

Friday, February 23, 2024

Santander US Capital Markets Front End Group
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Front End Monitor

	Bills		Agcy Discos		Discount CP	
	Yield	Δ on Day	Yield	Δ on Day	Yield	Δ on Day
1 Mo	5.381	0.001	5.260	-0.010	5.320	0.000
3 Mo	5.398	0.000	5.245	0.005	5.330	0.000
6 Mo	5.343	0.000	5.150	0.010	5.260	0.000
1 Yr	4.989	-0.012	4.810	-0.070		

US General Collateral and Specials - Forbes Hopper

A very uneventful day to close out the holiday shortened week. The overnight market was firmer today with 28bln FRN's settling and sizeable GSE liquidity leaving the market temporarily for P&I payments. All the liquid collateral types averaged @ 535 today but will be a beep or 2 higher come Monday with pressure continuing with month end on Thursday. The overnight market was very stubborn a good part of the morning as the patient longs were waiting for the proverbial trade-up 2 hours into the trading session which finally came an hour or so later. By noon, the o/n funding levels were @ 530 and seemingly found its comfort zone. The term collateral markets were sluggish not counting the monthly GNMA roll which got done at 542 with a 2/28 start to 3/27. A couple short-dated mortgage markets flashed to 4/15 and 4/30 all at 5.42 otherwise nothing major to report. The Specials market kept a close eye on 2's and 5's today with both averaging right @455 though they went in different directions by late morning. 2's were trading with 3 handles post lunch as liquidity dried up while 5's were well offered at 5% with no bid in sight. This tightness in 5's will carry over to Monday with first prints of the week @ 425 o/n. On another note, we're still a week or so away from 10's trading better as the overnight volumes are still relatively small with no apparent support for the issue currently. Have a great weekend.

Discos - Mark Steinacker

Good afternoon, a quiet end to the week with the front end giving up some ground across the curve. With both the SOFR curve move to higher yields(backing up) and the treasury bill auction supply compressed in 3 days lent to a less friendly and liquid trading environment. The back up in yields albeit marginal did impact demand. However, the front end is offering much better values across the curve compared to RP/RRP. If this can sustain itself look for more investor interest next week. SOFR FRN was relatively light yet again today as follows:

STRUCTURE DESCRIPTION	SPRD	ST	SETTL	MATURITY	MIN	TARGET	ALLOC
5 Mo ON SOFR (D/Q)	1.000	CL	02/26	07/25/24	200	200.000	200.000
6 Mo ON SOFR (D/Q)	1.500	CL	03/08	09/06/24	500	500.000	500.000
8 Mo ON SOFR (D/Q)	2.500	CL	02/26	10/25/24	300	330.000	330.000
2 Yr ON SOFR (D/Q)	12.500	OP	02/26	02/26/26	50	50.000	

Bills - Eric Diamond

In bills, we had a quiet end to a painful week as we continue to grind higher in yield week to week. We sold off 2-3bps from Tuesday's auction stops in 3mth and 6mths as supply increases continue to impact valuations with bills now flat to OIS in money market yield. Even with today's rally in treasuries yields are unchanged as dealers continue to shed longs offsetting any investor demand. Next week we may see more of the same unless we get concessions in the auctions. We do have month-end on Thursday, but the impact on demand may be minimal. Issuance is unchanged for auctions on Monday and Tuesday as expected.

Funding: Weekly (week ending 2/9/24)

• Frequent "money market trend" indicators:

- CP issuance decreased ~\$7.2B and is at ~\$121.6T (2/14)
- FICC Sponsor Repo – Range of ~\$0.890T to ~\$0.960T for week ending 2/15
- UST supply ~\$405B in proj additional collateral for the next 6-weeks (2/20)
- T-Bill supply ~\$205B in proj additional collateral for the next 6-weeks (2/20)
- Fed RRP participation last week ranged from \$0.493T to \$0.581T (2/16)
- Fed Foreign Reverse Repo Facility decreased \$6.884B and is at ~\$330.24B (2/14)
- Other Deposits at the Fed increased ~\$0.397B WTD and is @ \$162.531B (2/14)
- TGA increased ~\$10.305B and is @ \$831.880B (2/14)
- Total Reserve balances decreased \$18.269B WTD and is at \$3.537T (2/14)
- MMF WTD inflows of ~\$15.112B vs inflows YTD of ~\$118.091B (2/15)

