

The Trean Report by Matt Carinato

Friday June 28, 2024

Happy Last Day of this piece-of-dog quarter....Markets are digesting last night's debate and looking forward to inflation data today. Ahead of the data, Treasuries are 1-2.5 bps higher in yield, small bear steepener, while US equity index futures trade small better ahead of the numbers and the cash open.

Let's start out with implied breakevens from this morning:

US: 4.734 bps

TY: 4.761 bps

FV: 5.354 bps

Like, that is not a typo: you can't short those levels, but don't think I want to waste money buying it!!! For two weeks, every analyst has highlighted today's PCE number; guess we forgot to tell the vol market how important it is supposed to be. Story of this whole worthless quarter. I never should have come back from the Tequila Bar; I was more productive there!

Enough whining. Do need to make sure you know that the month end extensions are at 0.05 years in USTs, slightly below average. If money managers used the 7y to add duration for their extensions, well as they like to say there's plenty more where that came from as the 7y has been reauctoned overnight. The 2y sits 1 bp cheaper than it's stop level after being reauctoned yesterday, the 7y 2 bps cheap. Point is there should not be a large duration grab/need today. Further to the argument of not seeing a month end extension bid, remember that dealers are still axed to lose paper, especially in the 3y to 7y sector of the curve for balance sheet clean up.

Treasuries have struggled overnight. They bear steepened during the debate last night; not certain if that was event driven or part of some better paying in duration that caused both swaps and Ts to steepen in an otherwise quiet night. Asian banks paid in USD 5y swaps while Asian real money paid in USD 10y swaps. There was some scuttlebutt that this was because both candidates further pushed protectionist trade policy. Don't know: given how disastrous the night was for one of them, I think that's a stretch.

Pressure on France OATs kept a lid on Treasuries and the most of the rest of the European markets as well during the early European session. French polls close at 3 PM ET Sunday; exit polling in France is usually very accurate, and will be released shortly after 3 PM, so we should

have a good idea of where that mess stands some 2.5 hours before USD markets reopen. Since NY has arrived, we've seen some very small buying in belly by US real money accounts.

Okay, time to get moving. PCE (8:30 AM ET) and then Michigan (10 AM ET) will be the highlights for today. Chicago PMI, KC Fed, Barkin, Daly, Bowman also on the docket, but doesn't feel like there's a trade here unless those two highlighted events provide the catalyst. Market has spent the week trying to protect the upside; us bears don't feel any love. Even with 30y and 10y currently 5 bps in yield than last Friday's marks, it still doesn't feel comfortable being short. "Hate" and "bitter" are just not strong enough words for us bears right now...

Have a good day and a successful wrap to this quarter. GOOOOOOD RIDDANCE,

mjc

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