YTM



ROFEX vs. ARS Fixed-Rate Curve | YTM



	Total Return		
	Last Week	Last Month	YTD
S31Y3	101	639	2.823
T2V3	13	806	3.182
BADLAR	134	613	2.585

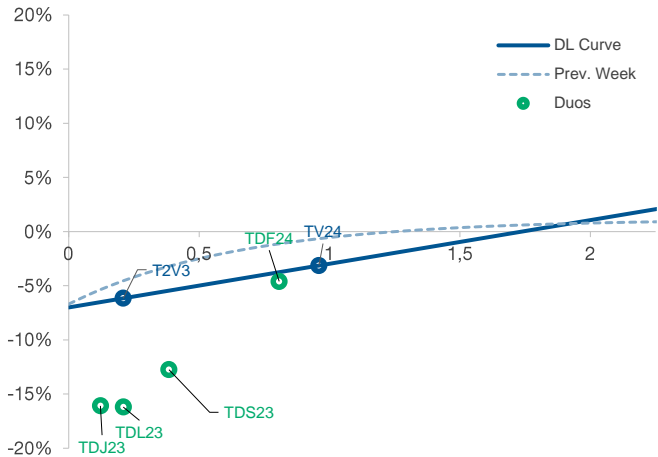
	15-may.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S31Y3 - LEDE 05/31/23	0,0	104,7	96,3	-	101	101	-	639	639	-	2.823	2.823
S30J3 - LEDE 06/30/23	0,1	103,6	89,0	-	87	87	-	548	548	-	2.539	2.539
S31L3 - LEDE 07/31/23	0,2	100,6	82,7	-	-95	-95	-	365	365	-	87	87
TO23	0,3	127,5	70,5	40	-255	-215	207	739	945	934	778	1.712
TO26	1,1	111,2	19,2	121	-596	-476	688	1.204	1.892	2.521	-2.191	330

## Dollar-Linked Securities Curve

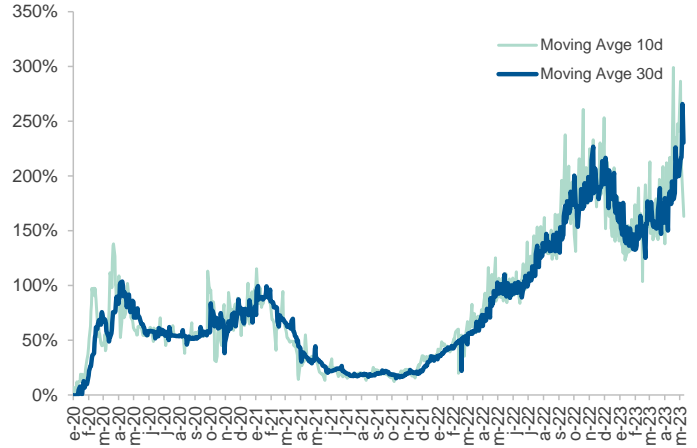
**Bolis had a positive week, with an average total return of +76bps.**

Bolis had a positive week, with an average total return of +76bps. The annualized official FX devaluation rate (10-day moving average) was 162.9%. In this context, Bolis accumulated +134bps of FX effect on average. The Boli23 due in July accumulated a clean price variation of -120bps, and the Boli24 +3bps. In this context, the total return was, for the Boli23 due in July +13bps, and for the Boli24 +139bps.

