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End of Week Recap November 18-22, 2019

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Eurodollar Options & Futures:

**WEEKLY VOLATILITY REPORT:**

This past week has seen market uncertainties tied to the US/China trade deal. On Monday and Tuesday, futures were back and forth, as the market awaited more concrete news between the US and China. On Tuesday, trade volumes were low, as the market was teetering based on Hong Kong protests and Trump's impeachment probe. Wednesday's session saw futures rally to weekly highs as tensions escalated with a senate bill passing backing the protestors in Hong Kong. On Thursday, futures rallied early, then broke based on back and forth trade tensions between the US and China. China announced that they were cautiously optimistic about phase one coming to completion soon. Also, Trump announced possible delays in tariffs. On Friday, future levels across all expiries rallied to start the day, but then broke as stronger than expected data was published for PMI and Michigan Sentiment. Also, Chinese President Xi Jinping believe a trade deal can happen based on the respect the US and China have for each other.

Front month future levels were mixed through the week, with Dec settling -1.75 bps, Mar settling -2.0 bps, Jun settling unchanged, & Sep settling +1.0 bps over the week. Mid-Curve (1yr & 2yr) futures followed similarly to front months, settling within the same range. Long dated red futures rallied more significantly, settling +2.5 tics, +4.0 tics, +5.0 tics, & +5.5 tics, respectively in the quarterly months. Long dated green futures continued the upward trend more drastically: EDZ1 +5.5, EDH2 +6.0, EDM2 +6.5, and EDU2 +6.5, from respective levels entering the week.

In the week ahead, we will see data released on annualized GDP (27-Nov), Durable Goods (27-Nov), and Jobless Claims (27-Nov, due to the holiday). All interest rate pits (E\$, TU, FV, TY, US) will be closed on Thursday, 28-Nov in observance of Thanksgiving in the US, and the same pits will close early on Friday, 12:00 pm CST.

**LIBOR week change: 1.90263 up to 1.91725 (up 1.462 basis points from Monday)**

**Volume:** *Eurodollar Total Volume of 4.4 million contracts (down from last week's volume of 5.6 million)  
Calls out paced puts 1.41:1*

**MAJOR TRADES & OPEN INTEREST MOVEMENTS:**

- E\$ EDG0/EDH0 98.375/98.25/98.125 put fly strip paper paid 9.5 up to 10 on 40k
  - New risk & new position
- E\$ EDG0/EDH0 98.50 call spread paper paid 1 on 55k (+EDH0)
  - New risk & new position
- E\$ OEG0/OEH0 98.75 call spread paper paid 2 on 35k (+OEH0)
  - New risk & new position
- E\$ OEF0 98.375/98.25 put spread vs 98.75 call paper sold 50k @ 0.5 (-98.75 call)
  - New risk & new position
- E\$ OEG0 98.50 call (1x) vs OEF0 98.75 call (3x) as a spread paper sold 40k @ 1 (-OEG0 98.50 call 1x)
  - Liquidation (OEG0 98.50 call) & New risk (OEF0 98.75 call)

- E\$ EDH0 98.375/98.50 put spread w/ EDH0 98.125/98.00 put spread as a strip ref EDH0 @ 98.345 31% delta paper paid 8 on 30k
  - **New risk**
- E\$ EDM0 98.50/98.75 call spread vs EDM0 98.375/98.125 put spread paper paid 1 on 80k (+cs)
  - **New risk**
- E\$ EDZ9 98.125 call paper sold 20k @ 2.75
  - **New risk**
- E\$ 2EH0 97.375 put paper paid 0.25 on 40k
  - **Liquidation**
- E\$ 3EZ9 98.25/98.75 combo ref EDZ2 @ 98.51 20% delta paper paid 1 on 30k (+98.75 call)
  - **New risk**
- E\$ EDZ9 98.375 call ref EDZ9 @ 98.105 5% delta paper paid 0.25 on 30k
  - **New risk**
- E\$ EDH0 98.00 put paper paid 0.75 on 40k
  - **New risk**

