

Trade Swap Spreads Using Eris Interest Rate Swap Futures

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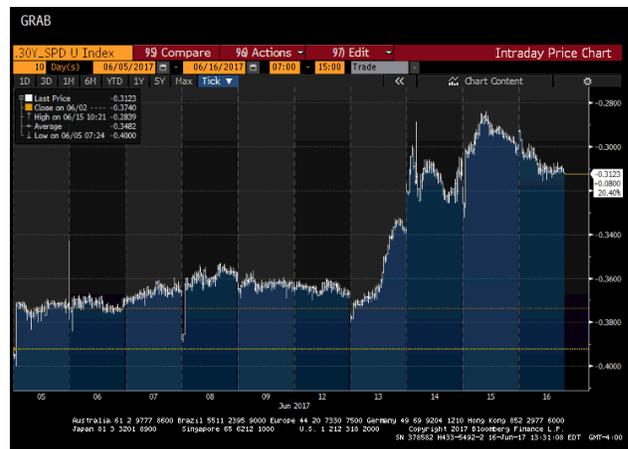
The US Treasury Department recently released its first in a series of reports to President Trump detailing financial regulatory changes that should be undertaken. One of the recommendations was to exclude US Treasury securities from the denominator in the Supplementary Leverage Ratio (SLR), which would enable banks to hold more US Treasury securities (USTs) on their balance sheet. As a result of this unanticipated recommendation, US\$ swap spreads widened across the curve as USTs richened vs. comparable maturity interest rate swaps. While the implementation of the US Treasury’s recommendation is not a certainty, the mere suggestion has introduced volatility into US\$ swap spreads, and that volatility can be easily traded in listed futures markets using Eris Interest Rate Swap Futures and CME UST Futures.

Tracking US\$ Swap Spreads Using Eris Swap Futures

- Utilize the [CIX function](#) in Bloomberg
- CIX’s below display the spread between the par rate equivalent on an Eris Swap Future and the forward yield on the cheapest to deliver UST for the corresponding CME UST Future
 - Tick data from 6/6/17 – 6/16/17



5Y Eris vs. FVU7 (5Y UST Note future)



30Y Eris vs. WNU7 (Ultra UST Bond future)

Contact Eris to get started: Call (888) 587-2699 option 2 or email sales@erisfutures.com

How to Trade Swap Spreads with Eris Swap Futures

Eris Swap Futures are structured like interest rate swaps, with a long position representing a paid fixed position, or short duration. Thus a long position in Eris Swap Futures would be offset with matched duration long position in CME UST futures, and vice versa. Duration hedge ratios may be found at www.erisfutures.com/hedgeratios.

Trading Protocols

1. Eris Swap Futures vs. cash USTs may be traded off exchange by voice execution as Exchange for Physical (EFP) trades with no minimum notional requirements. The Eris block market makers webpage provides the contact information for Eris block market makers
2. Eris Swap Futures vs CME UST futures will need to be electronically traded below the CME block threshold, and may be traded as follows:
 - a. Algorithmic care orders are now being executed by TP ICAP's ICRV: www.erisfutures.com/ICRV
 - b. Preferred futures EMS platform, i.e. TT Autospreader: www.erisfutures.com/spread-configuration
 - c. By voice with your futures broker

The information above, including examples using actual contracts, is strictly for illustrative and educational purposes only and is not to be construed as an endorsement or recommendation.

Written by David Werblowsky, product development director, and Geoffrey Sharp, managing director and head of sales. Eris is a U.S. futures exchange that offers listed interest rate swap futures.

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