Investment Strategy

Purpose of the Model Portfolio

The ideas shown on this site are designed to suit a range of scenarios and differing client views.

The model portfolio below reflects my own personal views and how I think about broader portfolio construction. Individual trade ideas may be attractive on a standalone basis, but I also assess whether they fit within the wider portfolio, how they interact with existing risks, and whether they improve the overall payoff profile.

The main product focus is:

Vol: G3 listed STIR options

RV: G10 relative value

Delta: Broad directional exposure

Portfolio Caveats

The portfolio is not run to a target volatility.

Soft stop at 1%. Although the book may contain short gamma exposure, many of the option structures are designed with limited tail risk, meaning the portfolio should not be a large consumer of VaR in normal conditions.

Correlation and PCA factor analysis are not currently calculated. In practice, this would be important to understand whether the portfolio is genuinely generating alpha or simply expressing some form of beta exposure.

Given my background, I would not usually hold outright delta positions passively. I would typically scalp in and out based on my directional view and technical signals. For simplicity, this model portfolio assumes positions are held. I previously owned a technical analysis indicator software company and still use proprietary indicators as part of my process.

Trade ideas do not always directly correspond to implementation. Some ideas may involve scaling into a position, adjusting hedges, or dynamically changing exposure over time. For simplicity, those implementation details are not fully replicated in the model portfolio.

Portfolio Construction Framework

The strategy combines three main components:

1. Directional / Macro View

Broad directional views are expressed mostly through delta. While the views are macro in nature, the timing and implementation are supported by technical analysis, trend-following, and momentum factors.

2. Short Gamma / Long Theta Structures

I generally like structures that are short gamma and long theta, allowing the book to grind positively over time. The objective is for carry-generating trades to help fund larger directional or event-driven positions.

A core part of this process is scenario pricing central bank meetings and using that to identify where the underlying is likely to settle or “pin”.

3. Opportunistic Option Trades

Some trades are identified systematically and may not directly fit the broader fundamental view. However, they may still be attractive if they improve the portfolio profile, provide useful theta, reduce VaR, or offer a standalone payoff that I like.

For example, the SFRN6 trade was not based on a strong USD view. The purpose was more portfolio-driven: I was receiving GBP and short the hawkish part of the EUR distribution, so a strong NFP could have pulled curves in a way that hurt VaR. The trade helped offset that risk.

Some trades may not make sense in isolation, but they can make sense as part of a broader package. For example, if I am short a call ladder, I may add another structure to hedge the associated risk profile.

Relative Value and Curve Trades

For futures curves and flies, the process is quantamental.

I look at residuals when a fly is regressed against the belly and curve. This helps identify whether the fly is genuinely dislocated or whether the move is simply explained by broader curve dynamics.

Expiry Focus

The current focus is on expiries up to Z6 because this is where I believe the relevant policy-path probabilities are most tradeable.

Beyond Z6, there is more noise around the terminal rate, longer-run growth and inflation assumptions, and broader curve dynamics. Up to Z6, including midcurves, trades can be more directly linked to central bank scenario analysis, the current implied distribution, and the specific repricing risks I want to own.

Scenario Pricing and Trade Selection

I continuously update my pricing for central bank meetings. These meeting scenarios are then fed into a systematic tool, which overlays a probability-weighted framework to identify trades that offer value and have a reasonable likelihood of pinning.

I also assess which meetings should be treated as realised versus unrealised outcomes. For example, for Q6 expiry, if my scenario is that June and July are holds, with hawkish premium remaining in September and November, I would look at the U6/Q6 forward vol to assess whether it is worth owning optionality over those events.

Preference for Misweighted Structures

I prefer misweighted structures with a tail because they can reduce entry cost and create asymmetric payoff profiles.

The way I think about breaking tails is linked to the implied probability distribution derived from option structures such as flies. I look at where the weight sits in the distribution and decide which part of the structure I am more comfortable breaking.

For example, in GBP, the implied distribution shows bi-modal pins around 96.20–96.25, with unchanged rates around 96.253. Most of the weight appears to sit in the left tail, covering the hawkish part of the distribution.
In that scenario, depending on how I thought the distribution would change, I'd be more willing to break the structure on the dovish side. Although there are caveats here where I believe due to fundamental view of eventual demand destruction we could see risk in the right tail- do depends I am long the underlying delta, hedges etc.
The trade is not necessarily designed to pin. If I can enter at a credit, for example -2.75, and my fundamental view plus the implied distribution points to rates remaining unchanged or unchanged with a hawkish bias, then anything above roughly 96.10 means the structure expires worthless and I keep the credit.
If the outcome is more hawkish, the trade can produce a larger payout. If my main risk is a risk-off rally in rates, I am still paid the initial credit. If we are 15 days from a June meeting that I expect to be a hold, and I believe it is unlikely the underlying falls materially beyond that point, the trade should sit with positive theta throughout.

Gamma and Volatility
I will usually own gamma when I want protection against an event, or when it hedges another exposure in the book.
For example, if I am receiving GBP 1y1y, I may want to own midcurve gamma as a hedge.
I do not want the portfolio to be full of long vol unless I believe relative strike vols are compressing and, based on the underlying, that compression is unsustainable.

Meeting Swaps Versus Options
Because the strategy is effectively trading central bank meetings, I often compare the leverage profiles of meeting-date swaps against option structures.
This helps assess whether the better expression is through linear delta or through an option structure with convexity and defined payout characteristics.

Risk Management
I like flies, condors, and ladders to "pay the rent" in the book. The aim is for these structures to generate carry, helping fund larger directional bets.
Based on the combination of scenario pricing and option hedges, portfolio VaR should remain relatively light. In practice, I would run PCA and factor analysis to understand where portfolio returns are coming from and whether the book is genuinely diversified.
The strategy is therefore less about taking a pure macro view and more about trading the surface, implied distributions, and probability-weighted pricing. The broader macro view helps guide directionality, but trade selection is more focused on the relative value of the option structure and its payoff profile.

My background started with technical analysis, which made the process initially asset-agnostic. That still feeds into my delta positions. I previously scalped ES on 5- and 10-minute charts, but I no longer have the time to trade that style actively.

Current Market Views

GBP

My core GBP view is that rates remain broadly unchanged.

The implied distribution shows bi-modal pins around 96.25–96.30, with weight in the left tail. I therefore want to own long delta through receiving Z6, while using option structures to earn carry and hedge the hawkish part of the distribution.

I am comfortable breaking some structures to the upside because I already own the delta. If those structures can be entered at a credit, they provide attractive carry.

Conversely, I also have a structure broken on the left tail, but the breakeven sits outside my distribution pricing. I think there is only so long the market can maintain hawkish tail weight without actual hikes materialising, particularly if supply disruptions eventually lead to demand destruction.

I would be cautious about selling dovish tails.

EUR

My EUR view is more explicitly that the market is pricing too hawkishly.

The implied distribution still shows meaningful weight in the hawkish tail. Because of that, I prefer asymmetric structures where the payoff is broken towards dovish repricing, while being more cautious around the hawkish side.

My preferred path is a June hike, followed by a pause through the summer and possibly September. This means the structure would be hurt in the rare scenario of a June hold. For that reason, the M6 hedge offers better leverage compared with paying June ECB directly.

Flexibility Across Assets

The views above are my current fundamental views, but I will still take positions across assets where the risk-reward and setup are attractive.

The portfolio is not restricted to only expressing my core macro views. If a structure has a strong payoff profile, improves the book, or offers attractive standalone value, I will consider it.