

**The Trean Report by Matt Carinato**

Friday July 5, 2024

Okay, holiday feel to this session, which makes it fraught with peril. And for those that have yet to ask, today is a NORMAL FULL trading day. Hope you brought something good to read this afternoon. We wait on the employment report in 10 minutes and see if there is enough to move us; any move will likely be violent and exaggerated given the number of half-staffed desks and the lack of liquidity. As of 8:20 AM ET, Treasuries are small better in a very minor bull steepening while US equity index futures are trading small lower; all of this won't matter in 10 minutes when we get the report.

So here's the down and dirty for the NPF report, and then if it's in line, we probably get to watch paint dry from 10 AM until 5 PM ET. Breakevens as of 7:50 AM ET for today:

\*US Classic is at 8 bps off today's straddle

\*TY is at 9.20 bps

\*FV is at 10 bps

So there you go, a bit meatier than recently, but after last Friday's move and given the backdrop of an illiquid market, think that all else being equal these are very fair levels.

Positioning remains mixed. Commitments of Traders reminds us there is a good levered short out there across duration structures, but Stone McCarthy reminds us that the structural long duration position continues to grow, now at 100.8%, albeit not quite at "sell 'em" levels yet but on its way seemingly. Takeaway is that risk remains short term to a squeeze higher, and that's what matters today.

Markets slightly better bid now in rates, with UK leading way after elections there have resulted in better bid for UK assets generally. Flows were largely nondescript in Treasuries overnight as one would expect. It's all about this report in 15 minutes. Seems that employment will be hogging more of the spotlight for the moment given the belief that inflation is tracking on the "right" path--until it isn't in a couple weeks. But let's deal with that another day.

The only thought here (and it's not worth the penny) is that you want to come out of this day long some gamma, preference being 2m expiries into the belly. But again, this morning is ALL defense and NOTHING but defense for anyone sitting at a desk.....Good luck and have a good weekend!!

mjc

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