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Strategy - Argentina

March 20, 2023

Weekly Strategy Brief

Trade Book

Closed Trades

Trade	Trade Details	Rationale
EXD		
Buy GD35, Sell GD30	Open Spread: 5c Current Spread: 3.5c Target Spread: 3c	Opening Date: 23/01/23 TR: -1,834bps +2,010bps
		We close this trade given that the increase in EM volatility could widen the spread once again.

Open Trades

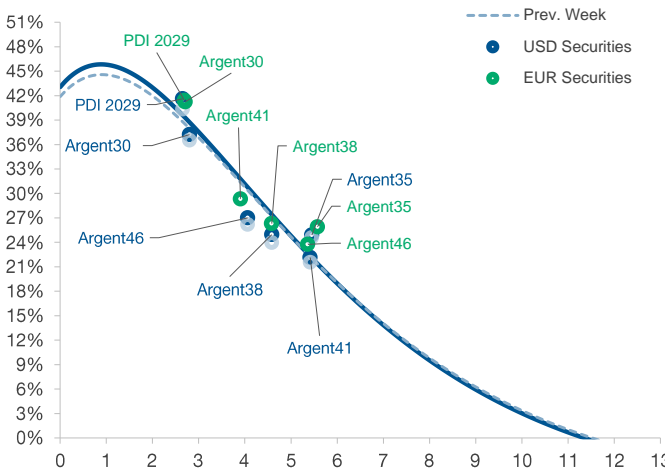
Trade	Trade Details	Rationale
LCD		
Buy TDF24	Open PX: 19,210 Current PX: 19,950 Target PX: 21,647	Opening Date: 06/03/23 TR: +412bps
		We maintain this trade as we observe that the market is pricing an event of FX correction between TDS23 and TDF24, while under our base scenario, we are not assuming 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: 285.8 Current PX: 283 Target PX: 287	Opening Date: 13/03/23 TR: -1bps
		We maintain this trade as the TX26 is currently trading outside the linkers curve.

Global-Law Securities Curve

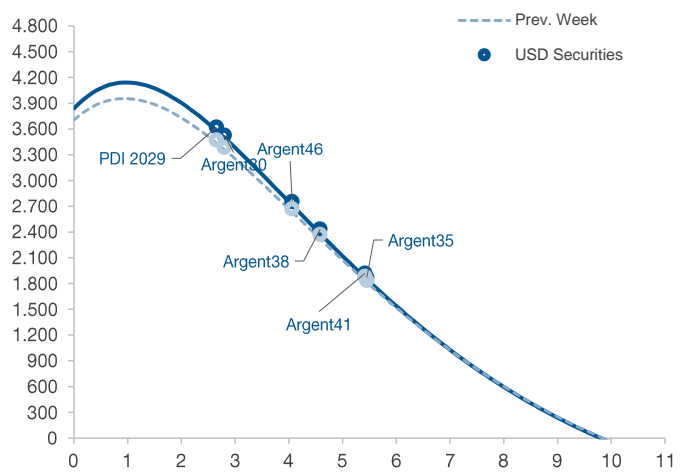
The global-law curve had a negative week with total returns ranging between -128 and -404bps. The old indenture reported total returns of -404bps for Argent38 and -282bps for Argent41. In the belly, Argent46 clocked in with a total return of -277bps. In the back-end, Argent35 accumulated -137bps of total return. Finally, in the front-end, Argent30 ended the week with a performance of -128bps. In this context, the front-end is trading near 28.13c (-0.37c compared to last week), while the back-end is trading near 24.63c (-0.37c). 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 4.4c (-1.09c)—below its historical average of 4.83c—and decreased to 2.50c for Argent41 (-0.59c)—below its historical average of 3.32c.

