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Strategy - Argentina

July 17, 2023

Weekly Strategy Brief

Trade Book

New Trades

Trade	Trade Details	Rationale
LCD		
Buy T2X5P	Open PX: 123 Target PX: 126	Opening Date: 17/07/23
We like this trade as it offers an attractive carry, and shares similar risks with larger notes, but forward rates jumps between 2024-2025.		

Open Trades

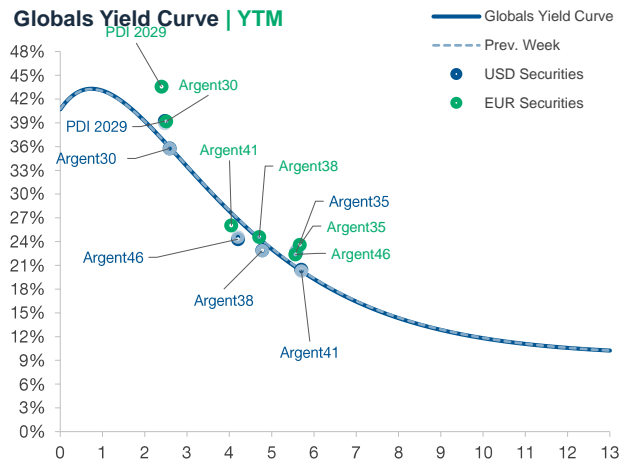
Trade	Trade Details	Rationale
EXD		
Buy AL30 Sell GD30	Open Spread: 5.7 Current Spread: 6.4 Target Spread: 3.5	Opening Date: 05/06/23 TR AL30: +2,493bps GD30: -2,000bps
We maintain this trade given that (i) with the new line from the PBOC swap we believe that the chances of the government timely facing 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.		

Global-Law Securities Curve

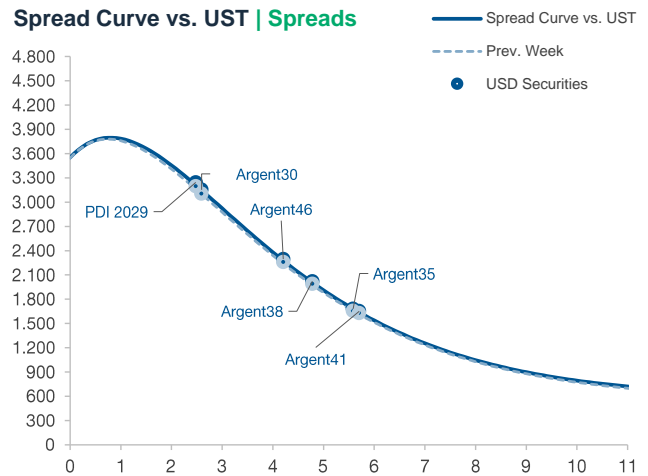
The global-law curve had a positive week with total returns ranging between -55bps and +143bps.

The global-law curve had a positive week with total returns ranging between -55bps and +143bps. The old indenture reported total returns of +21bps for Argent38 and -55bps 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 +49bps. In this context, the front-end is trading near 32.45c (+0.15c compared to last week), while the back-end is trading near 29.45c (+0.35c). The Argent30 vs. Argent35 spread closed at 3.00c (-0.20cwo), above its historical average of 3.08c. 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 (-0.17c)—below its historical average of 4.80c—and it dropped to 1.4c for Argent41 (-0.52c)—below its historical average of 3.20c.

