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Strategy - Argentina

April 3, 2023

Weekly Strategy Brief

Trade Book

New Trades

Trade	Trade Details	Rationale
LCD		
Buy DICP	Open PX: 5,539 Target PX: 5,788	We open these trades as we like the high carry they offer, and we consider they should be shielded from the credit risks weighing down on the ARS curve.
Buy TX28	Open PX: 273.7 Target PX: 282.1	

Open Trades

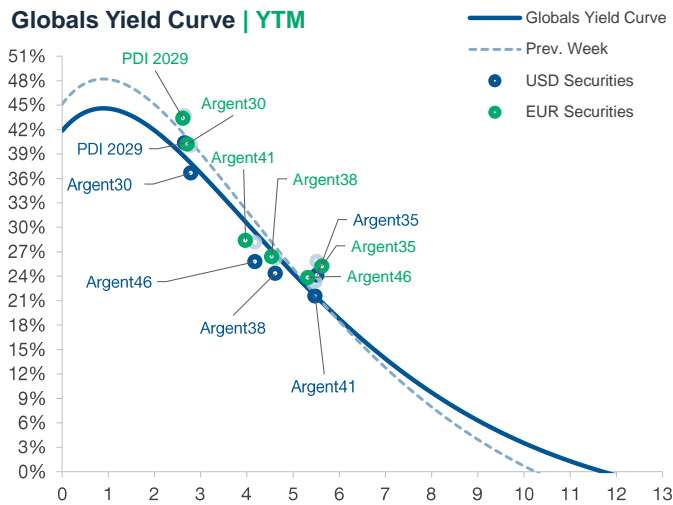
Trade	Trade Details	Rationale
LCD		
Buy TDF24	Open PX: 19,210 Current PX: 20,250 Target PX: 22,225	We maintain this trade as we observe that the market is pricing an event of FX correction between TDS23 and TDF24, while under our base scenario, we are not assuming such an event at the beginning of the 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: 285.3 Target PX: 288.7	

Global-Law Securities Curve

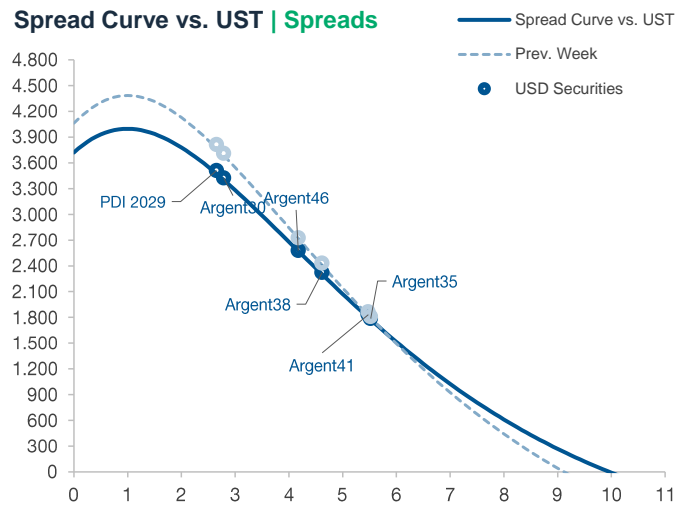
The global-law curve had a positive week with total returns ranging between +901 and +1,062bps. The old indenture reported total returns of +901bps for Argent38 and +1,045bps for Argent41. In the belly, Argent46 clocked in with a total return of +1,062bps. In the back-end, Argent35 accumulated +1,019bps of total return. Finally, in the front-end, Argent30 ended the week with a performance of +1,030bps. In this context, the front-end is trading near 28.9c (+2.70c compared to last week), while the back-end is trading near 25.90c (+2.40c). The Argent30 vs. Argent35 spread grew to 3c (+0.30c), 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 grew to 4.2c (+0.09c)—below its historical average of 4.81c—and increased to 2.2c for Argent41 (+0.30c)—below its historical average of 3.30c.

