

# Relative Value Trading Using Eris Swap Futures

Use Eris in place of OTC IRS to reduce margin cost

## Relative Value Trading

- Use Eris Standards and Flexes to replicate traditional relative value trading strategies
- Enjoy lower margin requirements and clearing costs as well as the flexibility to trade multi-asset structures as individual packages
- Auto-spread Eris vs other CLOB traded products (futures, Treasuries)

## RV Trades Using Eris Swap Futures

RV Trade	Eris Standards	Eris Flexes	Sample Trade Construction (\$50k DV01 per leg)
Butterfly	✓	✓	<u>Receive the Belly</u> : Rec \$96.9mm 5Y Stnd Jun 16; Pay \$123.2mm 2Y Stnd Jun16; Pay \$35.6mm 7Y Stnd Jun16
Curve Switch	✓	✓	<u>Curve Steepener</u> : Rec \$246.3mm 2Y Stnd Jun16; Pay \$52.2mm 10Y Stnd Jun16
Swap Spread	✓	✓	<u>Spread Widener</u> : Pay \$102.7mm 5Y Spot Starting Eris Flex; Buy 5Y \$105.3mm OTR Cash Treasury
Invoice Spread	✓	✓	<u>Spread Widener</u> : Pay \$71.2mm 7Y Stnd Jun16; Buy \$66.4mm 10Y CBOT Treasury Futures
Basis Trading	✓	✓	<u>Long Convexity</u> : Rec \$96.9mm 5Y Stnd Jun16; Sell \$100mm 5Y Eurodollar strip

## Advantages of Using Eris Futures for RV Trading Strategies

- **Initial margins** for Eris Standards **50% lower** than OTC
- Utilize **Auto-spreaders** for trades involving Eris and other CLOB products (futures, cash treasuries)
- **Lower FCM fees** for futures contracts than for cleared IRS
- Eris vs. cash and OTC can be traded **by voice for any size** (EFR, EFP)
- Eris Flexes provide **same yield curve granularity as OTC swaps**
- Sum notional amounts for each leg to meet minimum block thresholds
- **Net credit checks** for trades with 2 or more Eris Swap Futures legs
- Use **par rate equivalents** to quote and to trade NPV based Eris Swap Futures
- Use **familiar Bloomberg tools** to analyze trades (FIHR, FRSK, CIX, SWPM, BFLY, IVSP)

[www.erisfutures.com](http://www.erisfutures.com)

Contact Eris to get started:

Call (888) 587-2699 option 2

for sales support or email [sales@erisfutures.com](mailto:sales@erisfutures.com)

View All Contract Details:

[erisfutures.com/look-up](http://erisfutures.com/look-up)

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## Hedge Ratios of Eris Standards vs. Treasury Futures

Hedge Ratios	Eris Standards				Treasury Futures			
	2Y (LITM6)	5Y (LIWM6)	7Y (LIBM6)	10Y (LIYM6)	2Y (TUM6)	5Y (FVM6)	10Y (TYM6)	Ultra 10Y (UXYM6)
<b>100 contracts of the below:</b>								
Eris 2Y Stnd (LITM6)	100	39	28	20	55	42	26	17
Eris 5Y Stnd (LIWM6)	259	100	73	53	143	108	67	44
Eris 7Y Stnd (LIBM6)	352	136	100	72	194	147	91	60
Eris 10Y Stnd (LIYM6)	490	189	139	100	270	204	126	84
UST 2Y (TUM6)	181	70	51	37	100	75	47	31
UST 5Y (FVM6)	240	93	68	49	133	100	62	41
UST 10Y (TYM6)	389	150	110	79	215	162	100	67
UST Ultra 10Y (UXYM6)	584	226	166	119	322	243	150	100

As of 04/27/2016

### Sample Swap Spread Widener Trade: Buy 100 Eris 7Y<sup>(1)</sup> and Buy 91 TYM6

<sup>(1)</sup> Buying Eris is equivalent to paying fixed on the swap



Trade Date: 4/1/16

- Eris Leg Par Rate: 1.445%
- TYM6 CTD Fwd Yield: 1.566%
- Spread: -12.1bps



Trade Date: 4/8/16

- Eris Leg Par Rate: 1.392%
- TYM6 CTD Fwd Yield: 1.473%
- Spread: -8.1bps

4bps move generated a total profit of \$28,000<sup>(2)</sup>

Each basis point of profit is ~\$70 per Eris contract (approximate Eris DV01)

$$\$70 \times 4 \text{ bps} \times 100 \text{ contracts} = \$28,000$$

<sup>(2)</sup> Futures trading is not suitable for all investors and involves the risk of loss

### Margin Efficiency

- 100 Eris 7Y Margin: \$140,000
- 90 TYM6 Margin: \$112,500
- IM after Margin Offsets: \$ 90,900

**Capital Efficient Trade Savings of 64%**

Reduce Initial Margin by 83% when replacing OTC leg of the trade with a 7Y Eris Standard

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