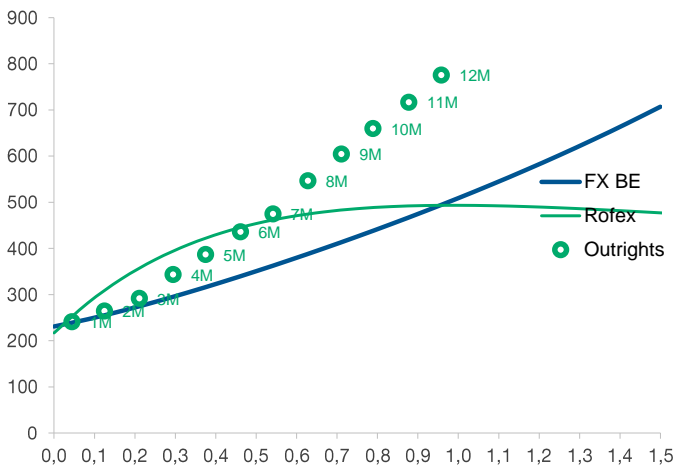
### Dollar-Linked Curve | YTM



### Official FX Dev. Rate Annualized | Moving AVE



### Official FX & Rofex | Break-Evens & Outrights



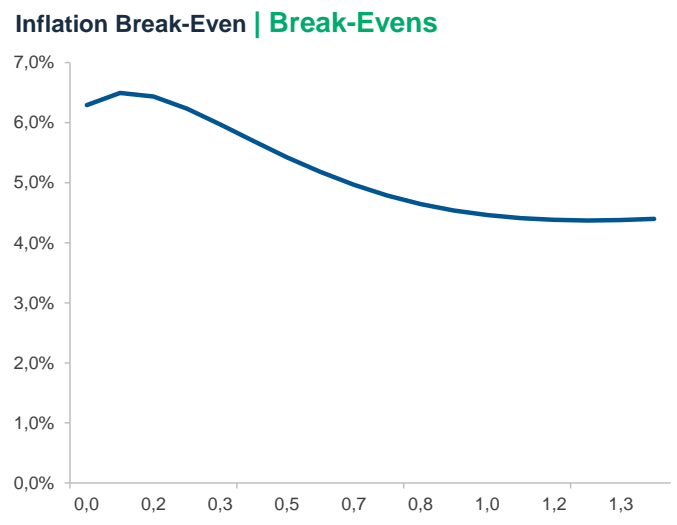
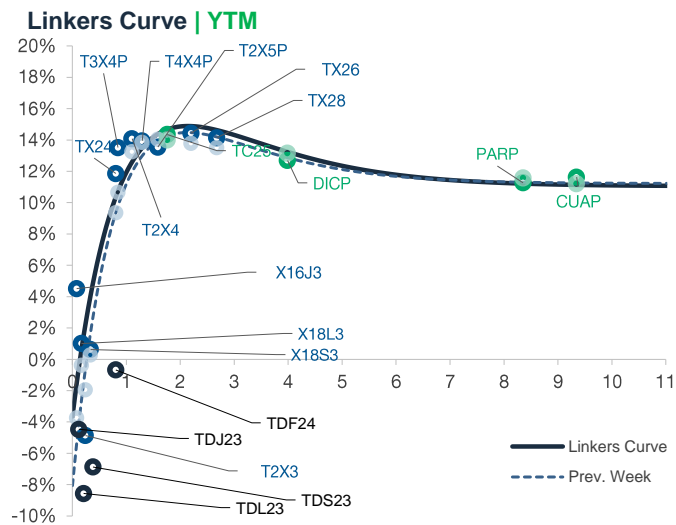
	15-may.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
TDJ23	0,1	-4,5	23480,0	23380,3	-1,4	306,1	0,7
TDL23	0,2	-8,6	23839,0	23345,0	0,6	916,6	3,7
TDS23	0,4	-6,9	24165,0	23160,5	4,0	1089,3	7,5
TDF24	0,8	-0,7	23815,0	21946,9	9,8	1050,9	12,7
TDA24	1,0	0,0	23850,0	21157,8	0,1	1268,5	12,2

	15-may.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
T2V3	0,2	-6,2	23.200,0	0	-120	133	13	0	57	749	806	0	123	3.058	3.182
TV24	0,96	-3,1	23.700,0	1	3	135	139	4	783	803	1.590	17	1.826	3.578	5.421

## Inflation-Linked Securities Curve

**Linkers' total return was around +151bps on average, driven by +174bps of inflation effect and a mixed clean price variation.**

Linkers' total return was around +151bps on average, driven by +174bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +129bps, resulting from -46bps of clean price variation, +1bps of carry, and +174bps of inflation effect. The belly accumulated nearly +163bps of total return, on the back of +7bps of weekly carry, -19bps of clean price variation, and +174bps of inflation effect. Lastly, in the back-end, the total return was +164bps, resulting from +13bps of weekly carry, +174bps of inflation effect, and clean price variations of -23bps. In terms of the Duos, the total return closed at +144bps. In this context, the top-performers in the linkers space were (i) X18L3 in the front-end, with +182bps total return; (ii) T2X5P in the belly, with +235bps total return; and (iii) DICP in the back-end, with +336bps. Finally, the monthly inflation break-evens stand near 6.5% for the shortest tenors and converge towards 5% by end-2023.



