



ECB June and done / Theta play

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The theme of one hike in June and done has been getting more attention.

I looked for the best trade to capture a range of pricing outcomes for Sep and Oct meeting pricing at the August expiry.

If you think the ECB will need to retain some form of hawkish bias, my preferred expression would be:

ERQ6 97.43/97.56/97.68 1x2.5x1.5 call fly for 1.25 or better (mkt 0.25/1.25)

Table below compares the payout of this strategy vs the ERQ6 97.50 up condor (clean and broken) which have been popular recently.

You can see that with +10 Sep, +5 Oct, the 1x2.5x1.5 call fly gets close to max payout for lower upfront premium compared to the condors.

Pricing scenarios			Strategies and pnl under pricing scenarios		
Sep-26	Oct-26	ERU26	ERQ26	ERQ26	ERQ26
			97.4375/97.5625/97.6875 1.0x2.5x1.5 Call Fly	97.5/97.5625/97.625/97.75 Bkn Call Condor	97.5/97.5625/97.625/97.6875 Call Condor
Entry->			1	1.25	1.5
0	0	97.678	-4.75	1	1
0	5	97.655	-1.5	3.25	3.25
0	10	97.632	2	5.5	5.5
0	15	97.608	5.75	6.25	6.25
5	0	97.628	2.75	6	6
5	5	97.605	6	6.25	6.25
5	10	97.581	9.75	6.25	6.25
5	15	97.558	12	5.75	5.75
10	0	97.577	10.25	6.25	6.25
10	5	97.554	11.75	5.5	5.5
10	10	97.531	9.25	3	3
10	15	97.508	7	0.75	0.75
15	0	97.527	9	2.75	2.75
15	5	97.504	6.75	0.5	0.5
15	10	97.481	4.25	0	0
15	15	97.458	2	0	0