Outlook

## Trade Ideas and Themes

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**Date** Sat 09/05/2026 11:32
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Hi

Trade Ideas / Themes below:

1. BOE Apr Surprise Hike
2. SONIA Negative Gamma pocket
3. ECB June hike and Done
4. Rec 5y5y vs Pay 2y2y Sterling - Optimised 2s10s Flattener

BOE hike in Apr -> 10x Asymmetric Trade

Reason being if they were paying attention to market pricing (~50bps currently priced over the next three meetings), they would recognise that the market is signalling building inflation pressures, alongside rising concerns around inflation expectations (with DMP 1yr CPI expectations jumping to 4% on Friday's release) and central bank credibility.

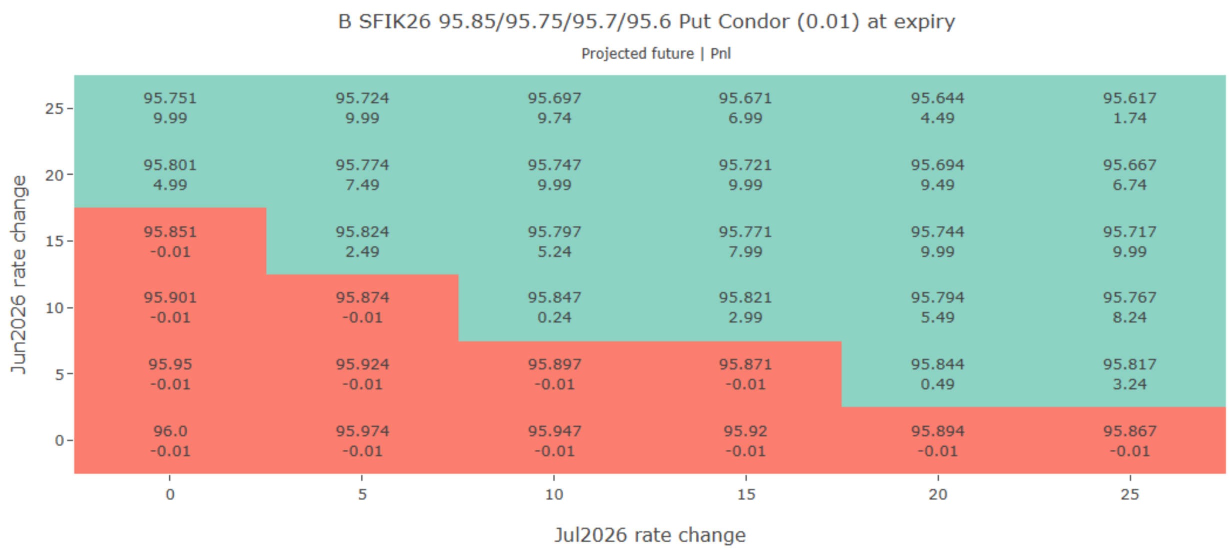
If the market is already pricing in that tightening, why not deliver +25bps sooner to get ahead of it and ensure inflation expectations do not become unanchored?

With just 4bps priced, there is upside asymmetry present. Out of all CBs we know BOE is the one that can surprise

