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Strategy - Argentina

May 22, 2023

Weekly Strategy Brief

Trade Book

Open Trades

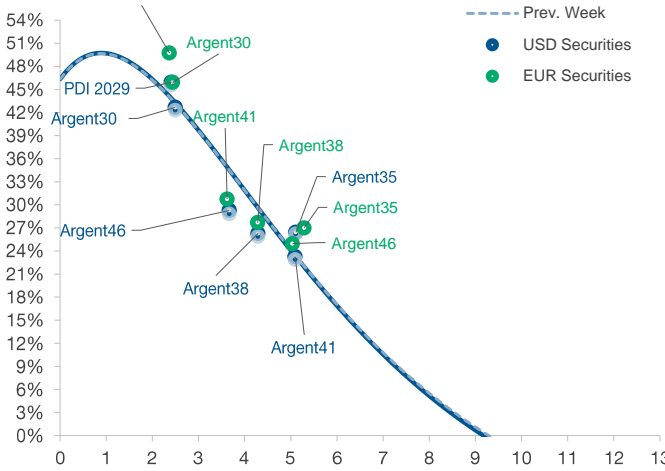
Trade	Trade Details	Rationale
LCD		
Buy TDF24	Open PX: 19,210 Current PX: 25,500 Target PX: 26,016	Opening Date: 06/03/23 TR: +3,309bps We maintain this trade as we observe that the market is pricing an event of FX correction between TDS23 and TDF24, while under our base scenario, we are not assuming 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: 299 Target PX: 302.6	Opening Date: 03/04/23 TR: +1,104bps 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.
Buy TX26	Open PX: 311.4 Current PX: 318.4 Target PX: 334	Opening Date: 16/05/23 TR: +164bps We maintain this trade as we like the high carry it offers and expect some yield compression.

Global-Law Securities Curve

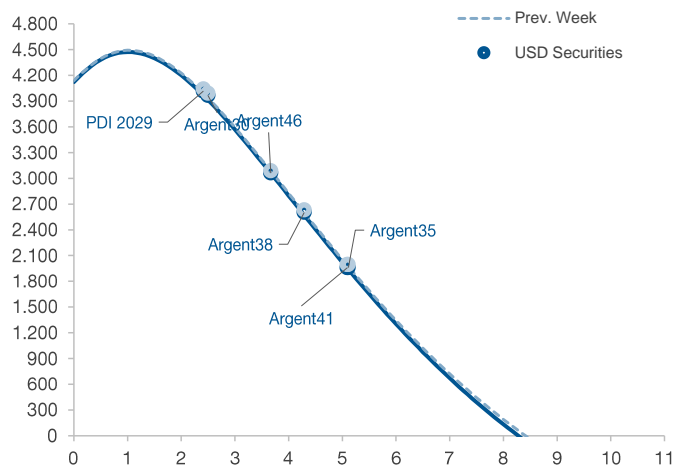
The global-law curve had a negative week with total returns ranging between -138 and -12bps. The old indenture reported total returns of -122bps for Argent38 and -138bps for Argent41. In the belly, Argent46 clocked in with a total return of -110bps. In the back-end, Argent35 accumulated +50bps of total return. Finally, in the front-end, Argent30 ended the week with a performance of +15bps. In this context, the front-end is trading near 25.85c (-0.05c compared to last week), while the back-end is trading near 23.45c (-0.15c). The Argent30 vs. Argent35 spread closed at 2.40c (+0.10cwo), 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 4.8c (-0.35c)—below its historical average of 4.82c—and dropped to 2.5c for Argent41 (-0.33c)—below its historical average of 3.26c.

