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Strategy - Argentina

March 27, 2023

Weekly Strategy Brief

Trade Book

Open Trades

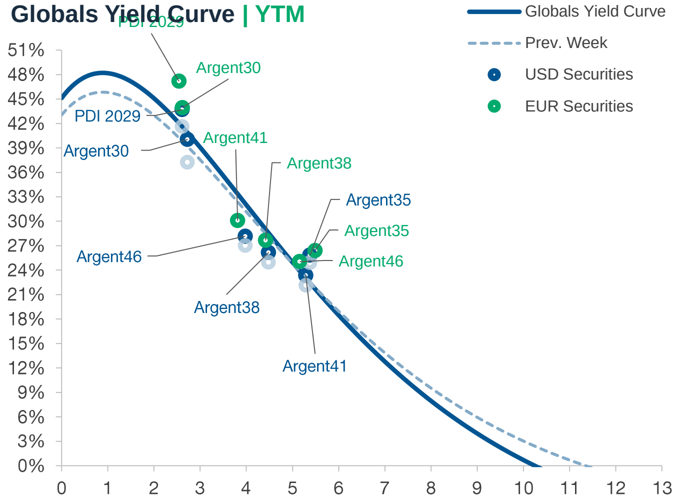
Trade	Trade Details		Rationale
LCD			
Buy **TDF24**	Open PX: **19,210** Current PX: **20,090** Target PX: **21,647**	Opening Date: **06/03/23** TR: **+485bps**	We maintain this trade as we observe that the market is pricing an event of FX correction between TDS23 and TDF24, while under our base scenario, 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: **285.8** Target PX: **293**	Opening Date: **13/03/23** TR: **+99bps**	We maintain this trade as the TX26 is currently trading outside the linkers curve.

Global-Law Securities Curve

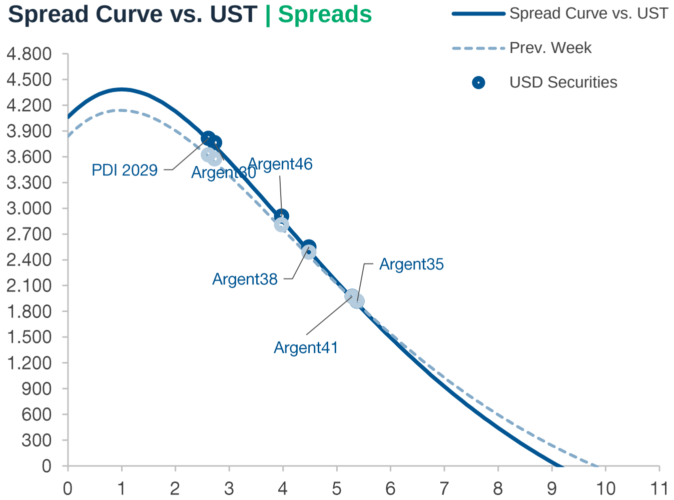
The global-law curve had a negative week with total returns ranging between -439 and -678bps.

The global-law curve had a negative week with total returns ranging between -439 and -678bps. The old indenture reported total returns of -485bps for Argent38 and -577bps for Argent41. In the belly, Argent46 clocked in with a total return of -403bps. In the back-end, Argent35 accumulated -439bps of total return. Finally, in the front-end, Argent30 ended the week with a performance of -678bps. In this context, the front-end is trading near 26.20c (-1.93c compared to last week), while the back-end is trading near 23.50c (-1.13c). The Argent30 vs. Argent35 spread dropped to 2.7c (-0.40c) and is below 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 4.1c (-0.10c)—below its historical average of 4.82c—and decreased to 1.80c for Argent41 (-0.37c)—below its historical average of 3.30c.