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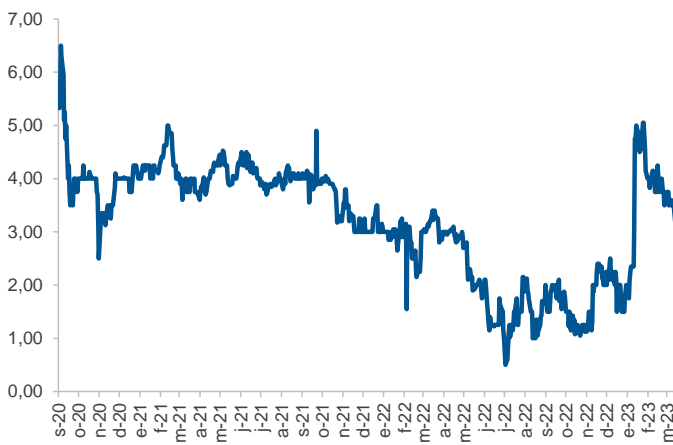
Globals Yield Curve | YTM



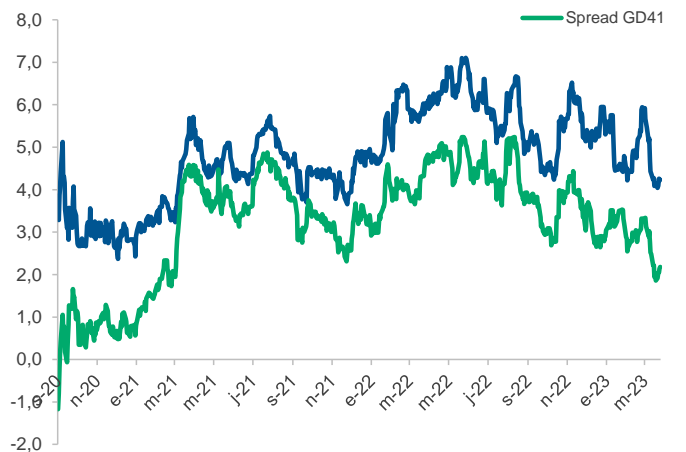
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



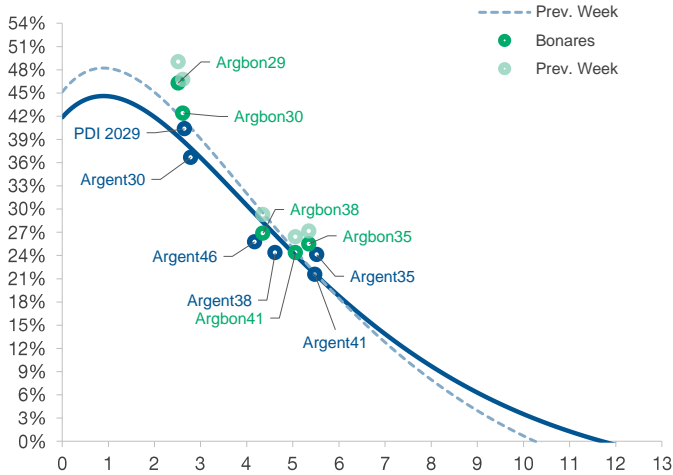
	31-mar.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,7	40,4	28,00	8	972	979	28	-624	-596	94	467	562
Argent30	2,8	36,7	28,90	4	1.026	1.030	13	-713	-700	46	606	652
Argent38	4,6	24,4	31,13	26	876	901	94	-797	-704	289	-349	-60
Argent46	4,2	25,8	26,50	12	1.050	1.062	44	-489	-445	142	192	335
Argent41	5,5	21,6	28,13	26	1.019	1.045	94	-727	-633	299	-217	82
Argent35	5,5	24,1	25,90	12	1.007	1.019	45	-534	-489	144	58	202