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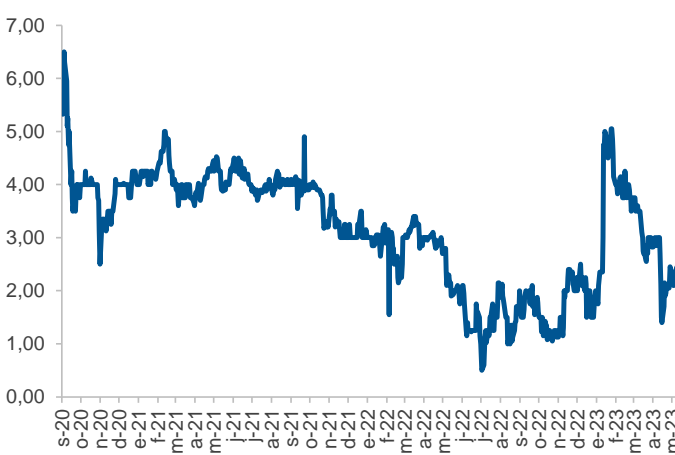
Globals Yield Curve | YTM



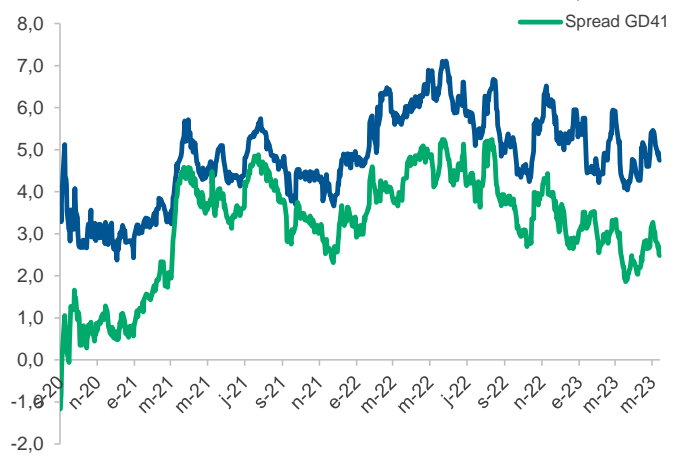
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



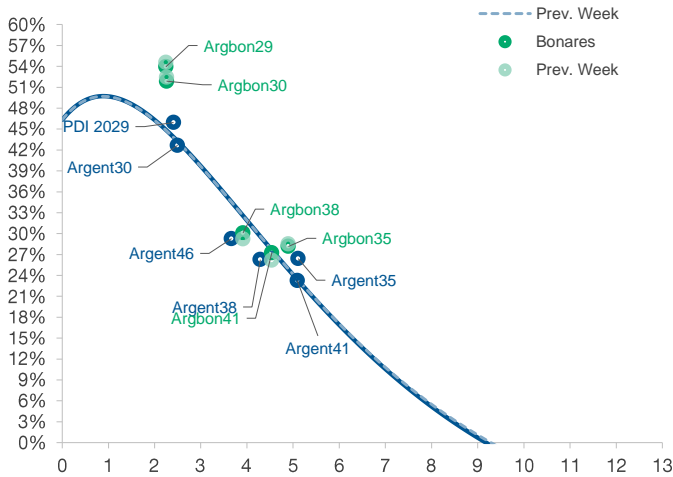
	19-may.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,4	45,9	25,50	8	-19	-12	35	728	762	144	-467	-323
Argent30	2,5	42,7	25,85	4	-19	-15	17	711	728	71	-514	-443
Argent38	4,3	26,3	28,95	24	-146	-122	112	416	527	449	-1.023	-574
Argent46	3,7	29,3	23,70	12	-122	-110	53	299	352	219	-885	-665
Argent41	5,1	23,3	25,95	25	-163	-138	114	568	682	461	-974	-513
Argent35	5,1	26,4	23,45	12	-62	-50	56	646	702	221	-893	-672

