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Strategy - Argentina

May 30, 2023

# Weekly Strategy Brief

## Trade Book

### Closed Trades

Trade	Trade		Rationale
<b>LCD</b>			
Buy TX28	Open PX: 273.7 Current PX: 311.3	Opening Date: 03/04/23 TR: +1,558bps	We close this trade as the proposed target has been reached. We consolidate our view in TX26.

### Open Trades

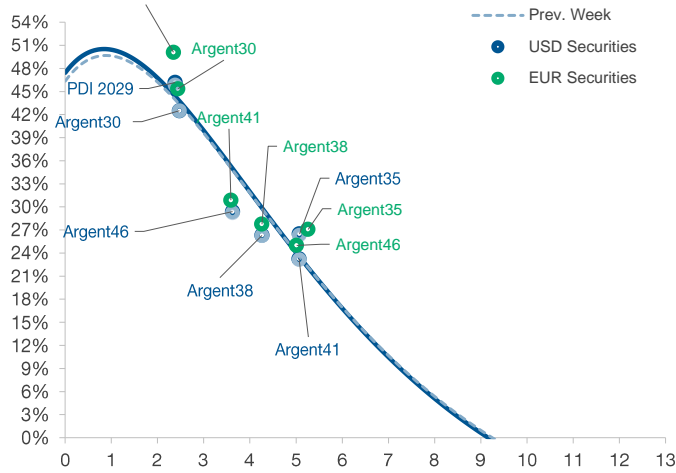
Trade	Trade Details		Rationale
<b>LCD</b>			
Buy TDF24	Open PX: 19,210 Current PX: 25,650 Target PX: 26,320	Opening Date: 06/03/23 TR: +3,387bps	We maintain this trade as we observe that the market is pricing an event of FX correction between TDS23 and TDF24, while under our base scenario, we are not 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 TX26	Open PX: 311.4 Current PX: 331.4 Target PX: 342	Opening Date: 16/05/23 TR: +639bps	We maintain this trade as we like its high carry and expect some yield compression.

## Global-Law Securities Curve

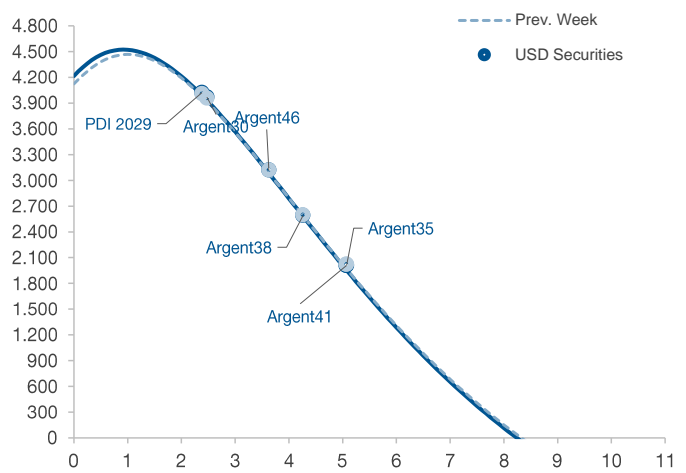
The global-law curve had a negative week with total returns ranging between -50 and +61bps. The old indenture reported total returns of +25bps for Argent38 and -12bps for Argent41. In the belly, Argent46 clocked in with a total return of -9bps. In the back-end, Argent35 accumulated -50bps of total return. Finally, in the front-end, Argent30 ended the week with a performance of +61bps. In this context, the front-end is trading near 26.15c (+0.15c compared to last week), while the back-end is trading near 23.45c (-0.15c). The Argent30 vs. Argent35 spread closed at 2.70c (+0.30cwo), below its historical average of 3.10c. 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 increased to 4.7c (+0.06c)—below its historical average of 4.81c—and grew to 2.5c for Argent41 (+0.06c)—below its historical average of 3.25c.

