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Strategy - Argentina

March 13, 2023

# Weekly Strategy Brief

## Trade Book

### New Trades

Trade	Trade Details		Rationale
<b>LCD</b>			
Buy TX26	Open PX: <b>285.8</b> Target PX: <b>294</b>	Opening Date: <b>13/03/23</b>	We open this trade as the TX26 is currently trading outside the linkers curve.

### Open Trades

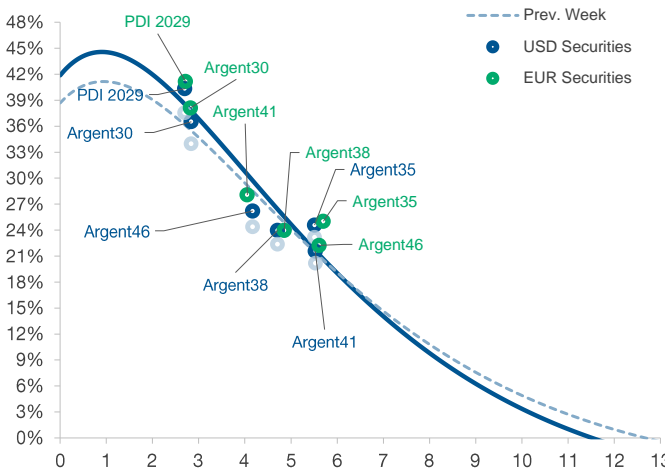
Trade	Trade Details		Rationale
<b>EXD</b>			
Buy GD35, Sell GD30	Open Spread: <b>5c</b> Current Spread: <b>3.5c</b> Target Spread: <b>3c</b>	Opening Date: <b>23/01/23</b> TR: <b>-1,721bps</b> <b>+1,906bps</b>	We believe that following the repurchase announcement the GD30 currently trades rich compared to the GD35.
<b>LCD</b>			
Buy TDF24	Open PX: <b>19,210</b> Current PX: <b>19,210</b> Target PX: <b>21,396</b>	Opening Date: <b>06/03/23</b> TR: <b>+26bps</b>	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.

## Global-Law Securities Curve

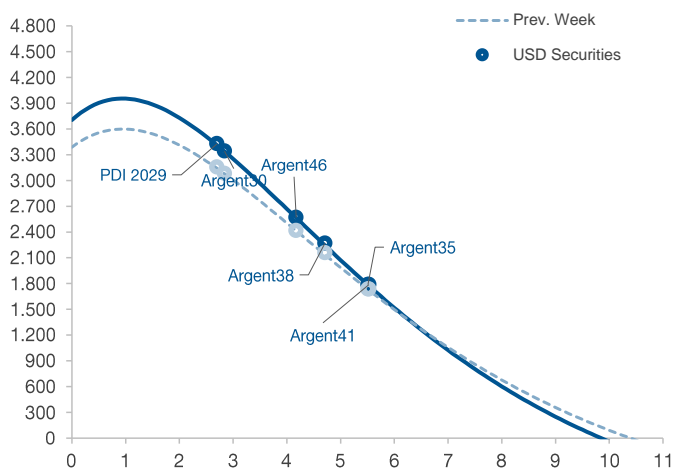
The global-law curve had a negative week with total returns ranging between -667 and -723bps. The old indenture reported total returns of -700bps for Argent38 and -708bps for Argent41. In the belly, Argent46 clocked in with a total return of -704bps. In the back-end, Argent35 accumulated -723bps of total return. Finally, in the front-end, Argent30 ended the week with a performance of -651bps. In this context, the front-end is trading near 28.50c (-2.00c compared to last week), while the back-end is trading near 25.00c (-2.00c). The Argent30 vs. Argent35 spread stayed flat at 3.5c and remains above its historical average of 3.15c. 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 dropped to 5.5c (-0.48c)—below its historical average of 4.83c—and decreased to 3.1c for Argent41 (-0.23c)—below its historical average of 3.32c.

