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Strategy - Argentina

April 18, 2023

Weekly Strategy Brief

Trade Book

Closed Trades

Trade	Trade Details	Rationale
LCD		
Buy TX26	Open PX: 285.8 Current PX: 303.6	Opening Date: 13/03/23 TR: +730bps
		We close this trade as the proposed target has been reached.

Open Trades

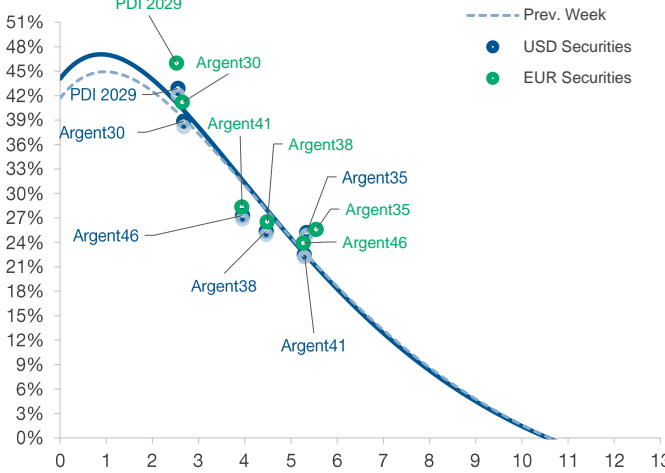
Trade	Trade Details	Rationale
LCD		
Buy TDF24	Open PX: 19,210 Current PX: 21,470 Target PX: 23,402	Opening Date: 06/03/23 TR: +1,206bps
		We maintain this trade as we observe that the market is pricing an event of FX correction between TDS23 and TDF24, while under our base scenario, we are not assuming 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 DICP	Open PX: 5,539 Current PX: 5,730 Target PX: 5,990	Opening Date: 03/04/23 TR: +352bps
		We maintain 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 Current PX: 284.8 Target PX: 294	Opening Date: 03/04/23 TR: +409bps

Global-Law Securities Curve

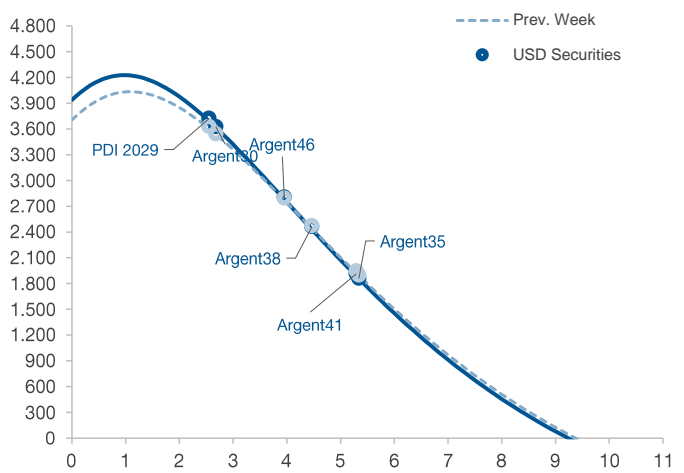
The global-law curve had a negative week with total returns ranging between -151 and -100bps. The old indenture reported total returns of -151bps for Argent38 and -100bps for Argent41. In the belly, Argent46 clocked in with a total return of -143bps. In the back-end, Argent35 accumulated -127bps of total return. Finally, in the front-end, Argent30 ended the week with a performance of -121bps. In this context, the front-end is trading near 27.60c (-0.35c compared to last week), while the back-end is trading near 24.60c (-0.35c). The Argent30 vs. Argent35 spread closed at 3c, below its historical average of 3.14c. 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 4.3c (-0.23c)—below its historical average of 4.81c—and dropped to 2.2c for Argent41 (-0.02c)—below its historical average of 3.28c.

