
End of Week Recap December 16-20, 2019

Eurodollar Options & Futures:

WEEKLY VOLATILITY REPORT:

Monday's session yielded low trade volumes, with futures breaking, as US economic outlook was positive, due to expectations that a partial trade deal between the US and China would result in easing of economic risks. Tuesday's session saw low volumes traded. Futures were mostly unchanged throughout the day, finishing no further than 0.5 tic away from futures levels entering the session. Economic data regarding PMI and Housing beat expectations. During Wednesday's session, trade volumes picked up to over a million contracts traded, and futures fell across all expiries as the S&P 500 and NASDAQ reached record levels. Entering Thursday's session, future levels fell as BOE's rate decision signaled a halt in central bank rate easing across the board. Throughout the session, futures rallied from early morning lows and ended the day up across the board. Friday's session saw futures break throughout the day, as GDP data met expectations, showing strength in the economy. Friday's volumes were muted heading into a holiday week.

Front month future levels were mixed through the week, with Mar settling -3.0 bps, Jun settling -6.0, Sept settling -8.0 bps, & Dec settling -8.0 bps over the week. Mid-Curve (1yr & 2yr) futures followed similarly to front months, settling within the same range. Long dated red broke more across the board, settling -8.5 tics, -9.0 tics, -9.5 tics, & -9.5 tics, respectively in the quarterly months. Long dated green futures continued the downward trend more drastically: EDH2 -9.5 bps, EDM2 -9.5 bps, EDU2 -10.0 bps, and EDZ2 -11.0 bps from respective future levels entering the week.

In the week ahead, we will see data reported on Durable Goods (23-Dec) & New Home Sales (23-Dec). Tuesday's session (24-Dec) will close early in observation of Christmas Eve, and the trading floor will be closed on Wednesday (25-Dec), in observation of Christmas.

FRONT QUARTERLY MONTH ATM VOLATILTY CHANGE:

EDH0: 19.68 up to 20.08 (+0.4 this week)

EDM0: 24.94 down to 21.51 (-3.43 this week)

EDU0: 38.94 down to 36.48 (-2.46 this week)

EDZ0: 45.19 down to 44.23 (-0.96 this week)

LIBOR week change: 1.89850 up to 1.93475 (up 3.625 basis points from Monday)

Volume: *Eurodollar Total Volume of 3.5 million contracts (down from 6.3 million contracts last week)*
Calls out paced puts 1.82:1

MAJOR TRADES & OPEN INTEREST MOVEMENTS:

- E\$ EDH0 98.25/98.375/98.50 call spread paper paid 1.25 on 75k
 - New risk
- E\$ EDH0 98.875 call paper paid 0.25 on 30k
 - Liquidation

- E\$ EDU0 98.75/98.875 call strip paper paid 8.5 on 16k
 - **New risk**
- E\$ EDU0 98.75/99.00 call 1x2 paper paid 00 on 10k (+98.75 call 1x)
 - **New risk**
- E\$ EDU0 98.75/99.00 call spread vs 98.125 put paper paid 00 on 30k (+cs)
 - **New risk**
- E\$ EDZ0 98.75/99.00/99.25 call tree paper paid 2.5 on 10k (+98.75 call)
 - **New risk**
- E\$ EDZ0 98.75/99.00 call spread ref EDZ0 @ 98.38 10% delta paper paid 3.5 on 10k
 - **New risk**
- E\$ OEF0 98.375/98.50 strangle paper paid 6.5 on 35k
 - **New risk**

SKEW:

Fronts: In EDF0, EDG0, & EDH0, ATM vol was largely unchanged, with wing skew catching a slight bid of up to 5 bps. In April, May, and June, ATM vol fell by 3 tics, 7 tics, and 5 tics, respectively. In each of the three expiries, wing skew fell by 1-3 tics. In EDJ0, EDK0, and EDM0 skew was rich in calls over puts, holding its “smile” shape. In September and December, put skew and ATM skew was offered, and call skew caught a bid, steepening the “S” shaped curve. In Jan, Feb, Mar, Sept, and Dec, calls were rich to puts.

Reds: In March, Skew below the 98.875 call was offered by 2-3 tics, and above the 98.875 call, skew was unchanged. In EDZ1, skew fell by 1-2 tics across all strikes, with the overall curve holding its integrity. In EDU1 & EDZ1, put volatility was offered, down 2 tics, and call volatility caught a bid, up 0.5 tics. Calls were rich to puts across all red expiries.

1-Year Mid Curve: In OEF0, ATM volatility was offered a few tics, and wing skew caught a bid, up 10 and 30 tics in puts and calls, respectively. Within 2 strikes of being ATM, calls were rich to puts, and beyond two strikes OTM, puts were rich to calls. In OEG0 and OEH0, the entire skew curve was offered, down roughly 3-8 bps across all strikes. In April, skew was offered across all strikes, bottoming out at the 98.125 put, which decreased by 4 tics. In May, call skew was unchanged, and put skew was offered by up to 8 tics. This volatility movement furthermore richened calls to puts, as put vol bottoms out at the 98.125 strike, with volatility increasing in both directions from there. In June, skew was unchanged, favoring calls to puts in an “S” shape. In OEU0, call skew was unchanged, with put skew being offered, decreasing by 5 tics in deep OTM puts. In Short December, wing skew in December was offered, and wing skew in calls was bid, steepening the curve’s bias towards calls.

2-Year Mid Curve: January and February’s skew curves followed one-year mid curve trends. In March, ATM skew was bid by 2 tics, with wings fluctuating slightly from levels entering the week, but continuing to hold the “smile” shape skew. In April and May, puts were offered by 3 tics, and calls were bid by 5 tics. ATM vol caught the bid across calls, as volatility increased by 4 bps. In June, the skew curve held its integrity, but the entire curve was bid by 3 tics. In Sept and Dec, all strikes above 97.875 were bid by 2 tics, and all puts below 97.875 were offered by 1-3 tics, steepening the skew’s preference towards calls.

Treasury Options & Futures:

Volume: *TY Total Volume 3.2 million contracts (down from 4 million contracts from last week)*

Calls out paced puts 1.28:1

FV Total Volume 600k contracts (down from 800k contracts last week)

Calls out paced puts 1.39:1

MAJOR TRADES & OPEN INTEREST MOVEMENTS:

- TYF 130.00 call paper paid 1 on 75k
 - **Liquidation**
- TYF/TYG 130.00 call spread paper sold 55k @ 12 (-TYG)
 - **Liquidation (bought in as new risk last week)**
- TYG 129.000/130.00 call spread paper paid 13 on 45k
 - **New risk (129.00) & liquidation (130.00)**
- TYG 127.00 put paper paid 14 on 45k
 - **New risk**
- TYH 130.00 call paper sold 20k @ 25
 - **New risk**

SKEW:

10-Year: In January, ATM vol fell by 0.8 tics, with wing skew in puts following suit. In calls, all strikes below 129.50 were offered, and above 129.50 volatility caught a bid. In February, ATM skew was offered by 0.15 bps, while wing skew was unchanged. Lastly, in March, the entire skew curve was offered by 0.1 basis points, while holding its integrity throughout the week. Calls were rich to puts across all expiries.

5-Year: In January, ATM skew was offered by 0.4 bps. As well in FVFO, put skew was unchanged down to the 117.25 put, but was offered slightly below the 117.25 put. In February, the skew curve's "smile" shape steepened, with ATM vol falling 0.12 tics, and wing skew decreasing by 0.03 basis points. March's skew curve was offered entirely, by 0.12-0.22 across all strikes. Calls were rich to puts across all expiries.

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