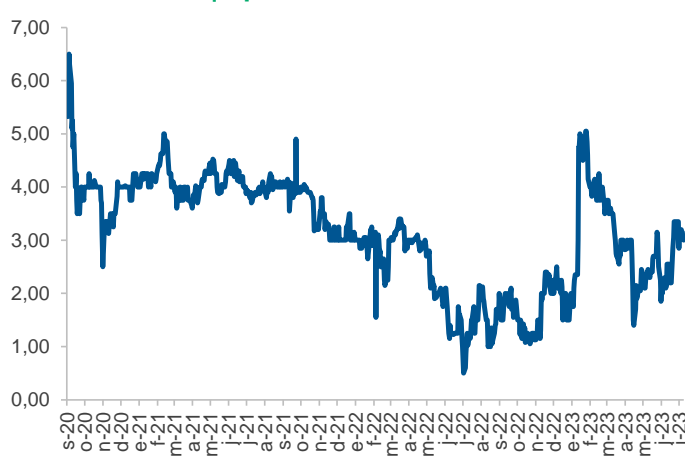
Globals Yield Curve | YTM



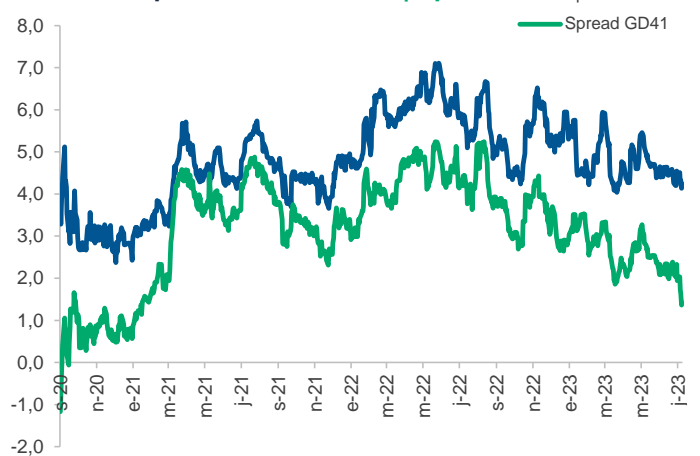
Spread Curve vs. UST | Spreads



GD30 vs. GD35 | Spreads



Indenture Spread GD38 & GD41 | Spreads



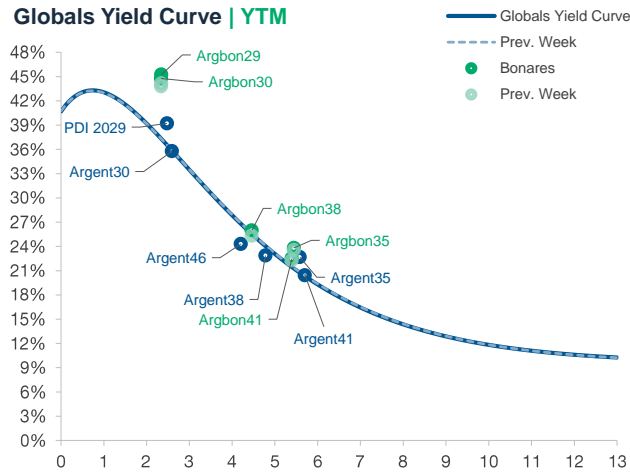
	14-Jul.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
PDI 2029	2,5	39,2	31,75	6	-15	-9	29	1.161	1.190	201	1.869	2.071
Argent30	2,6	35,8	32,45	3	46	49	14	1.316	1.330	99	1.908	2.007
Argent38	4,8	22,9	34,50	21	0	21	97	838	934	633	698	1.331
Argent46	4,2	24,3	29,70	10	133	143	45	1.056	1.101	307	1.423	1.730
Argent41	5,7	20,4	30,75	21	-76	-55	96	660	756	647	696	1.343
Argent35	5,6	22,7	29,45	10	117	127	46	1.065	1.111	310	1.437	1.747

Local-Law Hard Currency Securities Curve

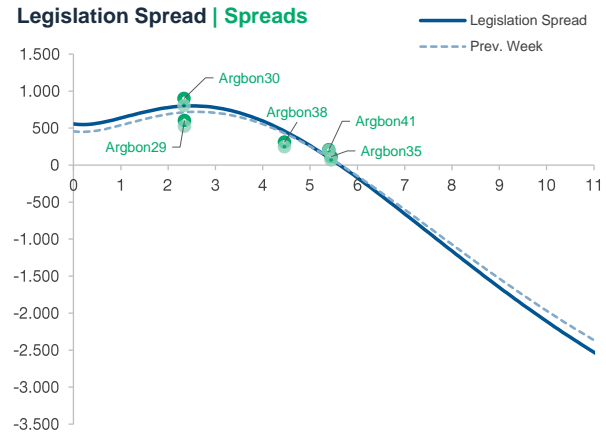
This week, total returns in the local-law curve were positive ranging between -57 and +539bps.