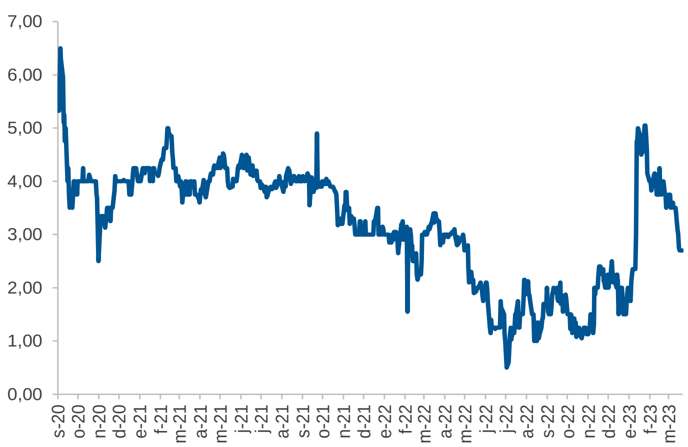
Globals Yield Curve | YTM



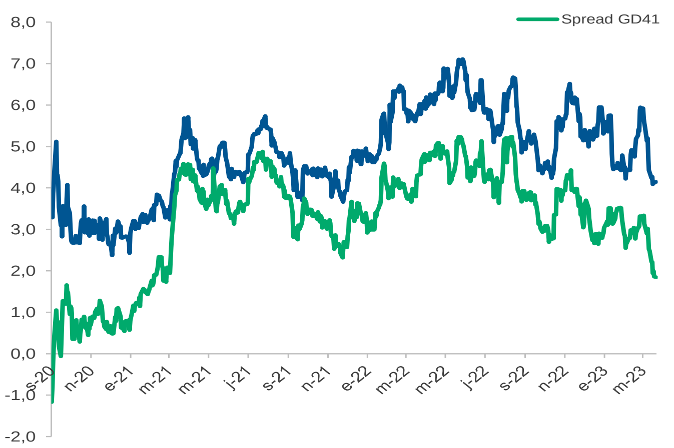
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads

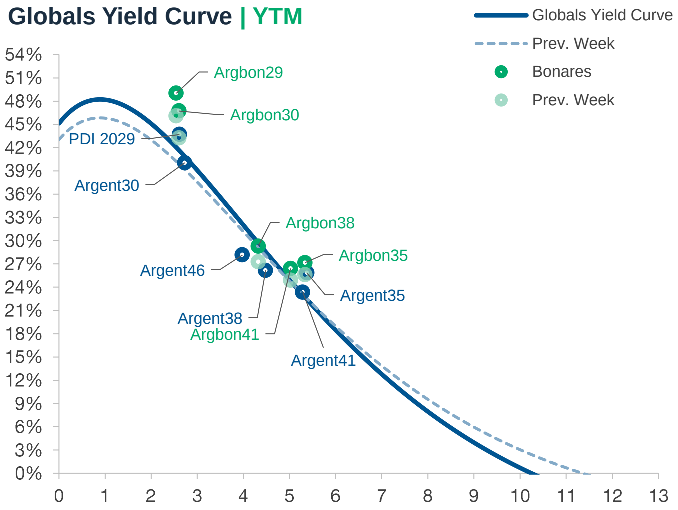


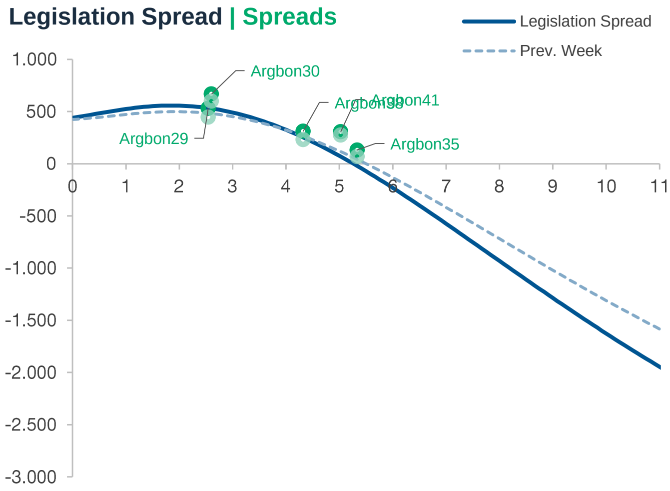
	24-mar.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,6	43,7	25,50	7	-464	-456	30	-1.422	-1.392	87	-467	-380
Argent30	2,7	40,0	26,20	3	-682	-678	14	-1.545	-1.530	43	-385	-343
Argent38	4,5	26,2	28,55	24	-510	-485	103	-1.328	-1.225	266	-1.147	-881
Argent46	4,0	28,2	23,95	12	-415	-403	48	-1.281	-1.233	131	-788	-657
Argent41	5,3	23,4	25,45	24	-601	-577	102	-1.493	-1.391	275	-1.148	-872
Argent35	5,4	25,8	23,50	12	-451	-439	49	-1.286	-1.237	132	-874	-742