Local-Law Hard Currency Securities Curve

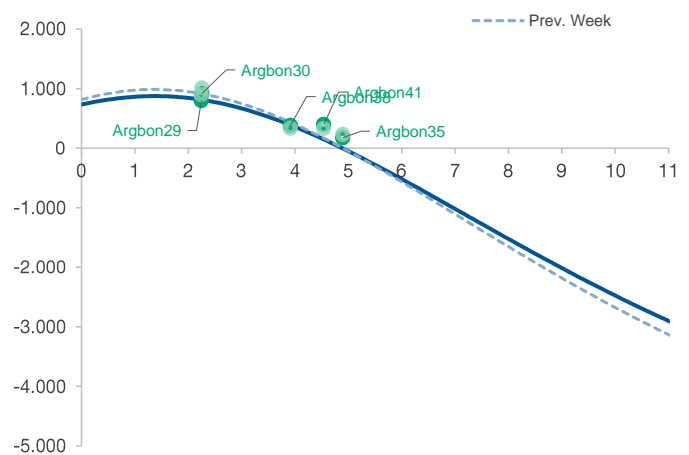
This week, total returns in the local-law curve were mixed ranging between -424 and +238bps. Bonar38 and Bonar41 showed a total return of -280bps and -424bps, respectively. In the back-end, Bonar35 showed a total return of +232bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of +219bps. In this context, the front-end is trading near 20.95c (+0.45c compared to the previous week), and the back-end is trading near 22.00c (+0.50c). The Bonar30 vs. Bonar35 spread closed at -1.050c (-0.050c) and is still below its historical average at 1.26c. Lastly, the legislation spread (Argent30 vs. Bonar30) dropped to 4.9c (-0.50c), above its historical average of 2.84c.

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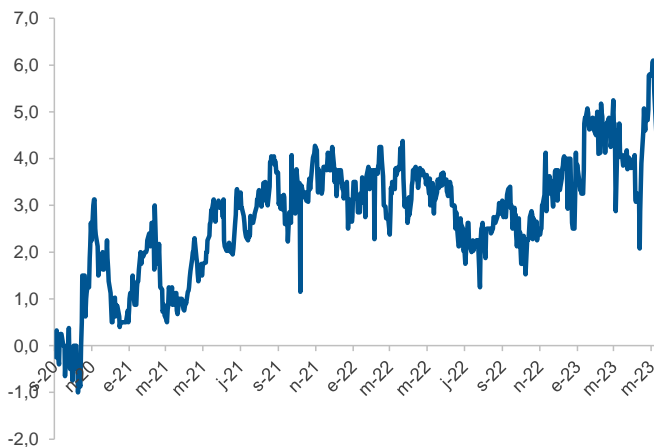
Globals Yield Curve | YTM