Supply	Ann.	Auction	Issue	\$BN	Mat. Amt	New Cash
1Mo	2/20	2/22	2/29	\$95		
2Mo	2/20	2/22	2/29	\$90		
17 Week	2/20	2/22	2/29	\$60		
3Mo	2/22	2/26	2/29	\$79	353.0	41.0
6Mo	2/22	2/27	2/29	\$70		
52 Week						
CMBS	2/22	2/27	2/29	\$80		
CMBS	2/29	3/5	3/7	\$80		
2Yr	2/22	2/26	2/29	\$63		
5Yr	2/22	2/26	2/29	\$64	98.0	71.0
7Yr	2/22	2/27	2/29	\$42		
3Yr	3/7	3/11	3/15	\$56		
10Yr	3/7	3/12	3/15	\$39	56.0	61.0
30Yr	3/7	3/13	3/15	\$22		
20yr	2/15	2/21	2/29	\$16		16.0
2-Yr FRN	3/21	3/27	4/1	\$28		
30 Yr TIPS	2/15	2/22	2/29	\$9		37.0

UST GCF		MBS GCF		Libor		OIS		Libor/OIS	
Yield	Δ on Day	Yield	Δ on Day	Yield	Δ on Day	Yield	Δ on Day	Spread	Δ on Day
5.370	0.000	5.410	0.000	N/A	N/A	5.338	0.000	0.101	0.001
5.400	0.000	5.420	0.010	N/A	N/A	5.344	0.000	0.248	0.007
5.380	0.010	5.410	0.000	N/A	N/A	5.278	0.000	0.424	0.021
5.190	-0.010	5.250	-0.020	N/A	N/A	5.057	0.000	0.984	0.081

Term GCF

	UST	MBS
1wk	5.40/5.35	5.42/5.37
2wk	5.40/5.35	5.42/5.37
3wk	5.40/5.35	5.42/5.37
4wk	5.40/5.35	5.42/5.37

Overnight 10AM GCF Avgs.

	UST	MBS
22-Feb	5.342	5.341
Feb 2024	5.346	5.360
Jan 2024	5.372	5.394
DEC 2023	5.399	5.453
NOV 2023	5.385	5.406
2024 YTD	5.359	5.377

BNY Tri-party Repo Index avgs.

	UST	MBS
22-Feb	5.300	5.310
Feb 2024	5.300	5.311
Jan 2024	5.300	5.313
DEC 2023	5.300	5.300
NOV 2023	5.300	5.300
2024 YTD	5.300	5.312

FF Target Rate Implied Prob.

	%Hike/Cut	Implied Rate
03/20	-2.0%	5.324
05/01	-21.2%	5.271
06/12	-61.8%	5.116
07/31	-57.6%	4.972
09/18	-73.5%	4.789

Overnight GCF Volumes (BN)

	UST	MBS	Tot.
22-Feb	15	38	53
Feb 2024	24	42	66
Jan 2024	22	39	61
DEC 2023	26	70	96

BNY Tri-party Repo Index Vol

	UST	MBS	Tot.
22-Feb	1204	446	1650
Feb 2024	1195	449	1645
Jan 2024	1272	450	1722
DEC 2023	1735	436	2170

SOFR Averages & Volumes

	Rate	Vol (blns)
22-Feb	5.300	1620
Feb 2024	5.308	1703
Jan 2024	5.321	1722
DEC 2023	5.336	1694
NOV 2023	5.311	1452
2024 YTD	5.314	1712

Fed Funds Averages & Volumes

	Rate	Vol (BN)
22-Feb	5.33	103
Feb 2024	5.33	99
Jan 2024	5.33	90
2024 YTD	5.33	95

OBFR Averages & Volumes

	Rate	Vol (BN)
22-Feb	5.32	277
Feb 2024	5.32	271
Jan 2024	5.32	254
2024 YTD	5.32	263

RRP

	\$
RRP	\$0.520 T
Type/rate	5.30
# Bidders	79
SOMA Borrow	32.683Bn
Largest Borrow	\$2.805 Bn
Issue	T 3.25 8/31/24

TGCR Averages & Volumes

	Rate	Vol (BM)
22-Feb	5.30	658
Feb 2024	5.30	668
Jan 2024	5.30	663
2024 YTD	5.30	666