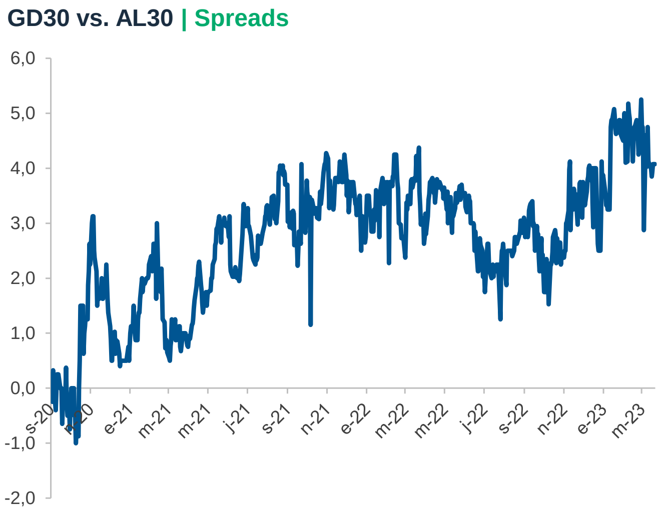
Local-Law Hard Currency Securities Curve

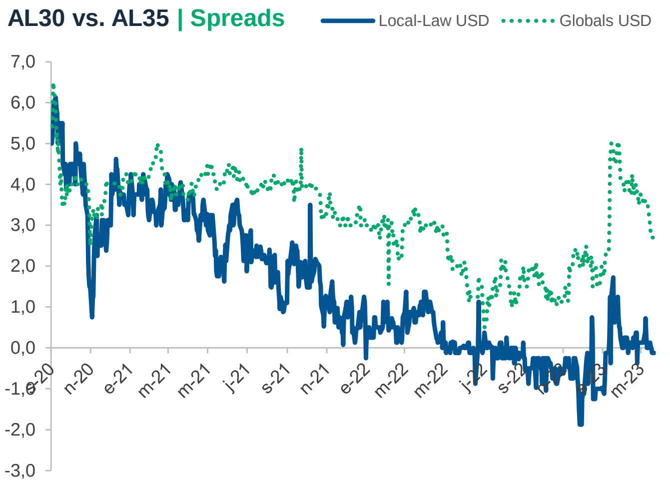
This week, total returns in the local-law curve were negative ranging between -624 and -781bps.

This week, total returns in the local-law curve were negative ranging between -624 and -781bps. Bonar38 and Bonar41 showed a total return of -761bps and -672bps, respectively. In the back-end, Bonar35 showed a total return of -728bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of -781bps. In this context, the front-end is trading near 22.13c (-1.87c compared to the previous week), and the back-end is trading near 22.25c (-1.75c). The Bonar30 vs. Bonar35 spread closed at -0.125c (-0.125) and is still below its historical average at 1.34c. Lastly, the legislation spread (Argent30 vs. Bonar30) dropped to 4.08c (-0.05c) and is above its historical average of 2.75c.









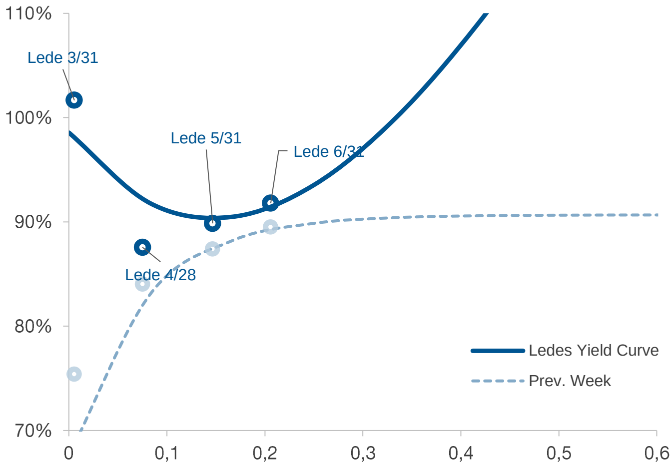
	24-mar.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029 AL	2,5	49,0	22,50	8	-632	-624	34	-1.542	-1.508	95	-911	-815
Argent30 AL	2,6	46,7	22,13	4	-785	-781	17	-1.667	-1.650	48	-1.016	-969
Argent38 AL	4,3	29,3	25,75	27	-788	-761	119	-1.237	-1.119	267	-2.218	-1.950
Argent41 AL	5,0	26,4	22,50	28	-700	-672	119	-1.462	-1.343	286	-2.137	-1.851
Argent35 AL	5,3	27,2	22,25	12	-740	-728	50	-1.652	-1.602	135	-1.300	-1.165