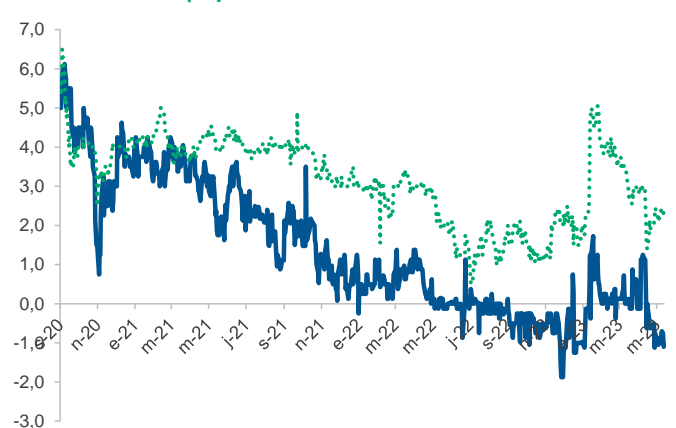
Legislation Spread | Spreads



GD30 vs. AL30 | Spreads



AL30 vs. AL35 | Spreads

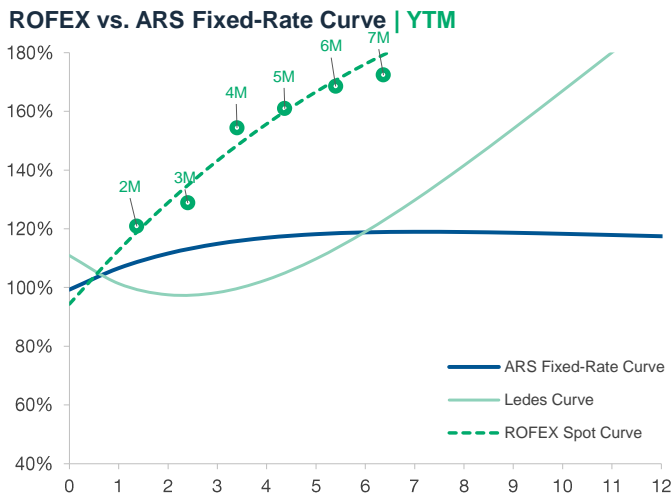
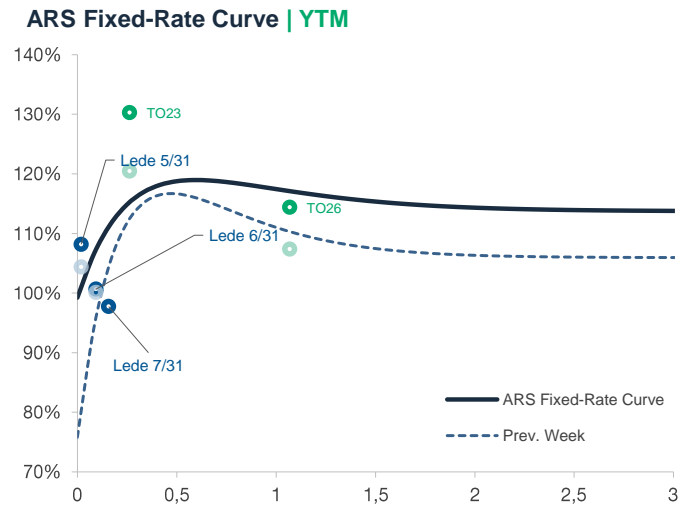
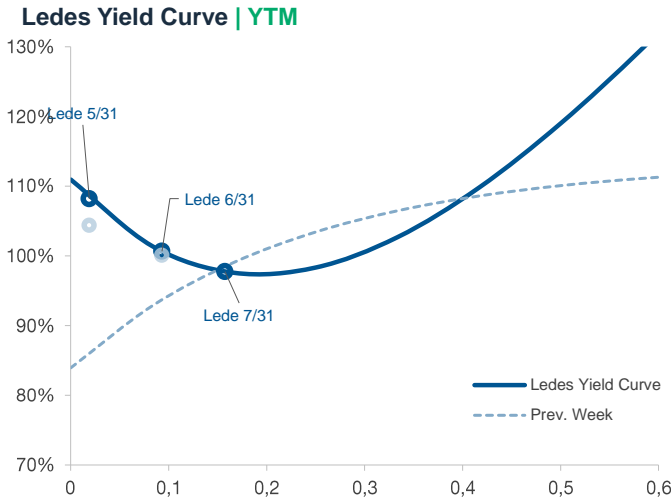


	19-may.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029 AL	2,2	53,9	21,50	9	229	238	37	-481	-444	157	-1.381	-1.223
Argent30 AL	2,3	51,9	20,95	5	215	219	20	-161	-141	79	-1.527	-1.448
Argent38 AL	3,9	30,1	26,00	28	-308	-280	126	69	196	452	-2.324	-1.872
Argent41 AL	4,5	27,3	22,50	29	-453	-424	129	-129	0	479	-2.330	-1.851
Argent35 AL	4,9	28,2	22,00	14	219	232	59	416	476	226	-1.490	-1.264

ARS Fixed-Rate Securities Curve

The performance on the Ledes was positive, with an average total return of +193bps. For the Botes, the total return was negative. The Lede of July was the one reporting the highest total return at +218bps. In the case of Bote23, the total return was -98bps, given -139bps of clean price variation and +41bps of carry. Bote26's total return was -488bps given a change in the clean price of -610bps 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 Ledes reported the best performance on a weekly basis, with a total turn of +192bps.

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	Total Return		
	Last Week	Last Month	YTD
S31Y3	192	785	3.041
T2V3	99	949	3.531
BADLAR	134	574	2.662