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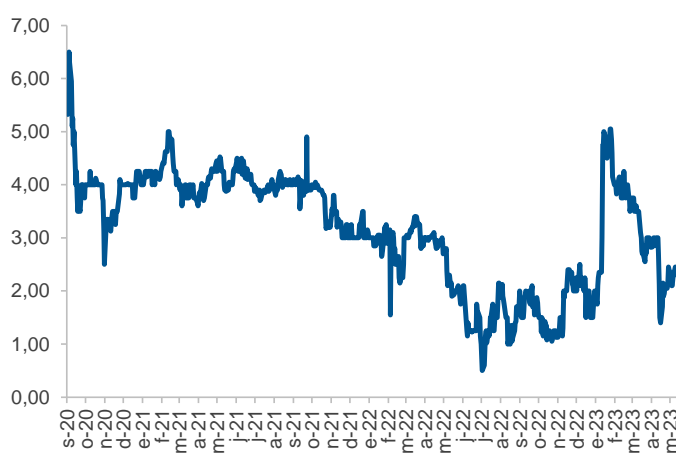
Globals Yield Curve | YTM



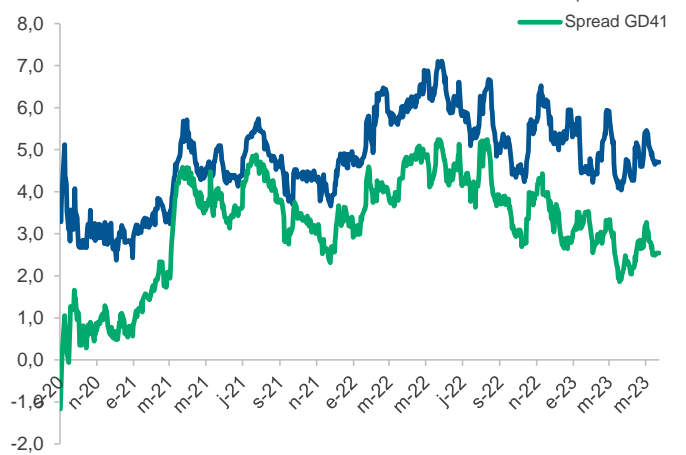
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



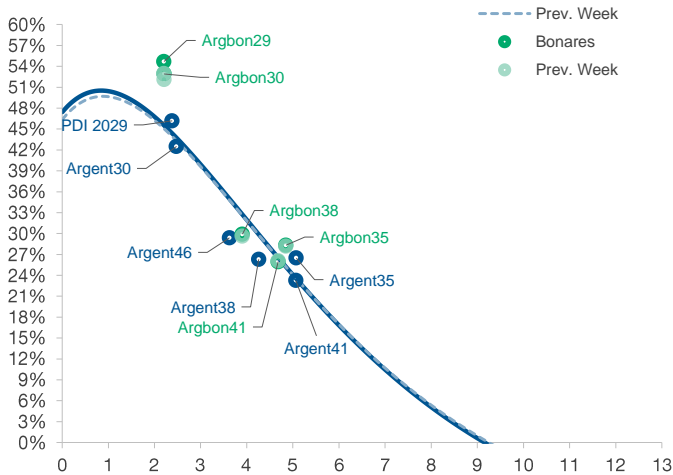
	29-may.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,4	46,2	25,55	7	-19	-12	37	703	740	155	-449	-294
Argent30	2,5	42,5	26,15	4	57	61	18	669	687	76	-404	-328
Argent38	4,3	26,3	29,00	25	0	25	118	360	478	483	-1.008	-525
Argent46	3,6	29,4	23,70	12	-21	-9	57	254	311	235	-885	-649
Argent41	5,1	23,3	26,00	25	-36	-12	117	226	344	495	-957	-461
Argent35	5,1	26,5	23,45	12	-62	-50	58	391	449	237	-893	-656

