2015 Outlook Recommendations

	Trade Detail	Rationale	Risks	Opened	Entry	Current	P/L
Treasury RV	Sell rich bond futures against cheap off-the-run bonds	The classic bond futures look rich in the long end	Further outperformance of the 6.25s of 5/2030 in the long end	12/19/14	+21 bp	+5 bp (Closed on 2/25)	**+1,249k**
Inflation Swaps	Buy 2yr2yr forward breakevens	The 2yr2yr inflation appears attractive on a long-term history	Further decline in medium-term inflation expectations	12/19/14	1.95%	2.03%	**+329k**
Inflation	Buy long end inflation	The long end inflation market looks undervalued on a long-term perspective, with the 30-year TIPS breakevens trading below 2.00%.	Inflation markets further underperform.	12/19/14	1.92%	1.91%	**-1,305**
Inflation	Buy 5yr5yr forward breakevens as a hedge to high rates	The 5yr5yr forward breakevens have dropped to their multi-year lows.	Decline in energy prices and a stronger dollar	12/19/14	2.18%	2.06%	**-206k**
Agencies	Buy 3nc1y and 5nc6m callables vs. matched-maturity bullets	With the Fed moving closer to its first rate hike in a low-inflation, moderate-growth environment, there are few themes as sure as the flattening of the curve, likely going beyond the forwards.	Higher implied vol cheapens callables relative to bullets	12/19/14			
Agencies	2-year vs. 5-year agency spread curve flattener	On the bullet agency curve, spreads are relatively tight to the level of rates volatility, and they risk widening 5-10bp from current levels on our model incorporating forward vols and the projected level of outstanding debt.	Increased GSE risk widens intermediate spreads	12/19/14			
US Credit	US High Yield: Sell covered puts on HY CDX	With CCC energy bonds trading at 60 cents on the dollar, and oil just $10 away from matching the most severe percentage drop in oil prices over 1997-8, our sense is that we may be reaching the latter stages of a pronounced move lower in a commodities-driven decline in HY credit valuations	Widening of credit spreads beyond the breakeven point as well as a rally in credit beyond the breakeven, with potentially unlimited downside in either scenario	12/19/14			

Source: Deutsche Bank