



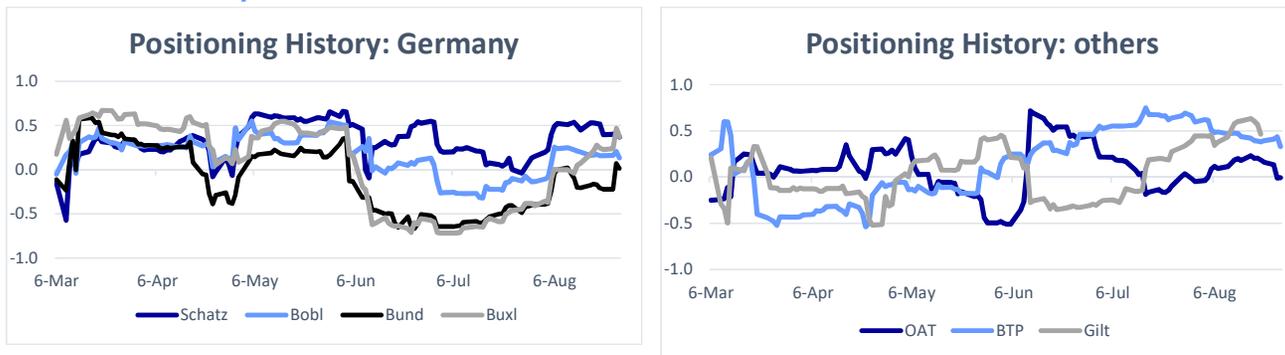
MNI Pi (Positioning indicator)



MNI Comment: With 1st notice for front EGB contracts on Sep 8, the roll is about to begin in earnest (Gilts are complete, chart data below is through Aug 20). We note that contracts are either flat or long as the roll begins - no shorts in sight.

Schatz and Buxl come into the Sep/Dec roll with **long** structural positions, whereas **Bobl** and **Bund** are both **flat**. Longs were reduced for all German contracts in the past week.

Six month history of MNI Pi Estimates



Updated Aug 28, 2020 based on OI/price data through Aug 26, 2020, Gilt for Aug 20. MNI Pi provides an estimate of fast money positioning in futures. Calculations are for guidance only, and are not trade recommendations in any way.

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

OATs positioning is **flat** going into the roll (where it has been for several weeks), though it was the only European contract that saw shorts set last week.

Gilt positioning was **long** going into the roll (which is now complete); we will wait for a few more sessions to update our positioning post-roll.

BTP positioning is now **long**, having been very long for most of July/August.

MNI Pi (Positioning indicator)

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.