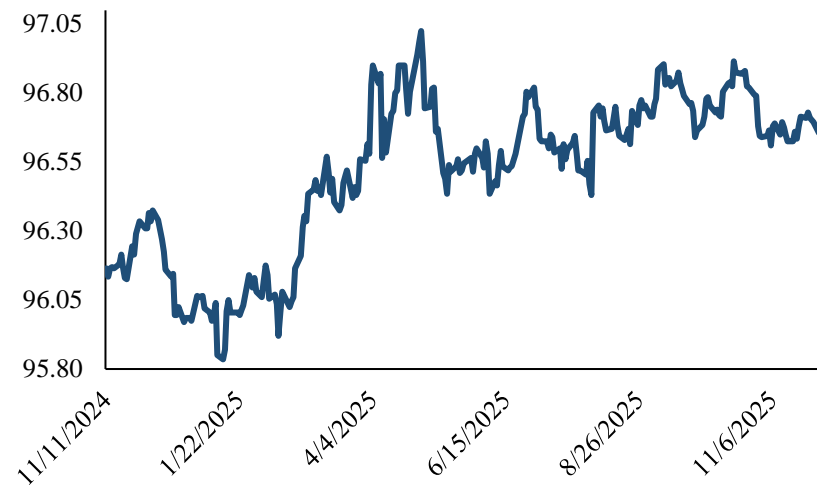


SFRM6 | One-Year Price Chart



Position Details

- 3.00-Month SOFR Futures | SFRM6 Comdty
- Underlying Price: 96.6950
- Long Calendar Spread
- Expiration Date: April 10, 2026 & June 12, 2026

Interest Rate Products Sector

Associate

Ryan Hetcko
ryanhcetcko@gmail.com

Associate

Keira Ruch
keiraruch09@gmail.com

Analyst

Colin Kaniper
cjkaniper@gmail.com

Analyst

Quinn O'Hara
quinnrohara@gmail.com

President

Brandon Bayer
bayer1616@gmail.com

Vice President

Christian Ball
christianball8223@gmail.com

Chief Investment Officer

Cole Woolard
colewoolard05@gmail.com

Table of Contents

- I. Product & Position Overview
- II. Macroeconomic Thesis
- III. Risk Analysis
- IV. Technical Bias & Fair Value
- V. Capital Allocation



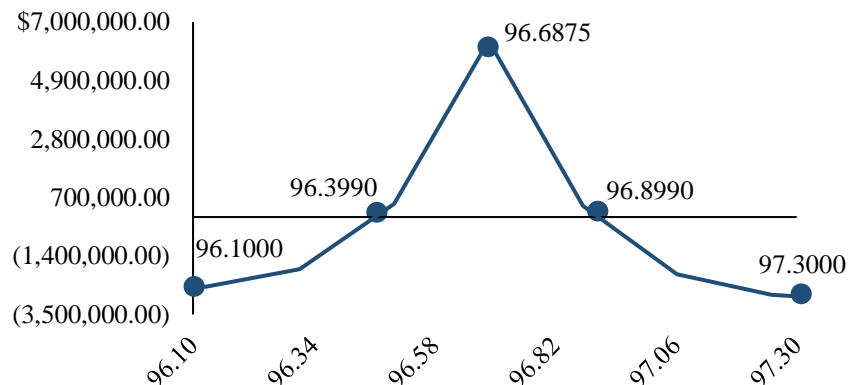
I. Product & Position Overview

Product & Position Overview

Product Description

- **3.00-Month SOFR Futures**
 - 3.00-Month SOFR Futures are standardized contracts based on the Secured Overnight Financing Rate, which is the benchmark interest rate used to measure the cost of borrowing cash overnight backed by U.S. Treasury Securities
 - The price reflects the current market expectations of the weighted average SOFR rate across the contracts respective months which is then subtracted from 100.00
 - This product is driven by the actions of the Federal Reserve, inflation data, labor market data, Fed rhetoric, the Treasury market, and other macroeconomic indicators

Payoff Diagram



Trade Breakdown

- **Long Calendar Spread**
 - This strategy benefits from low realized volatility and increases in implied volatility at the expiration of the short call
- **Setup**
 - We Sell – 50.00 ATM 96.6875 4/10/2026 Calls | SFRM6 Comdty
 - We Buy – 50.00 ATM 96.6875 6/12/2026 Calls | SFRM6 Comdty
 - Maximum Profit: ~\$6,400,000.00
 - Maximum Loss: (\$3,000,000)
- **Expiration**
 - Date: April 10, 2026 & June 12, 2026

