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Strategy - Argentina

June 5, 2023

# Weekly Strategy Brief

## Trade Book

### New Trades

Trade	Trade	Rationale
<b>EXD</b>		
Buy AL30 Sell GD30	Current Spread: 5.7 Target Spread: 3.5	Opening Date: <b>05/06/23</b>
We open this trade given that (i) with the new line from the PBOC swap we believe that the chances of the government timely facing the July interest payment have increased; (ii) although we believe the recovery from the Local law bonds should be lower than the EXD, we believe that at the current level the recovery of the AL30 overly punished; (iii) the spread is close to the all-time-high.		

Trade	Trade	Rationale
<b>LCD</b>		
Buy TX28	Open PX: <b>328</b> Target PX: <b>340</b>	Opening Date: <b>05/06/23</b>
We open this trade as we believe the TX28 is trading substantially outside the curve, and we expect a yield compression towards the level of the TX26 and DICP.		

### Closed Trades

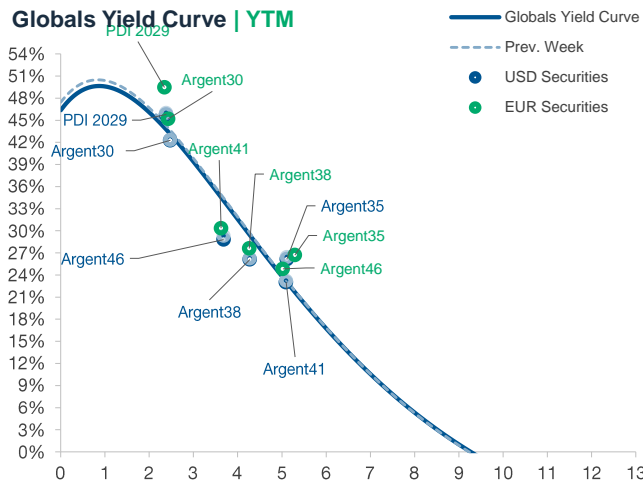
Trade	Trade	Rationale
<b>LCD</b>		
Buy TDF24	Open PX: <b>19,210</b> Current PX: <b>26,300</b>	Opening Date: <b>06/03/23</b> TR: <b>+3,727bps</b>
We close this trade as the proposed target has been reached.		
Buy TX26	Open PX: <b>311.4</b> Current PX: <b>352.3</b>	Opening Date: <b>16/05/23</b> TR: <b>+1,235bps</b>
We close this trade to open a new position in TX28, as it offers an interesting carry and we expect some yield compression.		

## Global-Law Securities Curve

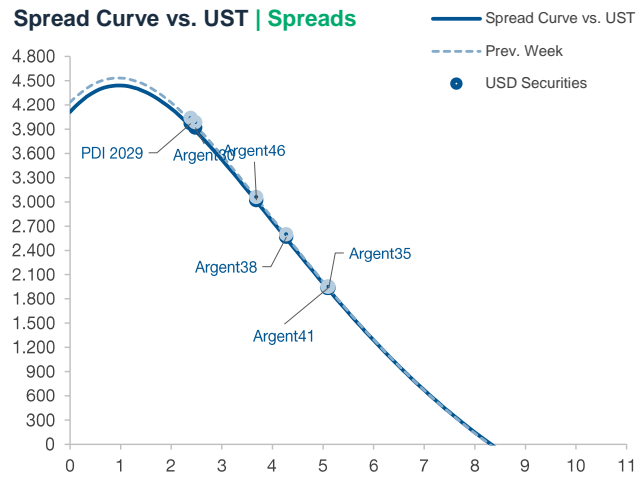
The global-law curve had a positive week with total returns ranging between +117 and +257bps. The old indenture reported total returns of +119bps for Argent38 and +149bps for Argent41. In the belly, Argent46 clocked in with a total return of +257bps. Finally, in the front-end, Argent30 ended the week with a performance of +117bps. In this context, the front-end is trading near 26.45c (+0.30c compared to last week), while the back-end is trading near 23.95c (+0.50c). The Argent30 vs. Argent35 spread closed at 2.50c (-0.20cwo), below its historical average of 3.10c. 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 4.6c (-0.14c)—below its historical average of 4.81c—and decreased to 2.4c for Argent41 (-0.16c)—below its historical average of 3.25c.