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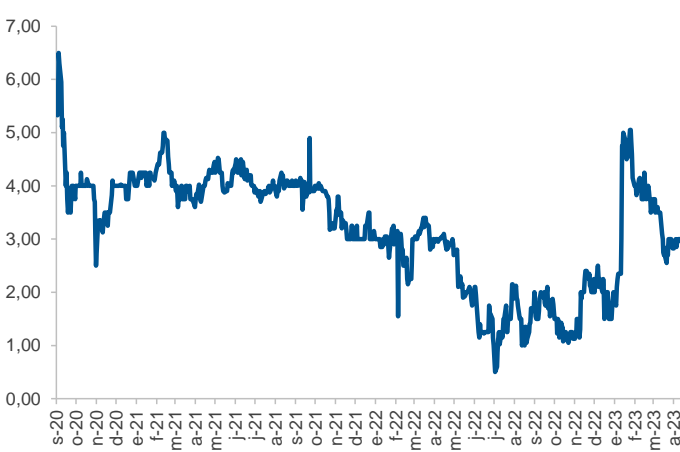
Globals Yield Curve | YTM



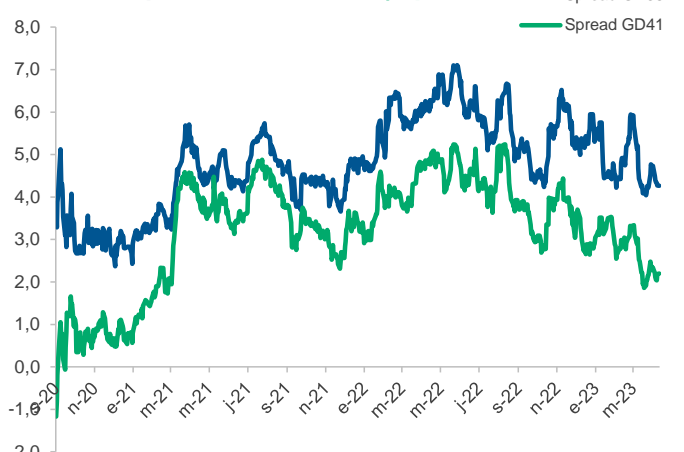
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



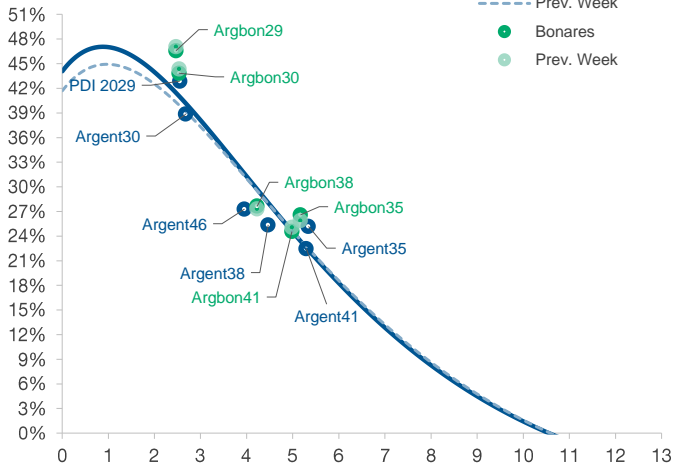
	17-abr.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,6	42,9	26,60	7	-129	-121	31	-325	-294	111	-56	55
Argent30	2,7	38,9	27,60	3	-125	-121	15	-399	-384	55	128	183
Argent38	4,5	25,4	29,85	24	-175	-151	106	-286	-180	343	-744	-402
Argent46	4,0	27,3	25,10	11	-154	-143	50	-249	-200	168	-346	-178
Argent41	5,3	22,5	26,85	24	-124	-100	106	-316	-210	353	-661	-308
Argent35	5,3	25,2	24,60	12	-138	-127	51	-254	-204	169	-447	-277

Local-Law Hard Currency Securities Curve

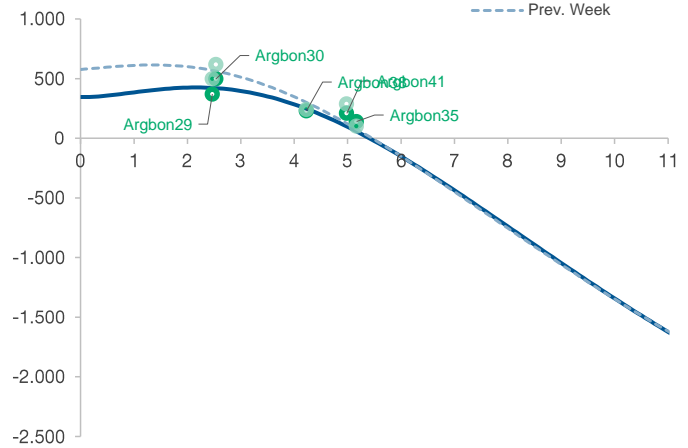
This week, total returns in the local-law curve were mixed ranging between -312 and +308bps.

