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Strategy - Argentina

May 9, 2023

Weekly Strategy Brief

Trade Book

Closed Trades

Trade	Trade Details	Rationale
LCD		
Buy TX26	Open PX: 303.4 Current PX: 309	Opening Date: 25/04/23 TR: +359bps
		We close this trade as the proposed target has been reached.

Open Trades

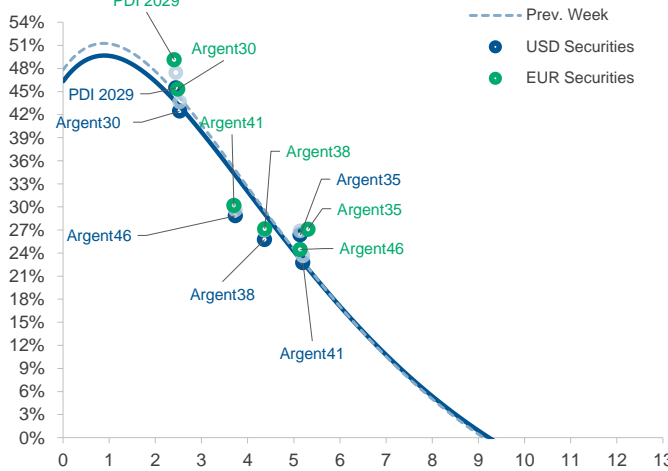
Trade	Trade Details	Rationale
LCD		
Buy TDF24	Open PX: 19,210 Current PX: 23,325 Target PX: 23,679	Opening Date: 06/03/23 TR: +2,174bps
		We maintain this trade as we observe that the market is pricing an event of FX correction between TDS23 and TDF24, while under our base scenario, we are not assuming 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 TX28	Open PX: 273.7 Current PX: 293 Target PX: 301.1	Opening Date: 03/04/23 TR: +712bps
		We maintain this trade as we like the high carry it offers, and we consider it should be shielded from the credit risks weighing down on the ARS curve.

Global-Law Securities Curve

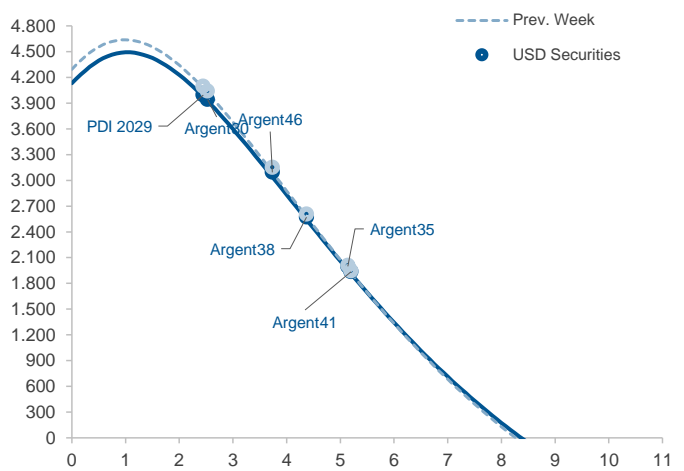
The global-law curve had a positive week with total returns ranging between +315 and +582bps. The old indenture reported total returns of +575bps for Argent38 and +517bps for Argent41. In the belly, Argent46 clocked in with a total return of +330bps. In the back-end, Argent35 accumulated +315bps of total return. Finally, in the front-end, Argent30 ended the week with a performance of +386bps. In this context, the front-end is trading near 25.65c (+0.95c compared to last week), while the back-end is trading near 23.35c (+0.70c). The Argent30 vs. Argent35 spread closed at 2.30c (+0.25cwow), below its historical average of 3.12c. 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 increased to 5.5c (+0.86c)—above its historical average of 4.81c—and grew to 3.3c for Argent41 (+0.62c)—above its historical average of 3.27c.

