Flash Update: US Rate Markets – Monday 3/4/2024

- **Chairman Powell's two-day Congressional testimony and Q&A is scheduled for 3/6 & 3/7 @ 10:00 AM**
- **Jobs data due this week, culminating with the release of Friday's US Employment Report @ 8:30 AM**

Good Morning –

US Treasury and SOFR swap rates opened ~3-5 basis points higher this morning (See Chart 1), as traders weighed economic conditions against an uptick in inflation and braced for a big-week of data and Fed-speak. Fresh insights will come this week in the form of labor market data, including JOLTs job openings figures, private payrolls data from ADP and the February Employment Report. Fed Chairman Jerome Powell is also scheduled to provide testimony about monetary policy to the House of Representatives on Wednesday and to the Senate on Thursday. The Employment Report is due Friday morning at 8:30 AM. There are also a host of FOMC officials scheduled to speak this week.

Today, however, is a quiet day for data and Fed-speak. The real action begins tomorrow. The market will see a flurry of economic data released tomorrow morning including Durable Goods Orders, Factory Orders, Capital Goods Orders and ISM Services and Prices Paid. At the moment, the market seems to be regrouping. On the one hand, although the economy overall remains "healthy", there are signs the economy is cooling off. On the other, the recent uptick in inflation shows that the Fed faces a challenging road ahead. The FOMC is walking a fine line – cut too soon and risk further fanning inflation. Cut too late, and the economy could decelerate into recession. The market is hoping for some fresh insights from Powell's testimony and the jobs data we see this week.

Chart 1: ***US RATES SNAPSHOT: 10:00 AM Eastern***

UST YIELDS | SOFR SWAP SPREADS | SOFR SWAP RATES

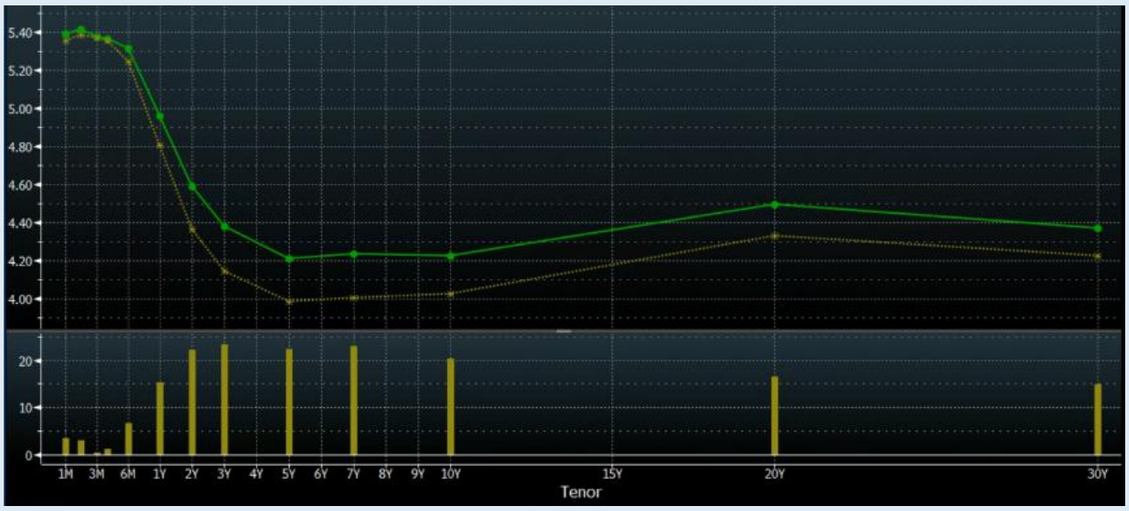
GV Ask/Chg			SOFR/GV		SOFR OIS	
2Y	4.591	+0.060	-8.6100	-0.3100	4.5055	+0.0554
3Y	4.381	+0.057	-16.5200	-0.1400	4.2164	+0.0559
4Y	4.288	+0.052	-23.6000	-0.2200	4.0600	+0.0523
5Y	4.210	+0.053	-24.1300	-0.3700	3.9690	+0.0478
7Y	4.234	+0.047	-34.8800	-0.1100	3.8869	+0.0458
10Y	4.225	+0.045	-37.6000	-0.1000	3.8491	+0.0427
20Y	4.496	+0.043	-67.8600	-0.3500	3.8182	+0.0392
30Y	4.371	+0.043	-73.8500	-0.3600	3.6329	+0.0394

Source: Bloomberg, LLP | 10:00 AM NY Rates Snapshot

Chart 2: ***US TREASURY YIELD CURVE – TODAY VS. 1-MONTH AGO***

The graph below shows the US Treasury Yield curve this morning (green line) vs. 1-Month ago (gold line). You can see the "belly" of the curve flattened somewhat over the last 30 days as traders have repriced forward curve expectations. Short-end rates have barely moved – the market has accepted that the Fed is likely to hold rates steady for the near term. The market also expects the economy to slow down at some point this year. However, as fears of an imminent severe recession have diminished, the yield curve inversion continues to unwind – hence the flattening on the longer end of the curve. This is a big week for data and we will get an earful from Fed-officials, including Chairman Powell. Sprinkle in a top-heavy equity market and a rash of earnings reports due this week and you have a recipe for volatility. Prepare for heightened rate volatility this week. Rates are likely to bounce around as the market interprets and reacts to the economic data and Fed chatter.

US TREASURY YIELD CURVE – TODAY VS. 1-MONTH AGO



Source: Bloomberg, LLP | US Treasury Yield Curve – Today vs. 1-Month Ago

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