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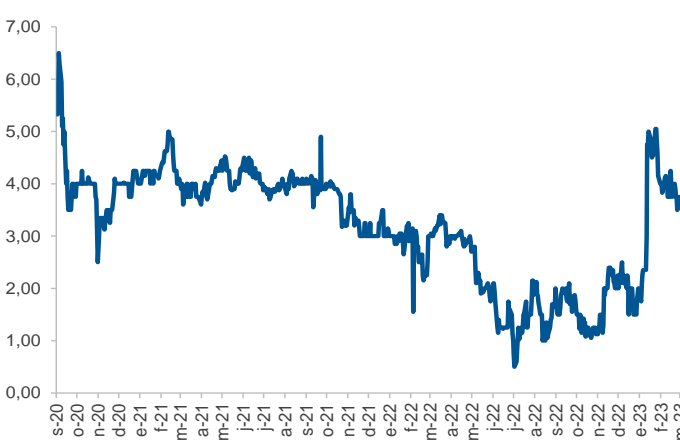
Globals Yield Curve | YTM



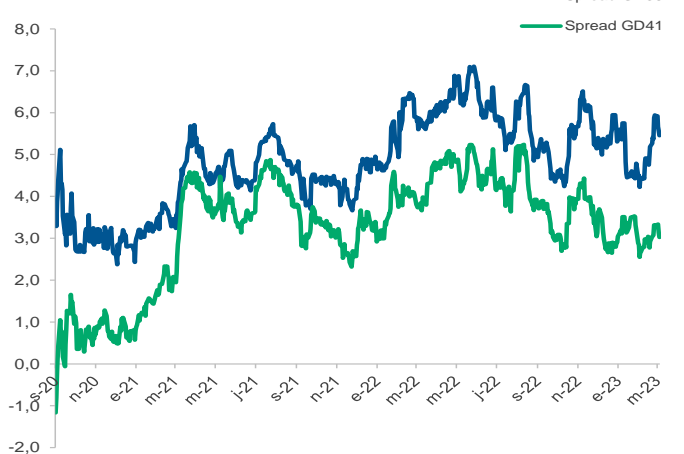
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



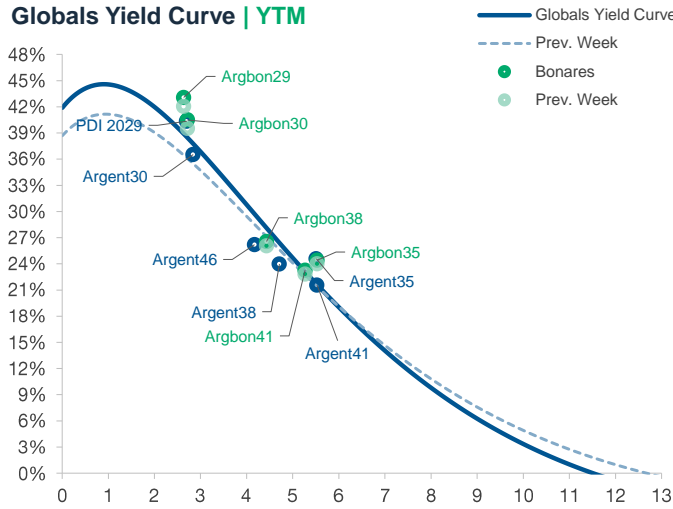
	10-mar.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,7	40,3	27,50	7	-674	-667	27	-1.468	-1.441	73	280	353
Argent30	2,8	36,5	28,50	3	-654	-651	13	-1.553	-1.540	36	459	494
Argent38	4,7	24,0	31,50	22	-722	-700	97	-1.053	-956	219	-233	-13
Argent46	4,2	26,2	25,75	10	-714	-704	44	-1.480	-1.436	109	-96	12
Argent41	5,5	21,6	28,00	22	-730	-708	95	-1.304	-1.208	228	-261	-33
Argent35	5,5	24,6	25,00	11	-734	-723	45	-1.589	-1.544	110	-291	-182