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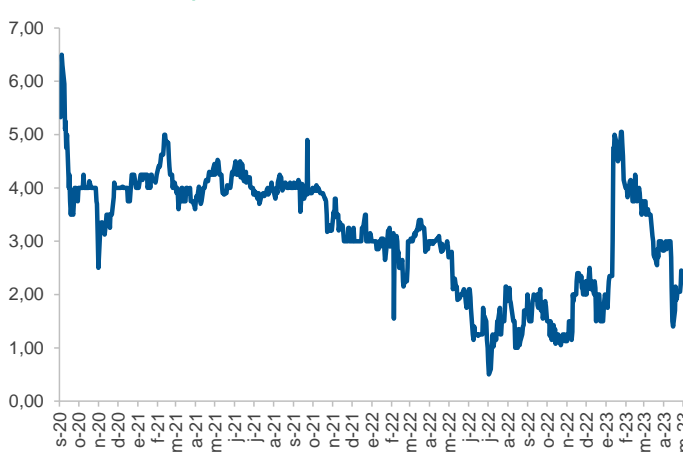
Globals Yield Curve | YTM



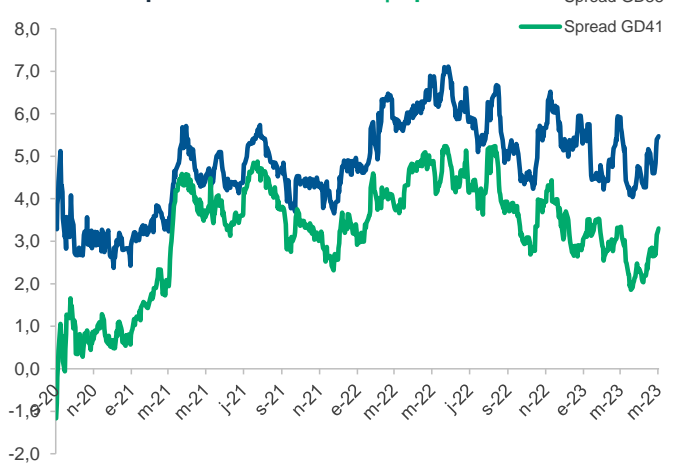
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



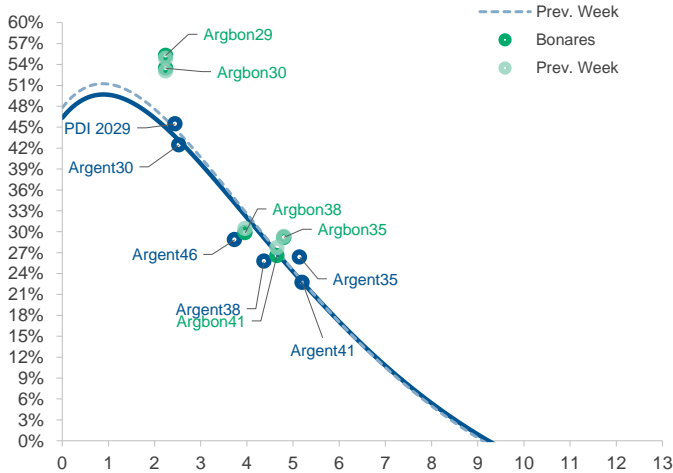
	8-may.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,4	45,5	25,45	8	574	582	33	-481	-448	133	-486	-353
Argent30	2,5	42,4	25,65	4	382	386	16	-737	-721	65	-587	-522
Argent38	4,4	25,8	29,50	26	549	575	109	-318	-208	413	-853	-440
Argent46	3,7	28,8	23,90	12	317	330	52	-527	-475	202	-808	-606
Argent41	5,2	22,7	26,60	26	491	517	110	-231	-120	424	-748	-324
Argent35	5,1	26,4	23,35	13	302	315	53	-604	-551	203	-932	-729

