

FOMC Event Driven Trading Technical Writeup (rough draft)

Diego Alvarez

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1 Introduction

This write-up consists of building an event-driven trading model specifically for Treasuries Futures around FOMC announcement days. The original work stems from a series of papers but specifically Peng & Pan,¹ whose work focuses on the performance of Treasury yields prior to FOMC meetings. Although their work investigates the behavior of interest rates prior to FOMC events, their goal is to identify a risk premia that can be harvested. This work is easily replicable within the Treasury futures space and can be enhanced to build simplistic backtests which can be expanded on.

This paper is organized in the following way. The beginning is the data; next is the research and corroboration of the work via Peng & Pan as well as understanding baseline behavior. That is followed by building some backtests and testing results.

2 Data

The data consists of Treasury futures that are collected via Bloomberg. The following is a table of futures used with their respective start and end dates. These are roll-adjusted futures that are rolled by Bloomberg relative to their delivery date and on a ratio basis. Although Treasury futures should be rolled via their basis points on an open interest crossover, this methodology is standard within the GFUT method and will suffice.

Table 1: Treasury Futures Data

Security	Description	Start Date	End Date
FV1 Comdty	5y Treasury Note	2004-05-24	2024-09-20
TU1 Comdty	2y Treasury Note	2004-05-24	2024-09-20
TY1 Comdty	10y Treasury Note	2004-05-24	2024-09-20
US1 Comdty	20y Treasury Bond	2004-05-24	2024-09-20
UXY1 Comdty	10y Treasury Note	2016-01-13	2024-09-20
WN1 Comdty	30y Treasury Bond	2010-01-13	2024-09-20

Generic Yields from Treasuries were also collected, in this case from St. Louis Federal Reserve (FRED) for various yields greater than 1 year. In this case since the focus of the project is days around the FOMC announcement FDTR release date data from Bloomberg.

References

Peng, Qing, and Jun Pan. “The Pre-FOMC Drift and the Secular Decline in Long-Term Interest Rates.” Available at SSRN: <https://ssrn.com/abstract=4764451> or <http://dx.doi.org/10.2139/ssrn.4764451>, March 2024.

1. Qing Peng and Jun Pan, “The Pre-FOMC Drift and the Secular Decline in Long-Term Interest Rates,” Available at SSRN: <https://ssrn.com/abstract=4764451> or <http://dx.doi.org/10.2139/ssrn.4764451>, March 2024,