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The Trean Report by Matt Carinato

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Good morning....FX markets were active since 4:30 AM ET after jawboning from MoF currency chief Kanda took JPY off it's weakest levels since 1990. Every other market just follows FX around, so as of 8:15 AM ET Treasuries are 1-2 bps lower in yield having bounced since NY arrived, while US equity index futures are pointing higher (what else???) ahead of the cash open.

It's so quiet in the rates market these days that 29% (5 of 17!!!) of the "strategy" Bloombergs I have overnight are focused on the March rebalancing!!!! Been chatting with my friend the Clue Salesman about how to get back into a market that actually trades, the FX market (still have nightmares from the early 2000s on that dog with fleas), but in the meantime how about a couple random(ish) things.

*Probably the most interesting note overnight simply highlights the beauty of all the noise last week, as JPY sits a mere sneeze from an untenable level for BoJ and MoF: see the story that was clearly planted about a "meeting" between the two and then the Kanda comments, which knocked JPY all the way (that's sarcasm!!!) from 151.97 to 151.20. Here's the important part: the offshoot is that all the money that is NOT getting hedged in yen (i.e., sell USD, buy JPY) has provided a little backstop for month/quarter end liquidity in dollar funding markets. You might say great, but really putting a damper on our little synthetic funding biz here (of course!).

*Speaking of rebalancing, month end extensions ahead of quarter end tomorrow show Treasuries extending a pedestrian 0.05 years, gilts extending a healthy 0.18 years, and EGBs extending 0.08 years. Rebalancing is supposedly "highest" in Germany, followed by UK, but still healthy in US.

*If liquidity remains an issue, maybe you get better chance for a rally on extensions, but have to think that even though dealers have had an easy week on the supply front (see record buyside demand for yesterday's 5y) they have plenty of paper they can move.

*Vol markets for rates are basically shut down here, only reason we have to even show up is to reprice after FX or equities see a trade that requires a repricing of the rates surface. You can see it in the trades. One account sector and then one account from a different sector are the only true aggressors in vol space for now. The question is whether this is about finally having a quiet Q1 or total apathy about the forward path of rates.

All right, enough whining for now. Quiet day for the market with only MBA data (already released) and Waller (5 PM ET on the economic outlook) on docket outside of today's featured events: $28BN in 2y FRN at 11:30 AM ET followed by $43BN of new 7y notes to wrap up coupon supply for this pathetic quarter. Tomorrow is chock full of data, and of course we get PCE when all USD markets are shut down on Friday for the holiday. I am sure this is wrong, but I can't see why you wouldn't go home short the belly tomorrow.....

And lastly, some housekeeping for the holiday weekend, here's the schedule:

*CME SOFR pit will close at 1 PM ET Thursday (IMPORTANT: THAT MEANS ALL RATES AND FX WILL "SETTLE" AT 1 PM, NOT THE USUAL 3 PM ET)

*SIFMA recommends 2 PM ET early close on Thursday for all cash Fixed Income products with normal reopen Sunday night in Tokyo.

*Cash equities close normal time (4 PM ET) on Thursday with normal settlement time there.

*CME screens close at normal 5 PM ET Thursday and DO NOT REOPEN UNTIL NORMAL TIME AT 6 PM ET ON SUNDAY.

Have a great Hump Day,

Mjc