ARS Fixed-Rate Securities Curve

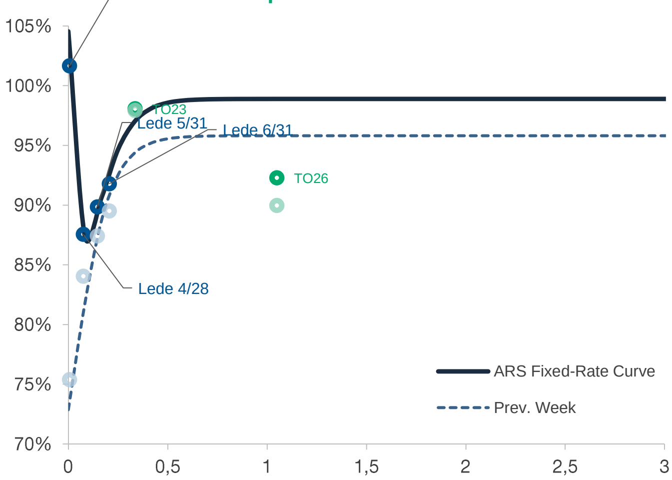
The performance on the Ledes was positive, with an average total return of +113bps. For the Botes, the total return was mixed.

The performance on the Ledes was positive, with an average total return of +113bps. For the Botes, the total return was mixed. The Lede of April was the one reporting the highest total return at 125bps. In the case of Bote23, the total return was +158bps, given +115bps of clean price variation and +43bps of carry. Bote26's total return was -114bps given a change in the clean price of -228bps and a carry of +114bps. 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 +177bps.

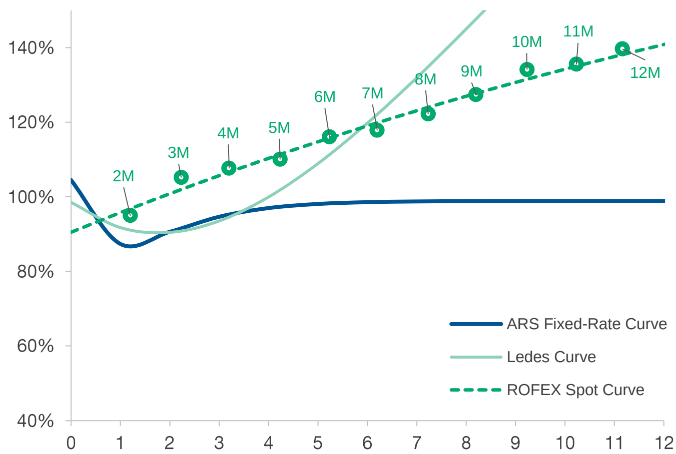
Ledes Yield Curve | YTM



ARS Fixed-Rate Curve | YTM



ROFEX vs. ARS Fixed-Rate Curve | YTM



	Total Return		
	Last Week	Last Month	YTD
S28A3	125	627	-
TV23	177	652	-
BADLAR	134	613	1.609