Exit Strategy & Potential Hedge Strategy

- **Bull Base & Bear Case**
 - **96.6875 / 96.5000 & 96.8000 / 96.1000 & 97.3000**
 - Breakeven – ~96.3990 & ~96.8990
- **Methodology**
 - The Sector looks to profit from low realized volatility with an increase in implied volatility through the life of the short call
- **Hedge Strategy**
 - The Sector will look to reverse trade if Fed expectations shift extremely dovish before the expiration of the short call
 - If expectations were to shift overly hawkish before the expiration of the short call, the Sector will look to buy back the short call to obtain extrinsic value and maintain the long call position



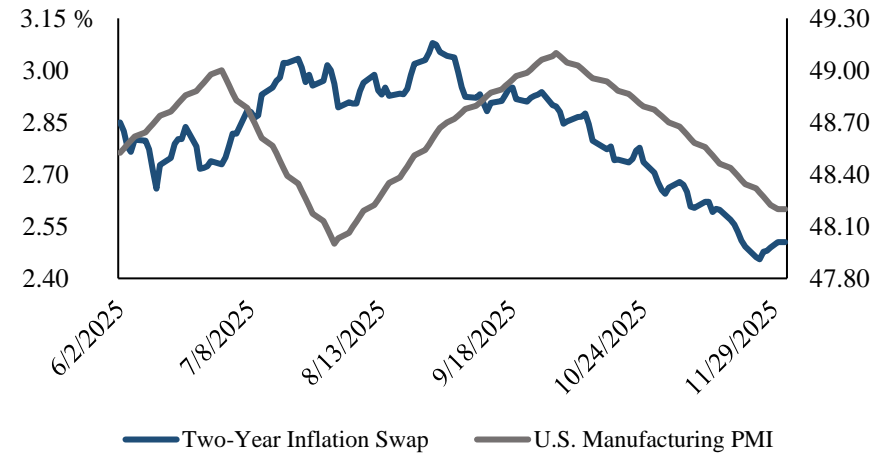
II. Macroeconomic Thesis

Macroeconomic Thesis

Macroeconomic Summary

- **Liquidity Concerns Drive Expected Rate Volatility**
 - Bank reserves are at their lowest levels in five years, similar to the liquidity crisis seen in 2019 when the Fed cut interest rates
 - The SOFR has recently spiked to levels as high as 20.00 bps above the EFFR, when it would normally be below the EFFR. This signals stress in the repo market and a high demand for cash
 - The 65.00-month global liquidity cycle is due to contract in 2026FY, posing serious risks to the health of the economy and borrowing conditions, causing increased volatility in the SOFR market due to uncertainty around borrowing costs
- **Fed Chair Turnover Increasing Volatility in Rate Expectations**
 - Current White House economic advisor Kevin Hassett is the frontrunner for Fed chair, with ~80.00% probability he is picked
 - Hassett has reiterated Trump's extreme dovish rhetoric, wanting immediate rate cuts as low as ~3.00% if selected
 - His pro-growth policy would lower the bar for both rate cuts and quantitative easing, and deeply shift rate expectations in May
- **Widening Income Inequality Misrepresenting Consumer Spending**
 - The U.S. economy is becoming increasingly K-shaped, with lower-income wage growth collapsing from 3.90% to 1.50%
 - The stock market has risen ~15.00% this year due to large cap gains, but the top 10.00% of Americans own ~87.00% of the stock market, while the poorest 50.00% only own ~1.10%
 - Companies have made \$1.00 T in stock buybacks the past year, artificially driving their stock prices up, misrepresenting success

Two-Year Inflation Swap vs U.S. ISM Manufacturing PMI | Six-Month Chart



Market Pros & Cons

- Continued AI developments lead to further gradual job loss
- Current Fed rhetoric keeping short-term expectations stable
- Beige book becomes leading Fed gauge for economic health
- Credit spreads further tighten, signaling corporate confidence

III. Risk Analysis

Risk Analysis

Directional & Magnitude Risk

- **Delta Analysis**

- The Delta for this trade is (0.0073), meaning for every \$1.00 change in the underlying SOFR futures contract, the price of the calendar spread will change by (\$0.0073) in value
- The Delta for this trade is low because the strategy is not dependent on directional movement for profit or loss

- **Gamma Analysis**

- The Gamma for this trade is (0.5557), meaning for every \$1.00 change in the underlying SOFR futures contract, the Delta value will change by (\$0.5557)
- The negative Gamma position means that the trade will benefit from low realized volatility through the life of the short call