## Local-Law Hard Currency Securities Curve

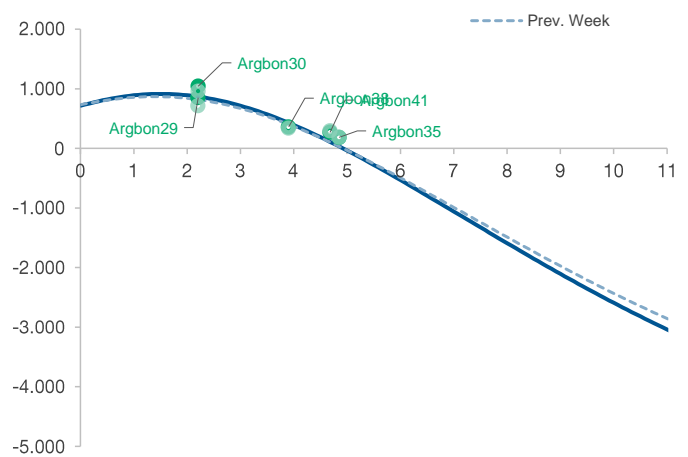
**This week, total returns in the local-law curve were mixed ranging between -295 and +105bps. Bonar38 and Bonar41 showed a total return of -56bps and +105bps, respectively. In the back-end, Bonar35 showed a total return of -23bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of -108bps. In this context, the front-end is trading near 20.65c (-0.23c compared to the previous week), and the back-end is trading near 21.95c (-0.05c). The Bonar30 vs. Bonar35 spread closed at -1.3c (-0.175c) and is still below its historical average at 1.24c. Lastly, the legislation spread (Argent30 vs. Bonar30) grew to 5.5c (+0.38c), above its historical average of 2.86c.**

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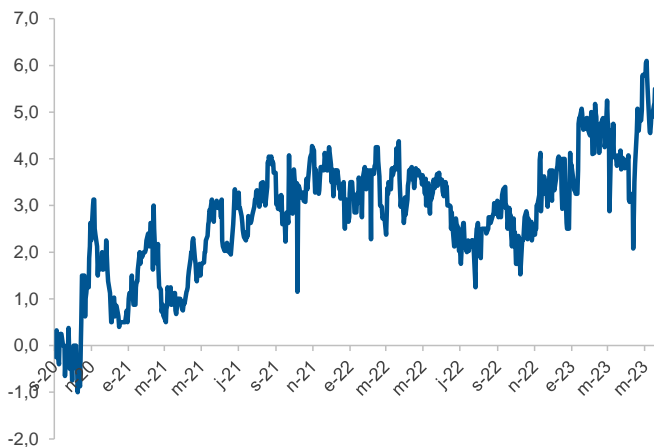
**Globals Yield Curve | YTM**