Local-Law Hard Currency Securities Curve

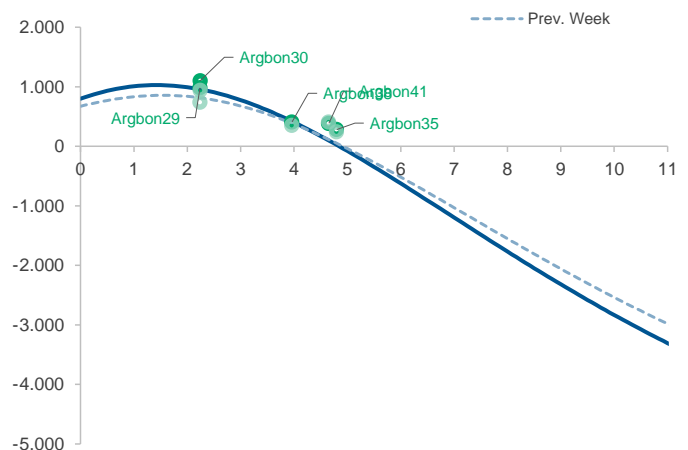
This week, total returns in the local-law curve were positive ranging between 0 and +573bps. Bonar38 and Bonar41 showed a total return of +296bps and +573bps, respectively. In the back-end, Bonar35 showed a total return of +122bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of 0bps. In this context, the front-end is trading near 19.88c (0.00c compared to the previous week), and the back-end is trading near 20.75c (+0.25c). The Bonar30 vs. Bonar35 spread closed at -0.875c (-0.25c) and is still below its historical average at 1.29c. Lastly, the legislation spread (Argent30 vs. Bonar30) grew to 5.78c (+0.95c), above its historical average of 2.81c.

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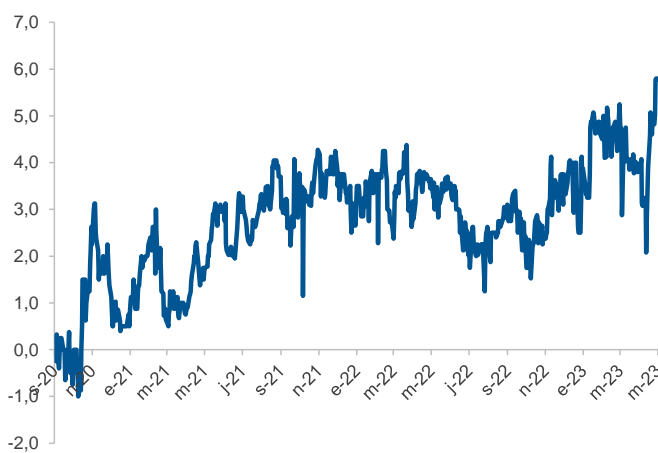
Globals Yield Curve | YTM



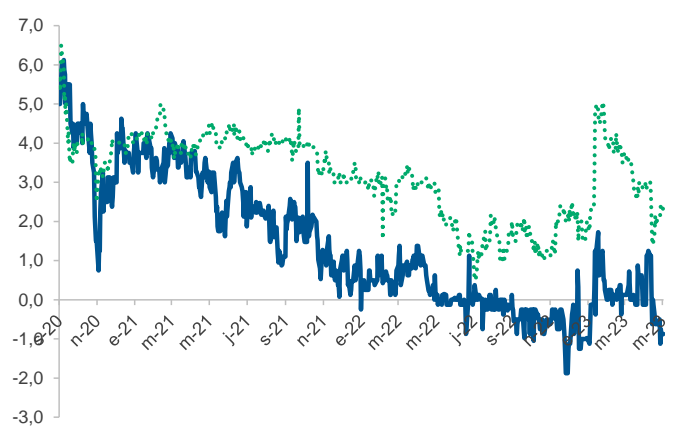
Legislation Spread | Spreads



GD30 vs. AL30 | Spreads



AL30 vs. AL35 | Spreads



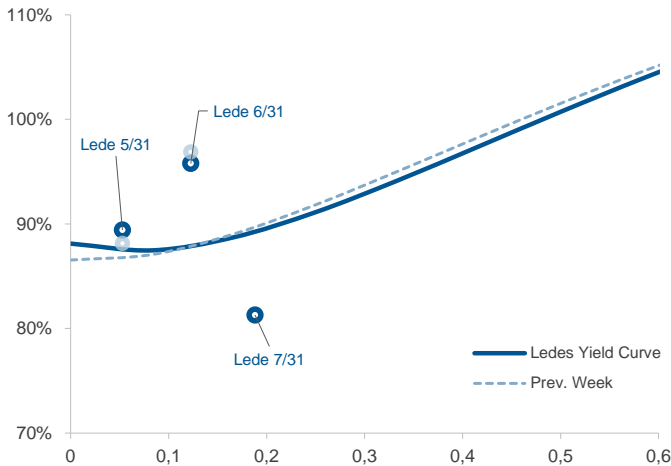
	8-may.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029 AL	2,2	55,3	20,50	9	-9	0	37	-1.494	-1.457	145	-1.776	-1.631
Argent30 AL	2,2	53,5	19,88	5	-5	0	19	-1.693	-1.675	73	-1.959	-1.887
Argent38 AL	4,0	29,8	26,00	30	267	296	122	-917	-795	415	-2.287	-1.872
Argent41 AL	4,7	26,6	23,00	31	542	573	128	-642	-514	440	-2.111	-1.670
Argent35 AL	4,8	29,2	20,75	14	108	122	55	-1.408	-1.353	208	-1.968	-1.760

