
End of Week Recap January 13 - January 17, 2020

Eurodollar Options & Futures:

WEEKLY VOLATILITY REPORT:

Entering the week, volumes were down on Monday and Tuesday, with futures falling during Monday's session, and futures rallying back on Tuesday. Wednesday's session saw volumes fall, as future levels teetered between unchanged entering the day. During Thursday's session, futures fell, as the three major stock indices rallied towards all time highs, continuing trends from late 2019. On Friday, futures broke, steepening the curve, as economic data proved the US economy is still stronger.

Front month future levels fell through the week, with Mar settling -2.0 bps, Jun settling -2.0, Sept settling -2.0 bps, & Dec settling -2.0 bps over the week. Mid-Curve (1yr & 2yr) futures followed similarly to front months, settling within the same range. Long dated red futures fell within the same range, settling -2.5 tics, -2.0 tics, -2.0 tics, & -1.5 tics, respectively in the quarterly months. Long dated green futures continued the downward trend on a similar level: EDH2 -1.5 bps, EDM2 -2.0 bps, EDU2 -1.5 bps, and EDZ2 -1.5 bps from respective future levels entering the week.

In the week ahead, we will see data reported on December's Existing Home sales (22-Jan), and January's PMI (24-Jan).

FRONT QUARTERLY MONTH ATM VOLATILITY CHANGE:

EDH0 98.25 Straddle: 19.92 down to 17.23 (-2.69 this week)

EDM0 98.375 Straddle: 31.23 up to 31.74 (+0.51 this week)

EDU0 98.375 Straddle: 34.45 up to 34.72 (+0.22 this week)

EDZ0 98.375 Straddle: 42.02 down to 41.63 (-0.39 this week)

LIBOR week change: 1.83125 down to 1.81913 (down 1.212 basis points from Monday)

Volume: *Eurodollar Total Volume of 4 million contracts (down from 7 million contracts last week)
Calls out paced puts 2.04:1*

MAJOR TRADES & OPEN INTEREST MOVEMENTS:

- E\$ EDM0 98.25/98.125 put spread vs EDJ0 98.50 call paper paid 0.75 on 15k (+ps)
 - Liquidation (98.25 & 98.125 put) & new risk (98.50 call)
- E\$ EDM0 98.25/98.125 put spread ref EDM0 @ 98.32 20% delta paper paid 2.25 on 40k
 - Liquidation
- E\$ EDM0 98.50/98.75/99.00 call fly ref EDM0 @ 98.315 11% delta paper paid 1.5 on 30k
 - New risk
- E\$ EDM0 98.25/98.125 put spread paper paid 2.25 on 60k
 - Liquidation
- E\$ EDM0 98.25/98.50 call spread ref EDM0 98.33 43% delta paper paid 7 on 15k
 - New risk

- E\$ EDM0 98.625 call vs EDZ0 99.00 call as a spread paper paid 2.5 on 35k (+EDZ0)
 - **New risk (EDZ0) & liquidation (EDM0)**
- E\$ EDU0 98.25/98.75 combo paper sold 30k @ 0.5 (-98.75 call)
 - **New risk**
- E\$ EDU0 98.25/98.625 combo ref EDU0 @ 98.405 49% delta paper sold 10k @ 2.5 (-98.625 call)
 - **New risk**
- E\$ EDU0 99.375 call paper paid 0.5 on 15k
 - **New risk**
- E\$ EDZ0 99.50/99.75 call spread (2x) vs 98.125/98.00 put spread ref EDZ0 @ 98.415 13% delta paper sold 30k @ 00 (-PS)
 - **New risk**
- E\$ OEHO 98.375/98.50/98.625 call fly paper paid 3.5 on 40k
 - **New risk**
- E\$ OEZO 98.00/97.75 put strip ref EDZ1 @ 98.48 16% delta paper paid 8 on 10k
 - **New risk**
- E\$ EDH1 98.625/98.875/99.00 call tree paper paid -1 up to 00 on 25k (+98.625)
 - **New risk**

SKEW:

Fronts: In March, put skew was bid slightly, while call skew was offered, flattening the skew's bias to calls being rich to puts. In April, May, and June, the skew curve bottomed out at the 98.25 put, where skew caught a slight bid. In these three expiries, further OTM puts were unchanged, with April and May's wing call skew being offered. This is the first week of EDN0 options trading, and the skew currently holds an "S" shape, favoring calls to puts. In September, the entire skew curve caught a slight bid, while still holding its integrity. December's skew curve was unchanged, hold its "S" shape. Calls were rich to puts across all expiries.

Reds: March and June's skew curves were unchanged near to at the money, with wing skew in calls being offered, and wing skew in puts catching a bid. In September and December, the entire curves were offered by 1-2 tics, while holding their respective shapes.

1-Year Mid Curve: In OEHO and OEJO, the entire skew curves were offered by 2-3 tics, while holding its shape. In OEK0, the ATM straddle was offered by 2 tics, with wing skew staying put. In Short June, the entire skew curve was offered by 1-2 tics, while holding its integrity. Lastly, in OEU0 and OEZ0, both skews were offered across their entire respective curves. In OEU0, the entire curve was offered by 3-4 tics, while in OEZ0, close to ATM skew was offered by 0.5 tic, and wing skew in both calls and puts was offered by 1-2 tics.

2-Year Mid Curve: All two-year mid-curve trends followed their respective one-year mid-curve trends, except for 2EK0 & 2EM0. In May and June, put skew caught a bid, up by 3-4 tics, while their 1-year mid-curve counterparts were unchanged.

Treasury Options & Futures:

Volume: *TY Total Volume 3 million contracts (down from 3.4 million contracts from last week)*

Calls out paced puts 1.02:1

FV Total Volume 500k contracts (down from 660k contracts last week)

Calls out paced puts 1.47:1

MAJOR TRADES & OPEN INTEREST MOVEMENTS:

- TYG0 129.00/130.00 call spread paper sold 25k @ 19
 - **Liquidation**
- TYH0 129.00 put ref TYH0 @ 129-115 40% delta paper paid 26 on 15k
 - **New risk**
- TYH0 130.50/131.00 call spread ref TYH0 @ 129-07 7% delta paper paid 5 on 10k
 - **New risk**

SKEW:

10-Year: In February skew was offered across all strikes of note. Puts were slightly rich to calls in TYG0. In March, calls and puts within 3 strikes of the ATM straddle were offered, while wing skew was unchanged. In April, the skew curve was unchanged.

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

Patrick O'Brien

Execution Specialist

Fast Market Options LLC

P: +1 312 604 6220

www.fastmarketoptions.com