
End of Week Recap February 03 – February 07, 2020

Eurodollar Options & Futures:

WEEKLY VOLATILITY REPORT:

Entering Monday's session, futures fell as tensions regarding the Coronavirus relaxed and manufacturing data exceeded expectations. Moving into Tuesday's session, futures continued to fall as markets further rebounded from the week prior's selloff, showing resilience to the Coronavirus. Entering Wednesday's session, futures broke as news of containment of the Coronavirus broke, and better than expected data was released for January's ISM Index. Futures then rallied slightly as news broke that more patients were being admitted to hospitals with Coronavirus. During Thursday's session, futures were mixed through the day as tensions eased over the Coronavirus, but then rallied as economic data yielded worse than expected reports on Jobless Claims. Friday's session saw futures rally as all attention was focused on the Coronavirus, even though Non-Farm Payrolls beat expectations.

Front month future levels fell through the week, with Mar settling -2.0 bps, Jun settling -4.5 bps, Sept settling -7.5 bps, & Dec settling -8.0 bps on the week. Mid-Curve (1yr & 2yr) futures followed similarly to front months, settling within the same range. Long dated red futures fell more aggressively, settling -9.5 tics, -10.0 tics, -10.5 tics, & -9.0 tics, respectively in the quarterly months. Long dated green futures continued the trend: EDH2 -10.0 bps, EDM2 -10.0 bps, EDU2 -10.0 bps, and EDZ2 -10.0 bps from respective future levels entering the week.

In the week ahead, we will see data reported on January's CPI (13-Feb) and January's Retail Sales figures (14-Feb).

FRONT QUARTERLY MONTH ATM VOLATILITY CHANGE:

EDH0 98.375 Straddle: 39.35 down to 28.12 (-11.23 this week)

EDM0 98.50 Straddle: 48.63 down to 43.21 (-5.42 this week)

EDU0 98.50 Straddle: 47.18 down to 44.94 (-2.24 this week)

EDZ0 98.50 Straddle: 54.32 down to 52.43 (-1.89 this week)

LIBOR week change: 1.74100 down to 1.73008 (down 1.092 basis points from Monday)

Volume: *Eurodollar Total Volume of 6 million contracts (up from 5 million contracts last week)
Puts outpaced calls 1.04:1*

MAJOR TRADES & OPEN INTEREST MOVEMENTS:

- E\$ EDH0 98.375/98.50 call spread ref EDH0 @ 98.33 up to 98.34 20% delta paper sold 50k @ 1.5
 - Liquidation (98.375 call) & new risk (98.50 call)
- E\$ EDJ0 98.50 call ref EDM0 @ 98.47 44% delta paper sold 30k @ 6.5
 - Adding to position, +150k total
- E\$ EDJ0 98.375/98.50/98.625 call tree paper paid 2 on 20k
 - Liquidation (98.375 call) & new risk (98.50 call & 98.625 call)
- E\$ EDM0 98.625/98.75 call spread ref EDM0 @ 98.48 10% delta paper paid 2.5 on 100k
 - Adding to position, +150k total