ARS Fixed-Rate Securities Curve

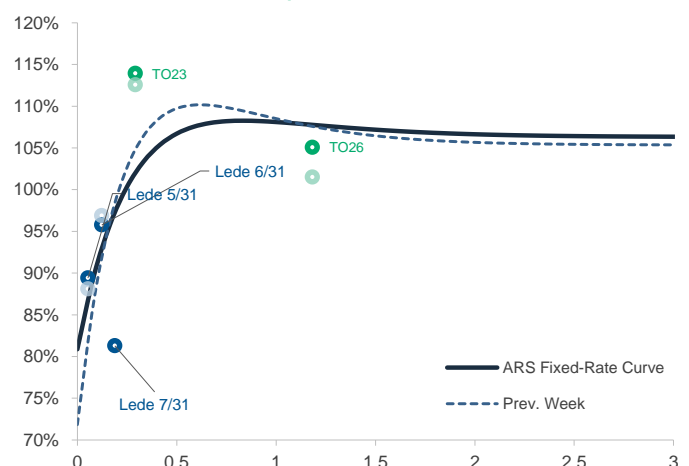
The performance on the Ledes was mixed, with an average total return of +59bps. For the Botes, the total return was also mixed. The Lede of June was the one reporting the highest total return at +180bps. In the case of Bote23, the total return was +100bps, given +59bps of clean price variation and +41bps of carry. Bote26's total return was -157bps given a change in the clean price of -276bps and a carry of +119bps. If we look at the entire ARS space—including fixed-rate, dollar-linked, inflation-linked, and FRNs—we find that the Ledes reported the best performance on a weekly basis, with a total turn of +164bps.

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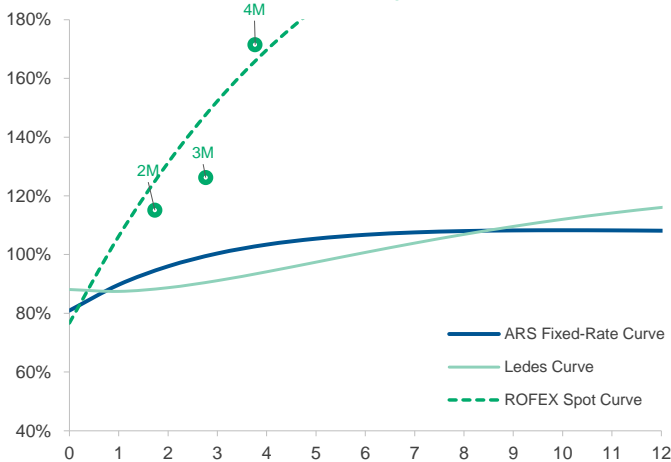
Ledes Yield Curve | YTM



ARS Fixed-Rate Curve | YTM



ROFEX vs. ARS Fixed-Rate Curve | YTM



	Total Return		
	Last Week	Last Month	YTD
S31Y3	164	664	2.694
T2V3	87	827	3.165
BADLAR	134	613	2.451

