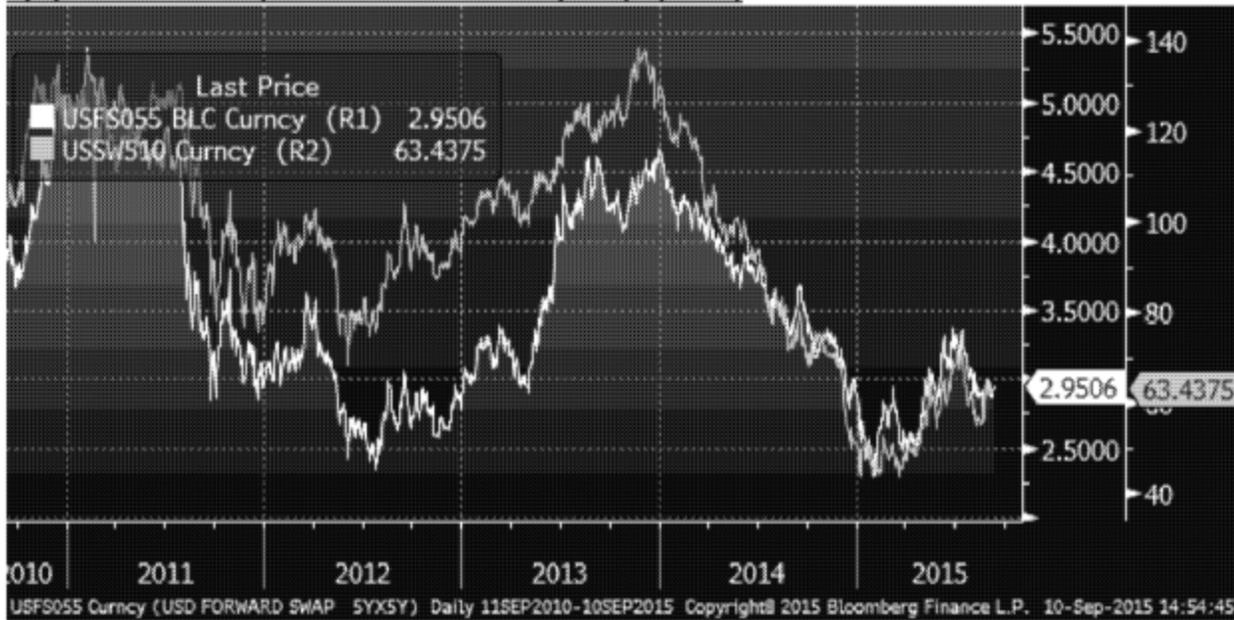
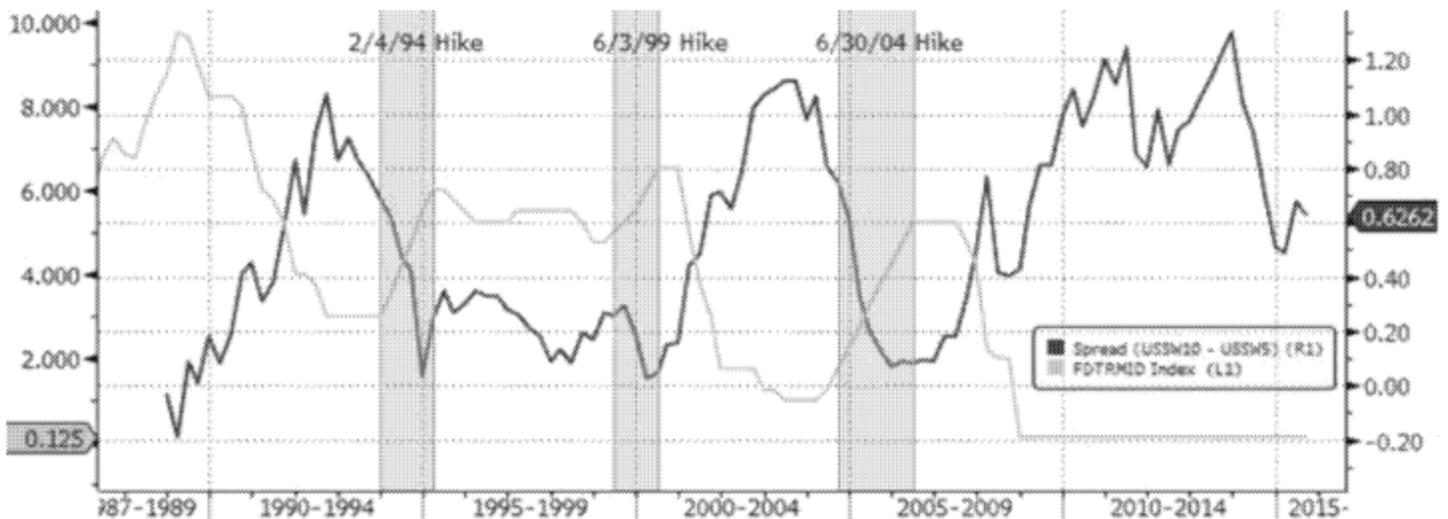


Investors who wish to articulate a view on a decreasing global central bank liquidity can do so by buying 6 month 5s10s curve floors. The 5s10s is a proxy for the 5y5y, which, as seen above, can be regarded as a proxy to liquidity.

**5y5y USD rates and spread between 10 and 5y swaps (5s10s)**



The 5s10s also comes down (curve flattens) during hikes. Therefore this trade could benefit in the event of either a Fed hike, or the event of no hike and a decrease in central bank liquidity



**Indicative Transaction Terms:**

Investor buys: 5s10s USD CMS curve floors

Expiry: 6 months

Strike: ATM (56bps)

Notional: \$100mm

Offer: 10bps (mid 8bps)

Terminal Payout: Notional x max (Strike – terminal 5s10s spread,0)

Ref. 5s10s Forward: 55 bps

Source for graphs: DB Markets Research US Fixed Income Weekly, September 4 2015 and Bloomberg.

Daniel