This week, total returns in the local-law curve were mixed ranging between -312 and +308bps. Bonar38 and Bonar41 showed a total return of -88bps and +308bps, respectively. In the back-end, Bonar35 showed a total return of -312bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of +209bps. In this context, the front-end is trading near 24.38c (+0.50c compared to the previous week), and the back-end is trading near 23.25c (-0.75c). The Bonar30 vs. Bonar35 spread closed at +1.125c (+1.250) and is still below its historical average at 1.33c. Lastly, the legislation spread (Argent30 vs. Bonar30) dropped to 3.23c (-0.85c), above its historical average of 2.77c.

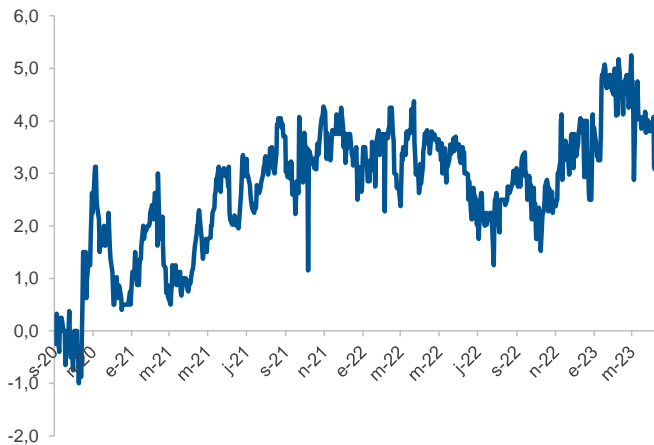
Globals Yield Curve | YTM



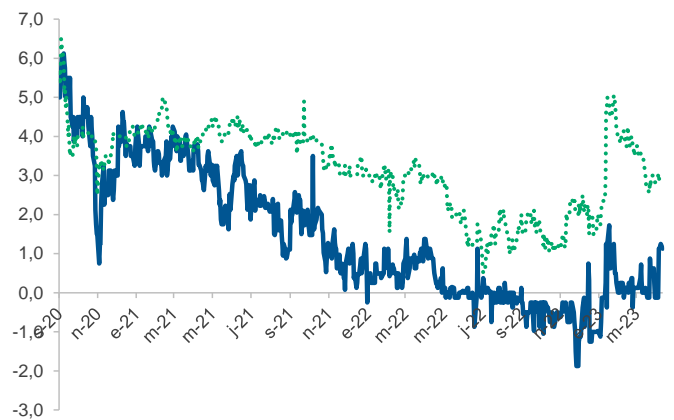
Legislation Spread | Spreads



GD30 vs. AL30 | Spreads



AL30 vs. AL35 | Spreads



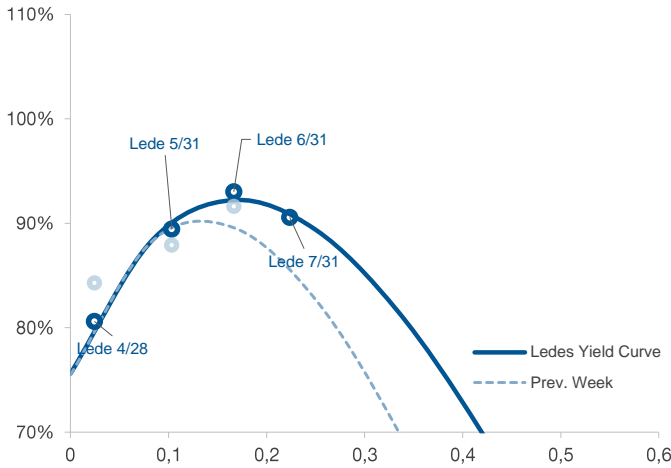
	17-abr.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029 AL	2,5	46,6	24,50	8	200	208	36	172	208	121	-121	0
Argent30 AL	2,5	43,8	24,38	4	205	209	18	138	156	61	-112	-51
Argent38 AL	4,2	27,6	28,00	27	-115	-88	119	-75	45	345	-1.593	-1.248
Argent41 AL	5,0	24,5	25,00	28	280	308	125	237	362	367	-1.315	-948
Argent35 AL	5,2	26,6	23,25	12	-324	-312	54	-366	-312	173	-941	-768