- E\$ EDM0 98.625/98.875/99.125 call fly ref EDM0 @ 98.485 15% delta paper paid 2.5 on 10k
 - **Adding to position, +35k total**
- E\$ EDM0 98.375/98.25 put spread vs OEM0 98.50/98.25 put spread paper sold 30k @ 00 (-EDM0)
 - **New risk & new position**
- E\$ EDN0 98.25/98.375 strangle vs 2EZ0 98.875/99.125 call spread (2x) paper sells 10k @ 5 down to 4.5 (-EDN0)
 - **New risk & new position**
- E\$ EDN0 98.25/98.375 strangle vs EDK0 98.625 call paper sold 15k @ 14.5 (-EDN0)
 - **New risk & new position**
- E\$ EDU0 99.00 call paper paid 3.5 up to 4 on 60k
 - **Adding to position, +120k total**
- E\$ EDU0 99.00/100.00 call spread paper sold 35k @ 3
 - **Liquidation**
- E\$ EDU0 98.375/98.25/98.125 put fly paper sold 40k @ 4
 - **Liquidation**
- E\$ EDU0 98.75/99.25 call spread paper paid 5.5 up to 6 on 50k
 - **Adding to position, +200k total**
- E\$ EDU0 98.50 put paper sold 12k @ 12.5 down to 12
 - **New risk & new position**
- E\$ OEG0/OEH0 98.625 call spread ref EDH1 @ 98.725 10% delta paper sold 25k @ 3 (-OEH0)
 - **New risk**
- E\$ OEH0 98.50/98.375 put 1x2 paper paid 1.5 on 20k
 - **New risk & new position**
- E\$ OEM0 98.625/98.50/98.375 put tree paper paid 3 on 65k
 - **New risk & new position**
- E\$ EDU1 98.50/98.25/98.00 put fly 1x3x2 paper paid -0.5 on 80k (+wings)
 - **New risk & new position**
- E\$ EDZ1 100.00 call paper paid 2 up to 2.5 on 12k
 - **Adding to position, +25k total**

SKEW:

Fronts: In EDH0, vol was offered, by 10-12 tics in all strikes of note. Like EDH0, EDJ0 through EDN0 skew curves were offered, but offered between 5-8 tics across all strikes. In EDU0, vol was hit across all strikes, and more heavily offered in puts, as fears mount of a wide outbreak in Coronavirus. In December, skew was offered slightly, down less than one tic in all strikes, while the curve still held its integrity. Calls were rich to puts across all expiries.

Reds: All long red-dated expiries followed the same trends through the week. In all expiries, at the money volatility was offered slightly, while wing skew in calls was bid up by 1-3 tics. Put skew was offered slightly in all expiries, steepening all skew curve's bias to calls.

One-Year Mid Curve: One-year mid-curve skew was offered across all expiries between 2-3 bps. In OEM0, put skew was offered at the 98.50 put and below, as the OEM0 98.625/98.50/98.375 put tree was bought in 65k. Expiries between OEH0 and OEM0 held a "smile" shape, while skew curves between OEN0 and OEZ0 held an "S" shape, with all curves strongly favoring calls to puts.

Two-Year Mid Curve: All skew curve's between 2EH0 through 2EK0 followed trends to their one-year mid curve counterpart. In 2EM0, skew was offered across all strikes, between 2-4 tics, but at the 98.125 put, skew was offered 8 bps, steepening the curves favoritism to calls. In 2EN0, skew trends followed suit to OEN0. In 2EU0, close to at the money skew was offered by 2.5 bps, while call wing skew above the 99.00 call was offered by 7-8 tics. Major 2EZ0 trends followed those of OEZ0.

Treasury Options & Futures:

Volume: *TY Total Volume 5 million contracts (up from 4.8 million contracts last week)*

Puts outpaced calls 1.12:1

FV Total Volume 800k contracts (down from 1 million contracts last week)

Puts outpaced calls 1.05:1

MAJOR TRADES & OPEN INTEREST MOVEMENTS:

- TYH0 128.50 put paper paid 1 on 10k
 - **Liquidation**
- TYH0 130.00 put paper paid 7 up to 9 on 15k
 - **New risk & new position**
- TYH0 130.00/131.00 call 2x3 paper sold 10k @ 36 (-130.00 call 2x)
 - **Liquidation**
- TYH0 130.25/129.50 put spread paper paid 6 up to 9 on 10k
 - **New risk**
- TYJ0 131.00/131.50 call spread paper sold 10k @ 15
 - **Liquidation (131.00 call) & new risk (131.50 call)**
- TYJ0 130.00 put ref TYM0 @ 130-135 41% delta paper paid 38 on 20k
 - **New risk & new position**

SKEW:

10-Year: In March, skew was offered heavily across all strikes, while being offered more aggressively in puts. TYH0 put skew fell by 0.6-0.8 tics while call skew was offered by 0.4-0.5 tics. In TYJ0 and TYK0, skew was offered by 0.2-0.3 tics across all strikes, while the curves held their respective shapes. Calls were rich to puts across all expiries.

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

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