Fixed Income Trading Language Cheat Sheet

November 4, 2025

1 Abbreviations

- **UB** = Ultra Bond (long-dated government bond).
- **RX** = Euro Bund (German government bond).
- **German Bond Futures**: Bund (8.5-10.5y), Bobl (4.5-5.5y), Shatz(1.75-2.25y)
- **UST**: Bonds (more than 10y), Notes (2y-10y), Bills (less than 1y - ZBC, issued at discount)
- **30s50s**: 50-year bond minus 30-year bond yield spread.

2 Price Movements

- Price $\uparrow \Rightarrow$ Yield $\downarrow$ (called a *rally*); Price $\downarrow \Rightarrow$ Yield $\uparrow$ (a *sell-off*).
- Cheapening = Price $\downarrow \Rightarrow$ Yield $\uparrow$.
- Richening = Price $\uparrow \Rightarrow$ Yield $\downarrow$.
- Market paid = Yield $\uparrow \Rightarrow$ Price $\downarrow$.

3 Long vs Short

3.1 Bonds

- **Long bond** = Receive fixed payments $\Rightarrow$ Position benefits if rates fall (bond prices rise).
- **Short bond** = Pay fixed $\Rightarrow$ Position benefits if rates rise (bond prices fall).

3.2 Swaps

- **Buy a swap** = Pay fixed $\leftrightarrow$ Short bond-like exposure, receive floating. **Positive rate delta**.
- **Sell a swap** = Receive fixed $\leftrightarrow$ Long bond-like exposure, pay floating. **Negative rate delta**.

In trader shorthand:

$$\text{“Mine” (in swaps)} = \text{Pay fixed}, \quad \text{“Yours”} = \text{Receive fixed}$$

A tenor is cheap then we should try to receive fixed in that tenor, and if it is rich then we should pay fixed.

3.3 Swap Spread

The **swap spread** is defined as:

$$\text{Swap Spread} = \text{Swap Rate} - \text{Government Bond Yield (same maturity)}$$

- Measures the risk premium of swap rates over risk-free Treasuries.
- A widening swap spread (↑) implies swap rates are rising relative to govies:
  - Could reflect increased credit/liquidity risk in the swap market.
  - Bullish for bonds (e.g., flight to quality).
- A tightening swap spread (↓):
  - Common during QE or balance sheet expansion.
- **Long swap spread** = Receive fixed in swap and short the government bond.
- **Short swap spread** = Pay fixed in swap and long the government bond.

4 Trade Language: Execution Slang

Phrase	Meaning
"Hit my bid" / "I got hit"	I bought (someone sold to me)
"Lift my offer" / "I got lifted"	I sold (someone bought from me)
"Mine"	I buy
"Yours"	I sell
"Take"	I buy
"Give"	I sell

5 Yield Curve and Duration

Movements in the yield curve provide insight into both rate direction and relative duration risk. Traders describe shifts using intuitive terms that bundle curve shape with rate momentum.

Types of Curve Shifts

- **Bull Steepener:**
  - Short-end yields fall more than the long-end.
  - Indicates easing expectations (e.g. central bank cuts).
  - Duration shortens — gain more from front-end rally.
- **Bear Flattener:**
  - Long-end yields rise more than the short-end.
  - Often due to inflation or supply fears.
  - Duration lengthens — curve flattens with losses concentrated in the long end.
- **Bull Flattener:**
  - Long-end rallies more than short-end.
  - Often a flight-to-quality move.
  - Long exposure benefits more.

- **Bear Steepener:**
  - Short-end sells off more than long-end.
  - Driven by hawkish monetary policy.
  - Long exposure loses more quickly in the front end.

