

The Trean Report by Matt Carinato

Thursday September 12, 2024

After yesterday's minor retracement of the recent bull trend for rates, not unexpected when we hit fresh lows for the year in Treasury yields overnight, Treasuries have continued to feel minor pressure this session as well. The theme continues to be some unwinding of bull steepeners, some outright profit-taking via intermediates, and some real money hedging interest via paying in belly of the USD swap curve. As of 8:00 AM ET, Treasuries are 1-2 bps higher in yield with the curve mixed, while US equity index futures are marginally firmer ahead of weekly claims data, PPI, and the cash open.

The biggest event of the day is at 8:15 AM ET, when the ECB is widely expected to cut rates by 25 bps, foreshadowing the same action by the FOMC next Wednesday. I will refrain from making any jaded or incendiary remarks right here.

Not a lot to talk about otherwise today. Here it's claims and PPI, along with \$22BN in reopened 30y bonds (08/54 refunding from last month). Claims is the wildcard, and not a pleasant one if your the Fed recently. But let's see. The 30y should find good support because the lemming trade is to load up on long end ahead of the 100-500 bps in cuts we have coming (there goes that jaded thing again, sorry). Says here that we are likely to trade around these levels until next Wednesday.

And we aren't even going to touch on the PPI number release also at 8:30 AM ET, after the market's reaction to the real earnings data yesterday. We have seen a steady and orderly process of profit taking since yesterday morning. Spread product has come off the boil for the moment, vol continues to trend lower. Stone McCarthy showed money managers at 100.9% of bogey, matching last week's multi-year extreme. It's not 102.0% but it's not 98% either. Just funny, everything is so right in the world, what could possibly go wrong???? All right, with that I will crawl back in my hole right now and go back to hibernating...

I think that is more than enough for today. Have a great and productive Thursday,

mjc

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