

## Fixed income futures roll analysis - March

### Management Summary

The March roll of the Fixed Income Futures concluded on the 8<sup>th</sup> of March 2022 amidst the heightened market volatility.

The cheapest-to-deliver bonds (CTD) changed between the March and the June 2022 expiry for FGBS, FGBM, FBTP. Both FGBS and FGBM saw a small increase in duration after the switch, while the Italian long-term (10y) futures saw a small reduction in duration, as the new CTD, although it has a longer time to maturity, also has a higher coupon.

The escalation of the Russia and Ukraine conflict has echoed throughout fixed income markets in Europe and around the globe, prompting volatility to further rise in Eurex's interest rate product suite.

The heightened volatility around the roll to the June 2022 expiry pushed the transition to the back month contract to the last five days prior to expiry for the core Fixed Income futures at Eurex.

#### Key takeaways



##### **CTD Changes in FGBM, FGBS and FBTP**

After the switch of CTD, the duration of the German contracts increased. On the other hand, the Italian long-term futures had a small drop in duration.



##### **Roll activity was concentrated amidst heightened trading activity**

Traders delayed their roll activity due to the broader geopolitical environment, which resulted in additional trading activity in outright markets.



##### **Spreads held tight and ensured a successful roll**

Despite the volatility, calendar spreads did not widen significantly, and intraday variation stayed relatively low, allowing the hedging of positions without liquidity risk.



## Summary of CTD Changes Eurex's Fixed Income Futures

	FGBL	FGBM	FGBS
March 2022 CTD	DBR 0 02/15/31	OBL 0 10/09/26	BKO 0 12/15/23
Contract Duration	9.02	4.71	1.82
June 2022 CTD	DBR 0 02/15/31	DBR 0 1/4 02/15/27	BKO 0 03/15/24
Contract Duration	9.02	5.10	2.08
CTD Change	No	Yes	Yes
Duration Ratio	0.9997	0.9222	0.8787
	FGBX	FBTP	FOAT
March 2022 CTD	DBR 2 1/2 08/15/46	BTPS 1.65 12/01/30	FRTR 1 1/2 05/25/31
Contract Duration	30.91	8.31	9.63
June 2022 CTD	DBR 2 1/2 08/15/46	BTPS 0.9 04/01/31	FRTR 1 1/2 05/25/31
Contract Duration	30.94	8.27	9.63
CTD Change	No	Yes	No
Duration Ratio	0.9992	1.0057	1

