

Asymmetric Credit Hedge

(PSVRDIXB, IQBZ5 Index, TYZ5 COMB)

Implied vol + Short IG spreads, hedged with Treasuries



October 29, 2025

Investment Thesis

This is an Asymmetric Credit Hedge: a liquid, risk-managed, and diversifying structure designed to capture upside from widening credit spreads and rising implied volatility in periods of market stress. The position combines long exposure to an implied volatility index with short credit spread futures, balanced by long 10-Year Treasury futures as a hedge. In stable conditions, the structure incurs small, controlled losses, but in stress, it delivers convex upside as volatility and credit risk reprice

Thesis Highlights

- Policy Uncertainty Remains High:** Conflicting data and inconsistent Fed signals keep the policy path unclear, sustaining elevated rate volatility and undermining investor confidence
- Inflation Heating Up:** Persistent price pressures or renewed shocks risk forcing the Fed to stay hawkish longer, limiting Treasury rallies and amplifying volatility
- Labor Market Weakens:** Signs of softening employment would accelerate expectations for rate cuts, increasing uncertainty around the forward curve, and pressuring credit spreads
- Credit Stress:** Rising defaults and tighter liquidity conditions could trigger a repricing of corporate risk, widening IG spreads, and prompting a shift into safe-haven Treasuries
- USD Devaluation:** A weaker dollar fuels imported inflation and global capital shifts, adding another layer of volatility to rates and credit markets

Thesis Risks

- Gradual Fed Easing:** Predictable, measured cuts reduce policy uncertainty and implied volatility, giving markets confidence in the Fed’s path
- Labor Market Strengthens:** Resilient hiring and wages sustain growth and earnings, anchoring yields and lowering recession risk
- Cooling Inflation:** Smooth disinflation reduces macro risk, allowing the Fed flexibility to ease while keeping volatility suppressed
- USD Increase Value:** A stronger dollar dampens imported inflation and attracts capital inflows, stabilizing long-end rates

Investment View: Bullish – Vol,

Bearish – Credit, Bullish – Treasuries

Discretionary Macro and Fixed Income Team

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Position Information

	VOL	CREDIT	T-Note
Price:	\$86.83	\$107,430	\$113,500

Amount: 11,517 9 4

Expiration: 12/31/2025

Total Cost: \$2,420,891.11

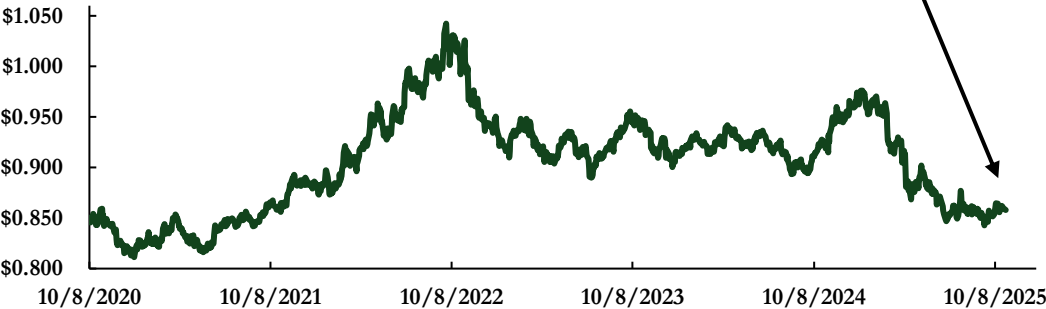
Stop Loss: \$121,041.56

Expectations For End Of 2025

PCE	3.0%
Unemployment Rate	4.5%

USD Vs. Euro

1 USD = 0.86 Euro



Total P/L