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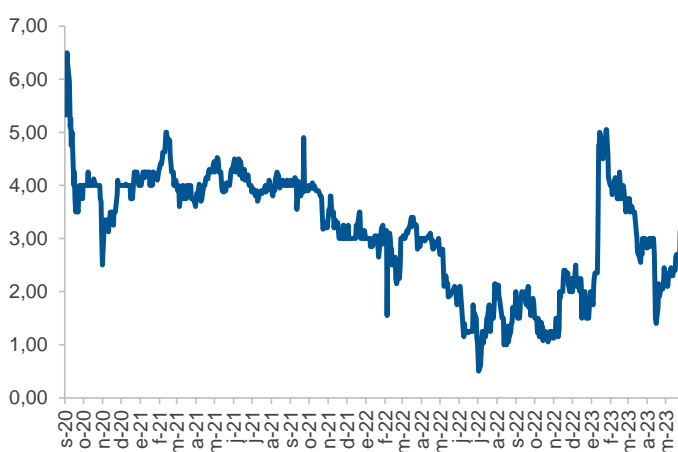
Globals Yield Curve | YTM



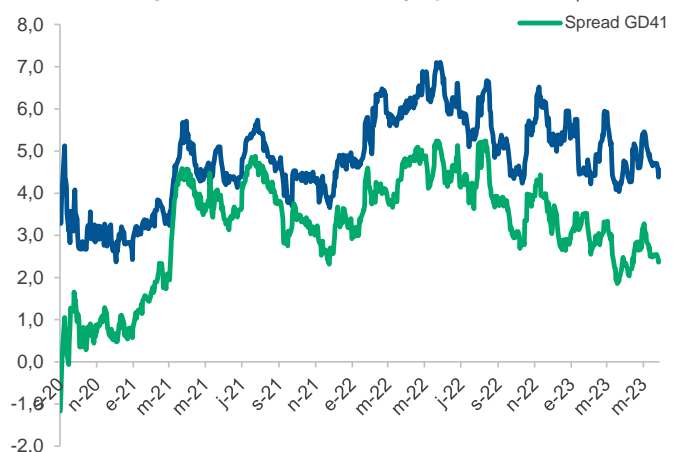
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



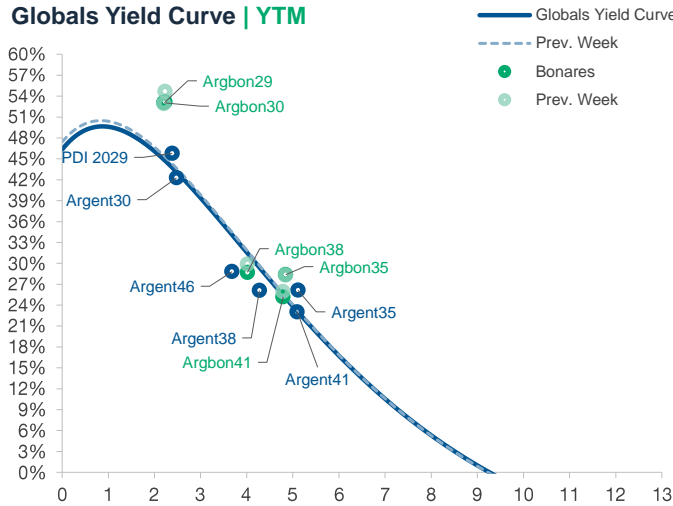
	2-jun.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,4	45,8	25,95	6	154	161	31	274	305	158	-299	-141
Argent30	2,5	42,3	26,45	3	114	117	15	114	129	77	-294	-216
Argent38	4,3	26,1	29,30	21	98	119	101	-65	36	493	-915	-422
Argent46	3,7	28,8	24,30	10	247	257	49	40	89	240	-654	-414
Argent41	5,1	23,0	26,35	21	128	149	101	-108	-6	505	-835	-329
Argent35	5,1	26,1	23,95	10	208	218	49	0	49	242	-699	-457