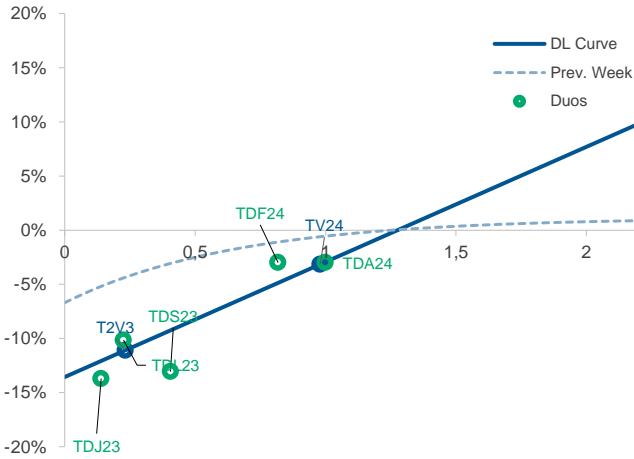
	8-may.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S31Y3 - LEDE 05/31/23	0,1	89,4	95,3	-	164	164	-	664	664	-	2.694	2.694
S30J3 - LEDE 06/30/23	0,1	95,8	88,3	-	180	180	-	603	603	-	2.431	2.431
S31L3 - LEDE 07/31/23	0,2	81,3	83,5	-	-165	-165	-	630	630	-	183	183
TO23	0,3	113,9	72,2	41	59	100	186	-136	50	885	1.083	1.969
TO26	1,2	105,1	20,4	119	-276	-157	513	-1.202	-689	2.390	-1.544	846

Dollar-Linked Securities Curve

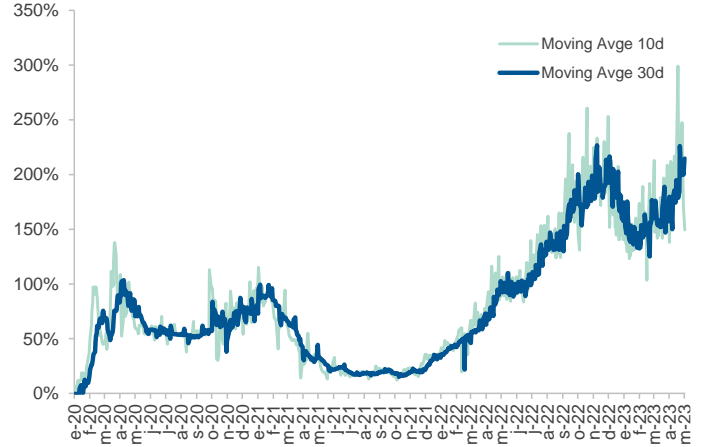
Bolis had a positive week, with an average total return of +147bps. In this context, Bolis accumulated +223bps of FX effect on average. The Boli23 due in July accumulated a clean price variation of -135bps, and the Boli24 -18bps. In this context, the total return was, for the Boli23 due in July +87bps, and for the Boli24 +207bps.

Bolis had a positive week, with an average total return of +147bps. The annualized official FX devaluation rate (10-day moving average) was 149.4%. In this context, Bolis accumulated +223bps of FX effect on average. The Boli23 due in July accumulated a clean price variation of -135bps, and the Boli24 -18bps. In this context, the total return was, for the Boli23 due in July +87bps, and for the Boli24 +207bps.

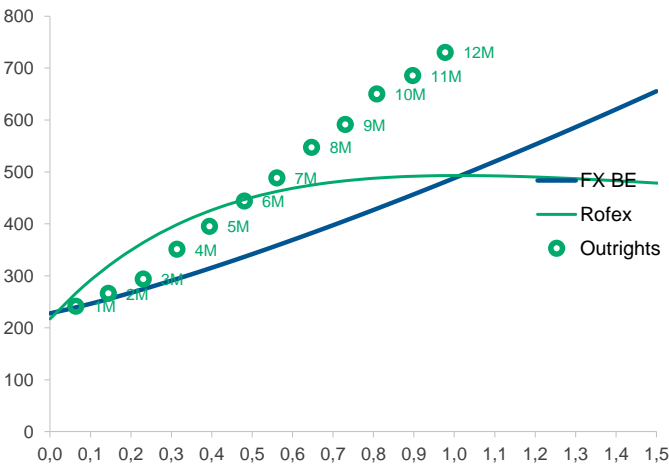
Dollar-Linked Curve | YTM



Official FX Dev. Rate Annualized | Moving Avge



Official FX & Rofex | Break-Evens & Outrights



	8-may.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
TDJ23	0,1	-8,5	23250,0	23121,1	-5,2	328,8	1,0
TDL23	0,2	-6,2	23325,0	23121,1	-2,6	351,0	1,5
TDS23	0,4	-9,4	24050,0	22959,4	1,6	1106,7	8,2
TDF24	0,8	-0,2	23325,0	21715,5	8,7	896,8	11,0
TDA24	1,0	0,0	23425,0	20774,1	0,1	1246,9	12,0