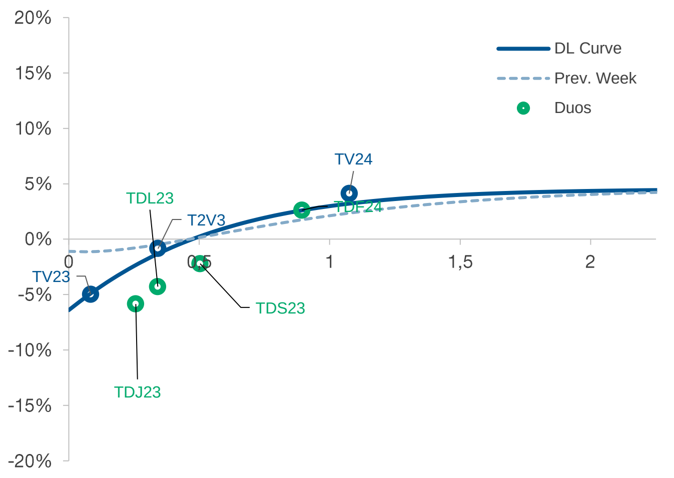
	24-mar.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S31M3 - LEDE 03/31/23	0,0	101,7	99,2	-	124	124	-	645	645	-	1.833	1.833
S28A3 - LEDE 04/28/23	0,1	87,6	93,2	-	125	125	-	627	627	-	1.760	1.760
S31Y3 - LEDE 05/31/23	0,1	89,8	86,6	-	111	111	-	639	639	-	1.531	1.531
S30J3 - LEDE 06/30/23	0,2	91,8	81,0	-	94	94	-	641	641	-	1.408	1.408
TO23	0,3	98,1	77,2	43	115	158	204	413	618	581	921	1.502
TO26	1,0	92,3	29,2	114	-228	-114	519	-707	-188	1.569	-267	1.301

Dollar-Linked Securities Curve

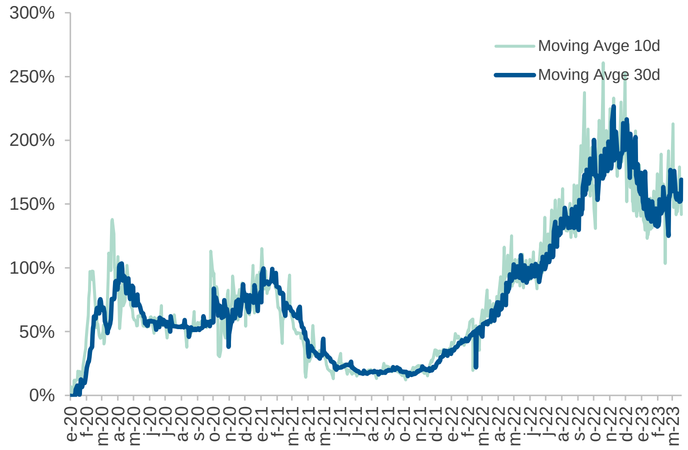
Bolis had a positive week, with an average total return of 119bps.

Bolis had a positive week, with an average total return of 119bps. The annualized official FX devaluation rate (10-day moving average) was 141.8%. In this context, Bolis accumulated +120bps of FX effect on average. The Boli23 due in April accumulated a clean price variation of +50bps, the Boli23 due in July +20bps, and the Boli24 -80bps. In this context, the total return was, for the Boli23 due in April +177bps, for the Boli23 due in July +140bps, and for the Boli24 +41bps.

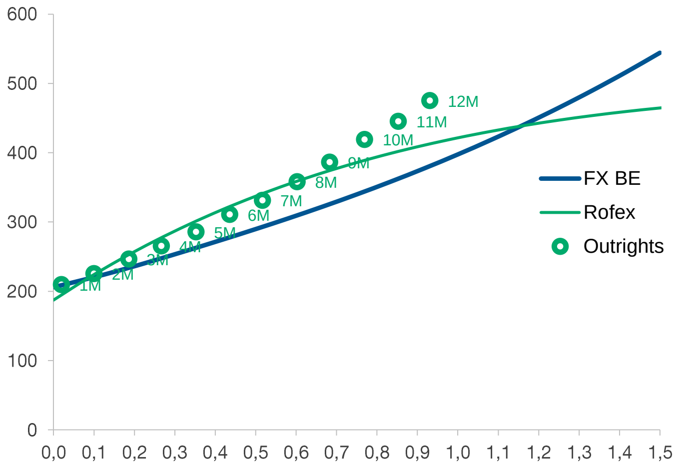
Dollar-Linked Curve | YTM



Official FX Dev. Rate Annualized | Moving Avge



Official FX & Rofex | Break-Evens & Outrights



	24-mar.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
TDJ23	0,3	1,2	20915,0	21034,6	-1,0	-213,5	-0,9
TDL23	0,3	1,6	20900,0	20987,3	0,4	-119,1	-0,7
TDS23	0,5	3,0	20819,0	20655,3	4,6	156,6	1,2
TDF24	0,9	6,4	20090,0	19467,2	9,9	347,7	4,2

