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## The Trean Report by Matt Carinato

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Hard to get too excited about writing so far this week, but there is hope for a little bit of realized volatility in the market, even as we see implieds continue to melt away, says the broker guy. As of 8:20 AM ahead of PPI, Treasuries are effectively flat while US equity index futures trade small better bid ahead of the data and the cash open.

And volume/activity remained extremely low again overnight, even JGB 30y tagging its highest yield since June of 2011. When long end JGBs were 5 bps higher overnight, it was interesting that the yen caught almost zero bid, and of course is now lower on the session. Not to sound like a broken record, but the canary is squawking pretty loud in that mine shaft. So there was some small selling in US Classic on the move in JGBs, but that lasted as long as the bid to the yen. There was some Asian real money buying in US WN contracts, some receiving in USD 10y swap, with small and normal Asian bank paying in USD 5y swaps. Again, don't mistake the last sentence for volume; that concept caught the early flight out of town. And things didn't improve much until US arrived.

Generally, positioning remains the same as it's been for most of the last nine weeks, which is frustrating for those of us who have lacked a clue for the last three months. So duration short/without continues to be the focus. Guess nobody cares about the much larger structural position that is exposed to higher rates, such as the belly. But that's okay, this can't go on forever...and the beauty is eventually you will get this correction to higher rates and the back end will participate (steepener fueled by the wrong position in belly???--- that would be so beautiful). We'll see. Enough for now.

Vols were marked softer on the NY open only to be bid led by upper left into PPI as one would expect. Maybe we get something here, but the big number remains tomorrow's CPI report. Powell speaks at 10 AM ET, along with ECB's Knot before the Netherland's Foreign Bankers Association (what a boondoggle that one is!!!); Cook speaks before at 9:10 AM ET. That about covers things....

Have a great Tuesday,

mjc

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