This week, total returns in the local-law curve were positive ranging between -57 and +539bps. Bonar38 and Bonar41 showed a total return of +386bps and +539bps, respectively. In the back-end, Bonar35 showed a total return of +178bps. Finally, in the front-end, the performance of the Bonar30 presented a total return of -57bps. In this context, the front-end is trading near 26.05c (-0.40c compared to the previous week), and the back-end is trading near 27.75c (-0.25c). The Bonar30 vs. Bonar35 spread closed at -1.70c (-0.15c) and is still below its historical average at 1.10c. Lastly, the legislation spread (Argent30 vs. Bonar30) grew to 6.40c (+0.55c), above its historical average of 3c.

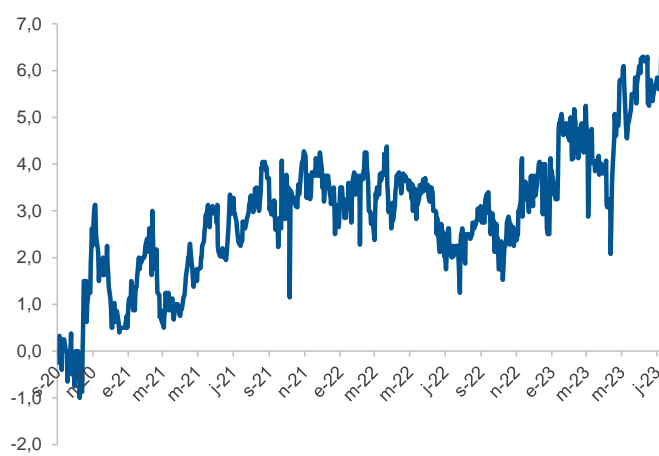
Globals Yield Curve | YTM



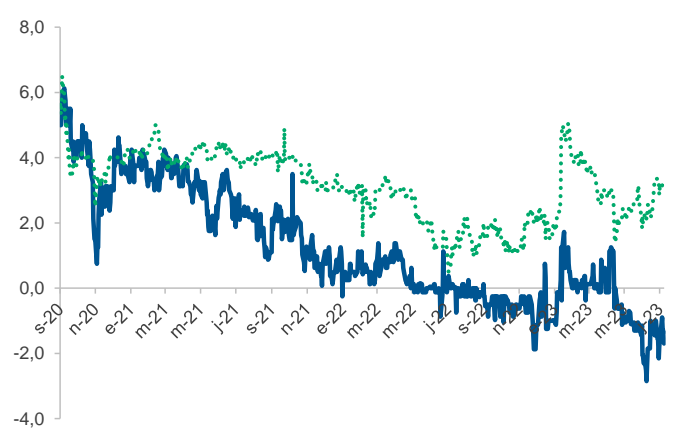
Legislation Spread | Spreads



GD30 vs. AL30 | Spreads



AL30 vs. AL35 | Spreads



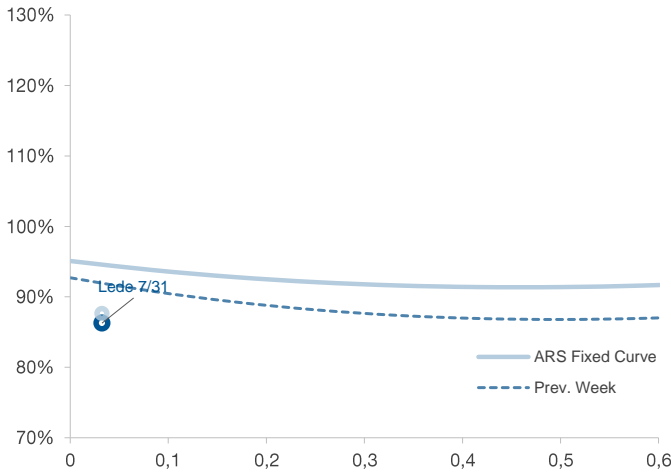
	14-Jul.-23			Última Semana			Último Mes			Acumulado del Año		
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PDI 2029 AL	2,3	45,2	27,50	7	-7	0	34	1.278	1.312	220	1.207	1.427
Argent30 AL	2,3	44,8	26,05	4	-60	-57	19	1.722	1.740	110	624	734
Argent38 AL	4,5	26,0	30,00	24	361	386	108	626	734	637	-656	-20
Argent41 AL	5,4	22,5	27,50	24	515	539	108	724	831	672	-85	587
Argent35 AL	5,4	23,8	27,75	10	168	178	49	1.236	1.286	317	997	1.314