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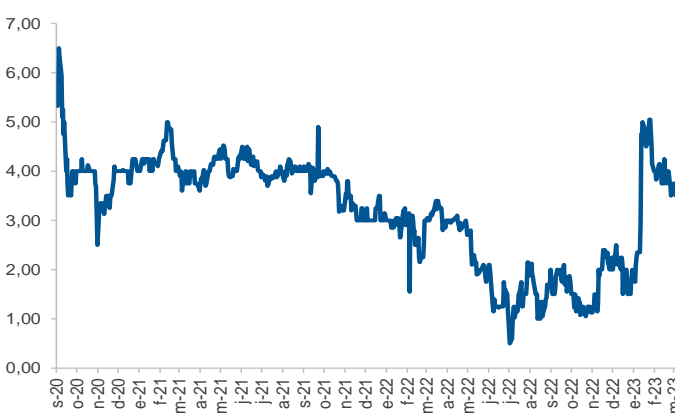
Globals Yield Curve | YTM



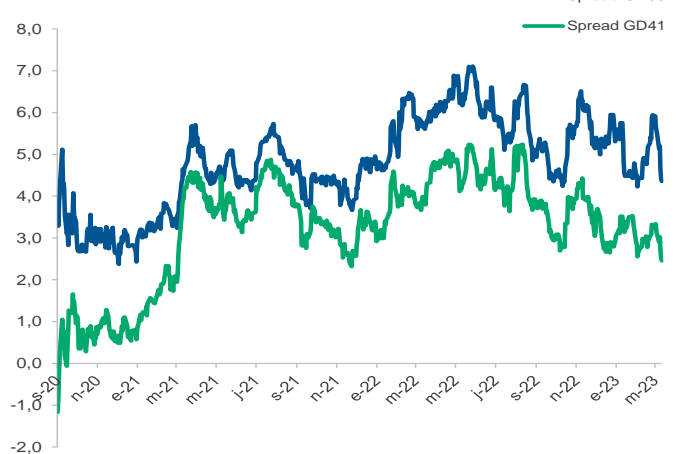
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



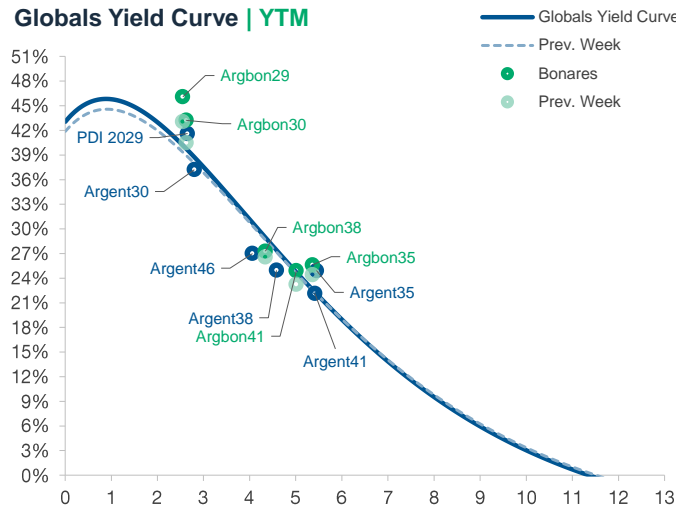
	17-mar.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,7	41,6	26,75	7	-271	-264	29	-1.296	-1.267	80	0	80
Argent30	2,8	37,2	28,13	3	-131	-128	14	-1.310	-1.297	39	321	360
Argent38	4,6	25,0	30,13	23	-427	-404	100	-1.125	-1.025	242	-659	-416
Argent46	4,1	27,0	25,00	11	-288	-277	46	-1.371	-1.325	120	-385	-265
Argent41	5,4	22,2	27,13	24	-305	-282	99	-1.234	-1.135	252	-565	-314
Argent35	5,5	24,9	24,63	12	-148	-137	47	-1.275	-1.228	121	-437	-316

