



MNI Pi (Positioning indicator)



MNI Comment: There's been an increasing amount of directional optimism across European futures, or at least, less pessimism: from 3 shorts, 3 flats and 1 "very long" (BTP) in late July, we now see no structural shorts and 4 out of 7 contracts in long territory.

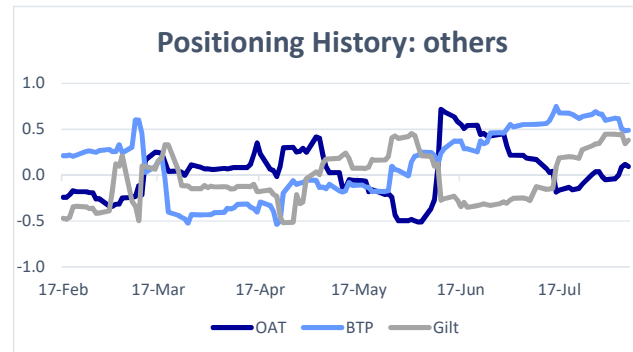
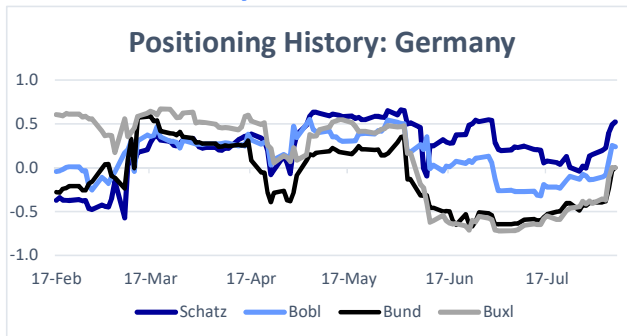
A surge in **Schatz** open interest has been the most interesting development in the past few weeks (+10% since Jul 20, vs +2-3% for other German contracts), which has coincided with a structural move from flat to **long**. **Bobl** has flipped from short to **long**, while **Bund** and **Buxl** have moved to **flat** from "very short". Last week saw shorts set, apart from Bobl (longs reduced).

OATs positioning remains **flat**, with longs reduced last week.

Gilt positioning has shifted to **long** vs flat in our last update - indeed longest since early June (despite fresh shorts being set last week).

BTP positioning has come back from very long levels to merely **long**, with the increase in OI (+9%) similar to that of Schatz.

Six month history of MNI Pi Estimates



Updated Aug 10, 2020 based on OI/price data through Aug 7, 2020. MNI Pi provides an estimate of fast money positioning in futures markets. Calculations are for guidance only, and are not trade recommendations in any way.

For full methodology visit: <https://tinyurl.com/MNI-PI-Methodology>

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Explanation: MNI Pi provides an estimate of the fast money positioning in futures markets. Conceptually, the calculation looks first at the general direction of the bond market. For example, if prices are rising they can be fresh buyers or short covering. If open interest is rising as market prices improve, then we assume that fresh buyers are arriving. By contrast, if markets rise because of short covering, then open interest would fall. More specifically, MNI looks at correlations between daily changes in open interest and market direction over a six week period. We use front-month open interest and we exclude particularly heavy contract rolling days. These calculations are for guidance only and are not trade recommendations in any way.

The matrix below shows the 4 possible combinations of movement between open interest and price changes and what these combinations imply for market positioning.

Matrix: relationship between price direction and open interest changes

		Open interest direction	
		Up	Down
Contract Price Chg	Up	Fresh Longs	Short cover
	Down	Fresh Shorts	Liquidate Longs

Uses: Estimating market positioning is useful for determining whether a contract might have a price bias in the future. However, it becomes more interesting as the contract approaches delivery and investors roll into the next calendar date. Rolling a long position would put upward pressure on the new contract and downward pressure on the current and vice versa.

How to Read: For each contract we report a summary of the market positioning i.e. flat/long/short, a chart of the position to give more accuracy, the most recent trade (past week), a Z-score of the 3 month price move so the reader can quickly see if prices are rising/falling and then finally small chart of a 1 month price history.