ARS Fixed-Rate Securities Curve

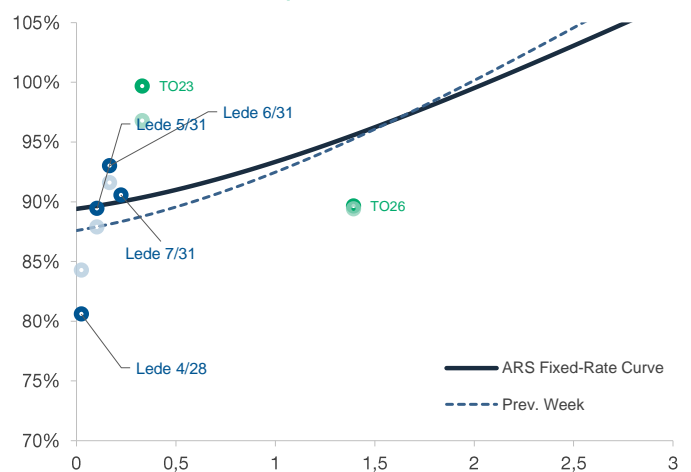
The performance on the Ledes was positive, with an average total return of +184bps. For the Botes, the total return was positive. The Lede of July was the one reporting the highest total return at +298bps. In the case of Bote23, the total return was +78bps, given +38bps of clean price variation and +41bps of carry. Bote26's total return was +147bps given a change in the clean price of +39bps and a carry of +108bps. 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 +180bps.

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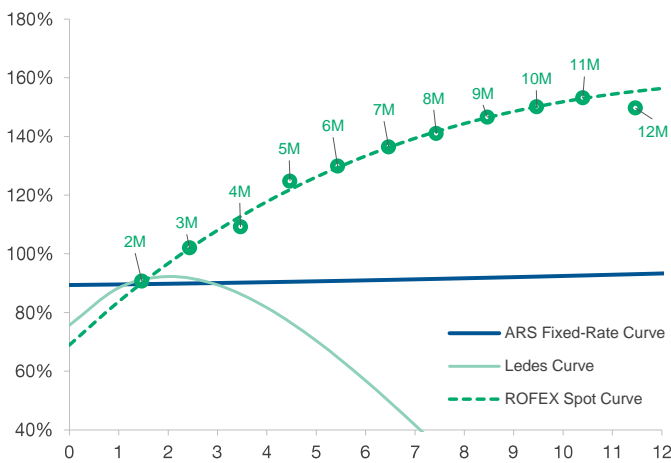
Ledes Yield Curve | YTM