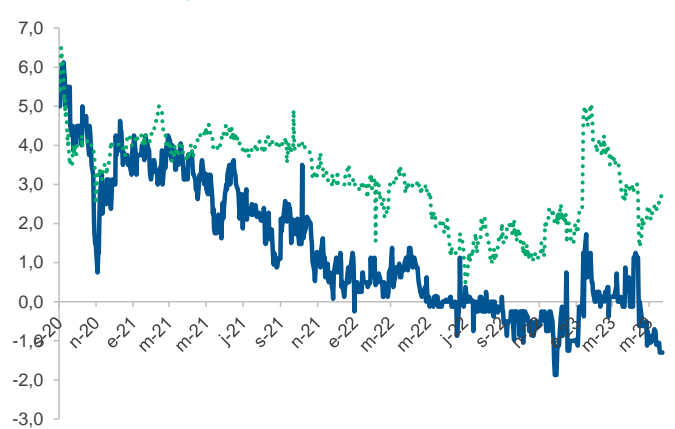
**Legislation Spread | Spreads**



**GD30 vs. AL30 | Spreads**



**AL30 vs. AL35 | Spreads**



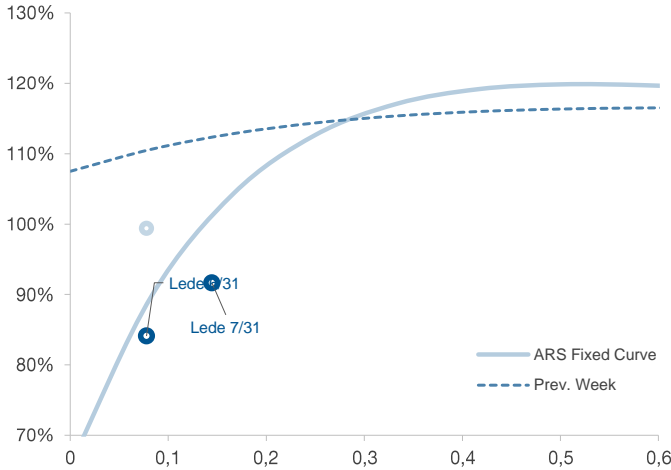
	29-may.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029 AL	2,2	54,7	21,35	9	-304	-295	43	371	414	169	-1.453	-1.284
Argent30 AL	2,2	52,9	20,65	5	-112	-108	22	354	377	84	-1.655	-1.571
Argent38 AL	3,9	29,9	26,35	28	-85	-56	136	299	435	486	-2.249	-1.763
Argent41 AL	4,7	26,0	24,00	29	76	105	143	889	1.032	514	-1.823	-1.309
Argent35 AL	4,9	28,3	21,95	13	-36	-23	65	641	706	242	-1.526	-1.284

## ARS Fixed-Rate Securities Curve

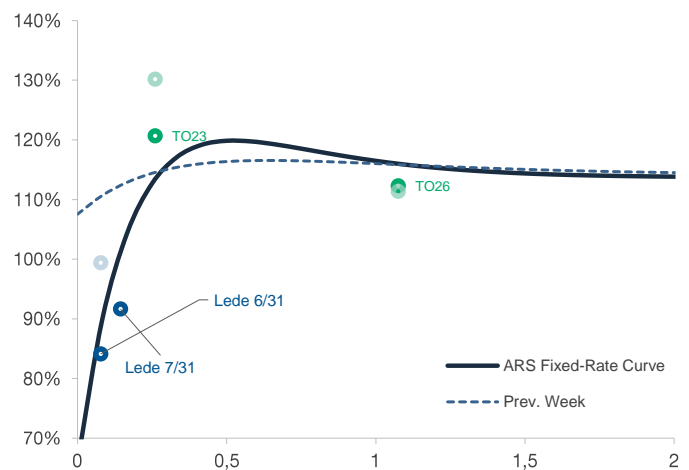
The performance on the Ledes was positive, with an average total return of +247bps. For the Botes, the total return was positive. The Lede of July was the one reporting the highest total return at +303bps. In the case of Bote23, the total return was +367bps, given +326bps of clean price variation and +41bps of carry. Bote26's total return was +37bps given a change in the clean price of -88bps and a carry of +125bps. 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 +162bps.

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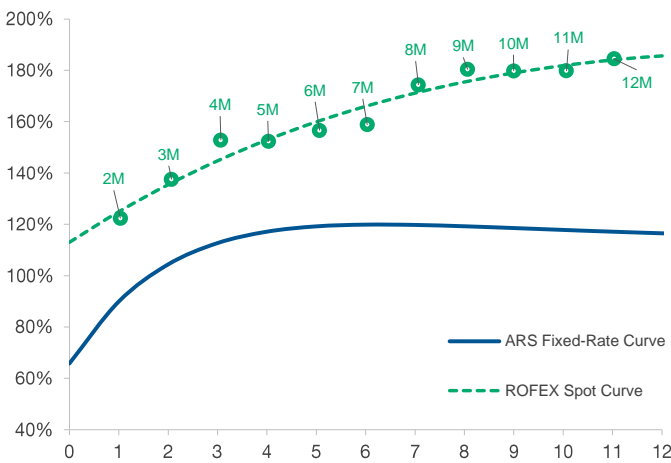
Ledes Yield Curve | YTM



