



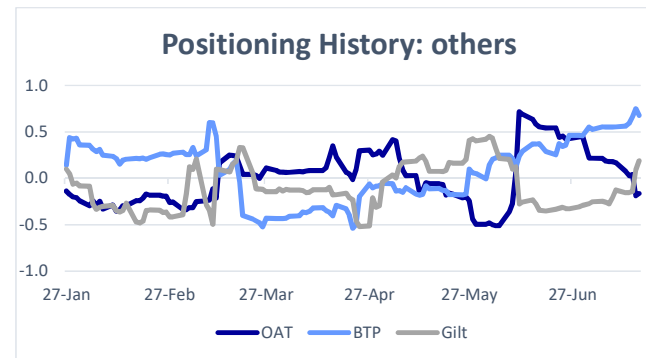
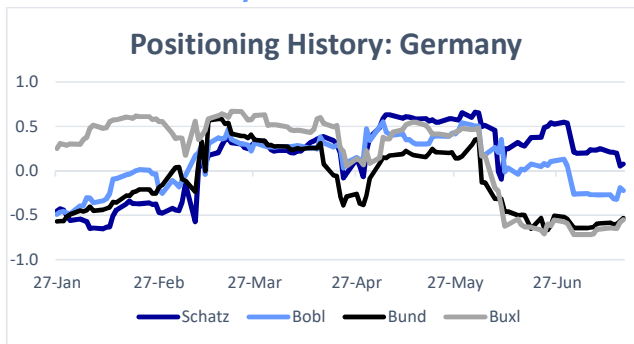
## MNI Pi (Positioning indicator)



**MNI Comment:** Lots of short setting last week, which was noteworthy for post-March highs in equities being set ahead of EU talks on the COVID recovery fund (also a non-event ECB meeting). At this point, only one contract (OAT) retains long structural positioning, vs three contracts a fortnight ago.

Structural **Schatz** positioning has moved from long to **flat** in the last two weeks. Apart from that, no changes for German futures, though we note continued short setting in **Bund** and **Buxl** (already **very short**), with **Bobl** positioning also **short**.

## Six month history of MNI Pi Estimates



**Updated July 20, 2020** based on OI/price data through July 17, 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>

**OATs** have fallen back to **flat**, vs long for most of the 2nd half of June. Shorts were set last week.

**Gilt** positioning has turned slightly more positive, to **flat** vs short in our last update (this despite fresh shorts being set last week).

**BTP** positioning continues to impress to the long side, with **'very long'** structural positioning since mid-July (easily the longest among European futures).

## 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.