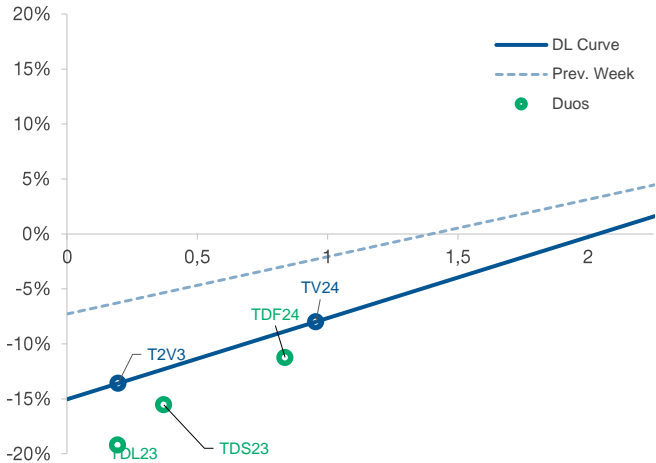
	19-may.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S31Y3 - LEDE 05/31/23	0,0	108,2	97,9	-	192	192	-	785	785	-	3.041	3.041
S30J3 - LEDE 06/30/23	0,1	100,7	90,6	-	168	168	-	784	784	-	2.761	2.761
S31L3 - LEDE 07/31/23	0,2	97,7	85,3	-	218	218	-	783	783	-	405	405
TO23	0,3	130,3	71,0	41	-139	-98	172	-402	-230	961	828	1.790
TO26	1,1	114,4	18,8	122	-610	-488	470	-1.945	-1.475	2.596	-2.444	152

Dollar-Linked Securities Curve

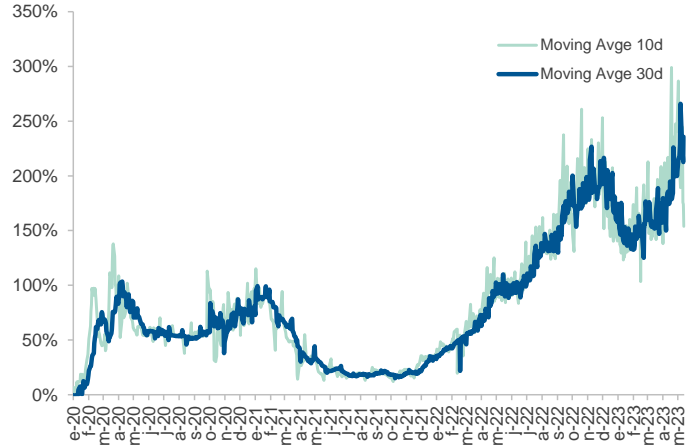
Bolis had a positive week, with an average total return of +314bps.

Bolis had a positive week, with an average total return of +314bps. The annualized official FX devaluation rate (10-day moving average) was 153.9%. In this context, Bolis accumulated +151bps of FX effect on average. The Boli23 due in July accumulated a clean price variation of -49bps, and the Boli24 +374bps. In this context, the total return was, for the Boli23 due in July +99bps, and the Boli24 +529bps.