ARS Fixed-Rate Curve | YTM



ROFEX vs. ARS Fixed-Rate Curve | YTM



	Retorno Total		
	Last Week	Last Month	YTD

S28A3	172	698	2.372
TV23	180	677	2.019
BADLAR	134	594	2.049

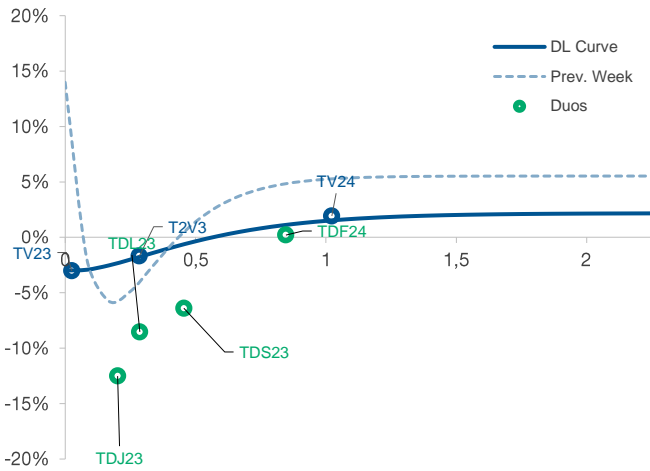
	17-abr.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S28A3 - LEDE 04/28/23	0,0	80,6	98,0	-	172	172	-	698	698	-	2.372	2.372
S31Y3 - LEDE 05/31/23	0,1	89,4	90,8	-	139	139	-	651	651	-	2.084	2.084
S30J3 - LEDE 06/30/23	0,2	93,0	84,5	-	127	127	-	609	609	-	1.901	1.901
S31L3 - LEDE 07/31/23	0,2	90,6	80,9	-	298	298	-	-	-	-	-135	-135
TO23	0,3	99,7	72,5	41	38	78	191	523	714	740	1.283	2.023
TO26	1,4	89,7	23,7	108	39	147	492	-68	424	1.998	257	2.255

Dollar-Linked Securities Curve

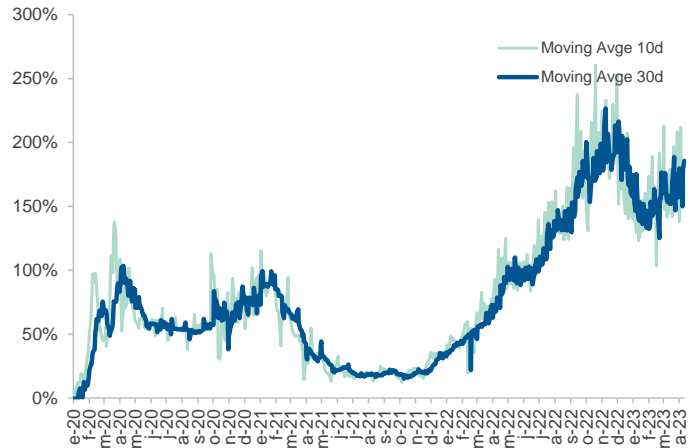
Bolis had a positive week, with an average total return of +244bps.

Bolis had a positive week, with an average total return of +244bps. The annualized official FX devaluation rate (10-day moving average) was 217%. In this context, Bolis accumulated +143bps of FX effect on average. The Boli23 due in April accumulated a clean price variation of +37bps, the Boli23 due in July -38bps, and the Boli24 +302bps. In this context, the total return was, for the Boli23 due in April +180bps, for the Boli23 due in July +103bps, and for the Boli24 +449bps.

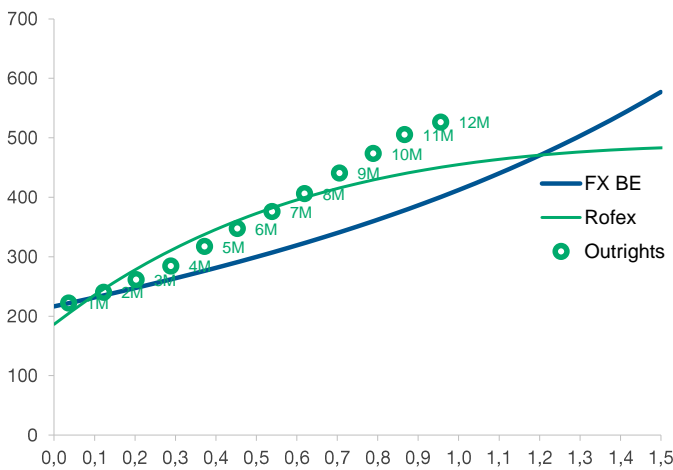
Dollar-Linked Curve | YTM



Official FX Dev. Rate Annualized | Moving Avge



Official FX & Rofex | Break-Evens & Outrights



	17-abr.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
TDJ23	0,2	-1,8	22125,0	22132,3	-1,9	-16,8	-0,1
TDL23	0,3	0,0	22085,0	22054,5	0,4	47,9	0,2
TDS23	0,5	0,4	22175,0	21795,3	4,3	388,4	2,8
TDF24	0,8	4,9	21470,0	20571,7	10,0	509,9	6,1

