



ECB One and Done...Or 75bps?

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One and done more likely than 75bps over next three meetings?

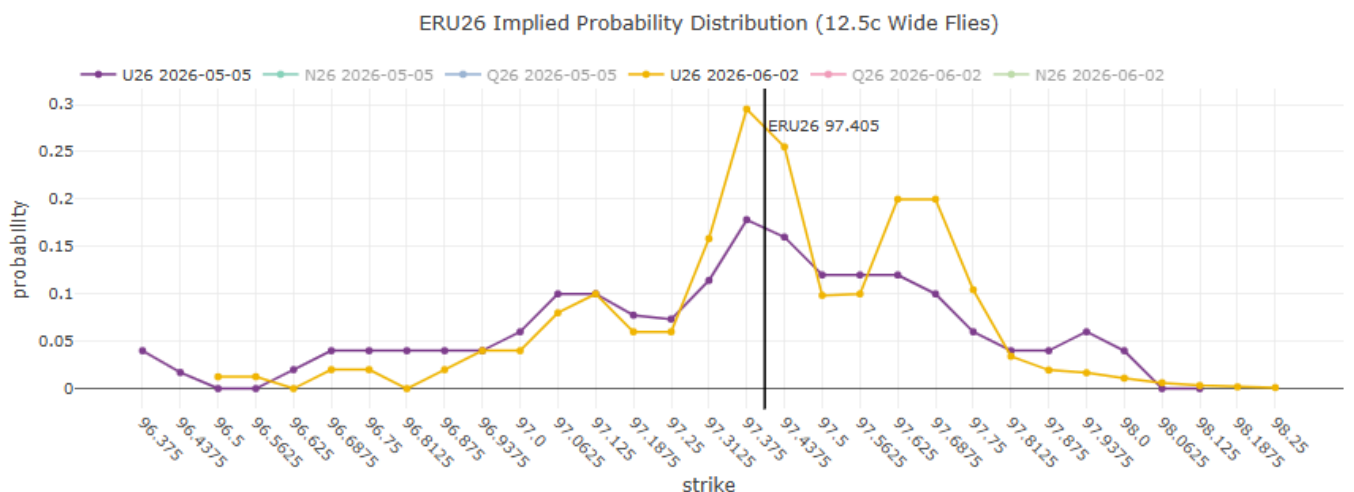
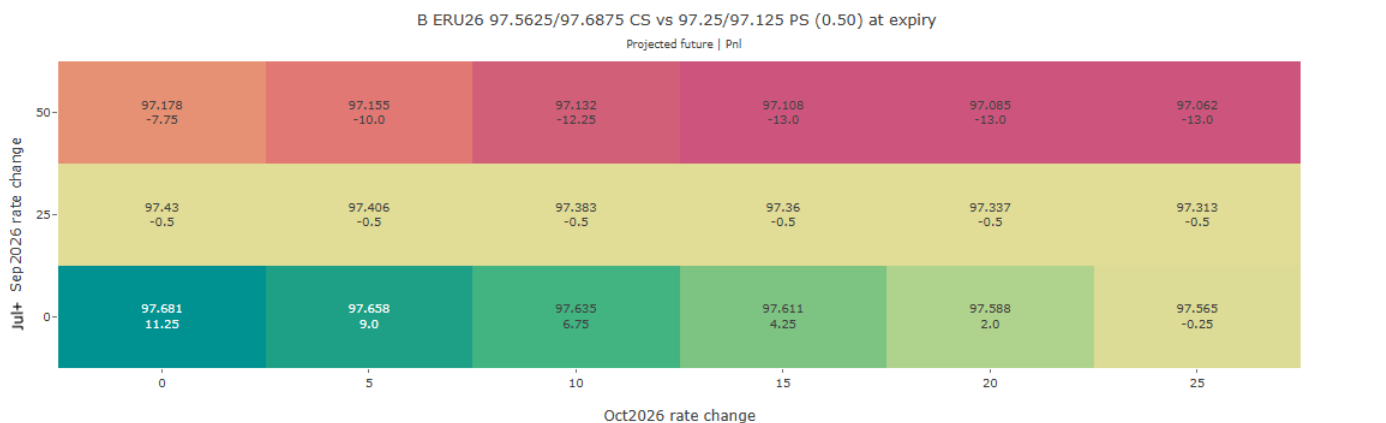
Looking at the implied distribution for U6 expiry, ER options continue to assign the modal pin at 2 hikes, but the one and done outcome has also seen an increased probability the past month.

The three hike pin (with reasonable pricing for Oct) is 97.125 where not much has changed. Chart below.

What's interesting, is that the ERU6 97.56/97.68 call spread (captures one and done pin which is 97.68) is trading just 0.5 over the three hike pin (97.25/97.12 ps).

Granted the cs is 17bps OTM vs the ps 14bps, but the pricing outcomes I think are heavily weighted towards 1 and done over consecutive 25bps so think there is an interesting trade to consider here

Buy ERU6 97.56/97.68 cs vs 97.25/97.125 ps paying 0.5 or better. Ref .39



Thank you
 Harry