Local-Law Hard Currency Securities Curve

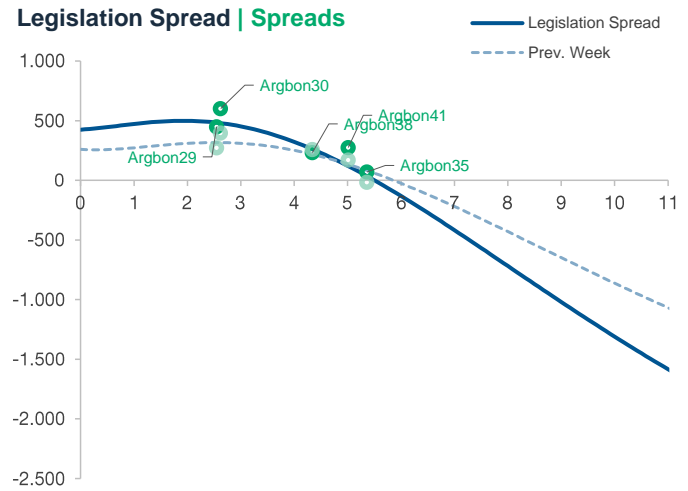
This week, total returns in the local-law curve were negative ranging between -262 and -764bps. Bonar38 and Bonar41 showed a total return of -262bps and -764bps, respectively. In the back-end, Bonar35 showed a total return of -588bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of -634bps. In this context, the front-end is trading near 24.00c (-1.63c compared to the previous week), and the back-end is trading near 24.00c (-1.50c). The Bonar30 vs. Bonar35 spread closed at 0.00c (-0.125) and is still below its historical average at 1.36c. Lastly, the legislation spread (Argent30 vs. Bonar30) increased to 4.13c (+1.25c) and is above its historical average of 2.73c.

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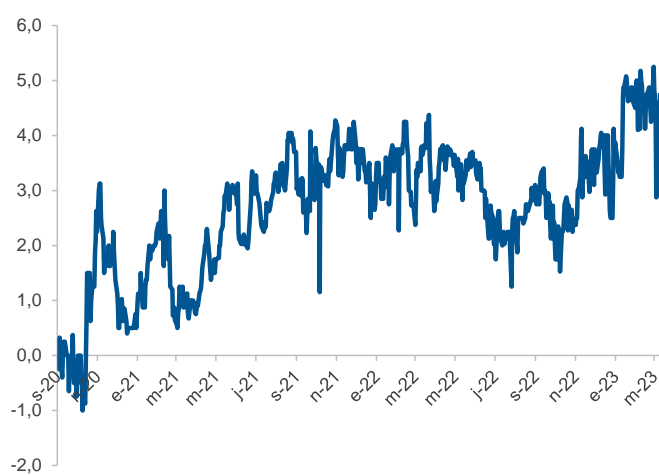
Globals Yield Curve | YTM



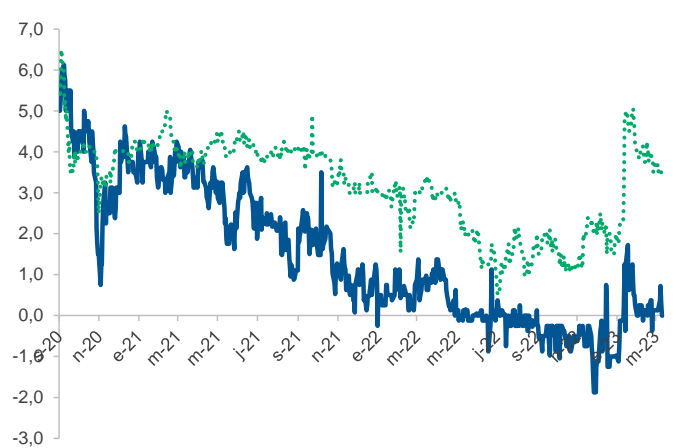
Legislation Spread | Spreads



GD30 vs. AL30 | Spreads



AL30 vs. AL35 | Spreads



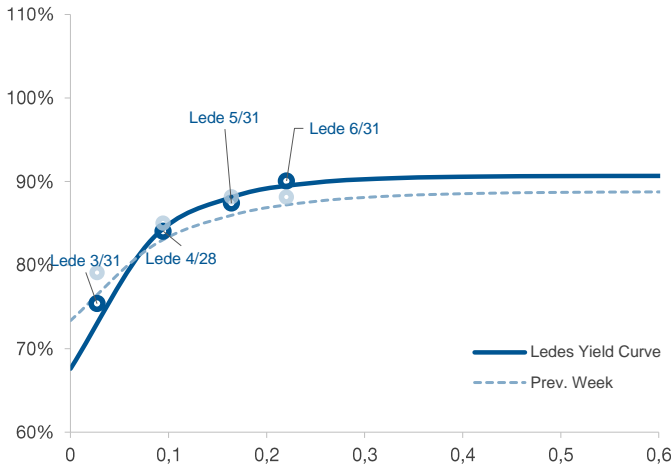
	17-mar.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029 AL	2,5	46,1	24,00	8	-686	-679	31	-1.609	-1.578	87	-291	-204
Argent30 AL	2,6	43,2	24,00	4	-638	-634	16	-1.249	-1.232	44	-248	-204
Argent38 AL	4,3	27,3	27,88	26	-288	-262	113	-972	-859	244	-1.531	-1.287
Argent41 AL	5,0	24,9	24,13	26	-790	-764	114	-1.258	-1.144	261	-1.525	-1.264
Argent35 AL	5,4	25,6	24,00	11	-599	-588	48	-1.320	-1.271	124	-594	-471

