BondWorks

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2004 Track Record

Summary: 11 Winners; 1 Loser

- Our interest rate call in the long end was quite decent as we stayed with a long bias most of the year but caught a large part of the March to May sell-off either as neutral or as outright short.
- While the recommendations for the front end of the curve both made money, the profitability was small relative to draw-downs and long time-frames.
- On the Canada-US 10 year spread, we were 2 for 2, with minimal draw-down and an average of 50 basis points profit.
- Our corporate sector call was average at best as we had one small winner and one small loser. The corporate sector ended the year trading very expensively.
- On the yield curve, our recommendations worked very well from a long term, non-leveraged perspective. From a leveraged perspective, the drawdown on the original trade recommendation to buy the belly to sell the wings was rather large and could have proved costly.
- From a carry perspective long duration (in a record steep curve regime), long the belly (at a record premium), benefiting from the roll-down, long Canada-US (with Canada at premium yields) all made copious amounts of money. The short recommendation for the corporate sector on the other hand cost money from the same perspective.
- **Overall, we had 11 trade recommendations that made money versus 1 that was a loser.**

Please check the next page for details on the results of our 2004 trade recommendations.

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Trade	Start	End	P/L	Comment
Market:				
Buy bonds	11/24/03	03/14/04	$7 on USTF	Recommended long duration at 111-00 on US Treasury Futures (USTF), changed bias to neutral at 115. (Add $3 for pick-up on rolls on USTF)
Neutral bonds	03/14/04	04/04/04	0	Neutral bias as long as 10 year yield stays below 4%
Sell bonds	04/04/04	04/25/04	$3.5 on USTF	Recommended short when 10 year yield broke 4% support
Neutral	04/25/04	05/16/04	0	Neutral while bonds continue to sell off another $4+ to 4.9% 10 year yield
Buy bonds	05/16/04	07/25/04	$5.3 on USTF	Recommended long duration at 104-12, back to neutral at 108-20 (add 1-12 for a roll)
Neutral	07/25/04	08/08/04	0	Neutral, with note advising positive bias
Buy bonds	08/08/04	12/31/04	$4	Recommended long position at 110-27, market traded sideways with upward bias into year end at 112-16 (add $2+ for 2 rolls). Long bias retained into the new year.
Buy BAH5	05/16/04	11/28/04	30 bps	Canadian BA futures are the equivalent of the ED futures in the US. While this trade was profitable in the end, there were 2 big problems with it: 1, the drawdown was way too large at 55 bps and 2, the term of the trade was way too long.
Buy EDZ4	06/27/04	08/01/04	20 bps	Bought at 97.4, sold at 97.6. Take advantage of excessive steepness in ED curve. Unfortunately stopped out before EDZ4 traded up to 97.9 target
Canada-US Spread				
Buy Canada-US 10 year	11/24/03	05/09/04	55 bps	Bought Canada to sell US 10 year bonds at pick-up 60 bps, sold the position between even and give 5 bps with minimal drawdown.
Buy Canada-US 10 year	08/29/04	12/05/04	45 bps	Bought Canada to sell US 10 year bonds at pick-up 50 bps, sold the position between even and give 5 bps with minimal drawdown.
Corporate Spread				
Sell TRP long bond	02/01/04	12/31/04	8 bps	Sold TransCanada Pipeline long bond at Canada bond +102, the trade was open at the end of the year with the spread at +110.
Sell Ford 5 year issue	05/0904	08/01/04	-7 bps	Sold Ford 5 year bonds at Canada bond +187 bps, bought it back at Canada bonds +180 for loss of 7 bps.
Yield Curve				
Buy the belly-sell the wings	11/24/03	12/31/04	17 bps	The spread proxy I used for belly vs. wings started in November at +77 and ended the year at +60 for a profit of 17 basis points. Trade was open at the end of the year.
Add to buy the belly-sell the wings	04/25/04	09/05/04	23 bps	The above spread proxy has moved to +97 bps at the end of April, while selling the additional position was recommended at 74 basis points for a profit of 23 basis points.

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