**Alternatives for paying Apr BOE outright:**

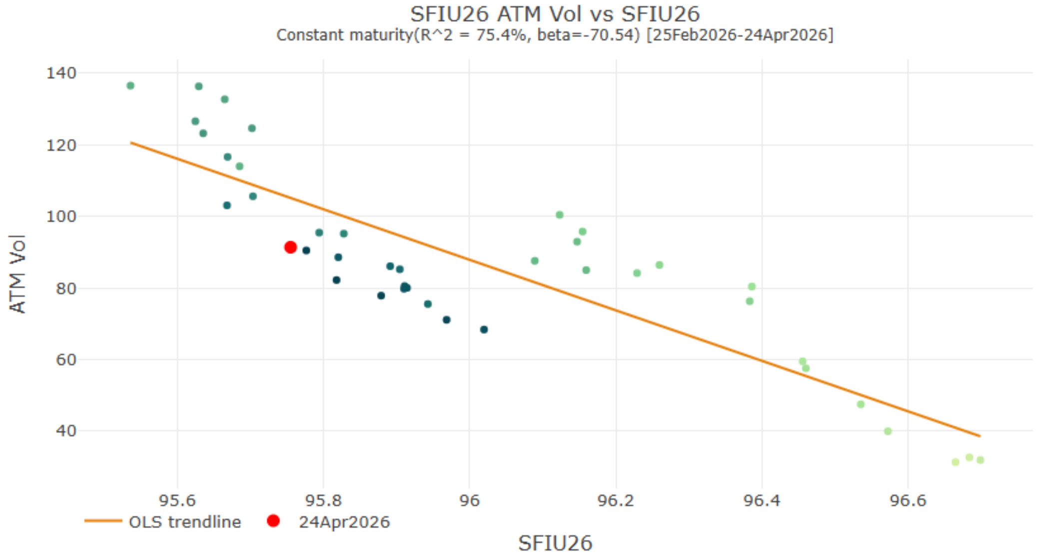
1. Rec Apr ECB against it. Simply put, the ECB is far less capable of surprising and prefer to guide the market and we still have ~2bps priced there.

2. +25 Apr, +20 px'ed June, +15 p'x July puts SFIM6 95.72 at K6 expiry
   SFIK6 95.85/95.75/95.70/95.60 Put condor is 0.7 mid , the 95.85/95.75 ps is 1.5 mid
   Below is a landing grid based on the above scenario analysis:



## Sonia Negative Gamma Pocket

With Iran failing to turn up to peace talks in Pakistan and a more permanent resolution currently not in sight. SFIU6 sold off 30bps from 17/04 highs with ATM ^ vols up 12 bpv over the same period, vols underperformed in the move, shown in the Regression model below.
That's understandable if positioning has been cleaned up, which to some extent is certainly has. However, on our reports, there remains legacy short put positioning in U6 around the 95.50-95.45 strikes. The 95.70 strike in Z6 is also up for concern but to a lesser extent.




Options Flow Report - SFI

Data Range: 2025-07-22 - 2026-04-23

Expiry Code / Option Type

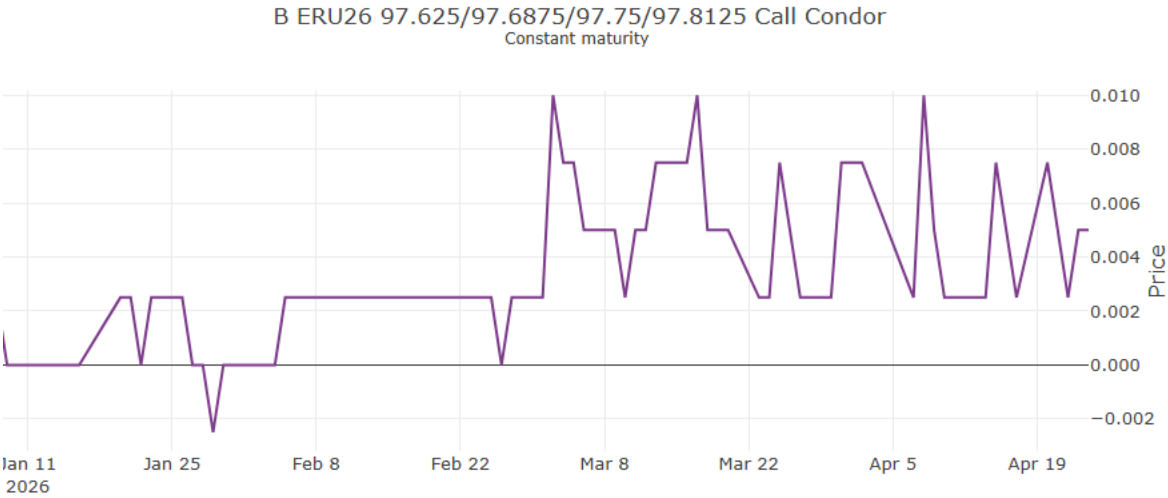
| | M26 C | M26 P | N26 C | N26 P | U26 C | U26 P | Z26 C | Z26 P |
|---|---|---|---|---|---|---|---|---|
| 96.20 | -24k | -58k | 4k | | 6k | 18k | -27k | 26k |
| 96.15 | -42k | 16k | -19k | | -19k | -22k | 20k | 50k |
| 96.10 | 11k | -3k | -300 | | -7k | | | -56k |
| 96.05 | -1k | -2k | 19k | | 10k | 5k | | |
| 96.00 | 30k | 27k | 8k | | 72k | -4k | -2k | -40k |
| 95.95 | 24k | -4k | | | -16k | 6k | | |
| 95.90 | -7k | 7k | | | -6k | -2k | -8k | 7k |
| 95.85 | -24k | 9k | 400 | | 12k | 6k | | |
| 95.80 | -21k | 4k | | | | 3k | | |
| 95.75 | 35k | 1k | | | | -4k | 7k | 1k |
| 95.70 | 34k | -17k | | | -1k | -4k | 14k | -26k |
| 95.65 | | 10k | | | -4k | -10k | 6k | -5k |
| 95.60 | | 10k | 2k | 2k | -7k | -5k | | |
| 95.55 | | | | | 4k | | -2k | -8k |
| 95.50 | | 3k | | | 2k | -34k | 2k | 6k |
| 95.45 | | -2k | | | 4k | -20k | | 14k |
| 95.40 | | | | | 4k | | | -1k |
| 95.35 | | | | | | | | |
| 95.30 | | -2k | | | | 3k | | 22k |
| 95.25 | | -24k | | | | -4k | | -2k |
| 95.20 | | | | | | 24k | | |
| 95.10 | | | | 6k | | -2k | | -16k |
| 95.05 | | | | | | | | |
| 95.00 | | 2k | | | -2k | 7k | | -20k |