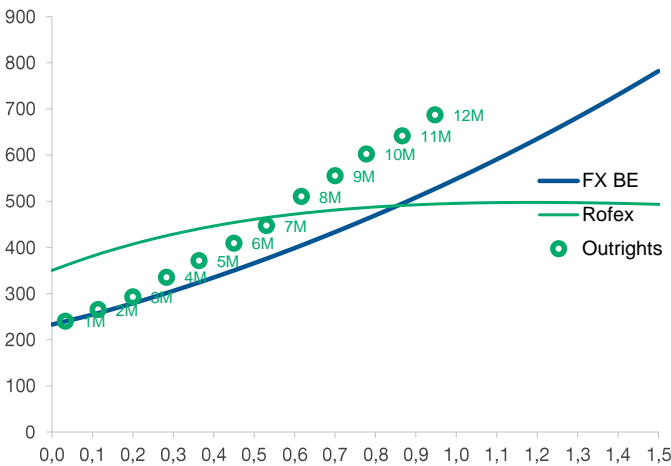
Dollar-Linked Curve | YTM



Official FX Dev. Rate Annualized | Moving AVE



Official FX & Rofex | Break-Evens & Outrights



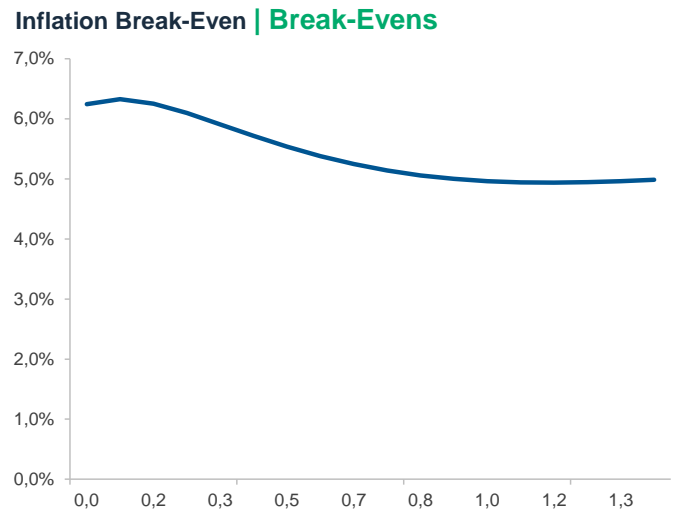
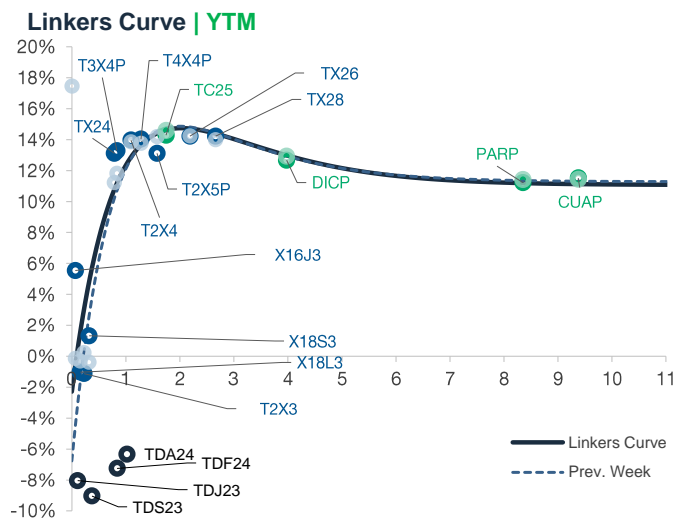
	19-may.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
TDJ23	0,1	-8,0	23920,0	23688,7	-0,1	790,4	1,7
TDL23	0,2	-10,2	24250,0	23639,5	1,8	1202,2	4,6
TDS23	0,4	-9,0	24710,0	23437,3	5,0	1407,5	9,5
TDF24	0,8	-7,3	25500,0	22091,2	11,2	1841,8	23,3
TDA24	1,0	-0,1	25425,0	21317,8	0,1	1867,9	18,6

	19-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	-13,6	23.814,0	0	-49	148	99	0	231	718	949	0	298	3.233	3.531
TV24	0,95	-8,0	25.150,0	1	374	154	529	3	902	766	1.671	18	2.436	3.910	6.364

Inflation-Linked Securities Curve

Linkers' total return was around +221bps on average, driven by +175bps of inflation effect and a mixed clean price variation.

Linkers' total return was around +221bps on average, driven by +175bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +139bps, resulting from -36bps of clean price variation, +1bps of carry, and +174bps of inflation effect. The belly accumulated nearly +195bps of total return, on the back of +7bps of weekly carry, +13bps of clean price variation, and +175bps of inflation effect. Lastly, in the back-end, the total return was +220bps, resulting from +13bps of weekly carry, +175bps of inflation effect, and clean price variations of +32bps. In terms of the Duos, the total return closed at +276bps. In this context, the top-performers in the linkers space were (i) T2X3 in the front-end, with +204bps total return; (ii) TC25 in the belly, with +362bps total return; and (iii) DICP in the back-end, with +286bps. Finally, the monthly inflation break-evens stand near 6.2% for the shortest tenors and converge towards 5.5% by end-2023.