ARS Fixed-Rate Curve | YTM



ROFEX vs. ARS Fixed-Rate Curve | YTM



	Total Return		
	Last Week	Last Month	YTD
S31Y3	162	700	3.269
T2V3	101	675	3.665
BADLAR	134	613	2.853

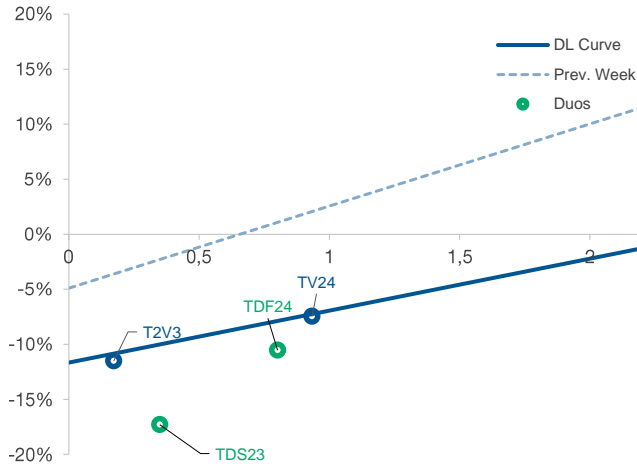
	29-may.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S31Y3 - LEDE 05/31/23	0,0	0,0	99,6	-	162	162	-	700	700	-	3.269	3.269
S30J3 - LEDE 06/30/23	0,1	84,1	92,7	-	191	191	-	768	768	-	3.056	3.056
S31L3 - LEDE 07/31/23	0,1	91,6	86,8	-	303	303	-	710	710	-	579	579
TO23	0,3	120,7	74,0	41	326	367	187	179	366	1.031	1.223	2.254
TO26	1,1	112,3	19,6	125	-88	37	552	-857	-305	2.782	-2.288	494

## Dollar-Linked Securities Curve

**Bolis had a positive week, with an average total return of +54bps.**

Bolis had a positive week, with an average total return of +54bps. The annualized official FX devaluation rate (10-day moving average) was 259.7%. In this context, Bolis accumulated +162bps of FX effect on average. The Boli23 due in July accumulated a clean price variation of -62bps, and the Boli24 -154bps. In this context, the total return was, for the Boli23 due in July +101bps, and the Boli24 +8bps.

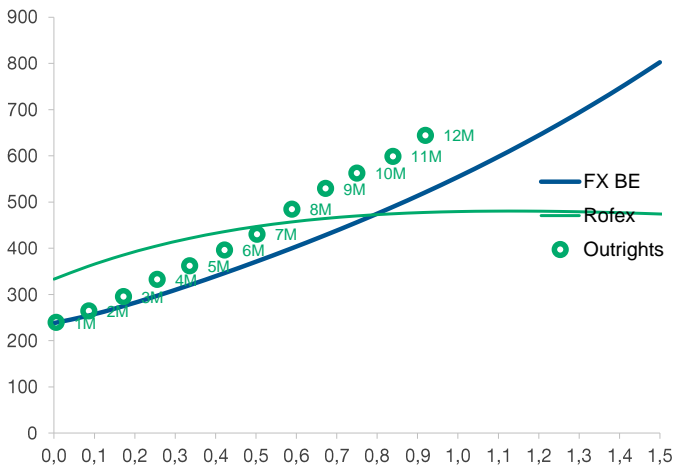
### Dollar-Linked Curve | YTM



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



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



	29-may.-23			Valuacion CER Pura		Valor Implicito Opcion	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Oficial)
TDJ23	0,1	-5,9	24300,0	24309,5	-6,5	-58,1	-0,1
TDL23	0,2	-8,7	24600,0	24339,1	-3,2	551,6	2,0
TDS23	0,3	-9,1	25160,0	24169,1	2,1	1122,9	7,4
TDF24	0,8	-5,7	25650,0	22929,3	9,1	1482,1	18,6
TDA24	1,0	-0,1	25655,0	22189,7	0,1	1572,5	15,7