Implied Volatility Risk

- **Vega Analysis**

- The Vega for this trade is 0.0483, meaning that a 100.00 bps change in implied volatility will correspond with a \$0.0483 change in the value of the calendar spread
- Vega is very important for this trade as the maximum profit potential is dependent on implied volatility at the time of the short call's expiration
- It is important to note that the position is hurt by realized volatility, but helped by increases in implied volatility

Time Risk

- **Theta Analysis**

- The Theta position of this trade is 0.0001, meaning the position gains \$0.0001 in value as each day passes
- As the strategy benefits from low realized volatility, each passing day increases the chances of the contract expiring at the strike price
- If expectations of the Fed were to shift extremely hawkish before the expiration of the short call, the Sector would buy back the short call, and the Theta position would become positive

Interest Rate Risk

- **Rho Analysis**

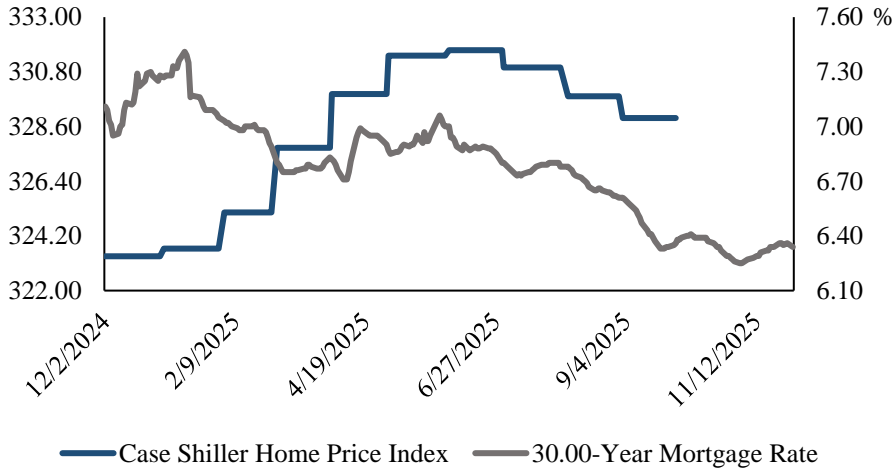
- The Rho value for this trade is (0.0002). Meaning that a 100.00 bps change in the interest rate will change the value of the calendar spread by (\$0.0002)
- Rho is negative because the long-dated option is much more sensitive to interest rates than the short-dated option. When rates change, the long option loses more value than the short option does, creating a net negative Rho for the spread