## Local-Law Hard Currency Securities Curve

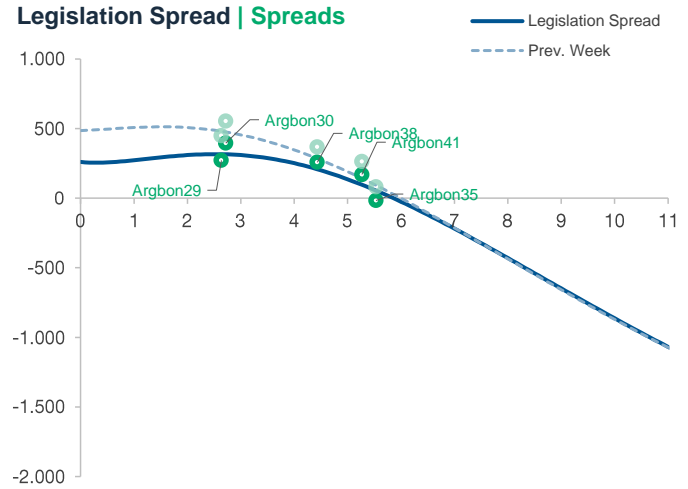
**This week, total returns in the local-law curve were negative ranging between -171 and -192bps.**

This week, total returns in the local-law curve were negative ranging between -171 and -192bps. Bonar38 and Bonar41 showed a total return of -171bps and -187bps, respectively. In the back-end, Bonar35 showed a total return of -192bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of -191bps. In this context, the front-end is trading near 25.63c (-0.50c compared to the previous week), and the back-end is trading near 25.50c (-0.50c). The Bonar30 vs. Bonar35 spread closed at +0.125c (without changes) and is still below its historical average at 1.36c. Lastly, the legislation spread (Argent30 vs. Bonar30) decreased to 2.88c (-1.50c) and is above its historical average of 2.72c.