ARS Fixed-Rate Securities Curve

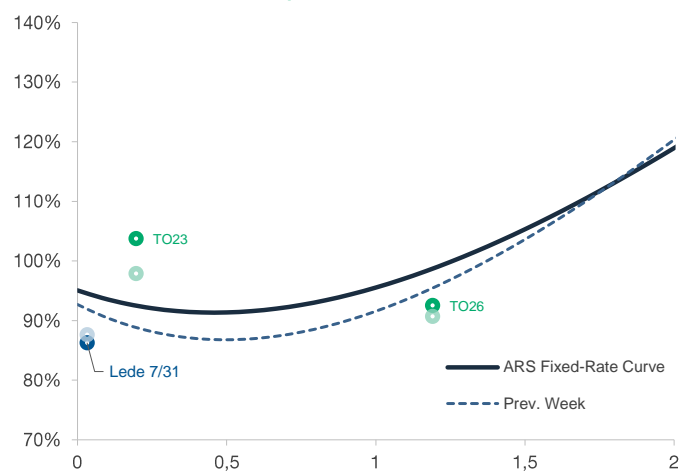
The performance on the Lede was positive, with a total return of +175bps. For the Botes, the total return was mixed. The Lede of July reported a total return of +175bps. In the case of Bote23, the total return was +127bps, given +93bps of clean price variation and +34bps of carry. Bote26's total return was -62bps given a change in the clean price of -156bps and a carry of +94bps. 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 +175bps.

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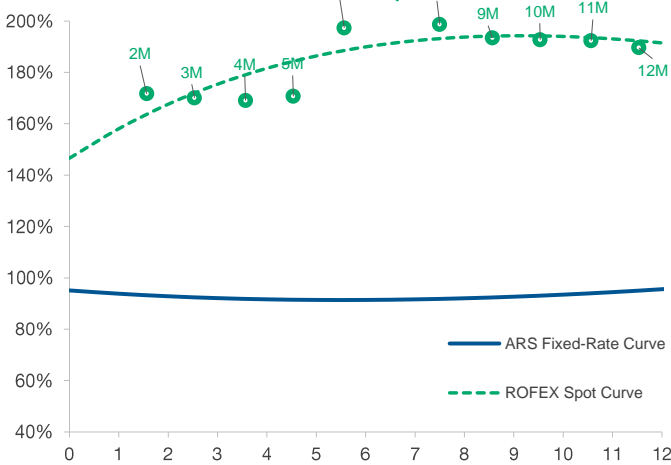
Ledes Yield Curve | YTM



ARS Fixed-Rate Curve | YTM



ROFEX vs. ARS Fixed-Rate Curve | YTM



	Total Return		
	Last Week	Last Month	YTD

S31L3	175	806	1.860
T2V3	-26	469	5.102
BADLAR	134	574	3.715

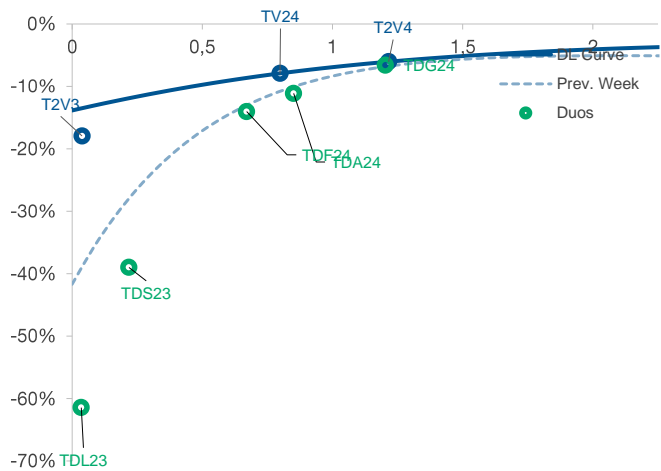
	14-jul.-23			Last Week			Last Month			YTD		
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Total Return (bps)
S31L3 - LEDE 07/31/23	0,0	86,3	97,3	-	175	175	-	806	806	-	1.860	1.860
TO23	0,2	103,7	86,8	34	93	127	159	753	912	1.342	2.907	4.249
TO26	1,2	92,5	27,4	94	-156	-62	521	2.362	2.882	3.623	237	3.860