Local-Law Hard Currency Securities Curve

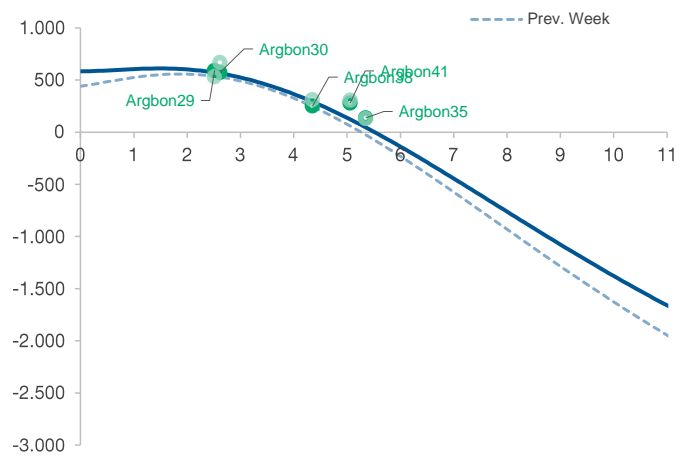
This week, total returns in the local-law curve were positive ranging between +777 and +1,242bps.

This week, total returns in the local-law curve were positive ranging between +777 and +1,242bps. Bonar38 and Bonar41 showed a total return of +1,114bps and +1,108bps, respectively. In the back-end, Bonar35 showed a total return of +941bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of +1,242bps. In this context, the front-end is trading near 24.88c (+2.76c compared to the previous week), and the back-end is trading near 24.38c (+2.13c). The Bonar30 vs. Bonar35 spread closed at +0.50c (+0.625) and is still below its historical average at 1.34c. Lastly, the legislation spread (Argent30 vs. Bonar30) dropped to 4.03c (-0.05c), above its historical average of 2.75c.