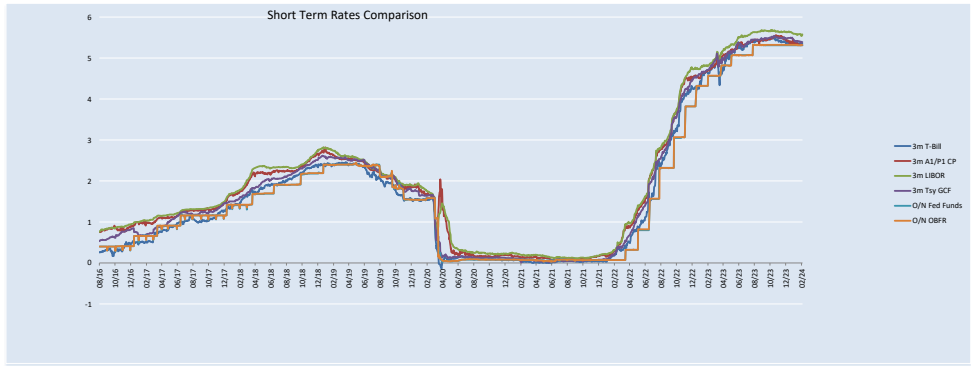
Specials

	O/N	1 week	02/29	03/15	03/28	04/15
GC	5.38/5.35	5.40/5.35	5.40/5.35	5.40/5.35	5.40/5.35	5.43/5.38
O2s	5.35/5.32	5.37/5.32	5.38/5.33	5.40/5.35	5.40/5.35	5.42/5.37
2s	4.40/4.30	4.80/4.70	4.45/4.35	5.00/4.90	5.10/5.00	5.20/5.10
W12s						
O3s	5.33/5.30	5.35/5.30	5.35/5.30	5.38/5.33	5.38/5.33	5.38/5.33
3s	5.35/5.32	5.37/5.32	5.37/5.32	5.32/5.27	5.37/5.32	5.38/5.33
W13s						
O5s	5.34/5.31	5.37/5.32	5.37/5.32	5.38/5.33	5.40/5.35	5.40/5.35
5s	4.70/4.60	4.80/4.70	4.75/4.65	5.10/5.00	5.25/5.15	5.30/5.20
W15s						
O7s	5.36/5.33	5.37/5.32	5.38/5.33	5.40/5.35	5.40/5.35	5.40/5.35
7s	5.30/5.25	5.30/5.25	5.30/5.25	5.35/5.30	5.40/5.35	5.40/5.35
W17s						
O10s	5.35/5.32	5.38/5.33	5.38/5.33	5.37/5.32	5.38/5.33	5.40/5.35
10s	5.32/5.27	5.20/5.15	5.30/5.25	4.85/4.75	5.05/4.95	5.10/5.00
W110s						
O20s						
20s	5.30/5.25	5.30/5.25	5.25/5.20	5.35/5.25	5.35/5.25	5.35/5.25
W120s						
O30s	5.35/5.32	5.35/5.30	5.35/5.30	5.35/5.30	5.35/5.30	5.37/5.32
30s	5.33/5.30	5.35/5.30	5.35/5.30	5.30/5.25	5.35/5.30	5.35/5.30
W130s						

Money Fund Monitor - Current Year Comparison (MM)

Feb 22	Assets	WAM (days)	Yld%	Δ on Day	Δ on Week	Δ on Month	Δ on Year
Gov't & Agencies Instit.	2,027,542	42 (0)	5.05	22,474	29,992	(2,239)	15,526
Prime Instit.	283,091	31 (+1)	5.23	(433)	(3,229)	7,610	24,995
Treasury Instit.	647,226	50 (+1)	5.03	642	1,504	6,209	6,629
Treasury & Repo Instit.	709,816	42 (-1)	5.03	5,543	9,066	4,460	6,178
Tax Free Instit.	8,388	11 (0)	2.47	(57)	(110)	(526)	(385)
Gov't & Agencies Retail	1,181,304	32 (+1)	4.83	71	(2,309)	119,523	131,974
Prime Retail	730,348	34 (0)	4.99	707	2,931	14,738	40,299
Treasury Retail	145,265	48 (0)	4.97	316	362	4,100	11,012
Treasury & Repo Retail	131,727	35 (+1)	4.73	167	432	(115,633)	(112,187)
Tax Free Retail	112,046	1 (0)	2.78	12	396	2,277	(2,528)
Net Totals	5,976,753	-	-	29,443	39,036	40,521	124,512

Change on week is calculated using Friday's (or last business days) values, month/year using beginning of month/year



(1) Bloomberg SanCapBil traders as of 3PM on the date of this commentary

(2) Bloomberg

(3) Federal Reserve

(4) SanCapBil Traders as of 3PM

(5) DTCC GCF Repo Index

(6) Money Net™

(7) BNY <https://reponews.bnymellon.com/reponews/>