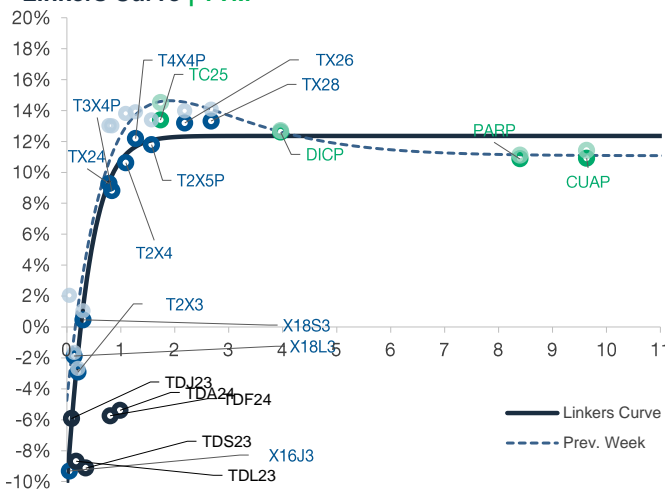
	29-may.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
T2V3	0,2	-11,5	24.050,0	0	-62	163	101	0	-53	728	675	0	159	3.506	3.665
TV24	0,93	-7,5	25.400,0	1	-154	162	8	4	619	777	1.399	19	2.268	4.240	6.527

## Inflation-Linked Securities Curve

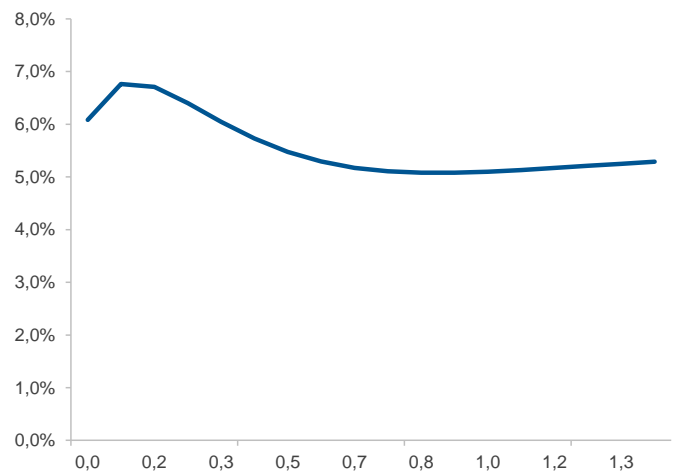
**Linkers' total return was around +266bps on average, driven by +176bps of inflation effect and a mixed clean price variation.**

Linkers' total return was around +266bps on average, driven by +176bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +207bps, resulting from +31bps of clean price variation, +1bps of carry, and +175bps of inflation effect. The belly accumulated nearly +403bps of total return, on the back of +7bps of weekly carry, +217bps of clean price variation, and +179bps of inflation effect. Lastly, in the back-end, the total return was +381bps, resulting from +13bps of weekly carry, +178bps of inflation effect, and clean price variations of +190bps. In terms of the Duos, the total return closed at +276bps. In this context, the top-performers in the linkers space were (i) TX24 in the front-end, with +458bps total return; (ii) T2X4 in the belly, with +563bps total return; and (iii) CUAP in the back-end, with +679bps. Finally, the monthly inflation break-evens stand near 6.8% for the shortest tenors and converge towards 5.5% by end-2023.