Dollar-Linked Securities Curve

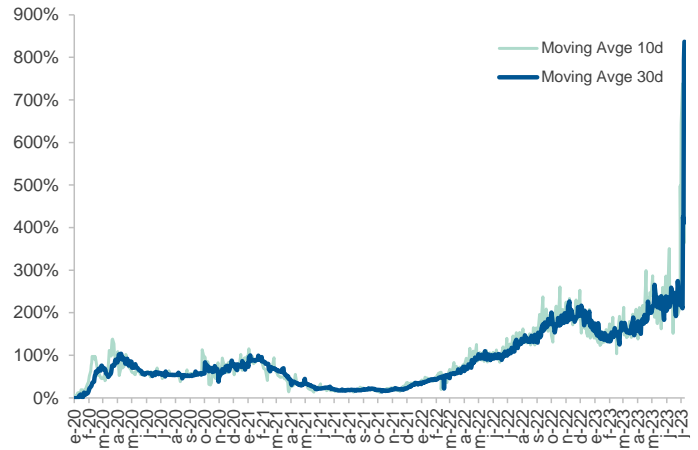
Bolis had a bad week, with an average total return of -12bps.

Bolis had a bad week, with an average total return of -12bps. The annualized official FX devaluation rate (10-day moving average) was 364.5%. In this context, Bolis accumulated +157bps of FX effect on average. The Boli23 due in July accumulated a clean price variation of -183bps, the Boli24 due in April -235bps, and the Boli24 due in September -89bps. In this context, the total return was, -26bps, -79bps, and +70bps, respectively.

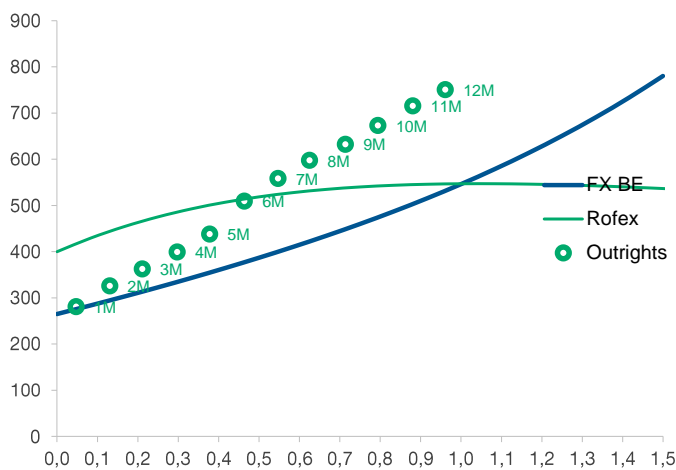
Dollar-Linked Curve | YTM



Official FX Dev. Rate Annualized | Moving Avc



Official FX & Rofex | Break-Evens & Outrights



	14-jul.-23			Pure CER Valuation		Implied Option Value	
	MD	YTM	PX (Conv.)	PX	YTM	BPS	USD (Official fixing)
TDL23	0,0	-23,0	27725,0	27306,7	4,7	2767,8	3,1
TDS23	0,2	-26,4	29400,0	27255,9	4,8	3128,1	16,1
TDF24	0,7	-7,4	29100,0	26203,4	9,3	1663,8	19,8
TDA24	0,9	-6,5	29070,0	25483,5	10,1	1651,9	16,3
TDG24	1,2	-3,8	28590,0	24294,1	10,8	1459,7	17,6