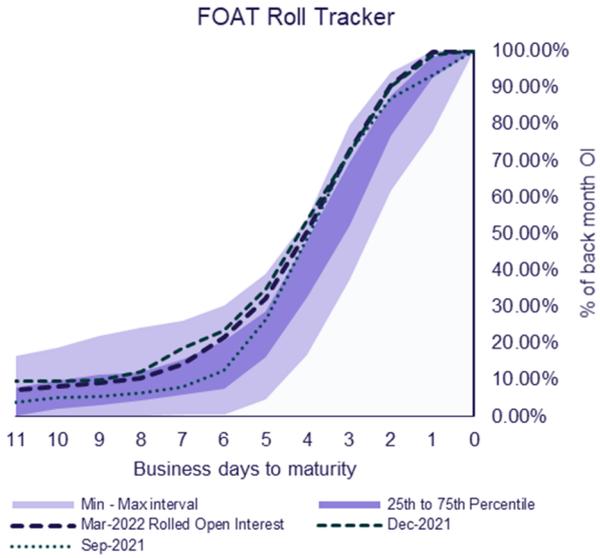
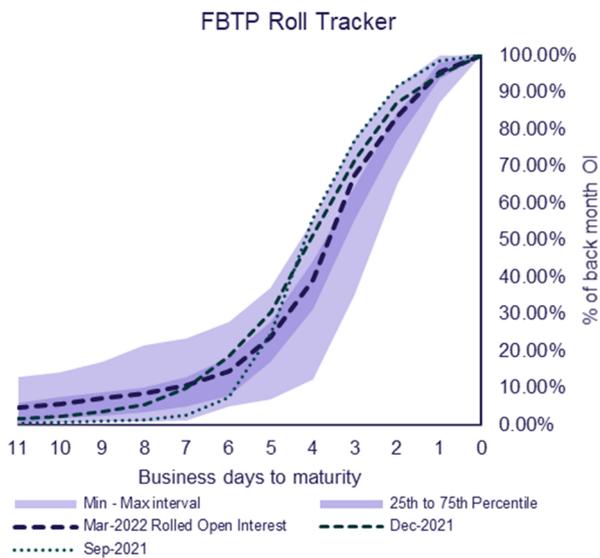
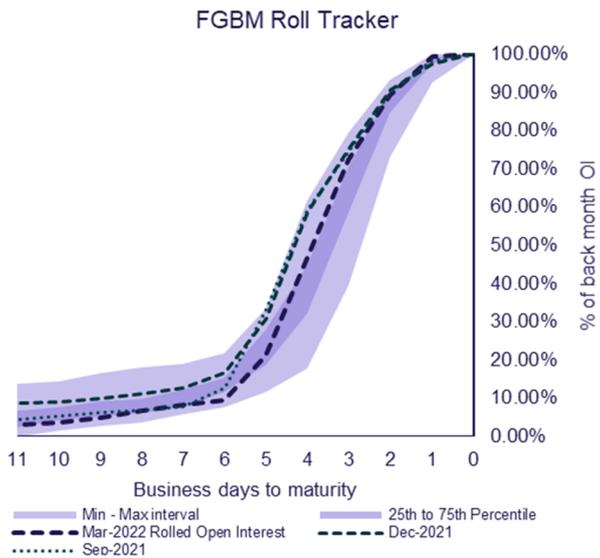
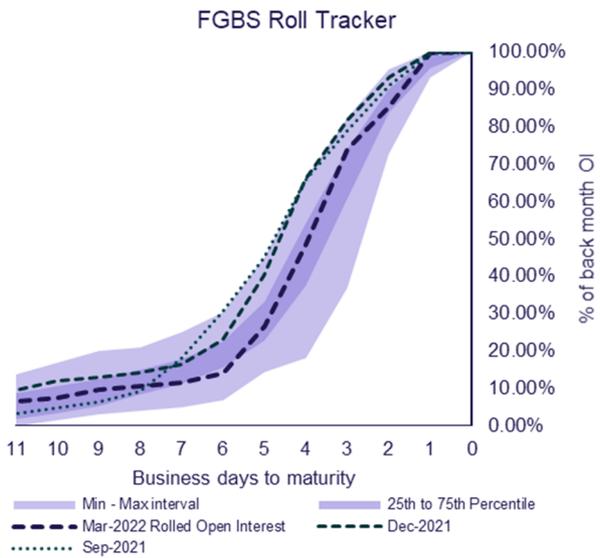
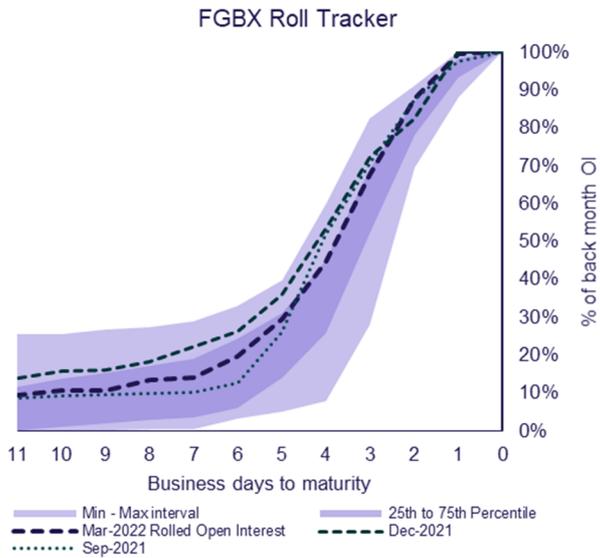
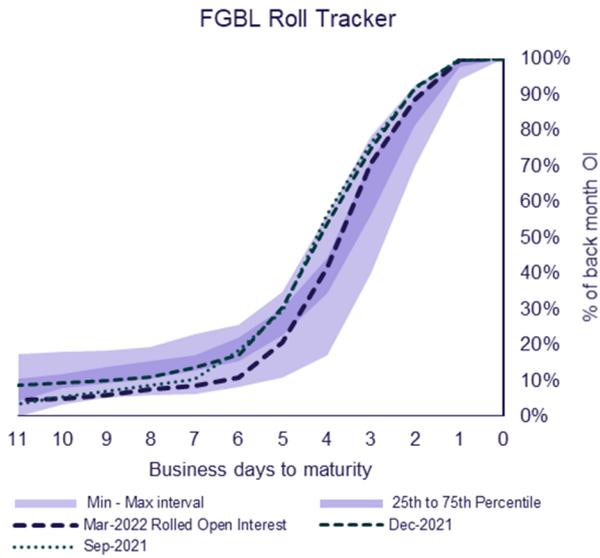
### Rolling fixed income futures in uncertain times