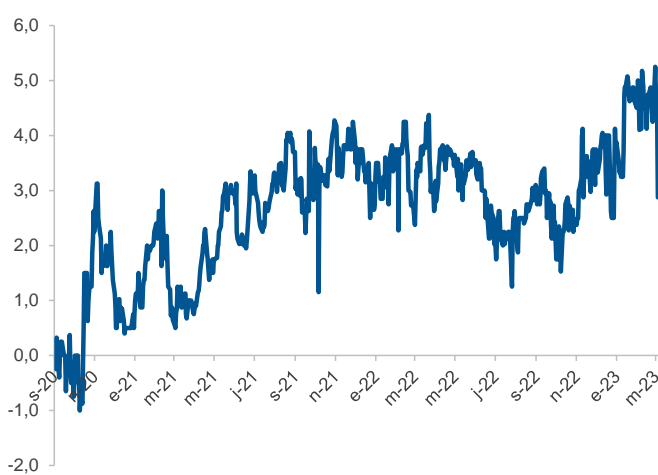
**Globals Yield Curve | YTM**



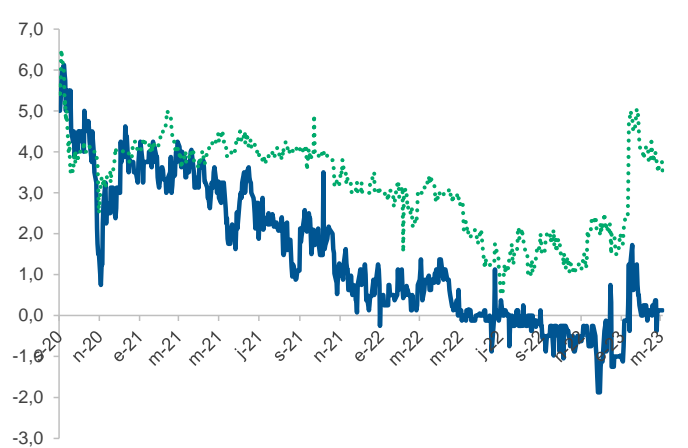
**Legislation Spread | Spreads**



**GD30 vs. AL30 | Spreads**



**AL30 vs. AL35 | Spreads**

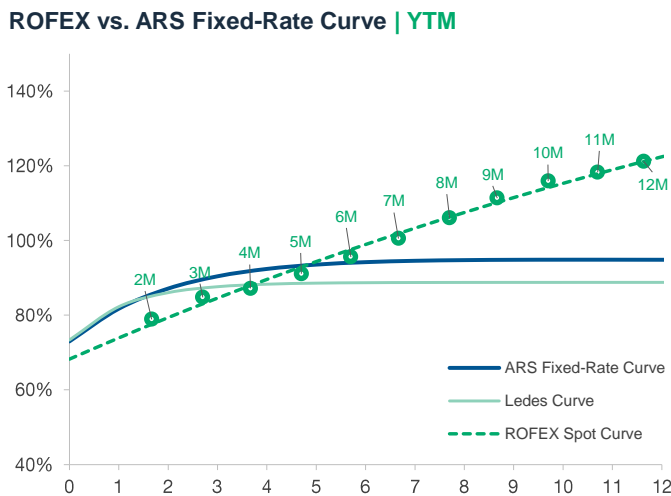
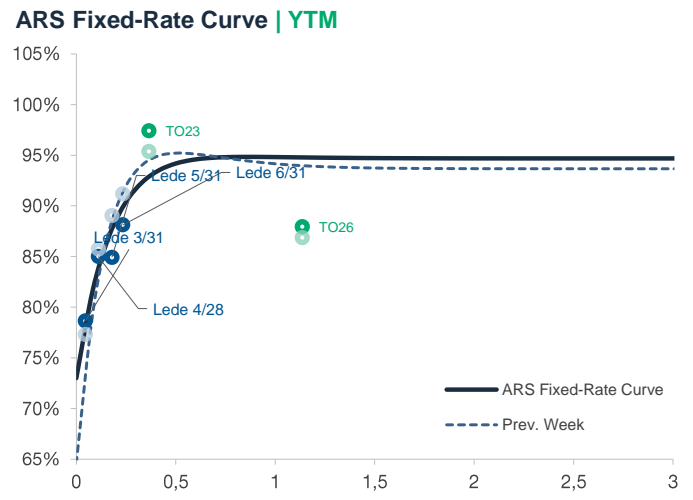
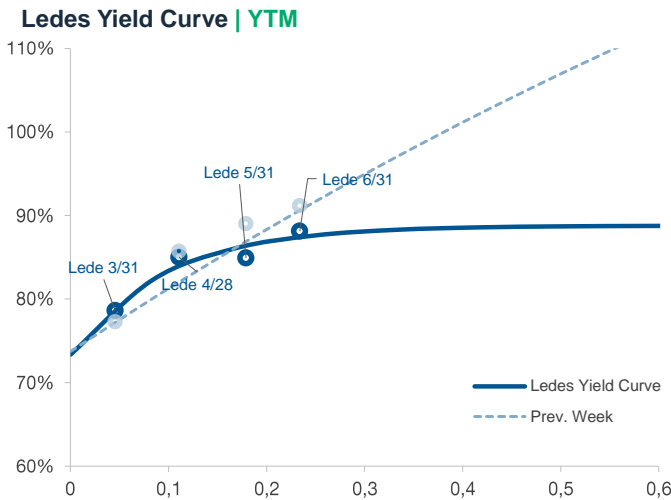


	10-mar.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
<b>PDI 2029 AL</b>	2,6	43,1	25,75	7	-198	-190	30	-1.300	-1.270	79	430	510
<b>Argent30 AL</b>	2,7	40,5	25,63	4	-195	-191	15	-1.102	-1.086	40	419	459
<b>Argent38 AL</b>	4,4	26,6	28,63	26	-197	-171	107	-1.229	-1.122	220	-1.274	-1.053
<b>Argent41 AL</b>	5,3	23,3	26,13	26	-213	-187	107	-1.096	-989	237	-779	-542
<b>Argent35 AL</b>	5,5	24,4	25,50	11	-203	-192	46	-1.176	-1.129	112	12	124

## ARS Fixed-Rate Securities Curve

The performance on the Ledes was positive, with an average total return of +129bps. For the Botes, the total return was positive. The Lede of June was the one reporting the highest total return at 212bps. In the case of Bote23, the total return was +84bps, given +41bps of clean price variation and +44bps of carry. Bote26's total return was +19bps given a change in the clean price of -95bps and a carry of +113bps. 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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	Total Return		
	Last Week	Last Month	YTD
<b>S28A3</b>	159	641	1.431
<b>TV23</b>	90	579	1.084
<b>BADLAR</b>	134	613	1.340