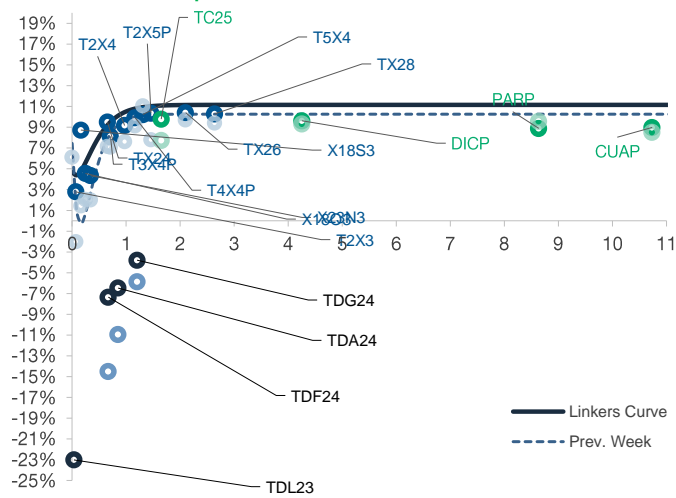
	14-jul.-23			Last Week				Last Month				YTD			
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	FX (bps)	Total Return (bps)
T2V3	0,0	-18,0	26.580,0	0	-183	156	-26	0	-216	685	469	0	89	5.013	5.102
TV24	0,80	-7,9	28.275,0	1	-235	156	-79	3	357	725	1.086	25	2.266	6.107	8.398
T2V4	1,22	-6,1	28.650,0	1	-89	158	70	4	496	735	1.235	-	-	-	-

Inflation-Linked Securities Curve

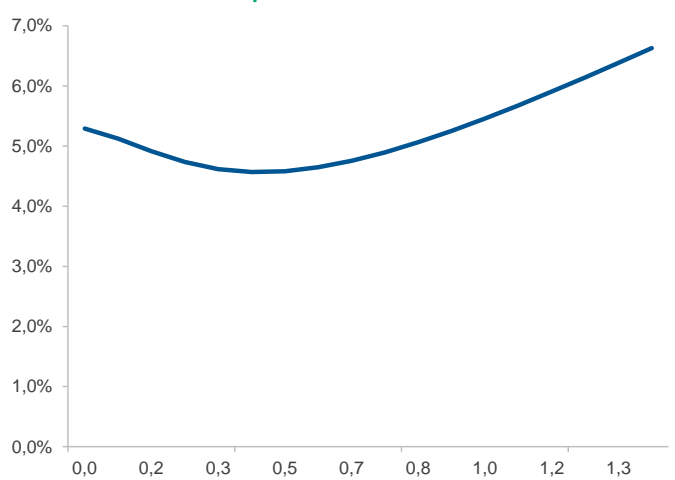
Linkers' total return was around +103bps on average, driven by +176bps of inflation effect and a mixed clean price variation.

Linkers' total return was around +103bps on average, driven by +176bps of inflation effect and a mixed clean price variation. Total returns in the front-end averaged +93bps, resulting from -85bps of clean price variation, +2bps of carry, and +175bps of inflation effect. The belly accumulated nearly +35bps of total return, on the back of +8bps of weekly carry, -147bps of clean price variation, and +174bps of inflation effect. Lastly, in the back-end, the total return was +158bps, resulting from +8bps of weekly carry, +176bps of inflation effect, and clean price variations of -26bps. In terms of the Duos, the total return closed at +153bps. In this context, the top-performers in the linkers space were (i) X18L3 in the front-end, with +145bps total return; (ii) T4X4P in the belly, with +97bps total return; and (iii) PARP in the back-end, with +670bps. Finally, the monthly inflation break-evens stand near 5.3% for the shortest tenors and converge towards 4.6% by end-2023.

