

The Trean Report by Matt Carinato

Tuesday June 11, 2024

Welcome to Bitter Tuesday (yes, after bitter week just ended).... Risk is taking a small beatdown on the political unrest in Europe. Small student body right and the whole continent starts melting down. Thank goodness we don't have to deal with any political situations here in the US, but I digress. Treasuries open in the US better bid by 3-5 bps, led by a Flight To Quality bid in the belly, while US equity futures trade small lower ahead of the cash open, in deference to the pressure on European risk markets.

And today we rally Otis, like the dog this market is. The bid, for Treasuries at least, comes from Europe, where the political uncertainty including stories about Macron resigning have seen German and US rates rally in FTQ bid (Lord, please forgive me for saying that), while peripherals have taken a beat down, led by an 8 bps jump in French OAT and Italian BTP. Just love when we have to deal with European politics because there is nothing going on here. Oh and risk trades defensive, FTSE MIB down 1.7% to lead EU lower and put minor pressure on UK and US risk markets. Belly is better bid through this fiasco, receiving in USD 5y swaps, outright buying of 5s through 10s in cash and buying of FV on the exchange. Flows during Asia saw real money lifting US 10s, better Asian bank paying in USD 7y swaps, and central bank selling in US 30s. Market traded within a 1 bps range from 9 PM until 1 AM ET, 'nuf said Sherlock!!!

And to review, yesterday was "another day where we trade a little lower in rates space and another day where open interest goes down..." This time the US Classic (-0.69%, 11K contracts) and TY (-0.79%, 20K contracts) were the biggest shedders of positions in the selloff. We'll just wait for Stone McCarthy to come out an hour before the FOMC tomorrow to find out these muppets reduced their bogey to 100% (currently 100.4%). I mean how are we gonna break lower if everyone keeps shorting the market??? The great conundrum: you know you're right but everyone won't help you out...or I call the clue salesman and we review the concept of "market sentiment." Maybe it's time to admit we are going to rally very hard here at some point.... Time to think about managing some tail risk at lower rates kids.

No data again today, now that we survived the release of the NFIB survey at 6 AM ET. There is the matter of this \$39BN 10y reopening we have to deal with at 1 PM ET. In the current environment, the FTQ bid out of Europe will underpin the bidding, but we still have 4.5 hours to muck this up as well....

Enjoy your day!!! I think I'll go for a 10-hour walk amid the cicadas...

mjc

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