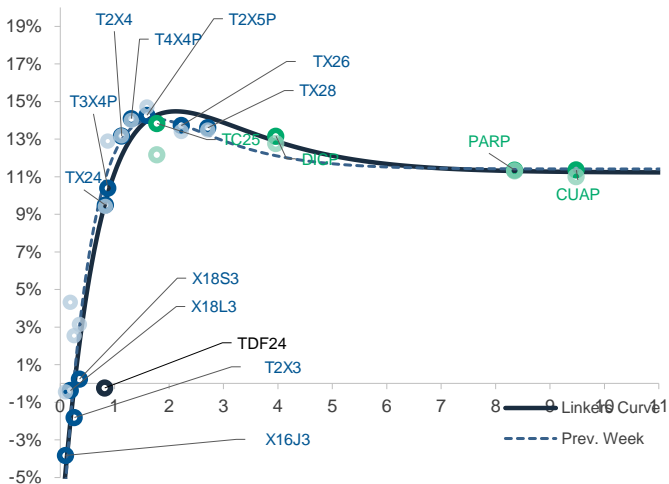
	8-may.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
T2V3	0,2	-11,1	23.170,0	0	-135	222	87	0	50	777	827	0	247	2.918	3.165
TV24	0,98	-3,2	23.375,0	1	-18	224	207	4	759	833	1.595	16	1.822	3.372	5.210

Inflation-Linked Securities Curve

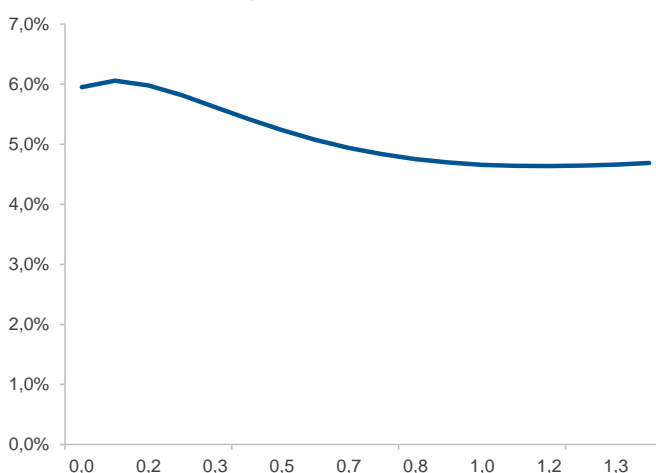
Linkers' total return was around +181bps on average, driven by +175bps of inflation effect and a mixed clean price variation.

Linkers' total return was around +181bps on average, driven by +175bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +238bps, resulting from +61bps of clean price variation, +1bps of carry, and +176bps of inflation effect. The belly accumulated nearly +139bps of total return, on the back of +7bps of weekly carry, -42bps of clean price variation, and +174bps of inflation effect. Lastly, in the back-end, the total return was +9bps, resulting from +13bps of weekly carry, +172bps of inflation effect, and clean price variations of -175bps. In terms of the Duos, the total return closed at +224bps. In this context, the top-performers in the linkers space were (i) T2X3 in the front-end, with +296bps total return; (ii) T3X4P in the belly, with +391bps total return; and (iii) DICP in the back-end, with +42bps. 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