## Local-Law Hard Currency Securities Curve

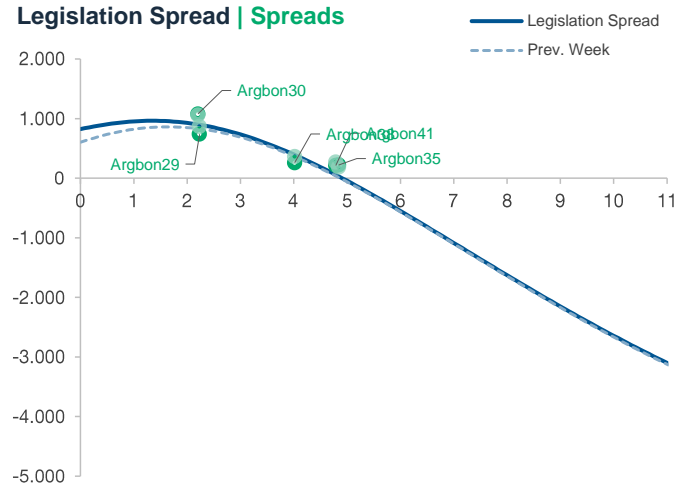
**This week, total returns in the local-law curve were positive ranging between +23 and +530bps. Bonar38 and Bonar41 showed a total return of +530bps and +416bps, respectively. In the back-end, Bonar35 showed a total return of +23bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of +48bps. In this context, the front-end is trading near 20.75c (+0.10c compared to the previous week), and the back-end is trading near 22.00c (+0.05c). The Bonar30 vs. Bonar35 spread closed at -1.25c (+0.05c) and is still below its historical average at 1.22c. Lastly, the legislation spread (Argent30 vs. Bonar30) grew to 5.7c (+0.20c), above its historical average of 2.88c.**

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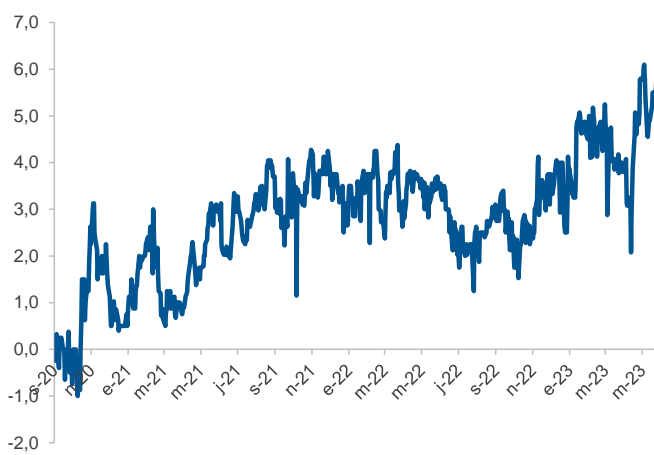
**Globals Yield Curve | YTM**



