

Flash Update: US Rate Markets – Thursday 3/14/2024

Good Morning – SOFR swap rates moved higher this morning as market participants worried that the Fed may have to delay rate cuts for even longer than anticipated. PPI exceeded expectations, reminding the market that the fight against inflation is not over yet. The most recent series of inflation data *all printed higher-than-expected*. There is definitely a growing fear that inflation may be trending the *wrong* way. That fear continues to dampen optimism for a Fed rate cut anytime soon. February Retail Sales data released today missed the mark, but still showed the US consumer remains resilient (See Chart 2).

2Y SOFR swap rates have held in ok thus far today – they are up ~4 bps currently. Swaps 3-years and out are up between 6-8 bps (See Chart 1). Today’s market feels like traders are setting up for “FOMC disappointment” – a few weeks ago the market was optimistic the Fed would be prompted to cut rates, perhaps as early as May - that optimism has faded *considerably*. The recent uptick in inflation, capped off by today’s hotter-than-expected PPI, is creating concern the Fed may be forced to hold rates higher for longer. If the Fed adjusts their next “dot-plot” to reflect fewer than 3 rate cuts this year, rates are like to move higher in response.

Chart 1: US RATES SNAPSHOT: 10:30 AM Eastern

GV Ask/Chg	SOFR/GV		SOFR OIS	
2Y 4.670 +0.036	-10.8600	+0.0200	4.5632	+0.0374
3Y 4.444 +0.059	-16.4500	-0.2000	4.2805	+0.0572
4Y 4.360 +0.065	-23.8800		4.1198	+0.0652
5Y 4.273 +0.073	-24.7500	-0.3700	4.0267	+0.0708
7Y 4.284 +0.081	-34.8100	-0.3900	3.9367	+0.0771
10Y 4.272 +0.083	-38.1300	-0.2500	3.8920	+0.0796
20Y 4.532 +0.089	-67.6300	-0.9400	3.8562	+0.0787
30Y 4.421 +0.081	-75.2000	-0.4500	3.6699	+0.0769

Source: Bloomberg, LLP | 10:30 AM NY Rates Snapshot

Chart 2: Today's Economic Data Releases: (Survey & Actual)

United States		Browse	10:31:29	03/14/24				
Economic Releases		All Economic Releases	View Age					
Date	Time	A	M	R	Event	Period	Surv(M)	Actual
21	03/14 08:30	⇐	🔔	📊	Retail Sales Advance MoM	Feb	0.8%	0.6%
22	03/14 08:30		🔔	📊	Retail Sales Ex Auto MoM	Feb	0.5%	0.3%
23	03/14 08:30		🔔	📊	Retail Sales Ex Auto and Gas	Feb	0.3%	0.3%
24	03/14 08:30		🔔	📊	Retail Sales Control Group	Feb	0.4%	0.0%
25	03/14 08:30	⇐	🔔	📊	PPI Final Demand MoM	Feb	0.3%	0.6%
26	03/14 08:30		🔔	📊	PPI Ex Food and Energy MoM	Feb	0.2%	0.3%
27	03/14 08:30		🔔	📊	PPI Ex Food, Energy, Trade MoM	Feb	0.3%	0.4%
28	03/14 08:30		🔔	📊	PPI Final Demand YoY	Feb	1.2%	1.6%
29	03/14 08:30		🔔	📊	PPI Ex Food and Energy YoY	Feb	1.9%	2.0%
30	03/14 08:30		🔔	📊	PPI Ex Food, Energy, Trade YoY	Feb	--	2.8%
31	03/14 08:30	⇐	🔔	📊	Initial Jobless Claims	Mar 9	218k	209k
32	03/14 08:30		🔔	📊	Continuing Claims	Mar 2	1905k	1811k
33	03/14 10:00		🔔	📊	Business Inventories	Jan	0.2%	0.0%

Source: Bloomberg, LLP | Economic Data Release Summary for 3/14/24

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