Linkers Curve | YTM



Inflation Break-Even | Break-Evens



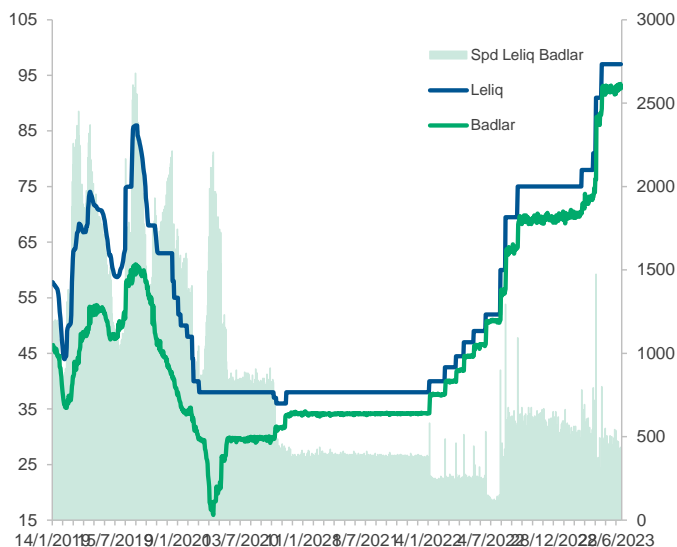
	14-Jul.-23		Last Week				Last Month				YTD				
	MD	YTM	PX (Conv.)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)	Carry (bps)	Δ Clean PX (bps)	Cer (bps)	Total Return (bps)
X18L3	0,0	65,9	131,3	0	-31	176	145	0	-9	795	786	0	197	3.117	3.314
X18S3	0,2	8,9	180,9	0	-133	174	42	0	-166	783	616	0	317	5.238	5.555
X18O3	0,2	4,6	115,2	0	-59	176	117	0	-143	785	642	0	86	1.550	1.636
X23N3	0,3	4,4	111,8	0	-98	175	78	0	-193	781	587	0	111	1.269	1.380
T2X3	0,1	2,8	492,0	3	-43	176	136	12	-84	790	718	80	282	5.261	5.624
TX24	0,7	9,5	515,0	3	-136	174	41	13	234	816	1.062	90	637	5.447	6.174
TC25	1,6	9,8	1099,0	8	-301	172	-122	37	450	835	1.322	251	628	5.524	6.403
T2X4	1,0	9,2	381,0	3	-92	175	86	14	408	830	1.252	97	850	5.558	6.505
T3X4P	0,7	8,1	130,3	7	-93	175	89	32	157	811	1.000	51	349	3.464	3.864
T4X4P	1,2	9,9	125,6	8	-87	175	97	37	419	832	1.288	56	362	3.471	3.889
T2X5P	1,5	10,4	123,0	9	-372	170	-193	40	310	824	1.173	60	502	3.518	4.080
TX26	2,1	10,4	407,0	5	-104	175	75	20	476	835	1.332	143	1.195	5.757	7.095
TX28	2,6	10,3	390,0	5	-215	173	-36	24	641	849	1.514	166	1.047	5.693	6.906
T5X4	1,3	10,2	102,0	9	135	179	323	39	124	809	971	-	-	-	-
T3X5	1,3	25,0	90,0	11	-166	174	19	-	-	-	-	-141	-1.472	1.052	-561
DICP	4,3	9,6	8095,0	13	-110	175	78	59	724	858	1.642	401	906	5.741	7.048
PARP	8,6	8,9	4039,0	7	478	185	670	29	654	850	1.534	216	2.186	6.297	8.699
CUAP	10,7	9,0	5460,0	12	-180	174	5	58	1.418	913	2.389	454	3.429	7.049	10.933
TDL23	0,0	-23,0	27725,0	0	-30	176	146	1	-60	791	732	1	301	5.231	5.533
TDS23	0,2	-26,4	29400,0	0	307	182	489	1	-34	793	760	2	1.129	5.651	6.782
TDF24	0,7	-7,4	29100,0	0	-199	173	-26	1	-294	773	479	2	1.876	6.031	7.909
TDA24	0,9	-6,5	29070,0	0	-170	174	3	0	84	803	887	-	-	-	-

Sub-Sovereign FRNs

This week, the provincial floating rate curve had a total return performance between +221 and +476bps.

This week, the provincial floating rate curve had a total return performance between +221 and +476bps. BDC28 with a total return of +221bps, with a change in clean price close to +93bps and a carry around +127bps. BDC24's total return was +298bps, where +171bps was in terms of clean price change and +127bps of carry. On the BUENOS side, the performance of the Buenos 25 had a total return of +476bps, given a change of the clean price of around +338bps and a carry of +138bps.

Leliq & Badlar Rates | Rates



	14-jul.-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	135,6	106,2	127	171	298	583	439	1.022	4.461	-162	4.299
BDC28 - BDC 2/22/28	0,9	138,9	114,2	127	93	221	573	166	739	4.529	-545	3.983
PBA25 - BUENOS 4/12/25	0,8	108,6	95,2	138	338	476	635	620	1.255	4.341	-1.069	3.272

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