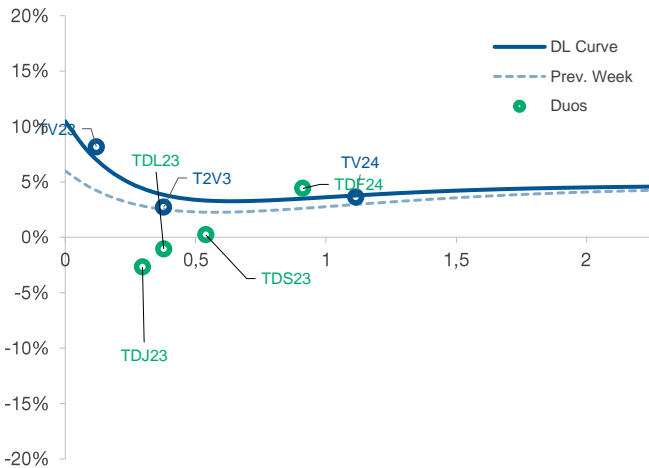
	10-mar.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
<b>S31M3 - LEDE 03/31/23</b>	0,0	78,6	96,4	-	137	137	-	646	646	-	1.504	1.504
<b>S28A3 - LEDE 04/28/23</b>	0,1	85,0	90,6	-	159	159	-	641	641	-	1.431	1.431
<b>S31Y3 - LEDE 05/31/23</b>	0,2	84,9	84,3	-	162	162	-	656	656	-	1.226	1.226
<b>S30J3 - LEDE 06/30/23</b>	0,2	88,1	79,4	-	212	212	-	712	712	-	1.183	1.183
<b>TO23</b>	0,4	97,4	75,0	44	41	84	211	442	653	484	683	1.167
<b>TO26</b>	1,1	87,9	29,8	113	-95	19	522	-446	76	1.307	233	1.540

## Dollar-Linked Securities Curve

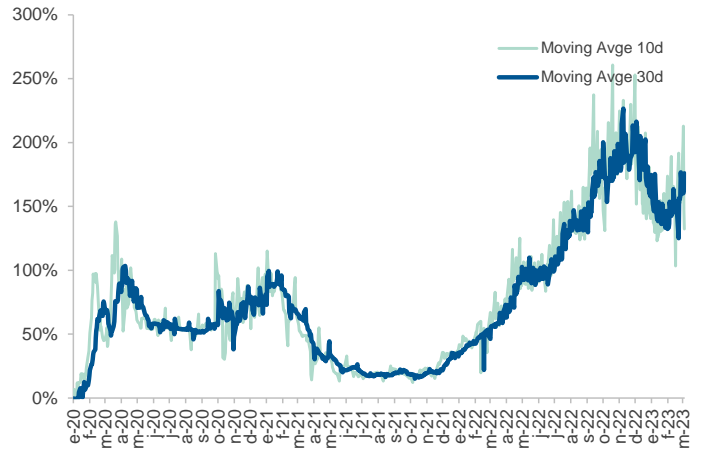
**Bolis had a positive week, with an average total return of 76bps.**

Bolis had a positive week, with an average total return of 76bps. The annualized official FX devaluation rate (10-day moving average) was 132.3%. In this context, Bolis accumulated +124bps of FX effect on average. The Boli23 due in April accumulated a clean price variation of -34bps, the Boli23 due in July -22bps, and the Boli24 -88bps. In this context, the total return was, for the Boli23 due in April +90bps, for the Boli23 due in July +102bps, and for the Boli24 +36bps.

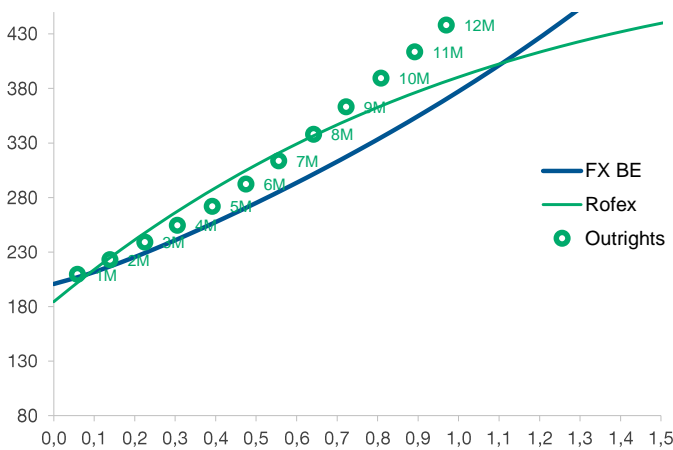
### Dollar-Linked Curve | YTM



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



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



	10-mar.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
TDJ23	0,3	2,1	20205,0	20051,0	4,6	252,1	1,2
TDL23	0,4	3,2	20120,0	20043,3	4,1	96,2	0,6
TDS23	0,5	4,3	20010,0	19951,9	4,8	51,5	0,4
TDF24	0,9	7,6	19210,0	19192,2	7,6	0,5	0,1