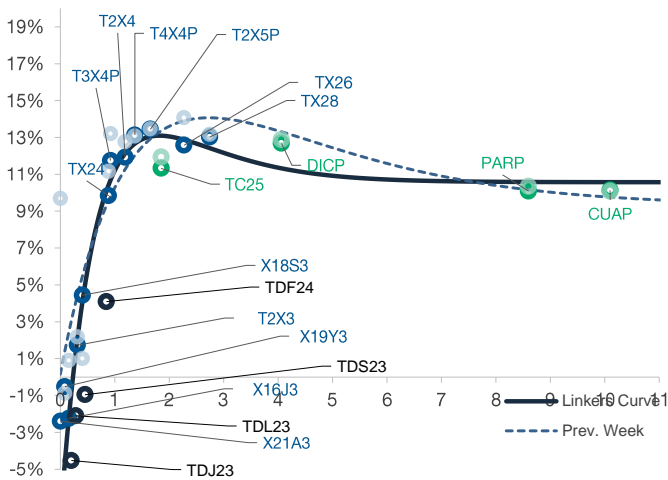
	17-abr.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
TV23	0,0	-3,0	21.515,0	1	37	143	180	3	13	661	677	9	-169	2.179	2.019
T2V3	0,3	-1,7	21.570,0	0	-38	141	103	0	-57	657	600	0	33	2.222	2.256
TV24	1,02	1,9	21.175,0	1	302	146	449	4	42	663	709	14	1.244	2.493	3.751

Inflation-Linked Securities Curve

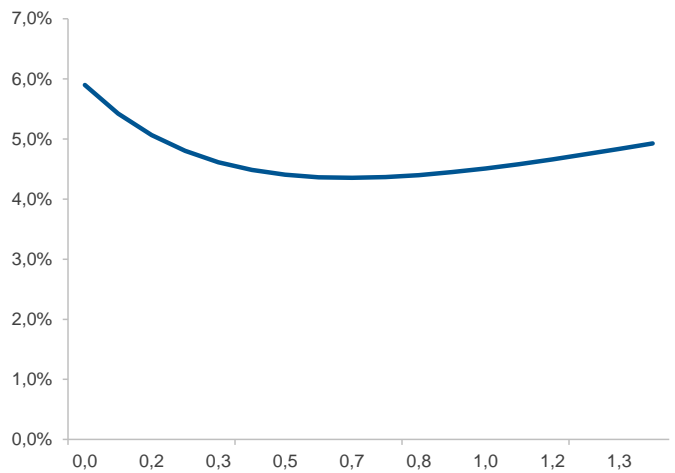
Linkers' total return was around +225bps on average, driven by +147bps of inflation effect and a mixed clean price variation.

Linkers' total return was around +225bps on average, driven by +147bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +169bps, resulting from +22bps of clean price variation, +1bps of carry, and +146bps of inflation effect. The belly accumulated nearly +257bps of total return, on the back of +7bps of weekly carry, +103bps of clean price variation, and +147bps of inflation effect. Lastly, in the back-end, the total return was +266bps, resulting from +12bps of weekly carry, +147bps of inflation effect, and clean price variations of +106bps. In terms of the Duos, the total return closed at +224bps. In this context, the top-performers in the linkers space were (i) TX24 in the front-end, with +289bps total return; (ii) TX26 in the belly, with +516bps total return; and (iii) DICP in the back-end, with +408bps. Finally, the monthly inflation break-evens stand near 5.6% for the shortest tenors and converge towards 4.4% by end-2023.