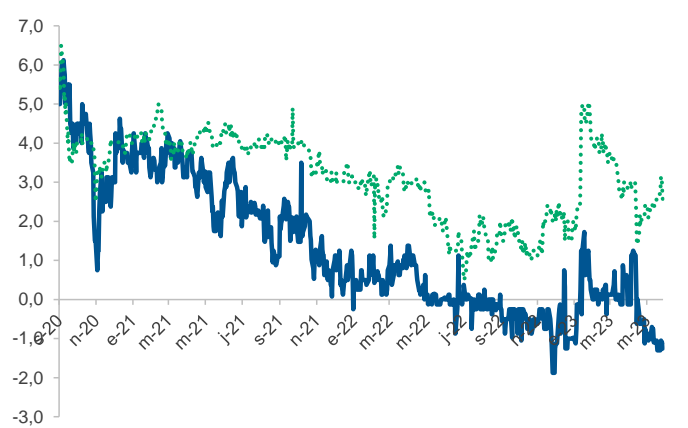
**Legislation Spread | Spreads**



**GD30 vs. AL30 | Spreads**



**AL30 vs. AL35 | Spreads**



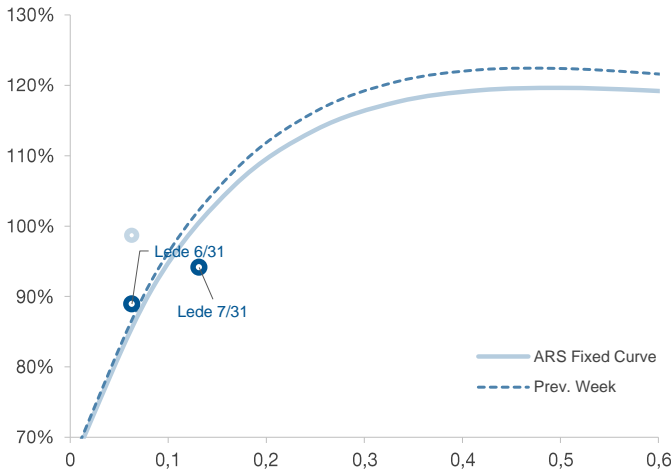
	2-jun.-23			Última Semana			Último Mes			Acumulado del Año		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029 AL	2,2	53,2	22,25	8	413	421	38	556	595	172	-1.090	-917
Argent30 AL	2,2	53,1	20,75	4	44	48	20	164	184	86	-1.616	-1.530
Argent38 AL	4,0	28,7	27,75	24	506	530	120	552	672	496	-1.822	-1.326
Argent41 AL	4,8	25,2	25,00	24	391	416	120	517	637	525	-1.473	-948
Argent35 AL	4,8	28,4	22,00	11	11	23	56	176	232	247	-1.512	-1.264

## ARS Fixed-Rate Securities Curve

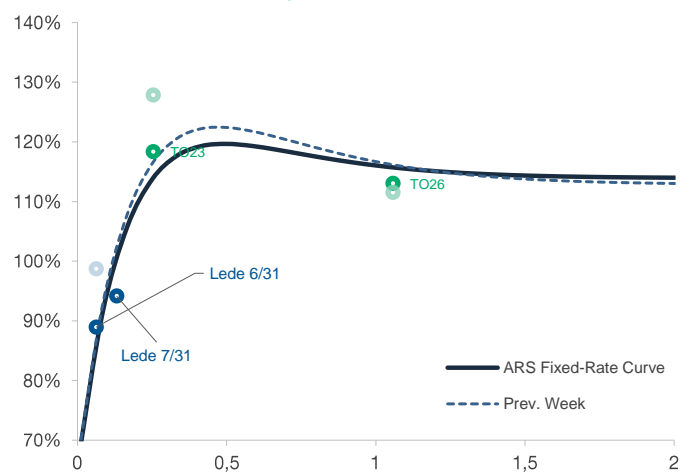
The performance on the Ledes was positive, with an average total return of +119bps. For the Botes, the total return was mixed. The Lede of June was the one reporting the highest total return at +218bps. In the case of Bote23, the total return was +367bps, given +332bps of clean price variation and +34bps of carry. Bote26's total return was -21bps given a change in the clean price of -127bps and a carry of +106bps. 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 +227bps.

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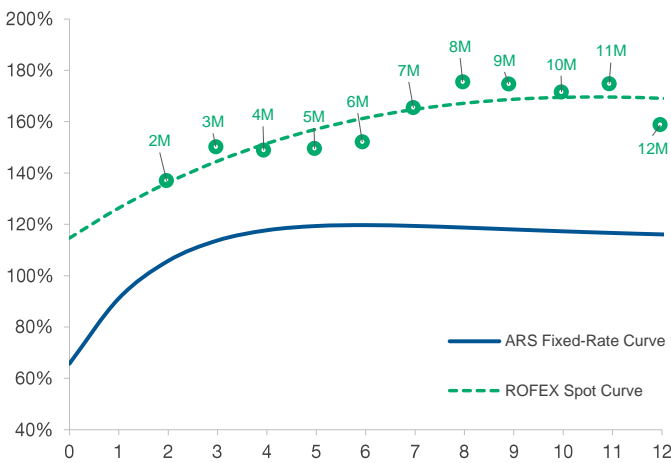
Ledes Yield Curve | YTM



ARS Fixed-Rate Curve | YTM



ROFEX vs. ARS Fixed-Rate Curve | YTM



	Total Return		
	Last Week	Last Month	YTD
S30J3	218	808	3.298
T2V3	227	680	3.963
BADLAR	115	555	2.911