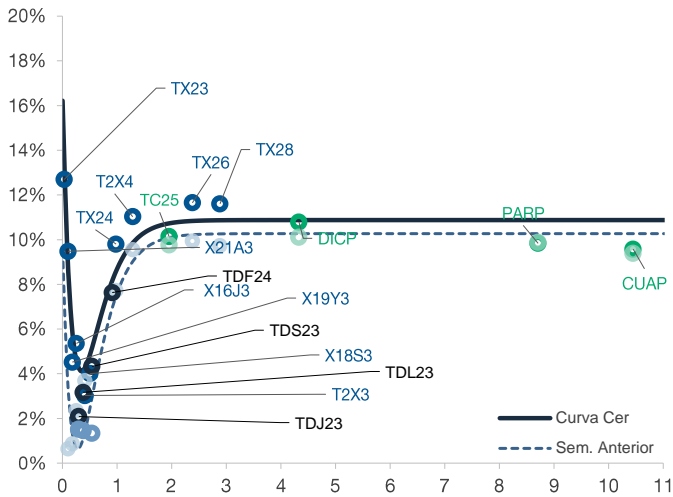
	10-mar.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
TV23	0,1	8,2	19.840,0	1	-34	124	90	3	4	572	579	6	-225	1.303	1.084
T2V3	0,4	2,7	19.800,0	0	-22	124	102	0	29	574	602	0	-72	1.322	1.250
TV24	1,11	3,6	19.330,0	1	-88	123	36	4	1.166	639	1.809	9	1.068	1.476	2.553

## Inflation-Linked Securities Curve

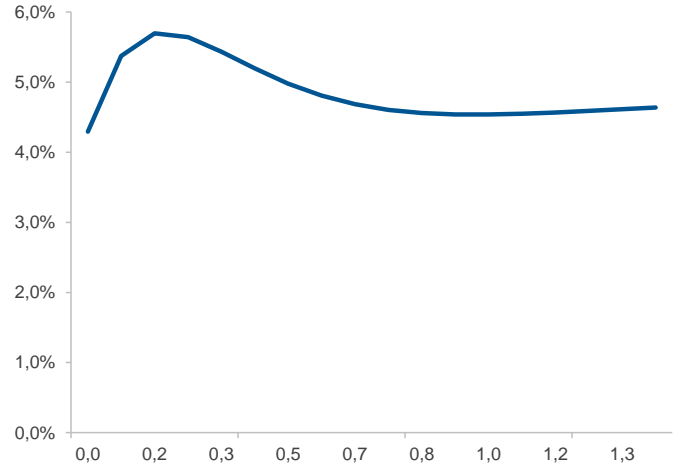
**Linkers' total return was around +61bps on average, driven by +145bps of inflation effect and a negative clean price variation.**

Linkers' total return was around +61bps on average, driven by +145bps of inflation effect and a negative clean price variation. Total returns in the front-end averaged +80bps, resulting from -67bps of clean price variation, +1bps of carry, and +146bps of inflation effect. The belly accumulated nearly -23bps of total return, on the back of +5bps of weekly carry, -173bps of clean price variation, and +144bps of inflation effect. Lastly, in the back-end, the total return was +169bps, resulting from +11bps of weekly carry, +147bps of inflation effect, and clean price variations of +7bps. In terms of the Duos, the total return closed at +59bps. In this context, the top-performers in the linkers space were (i) X19Y3 in the front-end, with +178bps total return; (ii) TC25 in the belly, with +212bps total return; and (iii) CUAP in the back-end, with +356bps. Finally, the monthly inflation break-evens stand near 5.4% for the shortest tenors and converge towards 4.6% by end-2023.