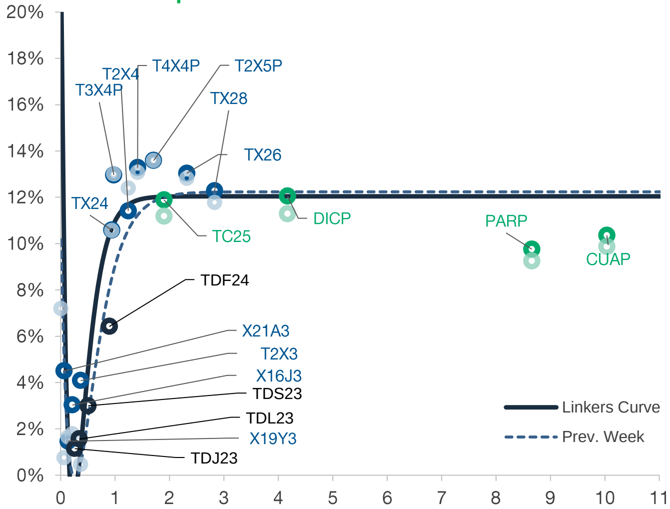
	24-mar.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
TV23	0,1	-5,0	20.660,0	1	56	121	177	3	90	560	652	7	-73	1.608	1.542
T2V3	0,3	-0,9	20.600,0	0	20	121	140	0	273	570	842	0	74	1.630	1.705
TV24	1,08	4,1	19.775,0	1	-80	120	41	4	982	609	1.596	11	1.043	1.789	2.842

Inflation-Linked Securities Curve

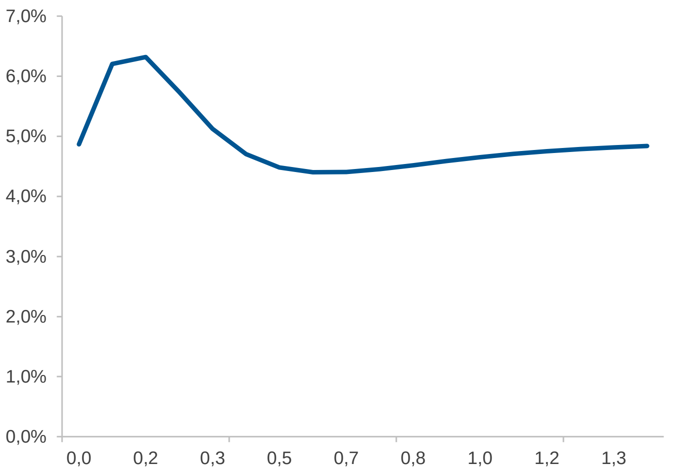
Linkers' total return was around +189bps on average, driven by +20bps of inflation effect and a mixed clean price variation.

Linkers' total return was around +189bps on average, driven by +20bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +71bps, resulting from -76bps of clean price variation, +1bps of carry, and +146bps of inflation effect. The belly accumulated nearly +110bps of total return, on the back of +7bps of weekly carry, -43bps of clean price variation, and +146bps of inflation effect. Lastly, in the back-end, the total return was -319bps, resulting from +12bps of weekly carry, +140bps of inflation effect, and clean price variations of -471bps. In terms of the Duos, the total return closed at +29bps. In this context, the top-performers in the linkers space were (i) X19Y3 in the front-end, with +131bps total return; (ii) T2X4 in the belly, with +271bps total return; and (iii) DICP in the back-end, with -176bps. Finally, the monthly inflation break-evens stand near 6% for the shortest tenors and converge towards 4.4% by end-2023.