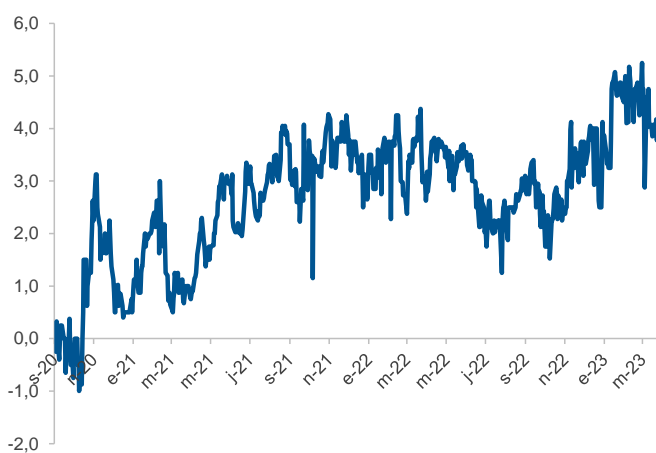
Globals Yield Curve | YTM



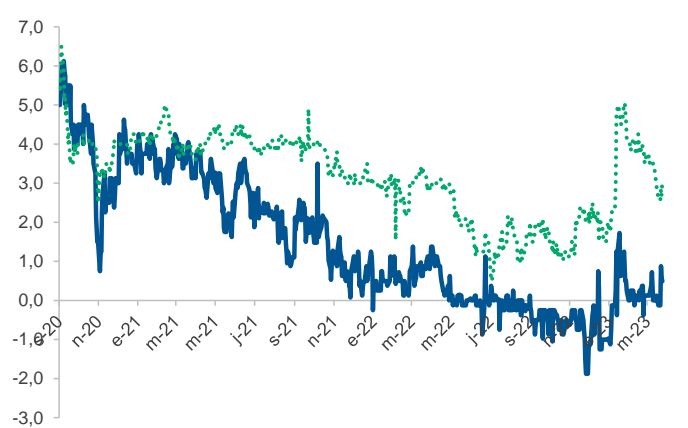
Legislation Spread | Spreads



GD30 vs. AL30 | Spreads



AL30 vs. AL35 | Spreads

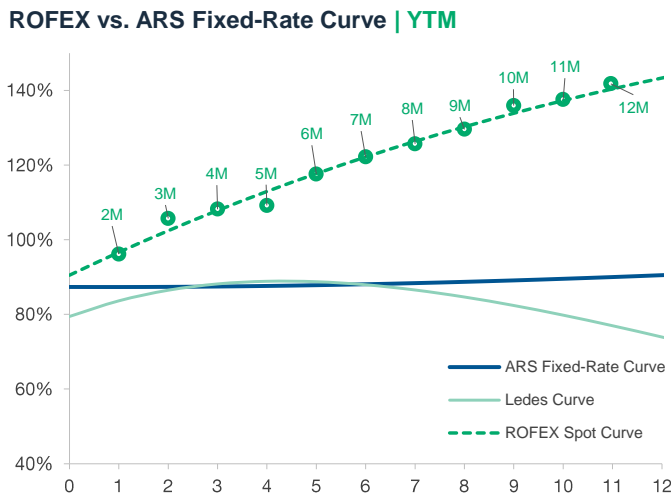
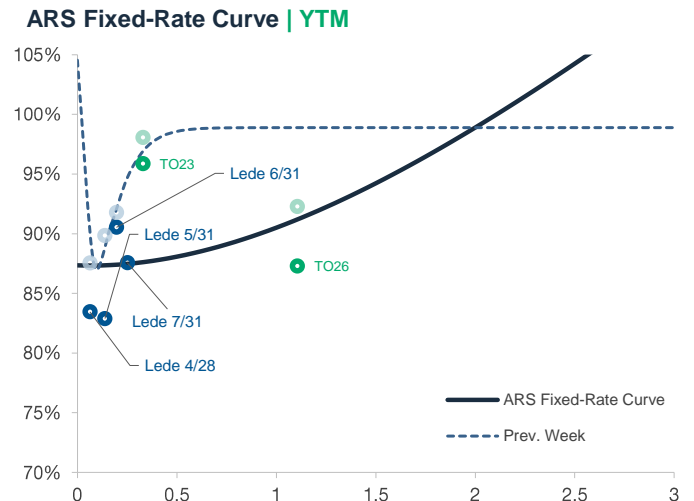
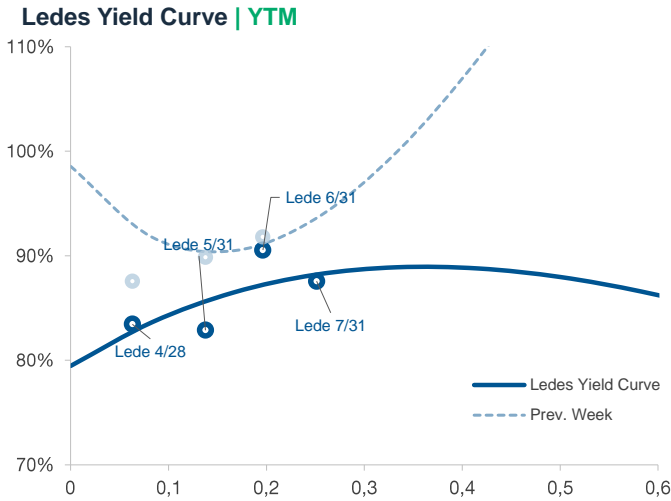


	31-mar.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029 AL	2,5	46,3	24,25	9	768	777	30	-1.211	-1.181	103	-205	-102
Argent30 AL	2,6	42,4	24,88	4	1.238	1.242	16	-673	-657	52	101	153
Argent38 AL	4,4	26,9	28,63	29	1.085	1.114	105	-795	-690	291	-1.344	-1.053
Argent41 AL	5,1	24,4	25,00	30	1.078	1.108	105	-1.094	-989	311	-1.259	-948
Argent35 AL	5,3	25,5	24,38	13	941	954	46	-1.017	-971	147	-469	-322

ARS Fixed-Rate Securities Curve

The performance on the Ledes was positive, with an average total return of +161bps. For the Botes, the total return was positive. The Lede of May was the one reporting the highest total return at +169bps. In the case of Bote23, the total return was +216bps, given +180bps of clean price variation and +36bps of carry. Bote26's total return was +751bps given a change in the clean price of +652bps and a carry of +99bps. 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 +213bps.