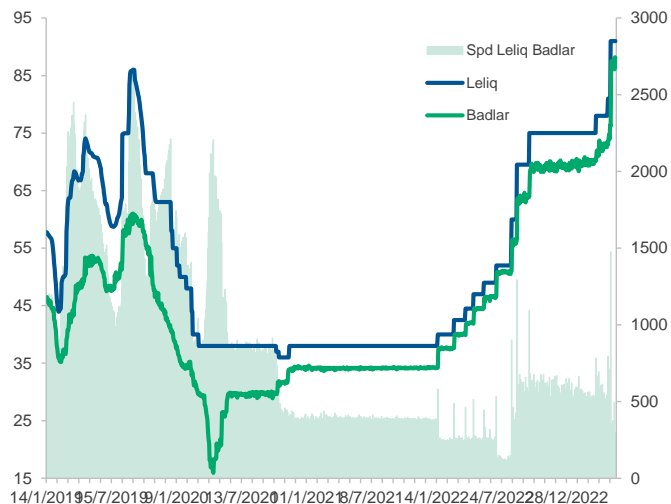
	15-may.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X19Y3	0,0	58,0	211,5	0	-49	174	124	0	-55	748	693	0	90	2.967	3.056
X16J3	0,1	4,6	167,6	0	-49	174	124	0	-51	749	698	0	253	3.015	3.268
X18L3	0,2	1,0	112,5	0	7	175	182	0	27	754	781	0	179	1.228	1.407
X18S3	0,3	0,6	156,5	0	1	175	176	0	154	764	918	0	395	3.057	3.452
T2X3	0,2	-4,9	422,7	3	-14	174	164	13	95	761	869	56	318	3.050	3.424
TX24	0,8	11,9	425,1	3	-172	172	3	15	83	760	858	63	256	3.034	3.353
TC25	1,8	14,3	855,0	9	-29	174	155	41	-161	743	624	175	-299	2.904	2.780
T2X4	1,1	14,1	302,6	3	-48	174	129	16	-71	748	693	68	63	2.979	3.110
T3X4P	0,8	13,5	106,0	8	-179	172	1	36	57	759	853	-14	-123	1.422	1.285
T4X4P	1,3	13,9	100,6	9	4	175	187	40	-49	752	743	-16	-259	1.402	1.127
T2X5P	1,6	13,5	98,3	10	49	176	235	44	-21	754	778	-20	-153	1.417	1.243
TX26	2,2	14,4	311,4	5	29	175	210	23	-51	750	723	100	17	2.975	3.091
TX28	2,7	14,1	294,9	6	42	175	223	28	-43	751	736	115	-224	2.909	2.800
DICP	4,0	12,7	6150,0	15	144	177	336	69	-34	755	789	279	-600	2.846	2.525
PARP	8,4	11,3	2780,0	8	110	177	295	34	-620	708	122	150	-185	2.930	2.896
CUAP	9,3	11,6	3550,0	16	-324	169	-139	64	-1.376	654	-658	316	-118	2.999	3.197
TDJ23	0,1	-4,5	23480,0	0	-74	173	99	0	-47	749	702	1	142	2.983	3.125
TDL23	0,2	-8,6	23839,0	0	45	175	220	1	105	760	866	1	320	3.035	3.356
TDS23	0,4	-6,9	24165,0	0	-125	172	48	1	248	771	1.020	1	658	3.134	3.794
TDF24	0,8	-0,7	23815,0	0	35	175	210	1	447	786	1.234	1	1.324	3.330	4.656
TDA24	1,0	-1,4	23850,0	0	7	175	181	-	-	-	-	-	-	-	-

## Sub-Sovereign FRNs

**This week, the provincial floating rate curve had a total return performance between +49 and +405bps.**

This week, the provincial floating rate curve had a total return performance between +49 and +405bps. BDC28 with a total return of +49bps, with a change in clean price close to -70bps and a carry around +119bps. BDC24's total return was +405bps, where +285bps was in terms of clean price change and +121bps of carry. On the BUENOS side, the performance of the Buenos 25 had a total return of +158bps, given a change of the clean price of around +22bps and a carry of +136bps.