Linkers Curve | YTM



Inflation Break-Even | Break-Evens



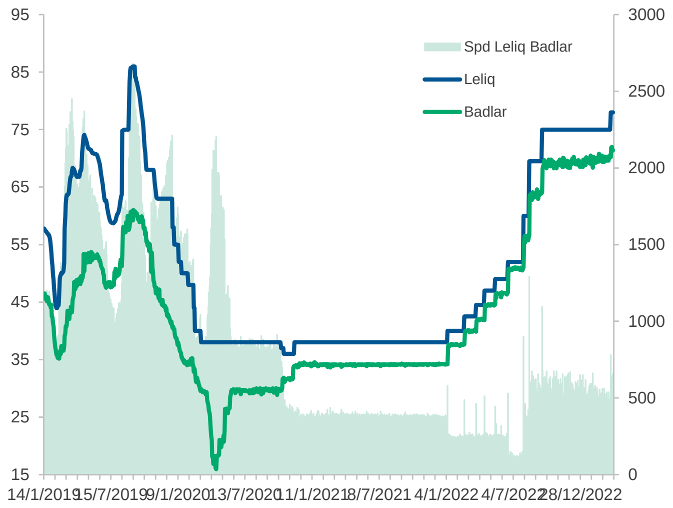
	24-mar.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X21A3	0,1	4,6	197,0	0	-44	146	103	0	76	613	689	0	-24	1.544	1.520
X19Y3	0,1	1,5	189,2	0	-15	147	131	0	59	612	671	0	114	1.565	1.680
X16J3	0,2	3,1	149,3	0	-45	146	101	0	136	617	753	0	237	1.584	1.821
X18S3	0,5	-2,6	142,0	0	-145	145	0	0	296	627	923	0	573	1.636	2.210
TX23	0,0	24,1	410,2	3	-113	145	35	12	-93	604	523	33	-15	1.550	1.568
T2X3	0,4	4,1	372,1	3	-159	144	-12	13	93	615	722	35	198	1.584	1.816
TX24	0,9	10,6	379,6	3	-10	147	140	15	208	622	845	39	201	1.585	1.825
TC25	1,9	11,9	790,3	9	-151	145	3	43	306	630	979	109	-118	1.546	1.537
T2X4	1,2	11,4	275,0	3	119	149	271	16	311	629	956	42	275	1.597	1.914
T3X4P	1,0	13,0	93,8	8	-9	147	146	-	-	-	-	-	-	-	-
T4X4P	1,4	13,3	89,8	9	-42	146	113	-	-	-	-	-	-	-	-
T2X5P	1,7	13,6	87,3	10	-17	147	139	-	-	-	-	-	-	-	-
TX26	2,3	13,0	285,8	5	-52	146	99	23	186	622	831	62	209	1.590	1.860
TX28	2,8	12,3	276,5	6	-147	145	3	28	276	627	930	72	162	1.584	1.817
DICP	4,2	12,1	5590,0	14	-332	142	-176	62	-771	566	-143	174	-315	1.526	1.385
PARP	8,7	9,8	2800,0	7	-577	138	-432	33	177	622	832	94	941	1.708	2.742
CUAP	10,0	10,4	3522,5	14	-503	140	-349	64	-370	590	285	197	1.143	1.755	3.095
TDJ23	0,3	1,2	20915,0	0	-121	145	24	0	120	616	737	1	124	1.567	1.692
TDL23	0,3	1,6	20900,0	0	-133	145	12	1	155	618	774	1	139	1.569	1.709
TDS23	0,5	3,0	20819,0	0	-136	145	9	1	261	625	886	1	290	1.593	1.884
TDF24	0,9	6,4	20090,0	0	-75	146	70	1	520	640	1.162	1	706	1.657	2.364

Sub-Sovereign FRNs

This week, the provincial floating rate curve had a total return performance between -38 and +22bps.

This week, the provincial floating rate curve had a total return performance between -38 and +22bps. BDC28 with a total return of +22bps, with a change in clean price close to -101bps and a carry around +122bps. BDC24's total return was -17bps, where -136bps was in terms of clean price change and +119bps of carry. On the BUENOS side, the performance of the Buenos 25 had a total return of -38bps, given a change of the clean price of around -174bps and a carry of +136bps.

Leliq & Badlar Rates | Rates



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	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	0,7	61,6	117,8	119	-136	-17	540	54	594	1.616	-284	1.332
BDC28 - BDC 2/22/28	1,2	101,1	105,3	122	-101	22	542	-162	380	1.602	-643	959
PBA25 - BUENOS 4/12/25	0,8	93,0	100,9	136	-174	-38	597	-384	213	1.597	-1.832	-235

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