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	Total Return		
	Last Week	Last Month	YTD
S28A3	164	662	1.953
TV23	213	765	1.788
BADLAR	134	574	1.723

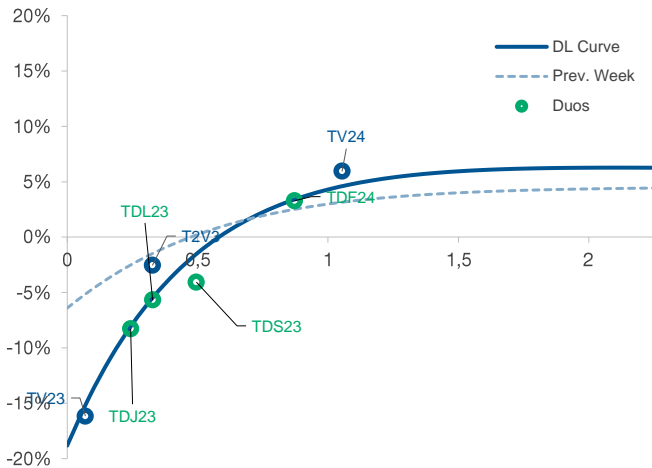
	31-mar.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S28A3 - LEDE 04/28/23	0,1	83,4	94,7	-	164	164	-	662	662	-	1.953	1.953
S31Y3 - LEDE 05/31/23	0,1	82,9	88,1	-	169	169	-	680	680	-	1.726	1.726
S30J3 - LEDE 06/30/23	0,2	90,5	82,2	-	150	150	-	636	636	-	1.580	1.580
S31L3 - LEDE 07/31/23	0,3	87,6	78,0	-	-	-	-	-	-	-	-489	-489
TO23	0,3	95,9	78,8	36	180	216	182	503	686	623	1.128	1.750
TO26	1,1	87,3	31,2	99	652	751	471	97	569	1.681	469	2.150

Dollar-Linked Securities Curve

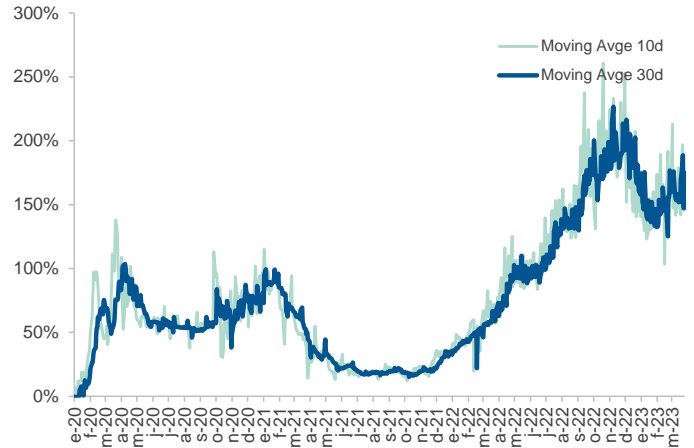
Bolis had a positive week, with an average total return of +122bps.

Bolis had a positive week, with an average total return of +122bps. The annualized official FX devaluation rate (10-day moving average) was 148.1%. In this context, Bolis accumulated +155bps of FX effect on average. The Boli23 due in April accumulated a clean price variation of +56bps, the Boli23 due in July +38bps, and the Boli24 -194bps. In this context, the total return was, for the Boli23 due in April +213bps, for the Boli23 due in July +194bps, and for the Boli24 -41bps.

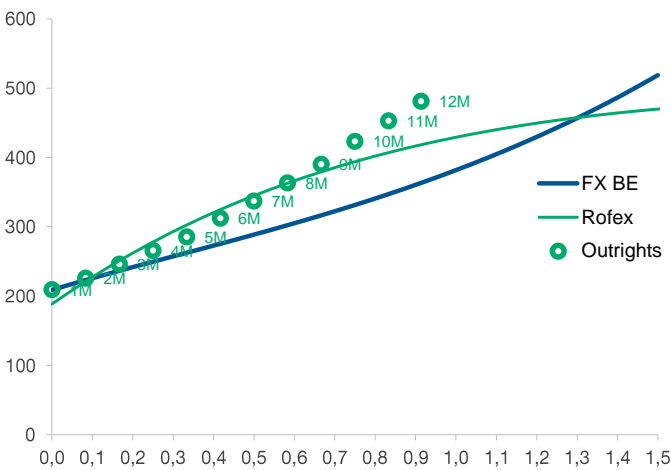
Dollar-Linked Curve | YTM



Official FX Dev. Rate Annualized | Moving Avc



Official FX & Rofex | Break-Evens & Outrights



	31-mar.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
TDJ23	0,2	-1,4	21320,0	20915,5	6,3	773,8	3,0
TDL23	0,3	0,0	21275,0	20801,6	6,9	686,9	3,5
TDS23	0,5	1,0	21300,0	20583,4	8,0	704,3	5,4
TDF24	0,9	7,1	20250,0	19691,6	10,2	313,2	3,8

