

End of Week Recap January 21 - January 24, 2020

## Eurodollar Options & Futures:

### **WEEKLY VOLATILITY REPORT:**

Monday's session saw futures rally, as the market was shaken as news of the Chinese respiratory illness, Coronavirus, had spread to the US. During Tuesday's session, futures broke as news of containment of the Coronavirus was taking place, but futures then rallied as more cases were announced and the death toll increased. During Wednesday's session, futures rallied as risk fears mount of a wider outbreak of the Coronavirus. Thursday's future rally was tamed as stocks staged a comeback from their morning losses. Entering Friday's session, futures were mostly unchanged, as nerves from the Coronavirus outbreak settled, but soon rallied as news broke that a case of the Coronavirus was reported in Chicago, IL, and in France.

Front month future levels rallied through the week, with Mar settling +3.5 bps, Jun settling +6.5, Sept settling +9.0 bps, & Dec settling +11.5 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 aggressively, settling +13.5 tics, +15.0 tics, +16.0 tics, & +15.5 tics, respectively in the quarterly months. Long dated green futures continued the trend even more so: EDH2 +16.5 bps, EDM2 +17.0 bps, EDU2 +17.5 bps, and EDZ2 +17.0 bps from respective future levels entering the week.

In the week ahead, we will see data reported on December's Durable Goods Orders (27-Jan), FOMC Rate Decision (29-Jan), and GDP Quarter over Quarter growth (30-Jan).

### **FRONT QUARTERLY MONTH ATM VOLATILITY CHANGE:**

*EDH0 98.25 Straddle: 17.23 up to 21.15 (+3.92 this week)*

*EDM0 98.375 Straddle: 31.15 up to 33.85 (+2.35 this week)*

*EDU0 98.50 Straddle: 40.28 up to 42.32 (+2.04 this week)*

*EDZ0 98.50 Straddle: 45.18 up to 47.52 (+2.34 this week)*

***LIBOR week change: 1.80625 down to 1.79538 (down 1.087 basis points from Monday)***

**Volume:** *Eurodollar Total Volume of 3.2 million contracts (down from 4.6 million contracts last week)*

*Calls out paced puts 1.54:1*

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

- E\$ EDH0 98.50/98.875 call spread paper paid 0.5 on 30k
  - **New risk**
- E\$ EDM0 98.375/98.50/98.625 call tree paper paid 0.5 up to 0.75 on 15k (+98.375 call)
  - **New risk**
- E\$ EDU0 98.00/97.875 put spread paper paid 0.25 up to 0.5 on 15k
  - **New risk**
- E\$ EDU0 98.00/97.75 put spread ref EDU0 @ 98.395 up to 98.40 5% delta paper paid 0.5 on 20k
  - **New risk**

- E\$ EDU0 98.50 call vs 2EU0 98.75 call as a spread ref EDU0 @ 98.435 40% delta & ref EDU2 @ 98.48 30% delta paper sold 20k @ 1 (-2EU0)
  - **New risk**
- E\$ EDZ0 97.75 put ref EDZ0 @ 98.40 5% delta paper paid 1 on 20k
  - **Liquidation**
- E\$ EDZ0 98.25/98.125/98.00 put tree paper paid 2 up to 2.25 (via legs) on 10k (+98.25 put)
  - **New risk**
- E\$ OEG0 98.375/98.50 call 1x2 w/ OEH0 98.625 call ref EDH1 @ 98.48 20% delta paper paid 7 on 15k (+OEG0 98.375 call & +OEH0 98.625 call)
  - **New risk**

#### **SKEW:**

**Fronts:** In the expiries between March and June, each skew curve caught a bid, increasing between 1 and 2 tics, while holding their respective shapes. In July and September, vol was bid by 2 tics ATM, and up to 4 tics in the wings. In December, the entire curve caught a slight bid with vol increasing by less than 1 tic. In EDN0, EDU0, & EDZ0, each respective curve favored calls to puts in an “S” shape.

**Reds:** March call skew was unchanged throughout the week, while puts caught a slight bid, increasing by up to 2 tics. EDM1’s entire curve caught a bid, with all strike’s vol up between 1 and 3 bps. In EDU1, ATM vol and put vol caught a bid, while close to at the money call skew was unchanged and wing call skew was offered. In Dec, the entire skew caught a bid, up 0.5 tics while holding its integrity. Calls were rich to puts across all expiries.

**1-Year Mid Curve:** In OEH0 the entire skew curve was bid by 5 bps. OEJ0’s skew was unchanged ATM and in calls, while put skew was bid by up to 4 tics. In OEK0 and OEM0, skew caught a bid, up 1-3 tics across all strikes. In OEN0 ATM and call skew was unchanged, while put skew was bid by up to 3 tics at the 98.25 put. In OEU0 call skew was bid by 0.5 tics while put skew was bid between 1 and 3 tics. Lastly, in December, the entire curve was bid between 1 and 2 tics, with OTM put skew catching a bid by up to 5 tics.

**2-Year Mid Curve:** All two-year mid-curve trends followed their respective one-year mid-curve trends, except for 2EK0. In 2EK0, skew caught a bid more aggressively than in OEK0, increasing by up to 5 tics, as opposed to 1-3 tics. Calls were rich to puts across all expiries.

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

**Volume:** *TY Total Volume 3.4 million contracts (up from 2.9 million contracts from last week)*

*Calls out paced puts 1.67:1*

*FV Total Volume 700k contracts (up from 500k contracts last week)*

*Calls out paced puts 1.52:1*

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

- TYG0 129.00/129.50 call spread paper sold 50k @ 23 down to 21
  - **New risk (129.00 call) & Liquidation (129.50 call)**
- TYG0 130.50 call paper sold 50k @ 1
  - **Liquidation**
- TYH0 128.50/128.00 put strip 1x1.15 paper paid 17.9 on 15k
  - **New risk**
- TYJ0 128.00/127.00 put 2x1 vs 131.00 call 2x ref TYH0 @ 129-145 84% delta paper sold 10k @ 1 (-128.00 put 2x)
  - **New risk**

**SKEW:**

**10-Year:** In March and April, skew was bid in all strikes of note, up by 0.5 tics and 0.3 tics in puts and calls, respectively. May's skew curve followed suit similarly, but to a less degree as puts were bid by 0.15 tics and calls were bid by 0.05 tics.

**5-Year:** All Five-Year trends followed those of their respective 10-Year counterpart.

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