

Synthetic Longs & Correlated Credit Trades: All-To-All Credit Futures Open Door to “Big Boy Credit Trader’s Club”

CBOE’s IBOXX iShares HY Future

- DV’01 & CR’01 In One Package
 - ‘In-Lieu-Of’ Longs for HY beta matching
 - Capital Efficient Margins
 - Tax-Advantaged (for some as 1256)
 - Monthly maturity AT Index Value
 - ECRPs vs HYG & JNK
 - Regional Dealers carrying larger inventory than banks; need bulk ‘risk-off’ vehicle— a BOND future for bond desks, NOT low-leverage equity ETFs

CDX_HY Credit Future

- CDX_HY “A la carte OAS”
 - Combined with cash held for redemptions in repo/T-Bills, maintain credit beta & increase carry *without adding duration*
 - May be combined and coupon-scaled with other duration instruments for synthetic risk-matching
 - Synthetic securities provide broad look into relative value; not HY bond vs HY bond, but each bond vs synthetic

CBOE's IBXX_HY Future:

$$100\% \text{ IBHY} \approx 101\% \text{ CDX_HY} + 85\% \text{ 5yr} + 7\% \text{ Crude}$$

- IBHY Reflects Credit, Rate & Crude Sensitivity due to Index Bonds:
- IBHY Crude Oil Sensitivity is Critical for CCC Energy-Related

