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**The Trean Report by Matt Carinato**

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We head into the last real data point for the Fed ahead of next week with Treasuries roughly at their low yields for the year, roughly 2-3 bps lower in yield on the session in a small bull flattener; meanwhile, US equity index futures trade marginally lower ahead of the data and the cash open. All right, CPI coming at the bottom of the hour. And please take note of the hourly earnings data that will be released at the same time. Let's just say that ain't going the Feds way these days, but why let a fact get in the way of your home team's narrative, kinda like the debate last night....

But I digress (twice already), so here are breakevens implied by today's expiring (Weds Week 2) Treasury options:

US Classic: 5.66 bps

UXY Ultra 10: 5.72 bps

TY: 6.65 bps

FV: 7.49 bps

So for those of us making so much of today's number, the market is giving you a serious "move along" signal. Remember that Friday's FV breakeven was 14.87 bps. Granted we did have a 15 bps move at the wides of the day just before Europe closed but we closed with only an 8 bps move from Thursday's close. Further thoughts on this to follow.

We are in small risk off mode early this morning, although a bid to Treasuries is not really unusual during the European session; almost 40% of the time in the last month, the USD rates market has retraced to flat into the US Chicago open, before resuming its rally. There was better buying mostly in social sizes through the debate and the usual warm up bid to the London open, and the normal ensuing buying activity. Better paying interest in USD 5y and 10y swaps mid-day in London took us off the highs, while US banks were better sellers in 3yy and 10y, along with TY futures, as NY arrived.

This is all well and good, but nothing is really changing. We heard for two weeks how the extent of the cut to be delivered in a week would be dependent on the NFP and CPI reports. Reality is the NFP report was more clouded than market, and the chicken littles, imply since then. But it doesn't matter: the die is cast and the Fed is easing while we desperately try to talk ourselves into a recession. The breakevens above confirm the sentiment. Don't tell stocks about the recession because they are still arguing it will be shallow at worst; either that or the memo went to the wrong place. But that's a rant for a different day.

Good luck today. After the 8:30 data, the only thing left is $39BN 10y supply (reopened 8/34 issue from last month), that I am sure will go great ahead of the recession. Ufff, I thought I was done being bitter about this market, but clearly that is wrong....

Be well and please be safe,

mjc