ARS Fixed-Rate Securities Curve

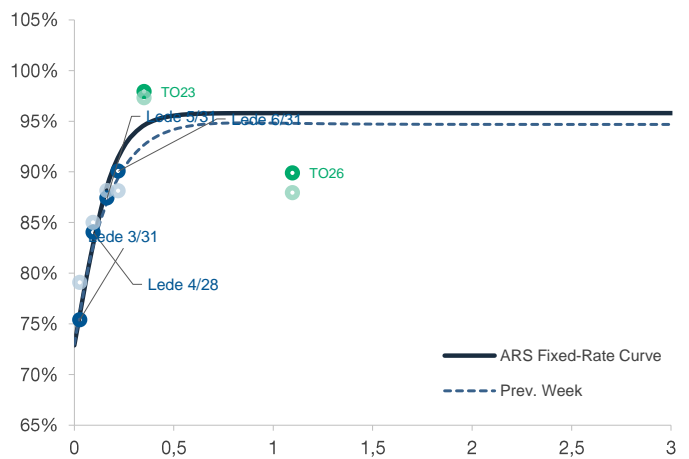
The performance on the Ledes was positive, with an average total return of +147bps. For the Botes, the total return was mixed. The Lede of April was the one reporting the highest total return at 161bps. In the case of Bote23, the total return was +139bps, given +96bps of clean price variation and +43bps of carry. Bote26's total return was -94bps given a change in the clean price of -207bps 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 dollar-linked reported the best performance on a weekly basis, with a total turn of +232bps.

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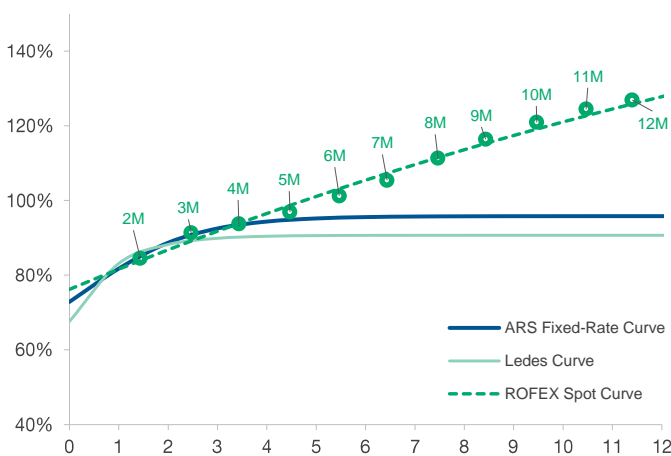
Ledes Yield Curve | YTM



ARS Fixed-Rate Curve | YTM



ROFEX vs. ARS Fixed-Rate Curve | YTM



	Total Return		
	Last Week	Last Month	YTD
S28A3	161	660	1.615
TV23	232	645	1.341
BADLAR	134	613	1.474

