

The Trean Report by Matt Carinato

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We head into today's CPI report with as little motivation as we seem to have every single other day this year...Bitter??? Who???? Me?? But I digress. 10 minutes ahead of CPI, Treasuries are 1 to 2 bps lower in yield, small steepener on short covering ahead of the data, while US equity index futures trade small better bid ahead of the data and the cash open.

All right, the "long awaited" CPI (and real earnings) at the bottom of the hour, RBC at 9:45 AM ET, FOMC minutes at 2 PM ET, and a \$39BN 10y reopening as the second leg of this month's opening auction series. We also get Bowman (8:45 AM ET, Basel--yuck), followed by Goolsbee and Barkin (12:45 PM ET, panel discussion).

Overnight, as quiet as one might have expected given the lead-up to CPI, and yes I am trying not to be salty. 250K TY traded by 7:30 AM ET will confirm how slow it was. RBNZ left rates unchanged, not unexpected after things have moderated down under, while forward guidance was very middle of the road. Cash Treasuries barely traded, futures not much better. Some small flow went through in 1y for USD swaps, but nothing of import. That theme continued through London, small pressure from European rates being pressured by issuance calendar. And no pick up in activity since NY arrived. Oh boy...

Breakevens for today's CPI show US Classic at 6.9 bps, TY at 8.21 bps, and FV at 9.69 bps. That continues the healthy trend of firming (remember, NFP last week was 6.43, 8.06, and 9.09 respectively). Now if we could just get realized vols to follow through.

We traded right to aggressive resistance yesterday in TY contract, but then took it out overnight, opening the potential to trade to more aggressive resistance up at 110-02+. Interesting US Classic is now at 118-10, 3/32s away from its resistance level. Still think these are good opportunities to set a short here. The risk is this levered position shown by the COT report: was it cleaned up after Tuesday or not on last Weds and Thurs bounces???? One other note, open interest went up pretty uniformly on Friday and Monday, but came off last Thursday and yesterday. Confirmation of the pain??? Or just one tool that is telling something a slight bit askance to the real trend? We'll see I guess....

All right, off to see the Wizard, or at least find a Clue Salesman. Have a good rest of the week. **AND TRADE MORE!!! IT'S GOOD FOR YOU!!!**

Have a good and safe rest of the week,

mjc

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