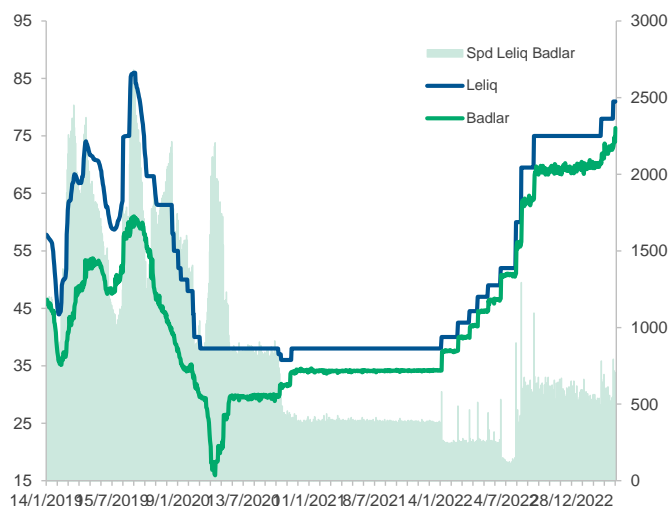
	8-may.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X19Y3	0,0	-16,7	208,9	0	-2	175	173	0	20	723	743	0	140	2.756	2.896
X16J3	0,1	-3,8	165,5	0	32	175	207	0	5	722	727	0	304	2.801	3.105
X18L3	0,2	-0,4	110,5	0	97	176	273	0	-14	721	706	0	172	1.031	1.203
X18S3	0,4	0,2	153,8	0	108	176	284	0	127	731	858	0	394	2.826	3.220
T2X3	0,3	-1,8	415,9	3	116	177	296	13	89	729	831	53	332	2.823	3.208
TX24	0,8	9,5	425,0	3	16	175	194	14	214	738	967	59	436	2.853	3.349
TC25	1,8	13,8	842,0	9	-314	169	-136	41	-164	713	591	166	-271	2.690	2.585
T2X4	1,1	13,2	298,8	3	9	175	188	16	69	728	812	64	112	2.766	2.943
T3X4P	0,9	10,4	106,0	8	205	178	391	36	232	741	1.009	-22	56	1.250	1.284
T4X4P	1,3	14,1	98,8	9	28	175	212	40	-13	724	751	-24	-262	1.210	923
T2X5P	1,6	14,3	96,0	10	114	177	301	44	-51	721	714	-30	-201	1.217	986
TX26	2,2	13,7	309,0	5	-193	171	-17	23	-16	722	729	94	-13	2.741	2.822
TX28	2,7	13,6	293,0	6	-145	172	34	27	-180	711	558	109	-265	2.676	2.521
DICP	4,0	13,2	5950,0	15	-145	172	42	69	-85	720	705	265	-737	2.590	2.118
PARP	8,4	11,3	2700,0	8	-196	171	-17	32	-1.182	639	-512	143	-294	2.677	2.526
CUAP	9,5	11,4	3600,0	15	-184	172	3	61	-1.446	622	-763	300	223	2.861	3.383
TDJ23	0,1	-8,5	23250,0	0	-15	174	159	0	-5	721	717	1	218	2.778	2.997
TDL23	0,2	-6,2	23325,0	0	-33	174	141	1	32	724	757	1	274	2.793	3.068
TDS23	0,4	-9,4	24050,0	0	54	176	230	1	361	748	1.109	1	793	2.934	3.728
TDF24	0,8	-0,2	23325,0	0	189	178	367	1	479	756	1.236	1	1.285	3.068	4.355
TDA24	1,0	-1,3	23425,0	0	290	180	469	-	-	-	-	-	-	-	-

Sub-Sovereign FRNs

This week, the provincial floating rate curve had a total return performance between +39 and +169bps.

This week, the provincial floating rate curve had a total return performance between +39 and +169bps. BDC28 with a total return of +115bps, with a change in clean price close to -5bps and a carry around +120bps. BDC24's total return was +169bps, where +46bps 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 +39bps, given a change of the clean price of around -98bps and a carry of +137bps.

Leliq & Badlar Rates | Rates



	8-may.-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	0,5	134,9	105,0	123	46	169	561	-405	156	2.585	-718	1.866
BDC28 - BDC 2/22/28	1,0	134,1	112,4	120	-5	115	576	30	606	2.511	-877	1.633
PBA25 - BUENOS 4/12/25	0,8	122,1	89,3	137	-98	39	621	-582	40	2.546	-2.108	438

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