#### **SKEW:**

**Fronts:** The skew curve in December stayed relatively unchanged, with wing skew in both calls and puts catching a bid, up 5-6 bps. In January, put skew stayed unchanged from entering the week, and call skew caught a bid in strike above the 98.50 call. In EDG0 close to ATM calls were offered, 2-5 tics, and normalizing beyond the 98.75 call. Note the 98.50 call in EDG0 which was sold in 55k as new risk, which fell 4 bps. In March, April, & June, ATM vol went offered, and wing skew were bid. May was just listed, and the curve follows a smile curve. EDU0 skew followed an “S” shape, and OTM puts caught a bid, below the 98.375 put. Calls are rich to puts across all expiries.

**Reds:** Skew stayed relatively unchanged across all long-dated red expiries. In EDZ0, skew caught a light bid, up 1.0-1.5 tics across all strikes. March’s skew followed similar trends to Decembers, but caught a bid, up ~2 tics. June’s volatility skew increased up to 2 tics for puts, and roughly a tic in calls. Lastly, in EDU1, put volatility was bid 1.5 tics, and was unchanged in calls, flattening the overall skew curve. All skews were “S” shaped, and calls were rich to puts across all expiries.

**1-Year Mid Curve:** In OEZ9 and OEF0, wing skew was bid up, with ATM vol unchanged. In February, March, & April, OTM put skew caught a bid below the 98.125 put. In May, skew is relatively flat, favoring calls, as it has just been listed this past week. In June, ATM vol caught a bid +2 tics, and OTM put vol below 98.00 caught a bid, up 5 tics. September skew was unchanged and puts in OEZ0 caught a bid. All skews, expect September and Mullet December, followed “smile” curves, with the aforementioned following an “S” shaped skew.

**2-Year Mid Curve:** Skew in December though March saw ATM vol offered 4-5 bps, and wing skew bid 5 bps, exaggerating the “smile” curve. In April, skew was offered between the 97.875 put and through all calls, reaching a low point at the 98.25 put (-5 bps), and increasing above said strike. In June, skew was offered across the board, with ATM skew decreasing 2.5 bps. September followed suit with June, with ATM vol down 1.5 tics. Calls were rich to puts in all expiries.

#### **Treasury Options & Futures:**

**Volume:** *TY Total Volume 3.1 million contracts (up 500k contracts from last week)*

*Calls out paced puts 1.18:1*

*FV Total Volume 1.2 million contracts (up from 700k million contracts last week)*

*Puts out paced calls 2.21:1*

#### **MAJOR TRADES & OPEN INTEREST MOVEMENTS:**

- TYG 131.50/132.50 call 2x3 ref TYZ @ 129-10 4% delta paper paid 6 on 10k (+131.50 call 2x)

- **New risk**
- TYZ 129.50 put ref TYZ @ 129-26 25% delta paper paid 5 on 10k
  - **New risk**
- FHV 111.00 put paper paid CAB7 on 250k
  - **Fund risk tolerance**
- TYF 132.00 call paper paid 6 up to 8 on 25k
  - **New risk**

#### **SKEW:**

**10-Year:** December options expire this Friday. Skew curve in January was unchanged for the most part, with outlier skew in the 128.00/128.50 puts normalizing into the “smile” shape. In February, skew held its integrity, with the only notable change being in the 132.50 call, where vol caught a bid, increasing 0.09 bps. In March, April, & June, skews were unchanged, with April and June still having low liquidity and trade volumes. In all curves, calls were rich to puts

**5-Year:** December options expire this Friday. In January, ATM volatility was unchanged, and far OTM skew was offered in calls (-0.8 bps) and was bid in calls (+0.7 bps). In February and March, volatility caught a bid in all strikes. In February, ATM skew was bid 0.05 bps, and wing skew was bid up 0.10 bps. In March, vol increased 0.01-0.03 bps across the board. April skew remained unchanged, with small liquidity being provided in this expiry, similar to 10-year April. June skew caught a slight bid, up 0.02 bps, holding its shape integrity, favoring puts to calls. Skews in Jan-Mar favored calls to puts, and in April and June the skew favored puts to calls.