

**The Trean Report by Matt Carinato**

Thursday March 28, 2024

On the last business day of the quarter, even though banks are open tomorrow so it's a bit complicated, the USD markets trade heavy but on rather light volume thus far. After the 8:30 AM data (no real impact), Treasuries are trading 2-4 bps higher in yield, flatter on the day. US equity index futures begin the last day of what thus far has been a stellar month mixed ahead of the cash open and the more important 10 AM ET data.

Well, there may be tons of strategists talking about how much money is going to "rotate out of" stocks and into bonds, but someone forgot to tell Waller not to pour cold water on our trade! In case you missed it last night between the US close and the Tokyo open, Waller said he was "disappointed" in the last few sets of inflation data and wants to forestall any cuts until the data has turned softer over "a couple months." Treasuries traded off in a flattener on modest volume; stocks meanwhile have been under minor pressure throughout the session.

Mid-morning in Europe, BoE's Haskell was on the tapes, pushing a slower easing policy in the UK, sounding very much like Waller with an English accent. Gilts came off hard, and took Treasuries to new lows for the session. Generally the flows have actually been better to buying/adding in rate space, despite the repricing. Flows were steady to receive in USD swaps, mostly intermediate to long end. Similarly, better real money interest to buy in US long end. Again, nothing huge, seems more programmatic (i.e., month end).

JPY trades in tight range but mid-151 handle regardless of range can't make the policy makers in Japan very happy. The auctions that met with such aggressive investor interest (even if not aggressive bidding in the case of the 2y) have all been reauctioned, so guess the folks who waited were right.

Huge calendar today, Michigan likely being the most important release (GDP is final revision), and we'll keep an eye on Chicago PMI (9:45 AM ET). Maybe more important though is tomorrow *when everything is closed* we get Fed's favored PCE number. Will we all be in front of screens on Sunday night after tomorrow's number????? Oh boy, we'll see.

Month end extensions are 0.05 years for USTs, 0.19 years for gilts, and 0.08 years for EGBs. And don't forget the (somewhere between) \$15-25BN of rebalancing that should take place.

Okay, if you must, wait until after 1 PM ET to sell a bond, but think you will get paid to be short (now even!)....

**1 PM ET early close for SOFR pit, and futures will all settle at that time (2 hours early).**

SIFMA recommends 2 PM ET close for cash. Of course, CME screens stay open until 5 PM ET (catch up on busy work at the desk). Nothing trades again until 6 PM ET on Sunday. So there you have it.

Have a great synthetic Friday along with a safe and good long holiday weekend,

mjc

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