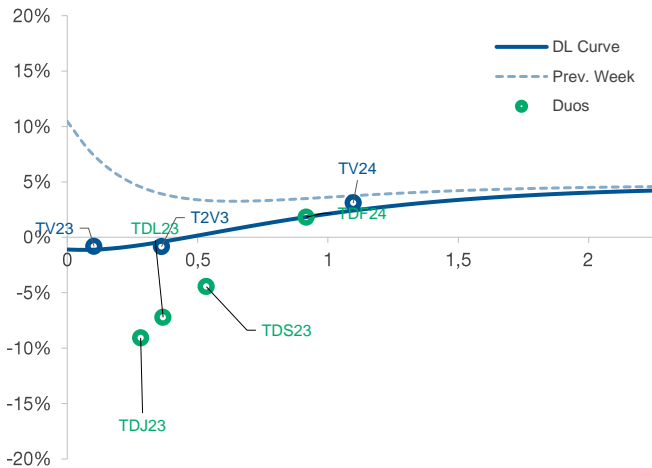
	17-mar.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S31M3 - LEDE 03/31/23	0,0	75,4	97,9	-	161	161	-	661	661	-	1.688	1.688
S28A3 - LEDE 04/28/23	0,1	84,0	92,1	-	161	161	-	660	660	-	1.615	1.615
S31Y3 - LEDE 05/31/23	0,2	87,4	85,7	-	159	159	-	677	677	-	1.405	1.405
S30J3 - LEDE 06/30/23	0,2	90,1	80,2	-	107	107	-	678	678	-	1.302	1.302
TO23	0,4	97,9	76,0	43	96	139	209	459	667	533	790	1.323
TO26	1,1	89,9	29,5	113	-207	-94	531	-369	162	1.438	-7	1.431

Dollar-Linked Securities Curve

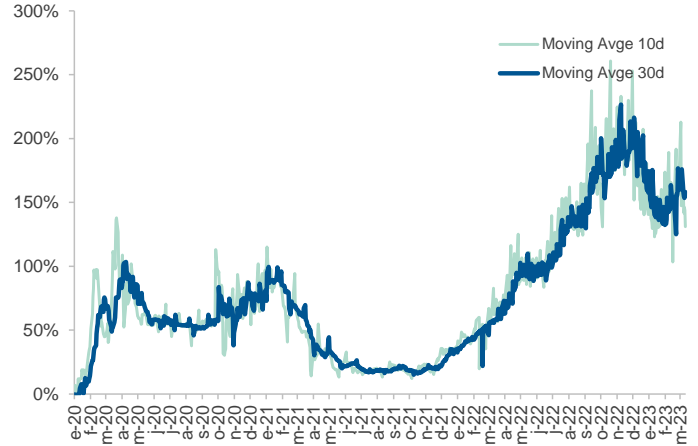
Bolis had a positive week, with an average total return of 227bps.

Bolis had a positive week, with an average total return of 227bps. The annualized official FX devaluation rate (10-day moving average) was 131.3%. In this context, Bolis accumulated +132bps of FX effect on average. The Boli23 due in April accumulated a clean price variation of +100bps, the Boli23 due in July +128bps, and the Boli24 +57bps. In this context, the total return was, for the Boli23 due in April +232bps, for the Boli23 due in July +260bps, and for the Boli24 +189bps.

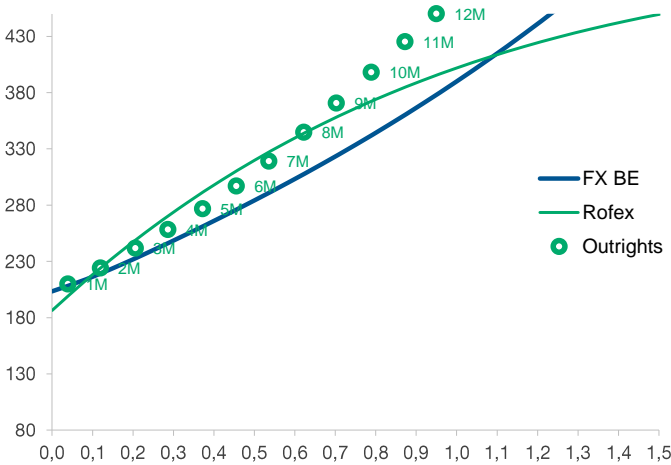
Dollar-Linked Curve | YTM



Official FX Dev. Rate Annualized | Moving Avge



Official FX & Rofex | Break-Evens & Outrights



	17-mar.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
TDJ23	0,3	-3,8	20864,0	20646,8	-0,2	353,0	1,6
TDL23	0,4	-2,6	20875,0	20657,5	0,1	275,6	1,6
TDS23	0,5	-0,1	20800,0	20520,5	2,5	253,8	2,1
TDF24	0,9	5,2	19950,0	19383,5	8,3	310,2	3,9

