

**The Trean Report by Matt Carinato**

Thursday April 18, 2024

Another day in the salt mines...another fairly quiet night for Fixed Income of course. Of course, (yes here comes the rant again) as long as you let FX drag you around by the reins, you are going to reap what you have sown... As of 9 AM ET, Treasuries are 1.5 to 2.5 bps higher in yield, curve mixed, while US equity index futures are marginally firmer ahead of the cash open.

Treasury, futures and swap volumes were light, futures probably the best with theme being flatteners in FV, TY, and UXY Ultra 10s against TU during the Asian session. You get the idea. Treasuries were better bid through the early London trade, but of course were offered pretty much the second that NY desks showed up. 2s have seen more love from US accounts over the last two weeks, and that remained the case ahead of the Chicago open, more of a bear steepener than anything else since 7 AM ET.

Interesting that in swaps overnight there was better paying in USD 5y space as all the intervention talk was hitting the tapes, along with some paying in 20y swaps after the auction yesterday. If you can believe it, swaps got quieter during the London session.

So overnight, G7 statement on "disorderly FX" markets and coordinated statement by BOJ, BOK and US Fed highlighting "rapid depreciation of the yen is of serious concern." It was made very clear that intervention could happen at any time. Indonesia told state-controlled firms to "stop buying dollars" (gee thanks, and not making that up). So on all this news, USDJPY "broke" all the way to 153.96 from 154.40, only to roar back up to 154.48 (new overnight high) 20 minutes later. The only way this is going to work for all those countries is what the G7 basically told you last night: at some point Fed will open unlimited cross-currency swap lines with the world, and everyone will agree to swap USD. So that means we remain captive to our friends in FX, and we all know what that implies....

Claims were a nonevent (still strong though) and Philly Fed was rather strong. We are bouncing off the lows again on virtually no volume, vols coming off for a second consecutive day. Still have LEI and Home Sales data at 10 AM ET, along with \$23BN in new 5y TIPs at 1 PM ET. Treasury will announce composition of next week's 2s/5s/7s supply. Meanwhile, Fed speakers still left for today include Williams, Bowman, Bostic (double dipping today at 11 AM ET and 5:45 PM ET), and Collins.

Have fun out there and remember: "keep your friends close and your FX desks closer...."

Good luck,

mjc

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