

ALPHA BITES: Trade Ideas in EM FX and Rates

Monthly Trade Ideas Recap – May 2021

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- The tables below show summaries of all the trades we have recommended in currencies and rates in our weekly Alpha Bites notes.
- **We have made a total of 15 trade recommendations so far, of which 10 are in the money.**
- Of the total 15 recommendations, we have recommended taking profits on 4 (see [here](#), [here](#), and [here](#)) and were stopped out of 2 (see [here](#) and [here](#)). We are further recommending taking profits on 2 more today (see below). All the closed trades are italicized in the tables.
- **We recommend taking profits on:**
 - **Long Russian ruble (RUB) vs Short South African rand (ZAR):** Since our [recommendation](#), the ruble has rallied sharply following the imposition of US sanctions, as we expected.
 - **Receive Hungary 10y (HUF 10y) vs Pay Poland 10y (PLN 10y):** Rates in Poland have adjusted higher since the [recommendation](#) as the curve has [started pricing in rate hikes](#) in line with our expectation. While HUF 10y continues to be cheap, with US rates volatility rising again it is prudent to close this trade.
- With regards to the outstanding recommendations, the following are worth highlighting:
 - **Long Mexican peso (MXN) vs Short Canadian dollar (CAD):** The Canadian dollar has outperformed on the back of the central bank turning more hawkish than expected at the last meeting and a renewed rally in oil prices. In our update [note](#) to the original [recommendation](#), we had suggested holding on to the trade despite the surprise from the Bank of Canada. However, since then CAD has continued to outperform, so much so that the trade has gone from deep in the money to out of the money, and CAD is showing up as the most expensive currency in our [daily FX monitor](#).
 - **Receive Colombia 5y (COP 5y) vs Pay Colombia 10y (COP 10y):** The Colombian rate curve has steepened on [rising fiscal and ratings downgrade concerns](#), helping the [trade](#).
 - **Receive South Africa 10y (ZAR 10y) vs Pay South Africa 2y (ZAR 2y):** While the long end of South Africa's curve has performed well, the short end has rallied even more as the curve removed 1 full rate hike that was priced in, hurting the trade in the process. With [the curve the steepest among EM countries](#), we would recommend holding on to the [trade](#).

FX Trade Recommendations Summary

Date		Currency		Amount (USD mn)		Entry Price		Current or Closed Price		PnL ('000s)		
Initiated	Current or Closed	Long	Short	Long	Short	Long	Short	Long	Short	Current or Closed	Target	Stop-Loss
1/11/21	3/16/21	PEN	CLP	\$1.00	-\$0.36	3.60	719.19	3.70	723.60	-\$24.2	\$63.0	-\$31.5
1/18/21	3/1/21	RUB	COP	\$1.00	-\$0.76	74.26	3460	74.04	3613	\$38.5	\$81.3	-\$40.7
2/1/21	3/29/21	PLN	CZK	\$1.00	-\$0.97	3.73	21.47	3.94	22.13	-\$26.1	\$40.5	-\$20.3
2/8/21	4/21/21	KRW	TWD	\$0.70	-\$1.00	1119	28.00	1119	28.12	\$3.4	\$56.0	-\$28.0
2/22/21	5/3/21	MXN	CAD	\$0.54	-\$1.00	20.79	1.26	20.25	1.23	-\$9.2	\$64.7	-\$32.4
4/12/21	5/3/21	IDR	SGD	\$0.50	-\$1.00	14595	1.34	14445	1.33	\$0.6	\$27.9	-\$14.0
4/19/21	5/3/21	RUB	ZAR	\$1.00	-\$0.80	76.23	14.23	75.20	14.45	\$26.0	\$57.9	-\$29.0

Note: PnL estimates do not include transaction and other related costs; data as of May 3, 2021, 8:30 am EST

Rates Trade Recommendations Summary

Date		Rate		DV01		Entry Price		Current or Closed Price		PnL ('000s)		
Initiated	Current or Closed	Receive	Pay	Rec	Pay	Rec	Pay	Rec	Pay	Current or Closed	Target	Stop-Loss
1/25/21	4/5/21	Chile 10y	Mexico 10y	1000	-840	2.65	5.45	3.36	6.84	\$49.6	\$93.4	-\$46.7
2/15/21	3/1/21	SAGB 7% 2031	ZAR 10y IRS	825	-1000	9.02	6.76	9.36	7.46	\$42.5	\$72.5	-\$36.3
3/1/21	5/3/21	Hungary 10y	Poland 10y	1000	-1000	2.41	1.69	2.54	1.95	\$14.6	\$86.3	-\$43.2
3/8/21	5/3/21	Mexico 10y	Mexico 5y	800	-1000	6.40	5.52	6.88	6.03	\$9.0	\$63.1	-\$31.6
3/15/21	5/3/21	Colombia 5y	Colombia 10y	1000	-1000	3.84	4.84	4.50	5.54	\$7.8	\$37.1	-\$18.6
3/22/21	5/3/21	South Africa 10y	South Africa 2y	1000	-1000	7.61	4.52	7.53	4.16	-\$27.8	\$122.2	-\$61.1
3/29/21	5/3/21	Czech 2y	Poland 2y	1000	-1000	0.94	0.38	1.08	0.61	\$11.7	\$33.9	-\$17.0
4/26/21	5/3/21	Chile 10y	Chile 2y	1000	-800	3.51	1.31	3.63	1.36	-\$9.4	\$78.8	-\$39.4

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