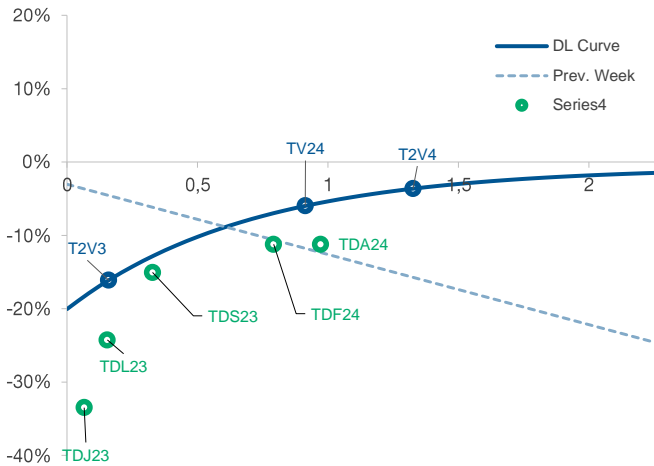
	2-jun.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S30J3 - LEDE 06/30/23	0,1	88,9	94,4	-	218	218	-	808	808	-	3.298	3.298
S31L3 - LEDE 07/31/23	0,1	94,1	87,7	-	19	19	-	767	767	-	701	701
TO23	0,3	118,3	75,5	34	332	367	169	368	537	1.051	1.437	2.489
TO26	1,1	113,0	19,7	106	-127	-21	503	-712	-209	2.838	-2.296	542

## Dollar-Linked Securities Curve

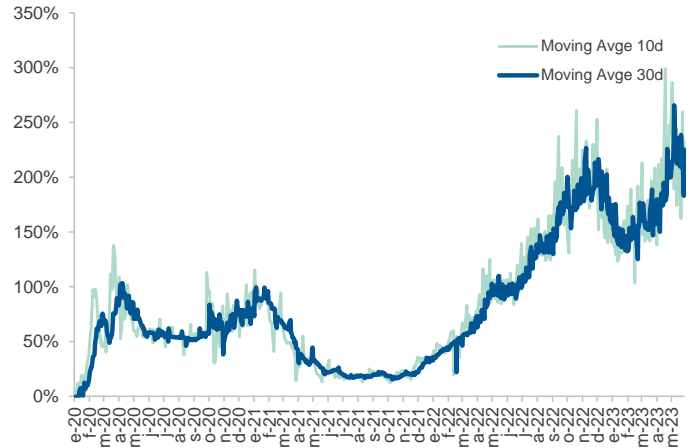
**Bolis had a mixed week, with an average total return of +50bps.**

Bolis had a mixed week, with an average total return of +50bps. The annualized official FX devaluation rate (10-day moving average) was 209.6%. In this context, Bolis accumulated +213bps of FX effect on average. The Boli23 due in July accumulated a clean price variation of +10bps, the Boli24 due in April -287bps, and the Boli24 due in September -213bps. In this context, the total return was, +227bps, -76bps, and 0bps, respectively.

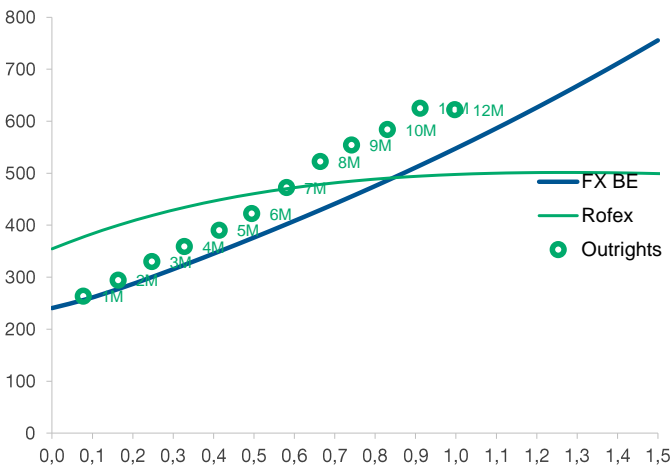
### Dollar-Linked Curve | YTM



### Official FX Dev. Rate Annualized | Moving Avc



### Official FX & Rofex | Break-Evens & Outrights



	2-jun.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
<b>TDJ23</b>	0,1	-14,6	24839,0	24863,1	-16,1	-148,7	-0,2
<b>TDL23</b>	0,2	-13,9	25180,0	25024,4	-10,7	316,1	1,2
<b>TDS23</b>	0,3	-7,9	25390,0	24932,6	-2,6	521,3	3,4
<b>TDF24</b>	0,8	-7,1	26300,0	23469,1	8,1	1521,6	19,3
<b>TDA24</b>	1,0	-0,1	26150,0	22735,9	0,1	1533,7	15,5