Trader Mnemonic

- **S**teepening ⇒ **S**horter duration exposure benefits
- **F**lattening ⇒ **F**atter (longer) duration exposure benefits

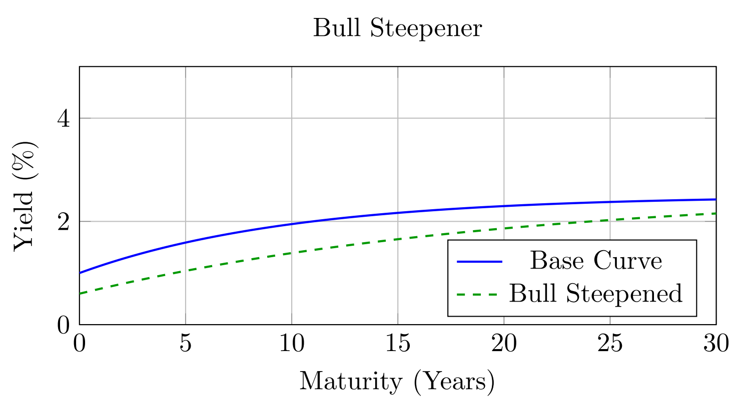

Figure 1: Front-end rates rally more than long-end (short yields drop faster).

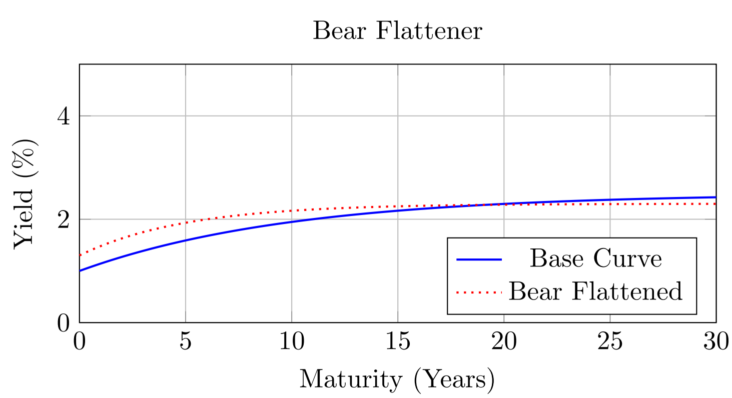

Figure 2: Long-end rates rise more than short-end (flattening in bear market).

Interpretation for Trading

- **Flatteners** benefit trades that are long duration (e.g. receive fixed on long swaps).
- **Steepeners** reward trades with more front-end exposure (e.g. pay fixed short, receive long).
- Relative value trades often structure exposure via curve slope rather than outright direction.

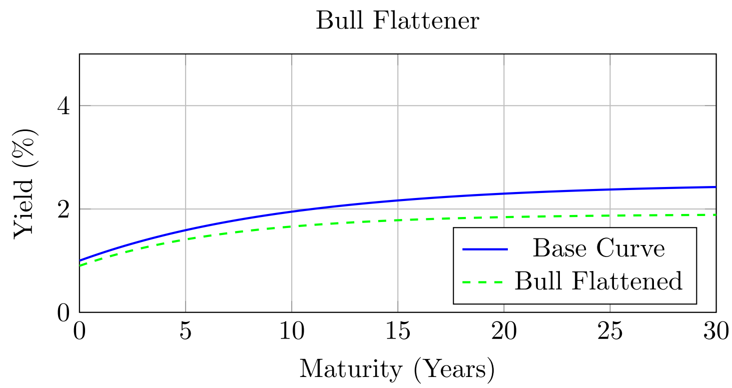

Figure 3: Long-end rallies more than short-end (flight-to-quality move).

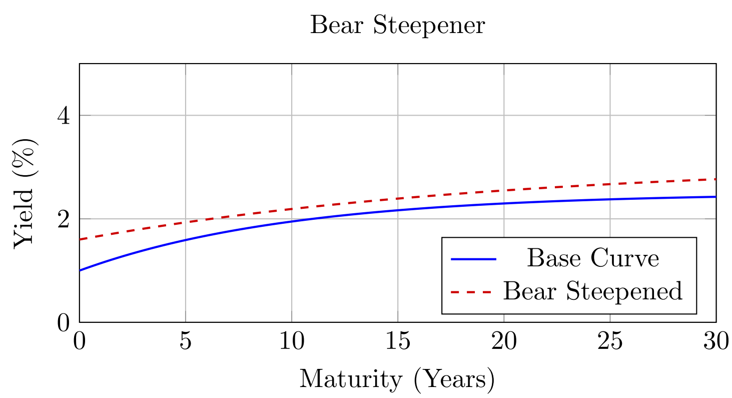

Figure 4: Front-end sells off more than long-end (hawkish surprise).