## ECB June Hike and Done -> 8x Payout

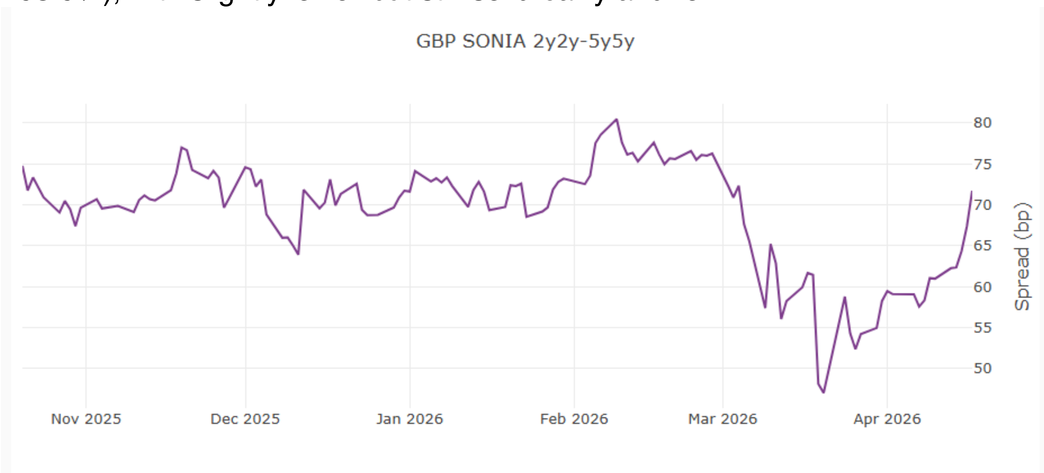
EUR and UK remain poised in a battle between shorter term inflation expectations and exacerbating a growth shock that could be deflationary in a 12-36 month window.
As mentioned earlier, it appears more logical to hike sooner rather than later. With a series of consistent holds across the next meetings, a hike after that may only be warranted if Oil was to unexpectedly experience a move higher.