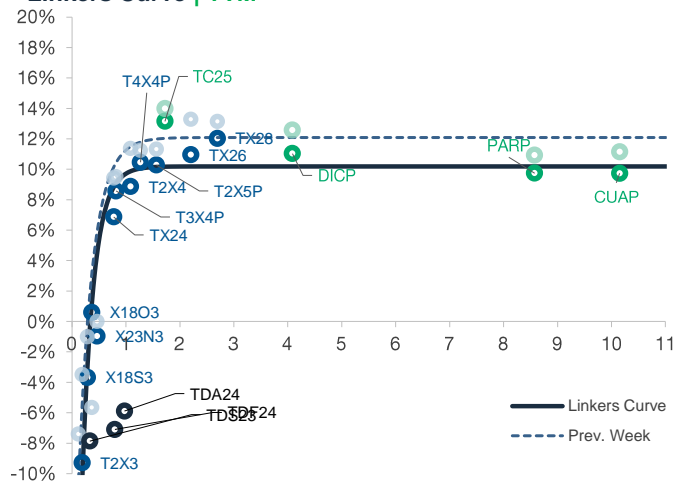
	2-jun.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
<b>T2V3</b>	0,2	-16,1	24.575,0	0	10	217	227	0	-14	694	680	0	273	3.690	3.963
<b>TV24</b>	0,91	-6,0	25.400,0	1	-287	211	-76	3	322	718	1.043	19	2.141	4.367	6.527
<b>T2V4</b>	1,33	-3,6	25.299,0	1	-213	212	0	-	-	-	-	-	-	-	-

## Inflation-Linked Securities Curve

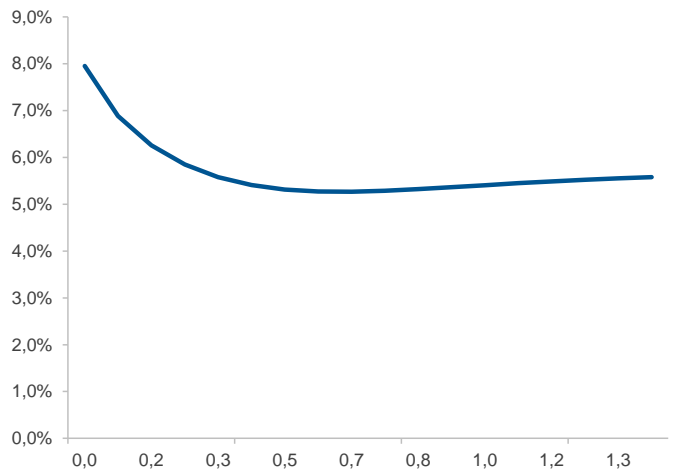
**Linkers' total return was around +427bps on average, driven by +184bps of inflation effect and a mixed clean price variation.**

Linkers' total return was around +427bps on average, driven by +184bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +219bps, resulting from +37bps of clean price variation, +1bps of carry, and +181bps of inflation effect. The belly accumulated nearly +418bps of total return, on the back of +6bps of weekly carry, +228bps of clean price variation, and +184bps of inflation effect. Lastly, in the back-end, the total return was +1,255bps, resulting from +11bps of weekly carry, +199bps of inflation effect, and clean price variations of +1,045bps. In terms of the Duos, the total return closed at +190bps. In this context, the top-performers in the linkers space were (i) TX24 in the front-end, with +395bps total return; (ii) TX26 in the belly, with +726bps total return; and (iii) CUAP in the back-end, with +1,850bps. Finally, the monthly inflation break-evens stand near 6.9% for the shortest tenors and converge towards 5.6% by end-2023.

