CORPORATE BOND / EQUITY RELATIVE VALUE TRADING STRATEGY

FALL 2023

Corporate Bond Data via BondCliQ

Details on our corporate bond data sets:

Pricing Data	Transaction Data

Pricing Data
- Daily quotations from >45 market makers
- ~800k price updates per day across 18,000 bonds
- 9,000 bonds a day have quotation data from >=3 dealers

Transaction Data
- All reported trades in US corporate bond market
- ~100k trades a day totaling ~$45 billion in volume
- Trades are enriched with T, I, Z, and G risk spreads

All corporate bond data has been equity "tickerized" to facilitate cross market analysis

Both data sets have >5 years of history

Available via real-time API or end of day flat file

Key Question: Is there a relationship between corporate bond and equity price movements?

Potential Trading Strategy

Entry Exit Transform on Credit/Equity Rich-Cheap Signal:

- Rules based trade based on a Z-score

    o **Credit Richness** – spreads too tight to equity feature

    o **Credit Cheapness** – spreads too wide to equity feature

- Equity feature is a 3-month lagged return

- +/-2 standard deviations is the threshold of the 1st necessary condition, followed by a cross back over the engage the trade

- Position is held until the Z-Score returns to fair value/zero

Ticker: FDX, CUSIP: 31428XCA2, Pre-Trade Implied Credit - Richness/Cheapness to Equity (Z-Score)
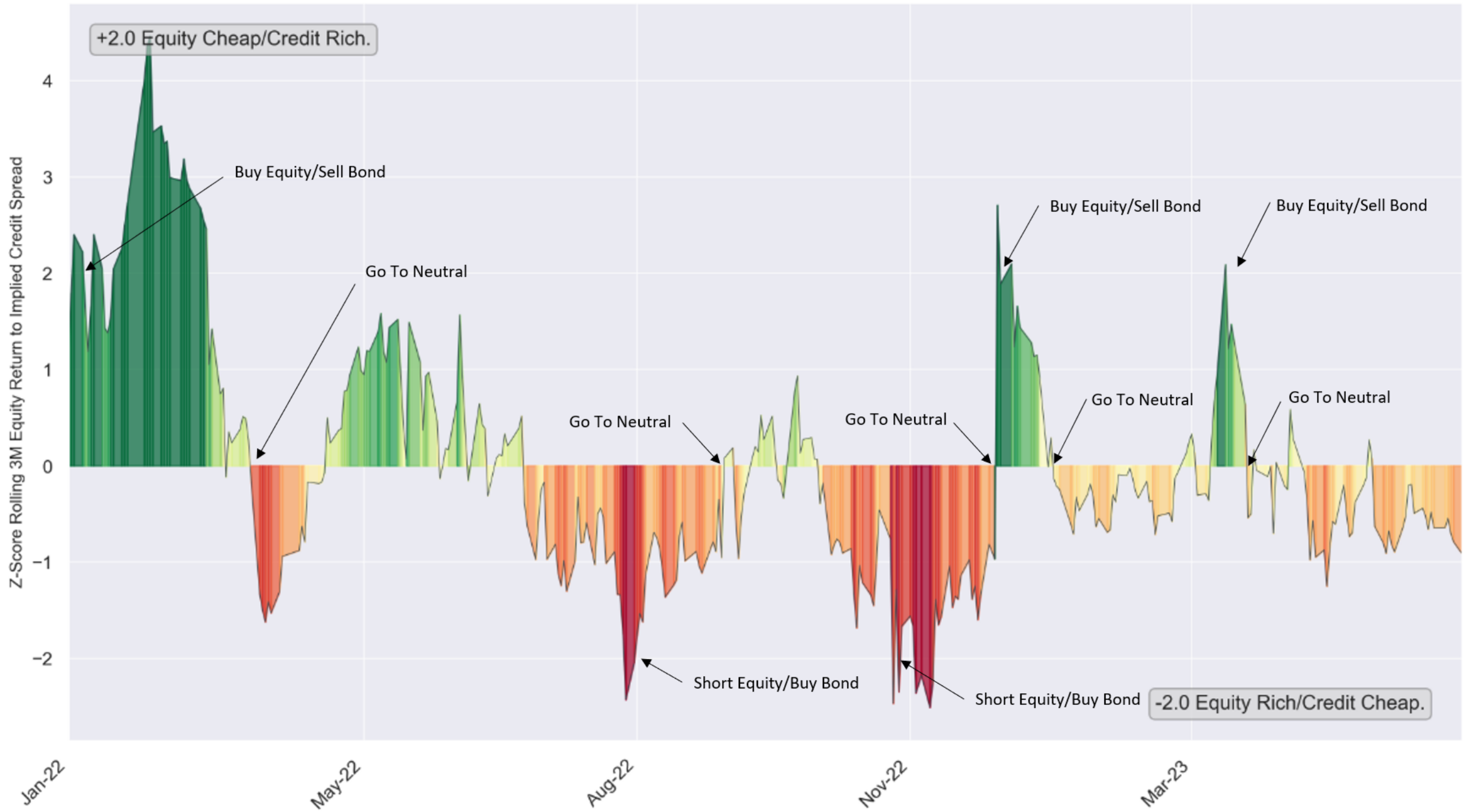
Cumulative Return - Simple Long/Short Credit-Equity RV Stratregy VS SPY ETF - Ticker: FDX, CUSIP: 31428XCA2

Next Steps

BondCliQ provides free access to a Jupyter notebook and sample data for FDX, DIS, CMCSA to examine and run the strategy

Click here to sign-up for access

Questions / Contact Information:

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