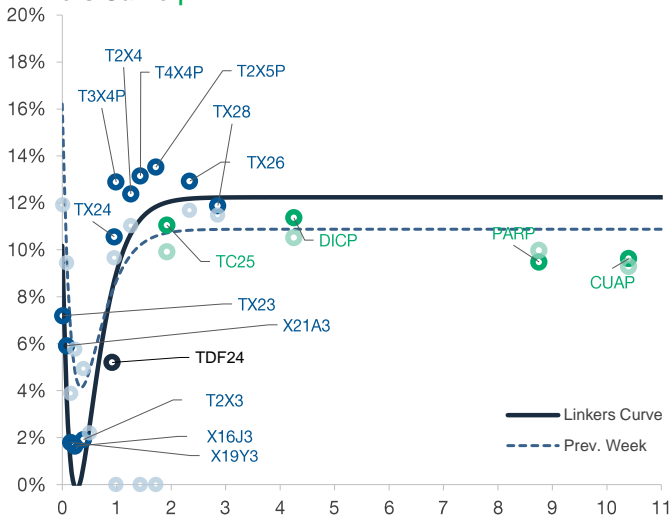
	17-mar.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
TV23	0,1	-0,8	20.300,0	1	100	132	232	3	68	574	645	6	-128	1.462	1.341
T2V3	0,4	-0,9	20.315,0	0	128	132	260	0	264	585	849	0	55	1.488	1.543
TV24	1,10	3,1	19.695,0	1	57	131	189	4	1.358	648	2.010	10	1.131	1.649	2.790

Inflation-Linked Securities Curve

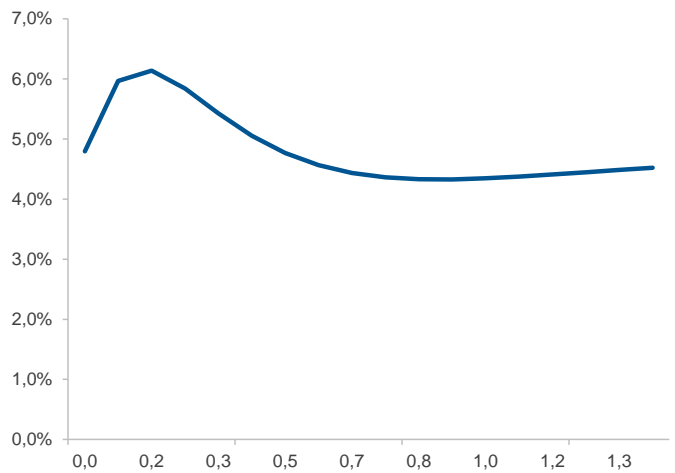
Linkers' total return was around +189bps on average, driven by +147bps of inflation effect and a mixed clean price variation.

Linkers' total return was around +189bps on average, driven by +147bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +285bps, resulting from +135bps of clean price variation, +1bps of carry, and +149bps of inflation effect. The belly accumulated nearly -8bps of total return, on the back of +5bps of weekly carry, -157bps of clean price variation, and +145bps of inflation effect. Lastly, in the back-end, the total return was +87bps, resulting from +11bps of weekly carry, +146bps of inflation effect, and clean price variations of +11bps. In terms of the Duos, the total return closed at +370bps. In this context, the top-performers in the linkers space were (i) X21A3 in the front-end, with +239bps total return; (ii) X18S3 in the belly, with +519bps total return; and (iii) PARP in the back-end, with +840bps. Finally, the monthly inflation break-evens stand near 6% for the shortest tenors and converge towards 4.6% by end-2023.