### Leliq & Badlar Rates | Rates



	15-may.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
BDC24 - BDC 3/29/24	0,5	135,3	110,0	121	285	405	556	-75	482	2.728	-381	2.347
BDC28 - BDC 2/22/28	1,0	136,1	113,0	119	-70	49	568	-59	509	2.649	-959	1.690
PBA25 - BUENOS 4/12/25	0,8	121,5	91,0	136	22	158	607	-704	-97	2.688	-2.085	603

## TPCG Analysts & Staff

### Research

<b>Juan Manuel Pazos</b>	<b>Chief Economist</b>	<b>jmpazos@tpcgco.com</b>	<b>+54 11 4898-6606</b>
Paula La Greca	Corporate Research Analyst	plagreca@tpcgco.com	+54 11 4898-6638
Federico Martin	Strategist	famartin@tpcgco.com	+54 11 4898-6633
Santiago Resico	LATAM Strategist	sresico@tpcgco.com	+54 11 4898-6615

### Sales & Trading

<b>Juan Manuel Truppia</b>	<b>Head of Sales &amp; Trading</b>	<b>jmtruppia@tpcgco.com</b>	<b>+54 11 4898-6659</b>
Juan Martin Longhi	S&T Director	jlonghi@tpcgco.com	+54 11 4898-6656
Lucia Rodriguez Pardina	S&T Director	lrodriguezpardina@tpcgco.com	+54 11 4898-6614
Agustina Guadalupe	Sales	aguadalupe@tpcgco.com	+54 11 4898-6682
Maria Pilar Hurtado	Sales	mhurtado@tpcgco.com	+54 11 4898-6616
Juan Ignacio Vergara	Sales	jivergara@tpcgco.com	+54 11 4898-1936
Santiago Baibiene	Sales	sbaibiene@tpcgco.com	+54 11 4898-6648
Pedro Nollmann	Sales	pnollmann@tpcgco.com	+54 11 4898-6617
María Ruiz de Castroviejo Salas	Sales	mruiздеcastroviejo@tpcgco.com	+54 11 4898-6643
Victoria Faynbloch	Desk Analyst	vfaynbloch@tpcgco.com	+54 11 4898-6635
Felipe Freire	Trader	ffreire@tpcgco.com	+54 11 4898-1921
Homero Fernandez Bianco	Trader	hfbianco@tpcgco.com	+54 11 4898-6667
Andres Robertson	Trader	arobertson@tpcgco.com	+54 11 4898-6693

### Corporate Banking

<b>José Ramos</b>	<b>Head of Corporate Banking</b>	<b>jramos@tpcgco.com</b>	<b>+54 11 4898-6645</b>
Camila Martinez	Corporate Sales	cmartinez@tpcgco.com	+54 11 4898-6621
Fernando Depierre	Corporate Sales	fdepierre@tpcgco.com	+54 11 4898-6636
Sol Silvestrini	Corporate Sales	ssilvestrini@tpcgco.com	+54 11 4898-6641
Nicolas Iglesias	Corporate Sales	niglesias@tpcgco.com	+54 11 4898-6612

### Capital Markets

<b>Fernando Lanus</b>	<b>Head of Capital Markets</b>	<b>flanus@tpcgco.com</b>	<b>+54 11 4898-6632</b>
Nicolás Alperín	Investment Banking Analyst	nalperin@tpcgco.com	+54 11 4898-6604

### Asset Management

<b>Ileana Aiello</b>	<b>Portfolio Manager</b>	<b>iaiello@tpcgco.com</b>	<b>+54 11 4898-6611</b>
<b>Claudio Achaerandio</b>	<b>Portfolio Manager</b>	<b>catchaerandio@tpcgco.com</b>	<b>+54 11 4898-6618</b>



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