Linkers Curve | YTM



Inflation Break-Even | Break-Evens



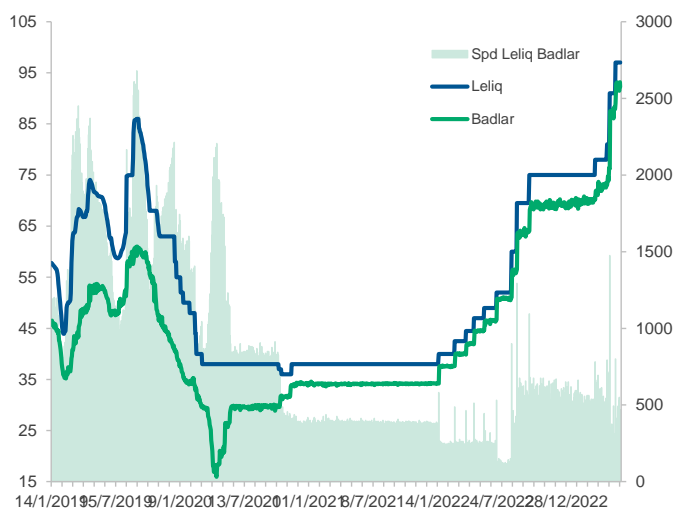
	2-jun.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X16J3	0,0	-37,2	176,9	0	16	180	196	0	29	778	806	0	347	3.659	4.006
X18L3	0,1	-12,4	118,8	0	34	180	215	0	105	784	889	0	276	1.770	2.046
X18S3	0,3	-3,6	165,1	0	73	181	255	0	113	784	898	0	487	3.709	4.196
X18O3	0,4	0,6	103,4	0	-238	176	-63	-	-	-	-	0	79	360	439
X23N3	0,5	-1,0	102,0	-	-	-	-	-	-	-	-	0	279	108	387
T2X3	0,2	-9,3	448,0	2	129	182	314	12	107	785	903	63	447	3.717	4.226
TX24	0,8	6,9	462,5	3	208	184	395	13	218	793	1.024	71	660	3.795	4.525
TC25	1,7	13,2	913,0	8	153	183	343	37	1	779	817	197	-119	3.564	3.643
T2X4	1,1	8,9	335,4	3	291	185	479	14	499	815	1.329	76	656	3.795	4.527
T3X4P	0,8	8,6	115,0	7	80	181	268	32	180	792	1.004	4	223	2.014	2.241
T4X4P	1,3	10,5	110,0	7	91	182	280	37	432	812	1.280	5	159	2.001	2.165
T2X5P	1,6	10,3	108,0	8	96	182	286	41	619	827	1.486	3	326	2.033	2.362
TX26	2,2	11,0	352,3	4	532	190	726	21	708	832	1.561	112	821	3.867	4.800
TX28	2,7	12,0	328,0	5	353	186	544	25	457	813	1.295	130	381	3.717	4.227
DICP	4,1	11,0	6941,0	13	649	192	854	64	1.080	864	2.009	314	129	3.693	4.136
PARP	8,6	9,7	3298,0	6	859	195	1.060	32	1.087	862	1.981	169	1.119	3.992	5.280
CUAP	10,2	9,7	4500,0	13	1.627	209	1.850	64	1.666	910	2.640	356	2.002	4.370	6.729
TDJ23	0,1	-14,6	24839,0	0	45	181	226	0	-26	774	748	1	256	3.628	3.885
TDL23	0,2	-13,9	25180,0	0	24	180	205	1	72	781	854	1	420	3.686	4.107
TDS23	0,3	-7,9	25390,0	0	-93	178	85	1	-79	769	691	1	705	3.786	4.493
TDF24	0,8	-7,1	26300,0	0	62	181	243	1	635	825	1.461	1	1.955	4.229	6.186
TDA24	1,0	-5,9	26150,0	0	32	180	213	0	551	818	1.370	-	-	-	-

## Sub-Sovereign FRNs

**This week, the provincial floating rate curve had a total return performance between -7 and +148bps.**

This week, the provincial floating rate curve had a total return performance between -7 and +148bps. BDC28 with a total return of -7bps, with a change in clean price close to -143bps and a carry around +136bps. BDC24's total return was +148bps, where +20bps was in terms of clean price change and +129bps of carry. On the BUENOS side, the performance of the Buenos 25 had a total return of +126bps, given a change of the clean price of around -23bps and a carry of +148bps.

### Leliq & Badlar Rates | Rates



	2-jun.-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	139,3	115,0	129	20	148	593	302	895	3.277	-453	2.823
BDC28 - BDC 2/22/28	1,0	144,0	99,9	136	-143	-7	645	498	1.143	3.451	-845	2.605
PBA25 - BUENOS 4/12/25	0,7	123,0	97,9	148	-23	126	684	204	888	3.220	-1.968	1.252

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