Linkers Curve | YTM



Inflation Break-Even | Break-Evens



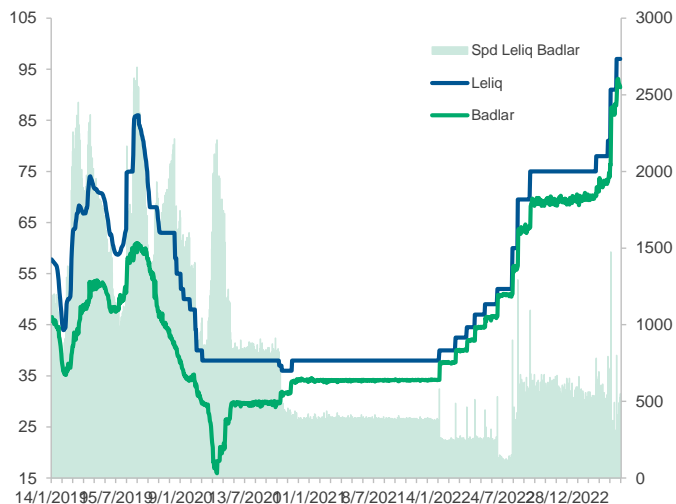
	29-may.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X16J3	0,0	-9,1	174,0	0	4	175	179	0	-39	811	773	0	283	3.492	3.775
X18L3	0,1	-1,9	116,4	0	-45	174	129	0	50	819	869	0	169	1.628	1.797
X18S3	0,3	0,5	161,5	0	-30	174	144	0	62	820	881	0	365	3.520	3.885
T2X3	0,2	-2,9	437,2	3	-51	174	125	13	42	819	874	62	302	3.520	3.883
TX24	0,8	9,3	449,5	3	276	179	458	14	185	831	1.030	69	469	3.579	4.118
TC25	1,7	13,4	898,5	9	150	177	337	41	-217	800	623	193	-170	3.404	3.427
T2X4	1,1	10,6	327,0	3	379	181	563	16	373	846	1.235	75	498	3.591	4.164
T3X4P	0,8	8,8	113,0	8	260	179	448	36	411	851	1.298	1	154	1.873	2.029
T4X4P	1,3	12,2	107,0	9	225	179	413	40	286	841	1.168	1	-10	1.843	1.834
T2X5P	1,6	11,8	105,0	10	209	178	397	45	442	854	1.341	-1	147	1.872	2.018
TX26	2,2	13,2	331,4	5	140	177	323	23	88	824	934	110	289	3.532	3.930
TX28	2,7	13,3	311,3	6	155	177	339	27	-19	815	824	127	-45	3.424	3.507
DICP	4,0	12,6	6434,0	15	-6	175	184	67	-135	809	741	308	-526	3.322	3.104
PARP	8,4	10,9	2980,0	8	96	176	280	34	-184	802	652	166	149	3.503	3.819
CUAP	9,6	10,9	3930,0	16	480	183	679	70	53	824	947	349	557	3.704	4.610
TDJ23	0,1	-5,9	24300,0	0	-38	174	136	0	-69	809	740	1	139	3.444	3.584
TDL23	0,2	-8,7	24600,0	0	-71	173	103	1	-1	814	814	1	287	3.494	3.782
TDS23	0,3	-9,1	25160,0	0	-49	174	125	1	17	816	834	1	719	3.641	4.362
TDF24	0,8	-5,7	25650,0	0	-225	171	-54	1	689	871	1.560	1	1.782	4.002	5.785
TDA24	1,0	-5,4	25655,0	0	-162	172	10	-	-	-	-	-	-	-	-

## Sub-Sovereign FRNs

**This week, the provincial floating rate curve had a total return performance between -30 and +125bps.**

This week, the provincial floating rate curve had a total return performance between -30 and +125bps. BDC28 with a total return of -30bps, with a change in clean price close to -166bps and a carry around +136bps. BDC24's total return was +19bps, where -109bps was in terms of clean price change and +128bps of carry. On the BUENOS side, the performance of the Buenos 25 had a total return of +125bps, given a change of the clean price of around -25bps and a carry of +150bps.

### Leliq & Badlar Rates | Rates



	29-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	132,6	114,0	128	-109	19	654	529	1.183	3.183	-452	2.732
BDC28 - BDC 2/22/28	1,0	140,3	99,6	136	-166	-30	684	397	1.081	3.353	-776	2.577
PBA25 - BUENOS 4/12/25	0,7	122,3	96,9	150	-25	125	730	70	800	3.126	-1.965	1.161

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