

The Trean Report by Matt Carinato

Friday May 3, 2024

Happy NFP day...or as I prefer, Kentucky Oaks Day!!!! It's ugly out there if you are short risk assets or USD assets at the moment. There is a very sneaky nervousness to the market we haven't seen in a little bit. As of 8 AM ET, Treasuries are trading small better bid, while US equity index futures are trading firmer as well; none of those marks will matter in 30 minutes time.

Tokyo closed for start of Golden Week puts a large damper on volumes, with cash not open until London showed up; China also with holiday only made it quieter. Markets largely killed time overnight, Europe and UK waiting on US today.

Breakevens for today are interesting with US Classic at 7.82 bps, TY at 9.74 and FV at 12.77 bps. Yes, there is a theoretical arbitrage there against the FV, unless of course we are about to get rocked by a big number in which case the FV will tag something much closer to 15/18 bps.

There were definitely a lot of conditional hedges set since Wednesday. Saw it in places like TU options (remember this huge basis play **distorting** that sector as well) via the call buying, greens, FV futures, curve trades (all steepeners), you get the idea. Just don't know that this was in any way enough to be able to turn (as in a capitulation trade), so think risk is that bounce that has been the theme this week. Further, all the surveys are leaning toward too large of a short into the data; for example, one survey I saw showed "record low number of people willing to sell a rally". Just feels like maybe whisper is set too high (closer to 275K than consensus of 240K).

My bearish friends need a little help here, and I might need a clue salesman therapy session again. This rates market, with the exception of Wednesday, trades very sneaky bid all week, including yesterday AND since NY arrived today. And if you thought yesterday was short covering (yeah, some of us hoped), don't look at open interest in futures, because it was up HUGE with the exception of the WN Ultra Bond that was down small. SO yesterday was NOT the capitulation trade.

Want, so want, so want to say buy the FV Straddle for today and sell as many SOFR green packs as you can. Think it's time to wait on that idea though. Just seems like you have to bounce here. If that is correct, let the selling commence this afternoon.

After NFP, we get ISM Service Index at 10 AM. Blackout ends with Goolsbee (10:30 AM ET) and Williams (7:45 PM ET) scheduled to speak. Quarterly refunding next week as well.

Good luck, be careful out there, and have a good weekend!!! It's going to be a long morning before we can focus on today's Kentucky Oaks Race....and feel free to send us some tips!

mjc

This data, information, and associated comments are provided for information and distribution only as permitted by law. It has been prepared for Institutional Investors only and not for retail. This material is neither an offer to sell or a solicitation of an offer to buy any security. Further, all statements and expressions are the opinion of the author(s) only and are not meant to be a solicitation or recommendation to buy, hold, or sell securities. The information herein is not intended to predict actual results, which may differ substantially from those reflected in the material. The information presented herein and on any related website(s) has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. Past performance is not indicative of future results.

Trading futures or related securities involves the risk of principal and could further result in losses greater than the original investment or the funds in an account. The investor is responsible for all financial risks associated with an investment. You should not engage in trading unless and until you fully understand the transaction(s) and the extent of the financial exposure to losses exceeding principal investment. You should always consult your registered investment advisor before making any investment in futures or other levered products. Futures and options trading involves substantial risk and is only appropriate for those who have the qualifications, understanding, and risk capital for such investments. Additionally, in making an investment decision, individuals should always rely on their own examination of the offering and the principals involved in the investment vehicle, including the terms of the investment agreement and the merits or risks involved in such investments.

Trean Group is a member of the NFA, registered as an Independent Introducing Broker (IIB). The third-party content contained herein is provided for informational purposes only and has not been independently verified by Trean Group for its accuracy or completeness. Additional information is available upon request.

**TREAN
GROUP**