Linkers Curve | YTM



Inflation Break-Even | Break-Evens



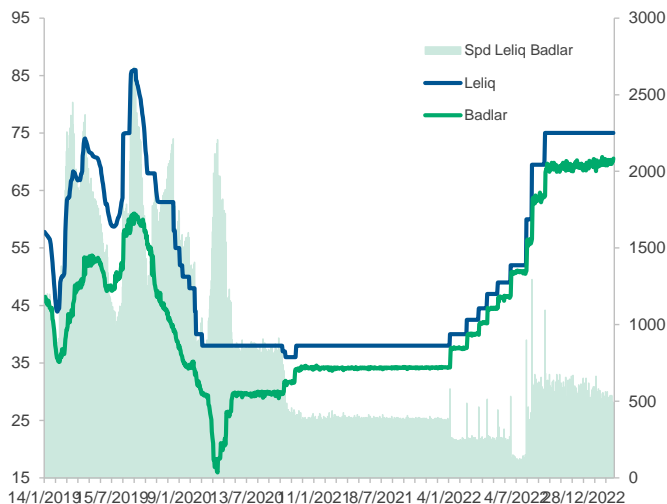
	17-mar.-23		Last Week				Last Month				YTD				
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X21A3	0,1	6,0	195,0	0	91	148	239	0	94	579	673	0	20	1.383	1.404
X19Y3	0,2	1,8	186,7	0	44	147	191	0	90	579	669	0	130	1.399	1.528
X16J3	0,2	1,6	147,8	0	105	148	253	0	166	583	749	0	283	1.420	1.702
X18S3	0,5	-5,0	142,0	0	366	152	519	0	411	597	1.008	0	729	1.481	2.210
TX23	0,0	7,2	408,7	3	23	147	173	12	50	577	639	30	99	1.399	1.528
T2X3	0,4	1,9	372,5	3	180	149	333	13	333	593	939	32	363	1.435	1.830
TX24	1,0	10,6	374,3	3	-74	146	75	15	277	590	882	36	211	1.415	1.662
TC25	1,9	11,1	790,0	9	-242	143	-90	42	338	595	976	100	35	1.399	1.534
T2X4	1,3	12,4	267,8	3	-157	144	-9	16	357	595	968	39	154	1.407	1.600
T3X4P	1,0	12,9	92,4	-	-	-	-	-	-	-	-	-	-	-	-
T4X4P	1,4	13,2	88,8	-	-	-	-	-	-	-	-	-	-	-	-
T2X5P	1,7	13,5	86,1	-	-	-	-	-	-	-	-	-	-	-	-
TX26	2,3	12,9	283,0	5	-247	143	-99	23	189	586	798	57	263	1.425	1.744
TX28	2,9	11,9	276,4	6	-68	146	84	27	233	588	849	66	315	1.433	1.814
DICP	4,3	11,4	5690,0	14	-316	142	-160	62	-537	546	71	159	23	1.406	1.589
PARP	8,8	9,5	2925,0	7	676	157	840	32	372	597	1.000	86	1.616	1.616	3.318
CUAP	10,4	9,6	3650,0	13	-571	139	-420	61	-336	558	283	180	1.742	1.646	3.569
TDJ23	0,3	-3,8	20864,0	0	177	149	326	0	171	583	755	1	247	1.415	1.663
TDL23	0,4	-2,6	20875,0	0	225	150	375	1	256	588	845	1	276	1.419	1.695
TDS23	0,5	-0,1	20800,0	0	244	150	395	1	441	599	1.041	1	431	1.440	1.873
TDF24	0,9	5,2	19950,0	0	235	150	385	1	690	613	1.304	1	787	1.490	2.278

Sub-Sovereign FRNs

This week, the provincial floating rate curve had a total return performance between +48 and +288bps.

This week, the provincial floating rate curve had a total return performance between +48 and +288bps. BDC28 with a total return of +288bps, with a change in clean price close to +163bps and a carry around +126bps. BDC24's total return was +252bps, where +130bps was in terms of clean price change and +122bps of carry. On the BUENOS side, the performance of the Buenos 25 had a total return of +48bps, given a change of the clean price of around -88bps and a carry of +137bps.

Leliq & Badlar Rates | Rates



	17-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	93,7	118,0	122	130	252	543	136	679	1.482	-130	1.352
BDC28 - BDC 2/22/28	1,2	97,1	105,0	126	163	288	514	-683	-169	1.468	-533	935
PBA25 - BUENOS 4/12/25	0,8	88,4	101,3	137	-88	48	597	-341	257	1.464	-1.661	-198

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