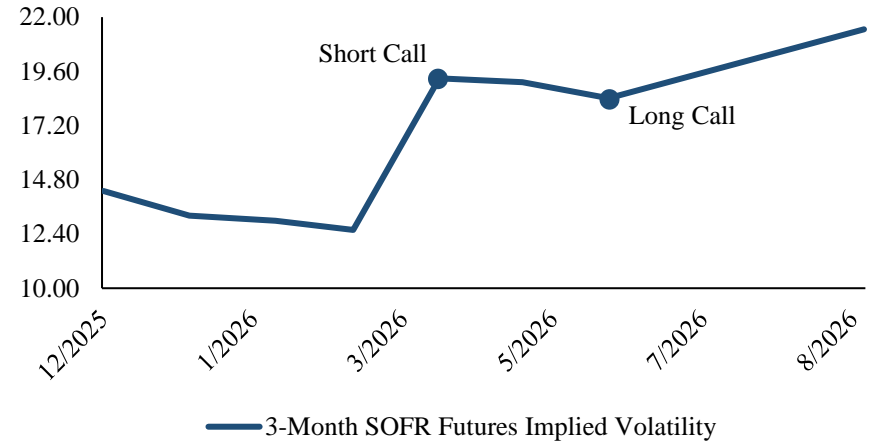
IV. Technical Bias & Fair Value

Technical Bias & Fair Value

Case Shiller Home Price Index vs 30.00-Year Mortgage Rate | One-Year Chart



50D Call Implied Volatility Term Structure | One-Year Chart



Monte Carlo

Output	Short Call	Long Call
Value	\$ 0.3319	\$ 0.4235

Synopsis

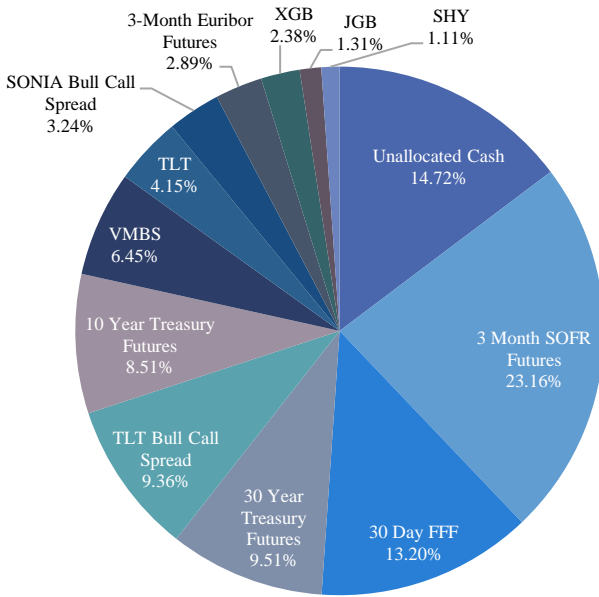
- The Case-Shiller Home Price Index is a key benchmark of U.S. residential real estate values. Although 30.00-year mortgage rates have declined, home prices are also falling, creating a divergence that highlights ongoing weakness in the housing market. Normally, lower mortgage rates stimulate demand and support higher prices, but the recent drop in both indicates softening activity driven by weak demand and broader market fragility
- The graph in the top right shows the implied volatility term structure of the futures contract at the 96.6875 strike price. Volatility is higher at the April 10 expiration and lower at the June 12 expiration, which supports the value of this trade. This creates a good fundamental buy-low sell-high opportunity for this trade, giving it a theoretical edge over the market by taking advantage of the implied volatility of the term structure



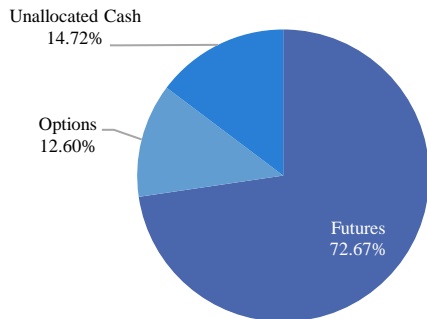
V. Capital Allocation

Capital Allocation

Current Portfolio Allocation

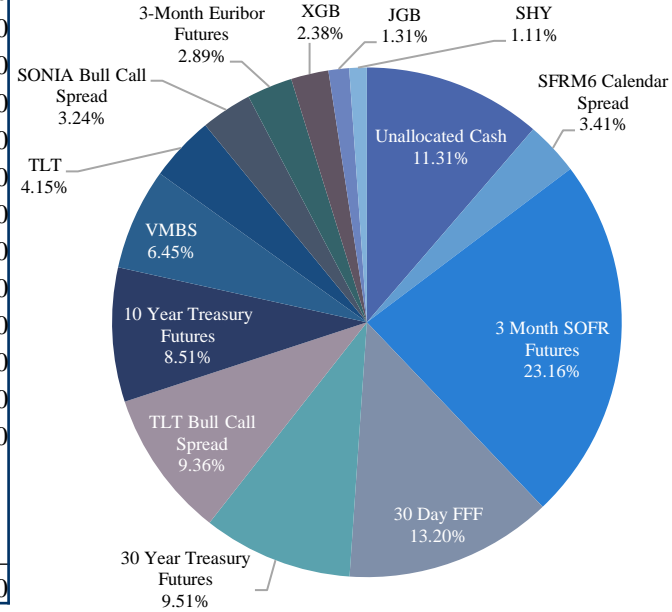


Current Position Allocation

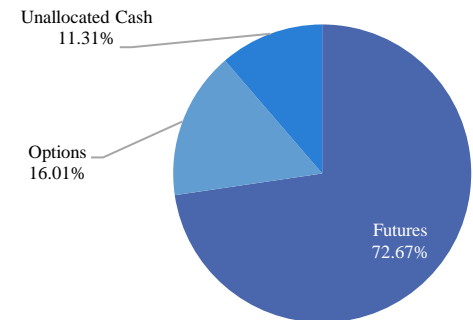


Transaction Summary		
Ticker	Position Change	
	Contracts	Allocation
3 Month SOFR Futures	0	\$0.00
30 Day FFF	0	\$0.00
30 Year Treasury Futures	0	\$0.00
TLT Bull Call Spread	0	\$0.00
10 Year Treasury Futures	0	\$0.00
VMBS	0	\$0.00
TLT	0	\$0.00
SONIA Bull Call Spread	0	\$0.00
3-Month Euribor Futures	0	\$0.00
XGB	0	\$0.00
JGB	0	\$0.00
SHY	0	\$0.00
SFRM6 Calendar Spread	+50	\$3,000,000.00
Allocation Change		\$3,000,000.00

Proposed Portfolio Allocation



Proposed Position Allocation



Benchmark Allocation