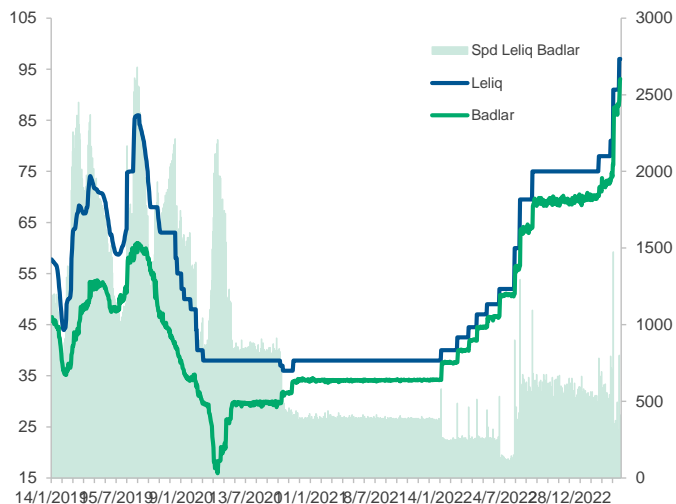
	19-may.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X19Y3	0,0	60,5	212,3	0	-125	172	47	0	-66	721	655	0	30	3.079	3.109
X16J3	0,1	5,6	170,1	0	-37	174	137	0	69	731	799	0	305	3.163	3.468
X18L3	0,2	-1,0	114,6	0	16	175	191	0	186	739	925	0	262	1.352	1.615
X18S3	0,3	1,3	158,7	0	-56	174	118	0	236	743	979	0	438	3.204	3.641
T2X3	0,2	-1,1	429,3	3	26	175	204	12	211	742	965	57	375	3.202	3.634
TX24	0,8	13,1	428,3	3	-133	172	43	13	-226	710	497	65	228	3.159	3.452
TC25	1,7	14,3	880,0	9	175	178	362	38	-251	710	497	180	-118	3.088	3.150
T2X4	1,1	14,0	308,2	3	10	175	188	15	-72	722	664	70	147	3.136	3.352
T3X4P	0,8	13,3	107,4	8	-133	172	47	33	-119	720	634	-10	-96	1.539	1.434
T4X4P	1,3	14,0	102,5	9	-10	175	174	38	21	730	789	-11	-178	1.526	1.337
T2X5P	1,6	13,1	100,0	10	61	176	246	41	55	733	829	-15	-82	1.541	1.444
TX26	2,2	14,2	318,4	5	28	175	208	21	-210	712	523	102	140	3.143	3.386
TX28	2,7	14,2	299,0	6	-44	174	136	25	-313	705	417	119	-189	3.048	2.978
DICP	4,0	12,7	6295,0	15	95	177	286	63	-48	727	742	287	-477	3.011	2.821
PARP	8,4	11,2	2830,0	8	-3	175	180	32	-502	692	221	155	-111	3.083	3.127
CUAP	9,4	11,5	3660,0	16	4	175	195	63	-663	682	83	326	85	3.195	3.606
TDJ23	0,1	-8,0	23920,0	0	-59	174	114	0	80	732	811	1	230	3.140	3.371
TDL23	0,2	-10,2	24250,0	0	-28	174	146	1	242	743	986	1	394	3.191	3.586
TDS23	0,4	-9,0	24710,0	0	-6	174	169	1	335	750	1.086	1	791	3.312	4.105
TDF24	0,8	-7,3	25500,0	0	491	183	674	1	913	792	1.706	1	2.006	3.685	5.693
TDA24	1,0	-6,3	25425,0	0	412	182	594	-	-	-	-	-	-	-	-

Sub-Sovereign FRNs

This week, the provincial floating rate curve had a total return performance between -1,261 and +425bps.

This week, the provincial floating rate curve had a total return performance between -1,261 and +425bps. BDC28 with a total return of -1,261bps, with a change in clean price close to -1,385bps and a carry around +125bps. BDC24's total return was +157bps, where +24bps was in terms of clean price change and +133bps of carry. On the BUENOS side, the performance of the Buenos 25 had a total return of +425bps, given a change of the clean price of around +268bps and a carry of +156bps.

Leliq & Badlar Rates | Rates



	19-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	128,2	111,0	133	24	157	588	-101	486	2.951	-508	2.443
BDC28 - BDC 2/22/28	1,0	139,3	96,6	125	-1.385	-1.261	552	-1.515	-963	2.806	-2.668	138
PBA25 - BUENOS 4/12/25	0,7	121,4	95,2	156	268	425	668	-284	384	2.890	-1.895	995

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