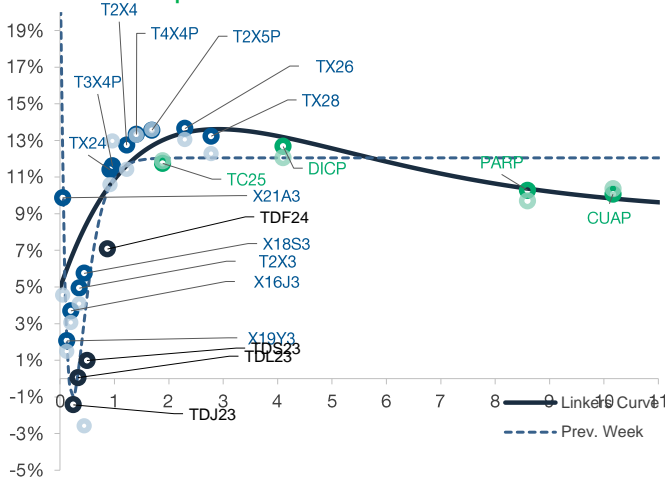
	31-mar.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
TV23	0,1	-16,2	21.100,0	0	56	156	213	2	174	589	765	7	-17	1.797	1.788
T2V3	0,3	-2,6	21.000,0	0	38	156	194	0	110	585	695	0	113	1.819	1.932
TV24	1,05	5,9	19.695,0	1	-194	152	-41	3	-21	577	560	12	828	1.950	2.790

Inflation-Linked Securities Curve

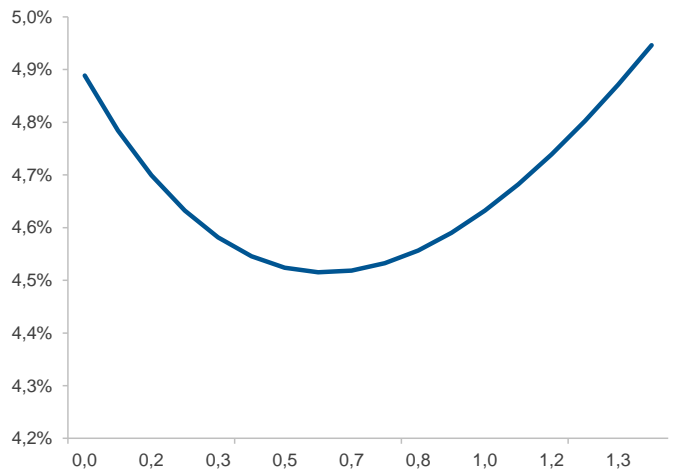
Linkers' total return was around +131bps on average, driven by +146bps of inflation effect and a mixed clean price variation.

Linkers' total return was around +131bps on average, driven by +146bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +75bps, resulting from -71bps of clean price variation, +1bps of carry, and +145bps of inflation effect. The belly accumulated nearly +130bps of total return, on the back of +7bps of weekly carry, -23bps of clean price variation, and +146bps of inflation effect. Lastly, in the back-end, the total return was +191bps, resulting from +10bps of weekly carry, +147bps of inflation effect, and clean price variations of +34bps. In terms of the Duos, the total return closed at +171bps. In this context, the top-performers in the linkers space were (i) TX24 in the front-end, with +173bps total return; (ii) T3X4P in the belly, with +453bps total return; and (iii) CUAP in the back-end, with +788bps. Finally, the monthly inflation break-evens stand near 4.9% for the shortest tenors and converge towards 4.4% by end-2023.