Linkers Curve | YTM



Inflation Break-Even | Break-Evens



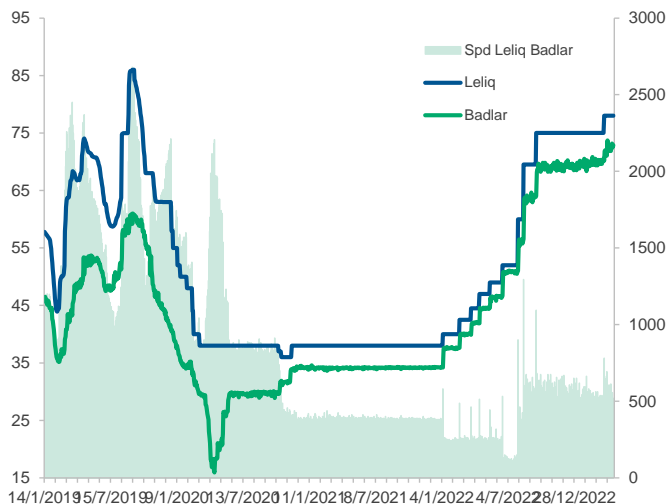
	17-abr.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X21A3	0,0	-2,4	206,4	0	30	146	176	0	-15	684	669	0	-51	2.124	2.073
X19Y3	0,1	-0,5	198,8	0	34	146	180	0	19	686	705	0	116	2.159	2.275
X16J3	0,2	-2,2	157,4	0	47	146	193	0	6	685	691	0	272	2.193	2.464
X18S3	0,4	4,5	144,0	0	-130	143	14	0	-308	664	356	0	200	2.177	2.377
T2X3	0,3	1,7	392,0	3	12	146	161	12	-29	684	667	44	215	2.190	2.450
TX24	0,9	9,8	401,3	3	139	147	289	14	151	696	861	50	338	2.217	2.605
TC25	1,9	11,3	836,0	9	102	147	259	39	-260	670	448	139	-81	2.147	2.205
T2X4	1,2	11,9	284,6	3	33	146	182	15	-20	684	679	54	107	2.169	2.330
T3X4P	0,9	11,7	99,0	8	128	147	283	35	54	691	780	-	-	-	-
T4X4P	1,4	13,1	94,5	9	39	146	194	39	4	688	731	-	-	-	-
T2X5P	1,7	13,4	91,8	10	5	146	161	43	-23	686	706	-	-	-	-
TX26	2,3	12,6	303,6	5	360	151	516	22	79	692	793	79	304	2.216	2.599
TX28	2,7	13,0	284,8	6	54	146	206	26	-247	670	449	91	-63	2.141	2.169
DICP	4,1	12,7	5730,0	15	88	147	250	63	-610	647	100	221	-604	2.053	1.670
PARP	8,6	10,1	2894,0	7	251	149	408	31	17	688	736	119	933	2.359	3.411
CUAP	10,1	10,1	3799,0	14	-21	145	139	60	-411	661	309	251	1.388	2.484	4.123
TDJ23	0,2	-4,5	22125,0	0	20	146	165	0	40	687	727	1	191	2.176	2.368
TDL23	0,3	-2,1	22085,0	0	9	145	154	1	34	687	721	1	196	2.177	2.373
TDS23	0,5	-1,0	22175,0	0	54	146	200	1	141	694	836	1	430	2.227	2.658
TDF24	0,8	4,1	21470,0	0	226	149	374	1	113	692	806	1	887	2.324	3.213

Sub-Sovereign FRNs

This week, the provincial floating rate curve had a total return performance between +164 and +2,157bps.

This week, the provincial floating rate curve had a total return performance between +164 and +2,157bps. BDC28 with a total return of +223bps, with a change in clean price close to +101bps and a carry around +121bps. BDC24's total return was +164bps, where +49bps was in terms of clean price change and +116bps of carry. On the BUENOS side, the performance of the Buenos 25 had a total return of +2,157bps, given a change of the clean price of around +2,006bps and a carry of +151bps.

Leliq & Badlar Rates | Rates



	17-abr.-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	98,1	105,8	116	49	164	549	15	565	2.085	-194	1.891
BDC28 - BDC 2/22/28	1,2	105,6	108,5	121	101	223	568	-85	483	2.060	-794	1.265
PBA25 - BUENOS 4/12/25	0,9	88,6	93,0	151	2.006	2.157	626	392	1.019	2.056	-1.323	733

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