
End of Week Recap February 18 – 21, 2020

Eurodollar Options & Futures:

WEEKLY VOLATILITY REPORT:

Entering Tuesday's session, futures rallied as fears from the Coronavirus mounted, and the apparent toll the virus has on corporations took shape. During Wednesday's session, futures retreated as new Coronavirus cases reported decreased significantly, China unveiled plans to stimulate their economy, and PPI demand beat expectations. Moving into Thursday's session, futures edged higher for the open, and then rallied aggressively as Hubei, the province in China where Wuhan is located, pushed back the business restart date, and the WHO called for more global funding to combat the virus. During Friday's session, futures rallied as data released on PMI was the lowest level in 7 years, and as Coronavirus tensions continued to escalate.

Front month future levels rallied through the week, with Mar settling +2.0 bps, Jun settling +8.5 bps, Sept settling +9.0 bps, & Dec settling +9.0 bps on the week. Mid-Curve (1yr & 2yr) futures followed similarly to front months, settling within the same range. Long dated red futures rallied more so, settling +10.0 tics, +11.0 tics, +11.5 tics, & +12.0 tics, respectively in the quarterly months. Long dated green futures continued the trend: EDH2 +11.5 bps, EDM2 +11.5 bps, EDU2 +12.0 bps, and EDZ2 +12.5 bps from respective future levels entering the week.

In the week ahead, we will see data reported on February's Consumer Confidence (25-Feb), 2019's 4th Quarter Annualized GDP (26-Feb), January's Durable Goods Orders (27-Feb), & January's Personal Income and Spending figures (28-Feb).

FRONT QUARTERLY MONTH ATM VOLATILITY CHANGE:

EDH0 98.375 Straddle: 26.21 up to 32.37 (+6.16 this week)

EDM0 98.50 Straddle: 42.82 up to 49.76 (+6.94 this week)

EDU0 98.50 Straddle: 50.88 up to 56.07 (+5.19 this week)

EDZ0 98.50 Straddle: 53.36 up to 58.48 (+5.12 this week)

LIBOR week change: 1.69463 down to 1.67925 (down 1.538 basis points from Monday)

Volume: *Eurodollar Total Volume of 6 million contracts (down from 7.5 million contracts last week)*
Calls outpaced puts 1.7:1

MAJOR TRADES & OPEN INTEREST MOVEMENTS:

- EDJ0 98.50 straddle vs 98.625 call paper sold 20k @ 11
 - New position
- EDJ0/EDM0 98.375 put spread paper paid 2.25 on 10k
 - New position
- EDK0 98.625/98.875 call spread paper paid 3 on 15k
 - Adding to position, +30k total
- EDM0 98.75 call ref EDM0 @ 98.495 22% delta paper paid 4.25 on 45k
 - Liquidation

- EDM0 98.875 call paper paid 2 up to 2.25 on 180k
 - **Adding to position**
- EDM0 98.75/98.875 call strip paper paid 5 on 15k
 - **New position**
- EDM0 98.625/98.875 spread paper paid 3.5 on 130k
 - **Adding to position, +170k total**
- EDM0 98.50/98.625/98.875 call tree paper paid 1 on 30k (+98.50 call)
 - **New position**
- EDM0 98.625/98.875/99.125 call fly paper paid 2.5 on 20k
 - **Adding to position, +55k total**
- EDM0 98.50/98.625/98.875/99.50 call condor paper paid 1.5 on 10k
 - **New position**
- EDU0 98.125 put paper paid 0.5 on 15k
 - **Liquidation**
- EDU0 98.50/98.625 call spread vs 0EU0 98.375 put paper paid 0.5 up to 1 on 40k (+EDU0 cs)
 - **New position**
- EDZ0 98.00 put paid 1 on 20k
 - **Liquidation**
- EDZ0 98.125/98.00/97.875 put fly paper paid 0.5 on 40k
 - **New position**
- EDZ0 98.25 put paper paid 3.5 on 15k
 - **Adding to position**
- EDZ0 98.25/98.125/98.00 put fly paper paid 1.5 on 60k
 - **Adding to position, +80k total**
- 0EH0 98.625 put ref EDH1 @ 98.735 25% delta paper sold 10k @ 3
 - **New position**
- 0EM0 98.375/98.125 put 1x2 paper paid 1.5 on 10k (+98.375 put)
 - **New position**
- 0EU0 98.375 put ref EDU1 @ 98.745 20% delta paper paid sold 20k @ 4.5
 - **Adding to position, -80k total**
- EDH1 98.00/97.875 put spread paper paid 0.5 on 12k
 - **New position**

SKEW:

Fronts: In EDH0, the entire curve was offered by 10 tics, while skew held its integrity. In all expiries between EDJ0 and EDM0, skew was bid in all strikes, with the curve being linear, strongly favoring calls to puts. In EDJ0 through EDM0 each curve's skew was bid by 8-10 tics, while holding their respective shapes. In EDN0 and EDU0, the skew curves ramp up, from the 98.25 put to the 99.375 call, as the curve holds a concave shape. In EDN0 the entire curve was bid by 7 tics and in EDU0 the curve was bid by 3 tics. In EDZ0, the curve holds an "S" shape, and was bid by 3 tics across all strikes. Calls were rich to puts across all expiries.

Reds: In all red-dated expiries, vol was bid by 2-4 tics in each curve. Each curve holds an "S" shape, heavily favoring calls to puts.

One-Year Mid Curve: In 0EH0 and 0EJ0, each skew curve caught a slight bid throughout the week, up 4 tics, while the curves' shapes are linear lines, favoring calls to puts. In 0EK0 and 0EM0, both curves held a concave shape, favoring calls to puts, and were bid by 2 bps across all strikes. In EDN0, the skew curve holds an "S" shape, favorite calls to puts, and the entire curve was bid by 1 tic ATM and by 3 tics away-from-the-money. In 0EU0, put skew was constant, and calls caught a bid, up as many as 3 tics in the out-of-the-money calls, while the curve holds an "S" shape. In 0EZ0, skew caught a slight bid, up 1 tic, while continuing to hold its "S" shape along the entire curve.

Two-Year Mid Curve: All two-year mid curve trends follow those of one-year mid curve trends.

Treasury Options & Futures:

Volume: *TY Total Volume 3.3 million contracts (up from 3 million contracts last week)*

Calls outpaced puts 1.11:1

FV Total Volume 900k contracts (up from 500k contracts last week)

Puts outpaced calls 3.2:1

MAJOR TRADES & OPEN INTEREST MOVEMENTS:

- TYH0 130.50 put paper paid 2 on 20k
 - **New risk**
- TYH0 131.50 call paper paid 3 on 20k
 - **Liquidation**
- TYJ0 129.00 put paper paid 7 on 12k
 - **Liquidation**
- TYJ0 128.50 put paper paid 4 on 11k
 - **Liquidation**
- TYJ0 137.00 call paper paid 1 on 10k
 - **New position**
- TYK0 130.50/129.50 put 1x2 paper paid 2 on 20k (+130.50 put)
 - **New position**

SKEW:

10-Year: In TYJ0, skew was bid in all strikes, up by 0.25 bps in put skew, and up by 0.1 bps in calls. TYK0 and TYM0 skew's follow similarly to TYJ0, with skew bid by 0.4 bps in puts and bid by 0.2 in calls.

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

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