

The Trean Report by Matt Carinato

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All right, not a lot of activity overnight, but that's as one would expect given the impending CPI number and then the FOMC announcement. By the way, everybody is busy dismissing the CPI number as dovish. "3.4" and "3.5" are rather important levies that better hold, but who are we to question sentiment??? Ahead of CPI, Treasuries are small firmer while US equity index futures trade mixed.

Peripherals have shrugged off some of their mess from yesterday, but core Germany is still outperforming intraday. While volume was light for the evening, better central bank buying came through in 10s during the European session, after the firm reopening for that sector yesterday (as expected, given the FTQ trade then). There was better buying of WN Ultra bonds late in Asia as JGBs rallied and again mid-morning in Europe. Basis trades/switches in SOFR swaps during Asia optically underpinned volumes there, without much legitimate flow, although there was some deal-related receiving in USD 6y swaps and some Asian real money receiving in USD 10y swaps. London saw more receiving in the 6y tenor, and actually good 2-way flow for the first hour or so in 5y and 10y swaps. Other than that, it's been pretty quiet.

Vols are mixed coming into the morning, very much so mixed in upper left, but being marked under pressure as you make your way toward the lower right. Of course, it's all noise as nothing is trading. Exchange vols are a touch firmer 30 minutes before CPI. Breakevens for today are: US Classic at 8.123 bps, TN Ultra at 10.684 bps, TY at 9.792 bps and FV at 11.198 bps. That TN Ultra stands out like a sore thumb, but liquidity may be the answer. Generally these look a bit rich given the chatter, meaning that we REALLY want to own them! Sure that's wrong....

All right, what's a bloke to do here???? Well, after open interest came off handily for two consecutive sessions that saw Treasuries sell off, yesterday got us a rally in rates.....and open interest came off handily again!!!! Serious??? Where is that clue sales guys phone number. WTF.... Guess that's part of the narrative here: lack of conviction and real positions is causing gridlock on the highway and we really can't get any traction.

Says here the risk in 10 minutes is a strong number, but the REAL base risk is a duration short that can be squeezed if everything is as tame as people claim it will be.

All right, have a great hump day and good luck out there,

mjc

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