The economic impact from the escalation of the Russia-Ukraine conflict echoed throughout the global financial markets. Riskier assets sold off as investors initially took refuge in safe-haven securities, such as gold and highly rated Sovereign bonds. As a result, volatility in all asset classes increased, including in Eurex's fixed income futures. This came on top of growing concerns over inflation and central banks' monetary policy response, as well as uncertainty around the economic recovery in the European block

Amidst heightened volatility in fixed income securities, the roll of Eurex's futures to the June expiry took place between five and two days prior to the March 2022 contract's expiry. Compared to previous rolls in December and September 2021, the March 2022 roll started one day later for Core German futures.

Generally, almost all contracts were rolled before the last trading day, with FBTP being the exception. Historically, a larger share of the open interest in FBTP contracts goes to delivery relative to the German and French futures. However, March 2022 saw a slight decrease of deliveries in FBTP, compared to December 2021. Furthermore, looking at the French and German futures, we saw a significant decrease in physical deliveries compared to the average of last year's deliveries.

## Pace of Roll per product



## Trading volumes during the roll period (last 8 days before expiry)

In addition to the roll activity in Eurex's fixed income futures, we saw a significant activity in outright markets, as aggregate trading volumes across all expiries during the roll days exhibited an increase of over 20% QoQ for all contracts. Top performer were Schatz futures, increasing their volumes by more than 50%.

Looking at the figures year-on-year, Buxl futures volume saw an increase of 32%, while Bund futures volumes were relatively unchanged. Bobl and Schatz volumes increased by 19% and 15% respectively. On the periphery, FBTP and FOAT grew by 12% and 11% respectively.

Trading volumes during the roll period for core contracts						
	FGBX	FGBL	FGBM	FGBS	FBTP	FOAT
1Q22 (MIn)	2	12.7	10.9	8.5	2.9	3.9
1Q21 (MIn)	1.6	12.8	9.2	7.4	2.6	3.6
% YoY	32.2%	-1.1%	18.9%	15.1%	12.1%	11.1%
4Q21 (MIn)	1.6	10.3	8.6	5.6	2.1	3
% QoQ	29.7%	22.9%	27.8%	52.0%	39.2%	30.8%

## Calendar Spreads

Both higher concentration of roll volumes in fewer days and heightened trading activity were well absorbed by the deep liquidity available at Eurex's fixed income futures. Calendar spreads prices stayed consistent and allowed market participants to roll over their positions without incurring in significant liquidity costs. Intraday variation between high and lowest prices were within one standard deviation of the historical average, indicating that the markets withstood the heightened volatility with confidence.

Bobl, BTPs were in backwardation, while the rest of the core futures suite was in Contango. End of day snapshots of the spreads during the rolling period had Bund spreads increasing from 2.89 to 3.03, while Buxl spreads increased from 1.8 to 1.88. Bobl calendar spreads decreased from -0.05 to -0.25, while Schatz stayed within the 0.3 to 0.4 range. OAT spreads grew modestly from 2.34 to a maximum of 2.39, while the BTP spread fell from -0.43 to a low of -0.77.

### Contact

#### SALES

Vassily Pascalis  
T +44 207 8 62-72 11  
[vassily.pascalis@eurex.com](mailto:vassily.pascalis@eurex.com)

#### PRODUCT DESIGN

Davide Masi  
T +44 207 8 62-72 67  
[davide.masi@eurex.com](mailto:davide.masi@eurex.com)

Find out more online at

<https://www.eurex.com/ex-en/markets/int/fix>

March 2022 | ARBN Number: Eurex Frankfurt AG ARBN 100 999 764

©2022 by Deutsche Börse AG. Eurex®, the EX® and EC®-Logo are registered trademarks of Deutsche Börse AG. This publication is published for information purposes only and does not constitute investment advice or an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any other transaction. While reasonable care has been taken in the preparation of this publication neither Eurex Frankfurt AG, nor any of its affiliates make any representation or warranty regarding the information contained herein. Customers should consider the legal and regulatory requirements in the jurisdictions relevant to them before using Eurex® products or