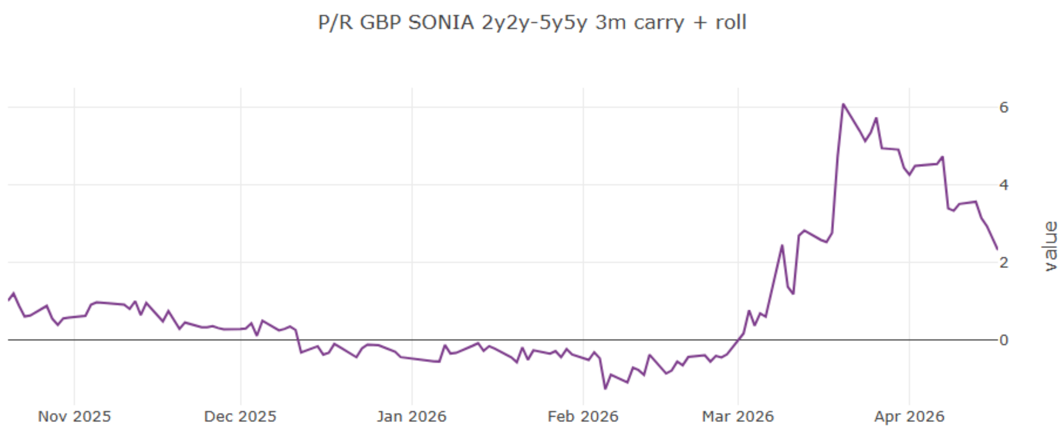
Currently June has the **highest probability of a hike this year** with 19bps priced. An expression positioning for a 'June hike and done' was traded:
+13k ERU6 97.625/97.6875/97.75/97.8125 Call Condor at 0.625, now 0.9 mid.
+25 June, with nothing more priced puts ERU6 at 97.679 14.2 basis (mkt lvl).

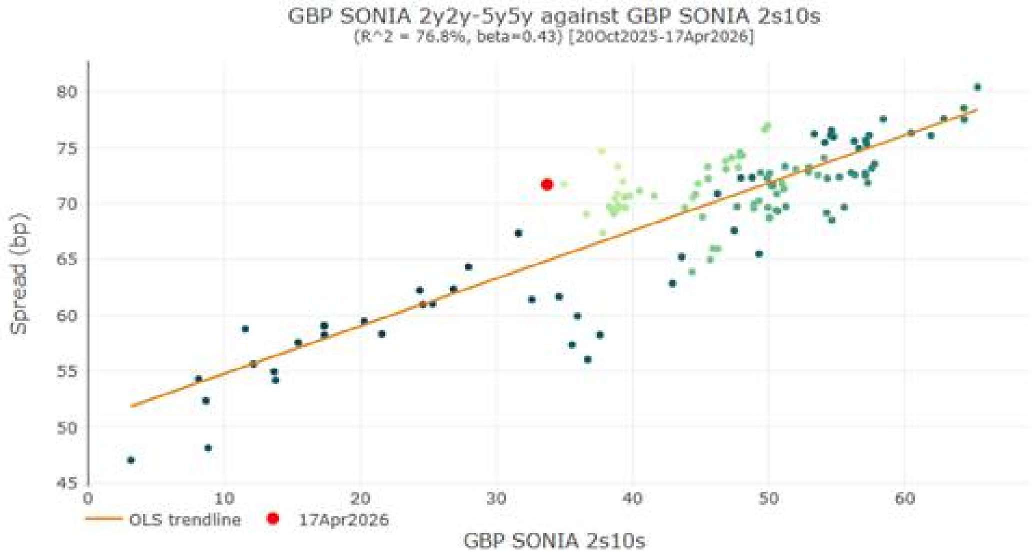
Price history of the Condor shown below.
**The condor for 0.70 offers 8.6x in that scenario**




<u>Rec 5y5y vs Pay 2y2y Sterling – Optimised 2s10s flattener</u>
GBP flattener with re-escalation hedge characteristics. It correlates well with 5s10s and 2s10s and has historically performed during periods of heightened tensions. The aim is to retain a flattening bias while protecting against a broader SFI sell-off. The curve is near its 5-year highs (~80bps, last seen pre-war in February), and the trade offers positive carry.
Optimised expression: Receive 5y5y vs Pay 2y2y SONIA.
Positioned as an alternative to a standard 2s10s flattener, it shows stronger correlation to 5s10s ($R^2$ ~93.9%), with slightly lower-but still solid-carry and roll.




GBP SONIA 2y2y-5y5y against GBP SONIA 2s10s
(R^2 = 76.8%, beta=0.43) [20Oct2025-17Apr2026]
Spread (bp)
GBP SONIA 2s10s
OLS trendline
17Apr2026