Curva de Rendimiento Cer | TIR



Inflation Break-Even | Break-Evens



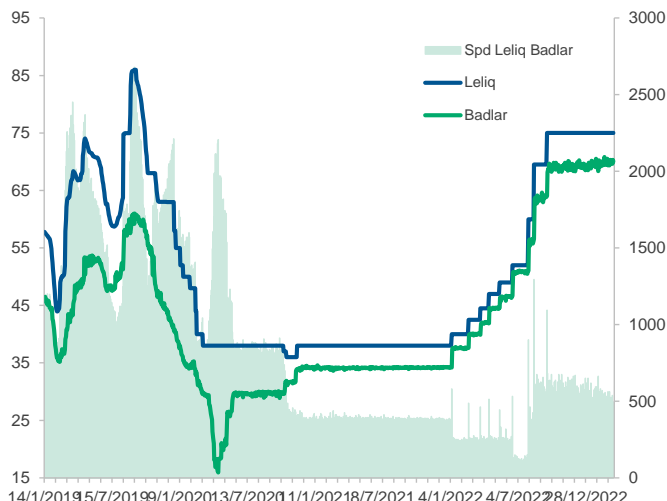
	10-mar.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X21A3	0,1	9,7	190,5	0	-6	147	141	0	40	540	581	0	-70	1.208	1.137
X19Y3	0,2	4,6	183,2	0	31	147	178	0	55	541	596	0	86	1.227	1.312
X16J3	0,3	5,4	144,2	0	1	147	148	0	58	541	599	0	176	1.237	1.413
X18S3	0,5	4,0	135,0	0	-428	140	-288	0	290	554	843	0	349	1.259	1.608
TX23	0,0	12,7	401,8	3	-32	146	117	13	47	541	600	27	76	1.229	1.332
T2X3	0,4	3,0	360,5	3	33	147	184	13	81	543	637	29	179	1.241	1.449
TX24	1,0	9,8	371,5	3	-99	145	50	15	417	561	993	33	287	1.255	1.575
TC25	2,0	10,1	797,0	9	55	148	212	42	396	562	1.000	91	286	1.262	1.638
T2X4	1,3	11,0	268,0	3	-96	145	53	16	374	559	949	35	316	1.259	1.610
TX26	2,4	11,7	285,8	5	-317	142	-170	23	375	560	958	52	524	1.286	1.861
TX28	2,9	11,6	274,1	5	-407	141	-261	27	379	560	966	60	386	1.270	1.716
DICP	4,3	10,8	5782,5	14	-94	146	65	62	-158	533	438	145	355	1.277	1.777
PARP	8,7	9,8	2700,0	7	-79	146	74	31	-511	512	33	78	876	1.332	2.286
CUAP	10,4	9,6	3810,0	13	193	150	356	61	268	556	886	164	2.464	1.536	4.164
TDJ23	0,3	2,1	20205,0	0	-34	146	113	0	38	540	579	1	69	1.225	1.295
TDL23	0,4	3,2	20120,0	0	-66	146	80	1	64	542	607	1	49	1.222	1.272
TDS23	0,5	4,3	20010,0	0	-103	145	43	1	222	550	773	1	183	1.238	1.422
TDF24	0,9	7,6	19210,0	0	-145	145	0	1	476	564	1.041	1	539	1.282	1.822

## Sub-Sovereign FRNs

**This week, the provincial floating rate curve had a total return performance between +67 and +101bps.**

This week, the provincial floating rate curve had a total return performance between +67 and +101bps. BDC28 with a total return of +67bps, with a change in clean price close to -59bps and a carry around +126bps. BDC24's total return was +101bps, where -22bps was in terms of clean price change and +123bps of carry. On the BUENOS side, the performance of the Buenos 25 had a total return of +78bps, given a change of the clean price of around -60bps and a carry of +138bps.

### Leliq & Badlar Rates | Rates



	10-mar.-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	0,6	95,0	115,1	123	-22	101	546	-82	464	1.347	-274	1.073
BDC28 - BDC 2/22/28	1,2	98,8	101,8	126	-59	67	518	-889	-371	1.335	-706	628
PBA25 - BUENOS 4/12/25	0,9	87,7	100,8	138	-60	78	603	-303	300	1.330	-1.575	-245

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