Linkers Curve | YTM



Inflation Break-Even | Break-Evens



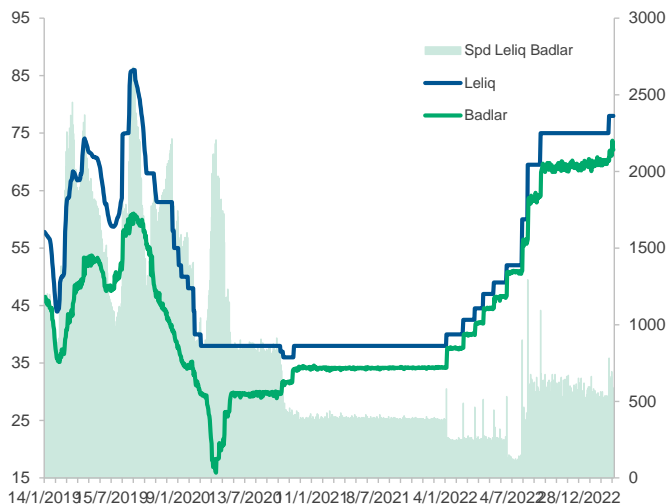
	31-mar.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X21A3	0,0	10,1	199,7	0	-9	146	137	0	27	646	672	0	-33	1.711	1.678
X19Y3	0,1	2,1	191,8	0	-6	146	141	0	68	648	716	0	108	1.735	1.844
X16J3	0,2	3,7	151,2	0	-19	146	127	0	82	649	731	0	217	1.754	1.971
X18S3	0,4	5,8	138,5	0	-387	141	-246	0	-706	598	-107	0	164	1.745	1.909
T2X3	0,4	4,9	376,5	2	-29	146	119	12	117	652	781	37	168	1.752	1.957
TX24	0,9	11,4	383,0	3	24	147	173	13	-102	638	549	42	225	1.763	2.030
TC25	1,9	11,7	810,0	8	93	148	249	37	-104	639	572	117	-25	1.732	1.824
T2X4	1,2	12,7	275,8	3	-121	145	27	14	-219	631	425	45	150	1.750	1.946
T3X4P	1,0	11,6	98,0	8	295	151	453	-	-	-	-	-	-	-	-
T4X4P	1,4	13,3	91,0	9	-21	146	134	-	-	-	-	-	-	-	-
T2X5P	1,7	13,6	88,8	10	10	147	166	-	-	-	-	-	-	-	-
TX26	2,3	13,7	285,3	4	-167	144	-19	20	-566	609	62	66	37	1.734	1.838
TX28	2,8	13,2	273,7	5	-251	143	-103	24	-538	611	97	77	-95	1.714	1.695
DICP	4,1	12,7	5539,0	13	-247	143	-91	57	-935	587	-291	186	-558	1.653	1.281
PARP	8,6	10,3	2715,0	6	-272	142	-123	29	-254	629	405	100	641	1.844	2.585
CUAP	10,2	10,1	3800,0	12	620	156	788	57	43	650	750	211	1.846	2.070	4.126
TDJ23	0,2	-1,4	21320,0	0	47	147	194	0	98	650	749	1	171	1.746	1.918
TDL23	0,3	0,0	21275,0	0	33	147	179	1	100	650	751	1	172	1.746	1.919
TDS23	0,5	1,0	21300,0	0	83	148	231	1	174	655	829	1	376	1.781	2.158
TDF24	0,9	7,1	20250,0	0	-66	145	80	1	24	645	670	1	635	1.826	2.462

Sub-Sovereign FRNs

This week, the provincial floating rate curve had a total return performance between +52 and +430bps.

This week, the provincial floating rate curve had a total return performance between +52 and +430bps. BDC28 with a total return of +52bps, with a change in clean price close to -70bps and a carry around +122bps. BDC24's total return was +234bps, where +115bps 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 +430bps, given a change of the clean price of around +294bps and a carry of +136bps.

Leliq & Badlar Rates | Rates



	31-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	0,7	95,5	102,7	119	115	234	529	69	598	1.757	-159	1.598
BDC28 - BDC 2/22/28	1,2	102,2	105,9	122	-70	52	537	-196	341	1.735	-720	1.015
PBA25 - BUENOS 4/12/25	0,8	89,3	105,4	136	294	430	591	-49	542	1.730	-1.546	184

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