

The Trean Report by Matt Carinato

Friday August 2, 2024

Market taking the NFP report this morning on a clear risk off bent. All the "good news" we baked in is coming home to roost. You want lower rates? Let's see what happens when you get fed them with the extra large spoon.... As of 8:00 AM ET, Treasuries are 3-5 bps lower in yield, mixed on the curve while US equity futures are picking off where they left off yesterday, down some 1% ahead of the data and the cash open.

OK, breakevens for today:

US: 8.43 bps

TY: 10.06 bps

FV: 12.13 bps

Not sure what to do with that. Stone McCarthy showed a large jump back to the locals highs for money managers in their duration profile. That was as of Tuesday afternoon; given the flows since Wednesday, there is little reason to believe they reduced any of their duration holdings. Quite the opposite. Did we stop out enough CTAs? Open interest has gone UP across the board since Weds; heck, it's trended up in a major way for the last week. Albeit, some of that is due to the calendar (Treasury roll to start after quarterly refunding), but, point is for you technical geeks, it is not sending off any bearish signals.

Serious risk off in Asia, when the NIKKEI managed to lose 5% overnight. I can't get off message here and go on a rant about BoJ and MoF screwing this up again. I just got my pen and paper back, don't want them taken away again. But let's see how this works out of Japan while they "save" the yen. Back to work, very good volume in Asian session especially for a NFP Thursday. Large levered short covering in TU and TY contracts through yesterday's highs, then good Asian real money demand for US 30s and 10s in a classic slow moving risk off train. The steepener was an interesting theme off the "flats" off the night in 2s10s and 2s30s. Heavy buying of SFRU4, including 2 block trades as market priced in greater chance of 50 bps in September. The handover to London and the handover to NY have both seen upticks in volume as market traded made new highs for the night each time.

So what is a grump to do? The official estimate number is +175; the whisper is 150. What if you get 100? "KTB", Katie bar that door is right. If you can get a +175-+250K number, it's pullback to buy time. The shorts are hosed here still. Too many people the wrong way. If anything, vol is so jacked

this AM after some major work was already done this week that thought here is you get paid to collect the nickels (more like quarters at these levels) this time. What could go wrong???

Good luck. Me and my fellow bears are going back into hibernation.... Have a great weekend,
mjc

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