



Flash Update: US Rate Markets – Tuesday 1/21/2025

- Rates move lower as President Trump takes office for his second term
- Rates dropped as fears that President Trump’s policies will fuel inflation eased
- The US president refrained from imposing China-specific tariffs for now
- Today is a light day for economic data; Next up: Weekly jobless claims released on 1/24
- Fed officials will be in their pre-meeting “external communications blackout” through 1/30
- The next FOMC rate decision is due on January 29th at 2:00 PM
- Short-end SOFR swap rates are trading ~2-4 bps lower than last night’s closing levels
- Long-end swap rates are down ~3-5 basis point this morning

US Treasury yields and SOFR swap rates opened lower this morning on optimism that President Trump’s new trade policies may not rekindle inflation as feared. Yesterday, President Trump announced that he would refrain from imposing additional China-specific tariffs for the time being. That news was viewed positively by traders, despite the fact that President Trump *did* announce new tariffs on Canada and Mexico beginning on February first. The conflicting announcements underscore the roller-coaster ride the market can look forward to in the coming months as President Trump implements his new policies. Short-term SOFR swap rates are down ~2-4 basis points currently; Long-term SOFR swap rates are down ~3-5 bp this morning.

Please note Fed officials are now in their “quiet period” ahead of the 1/29 FOMC meeting. Friday 1/17 was the last day for Fed-speak until the end of the month. As such, traders will be focused on economic data and more importantly, the impact of President Trump’s new policies. We do not see any significant economic data until after the FOMC meeting (GDP 1/30; PCE 1/31), so traders will be laser focused on what President Trump will do in his first two weeks in office. *From my perspective, given the myriad forces currently impacting the market, there is the potential for elevated rate volatility over the next 30 days.*

CHART 1: US RATES SNAPSHOT: 9:30 AM Eastern

**SOFR Swap Rates & Change-On-Day (In Bps) Two Far Right Columns*

	UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	4.259	-0.024	-14.4448	-0.0698	4.1165	-0.0248
3Y	4.312	-0.036	-21.6310	+0.2140	4.0984	-0.0324
4Y	4.373	-0.039	-25.9920	+0.1330	4.0922	-0.0375
5Y	4.389	-0.043	-29.7476	+0.2524	4.0918	-0.0414
7Y	4.481	-0.050	-37.9000	+0.7838	4.1042	-0.0434
10Y	4.574	-0.053	-44.7397	+0.7603	4.1285	-0.0436
20Y	4.880	-0.048	-71.5300	+0.1850	4.1652	-0.0468
30Y	4.805	-0.052	-80.7211	+0.4039	3.9993	-0.0470

Source: Bloomberg, LLP | 9:30 AM NY Rates Snapshot

CHART 2 & 2A: SOFR SWAP RATES MOVE LOWER AS PRESIDENT TRUMP BEGINS SECOND TERM

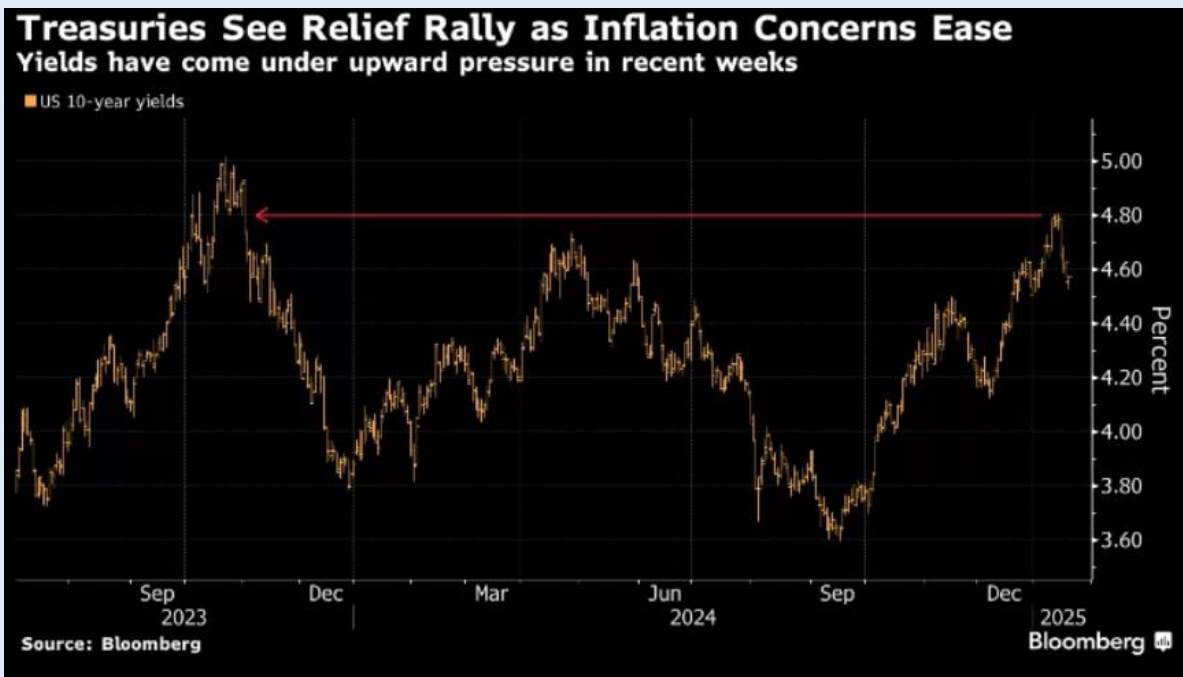
US Treasury yields and SOFR swap rates opened lower this morning on optimism President Trump’s new trade policies will not fuel inflation as feared. Trump’s announcement that he will not be implementing any China-specific tariffs for the time being helped to ease growing trepidation that a global trade war would fan inflation, and perhaps quickly. SOFR swap rates dipped lower on the news, and the yield curve flattened.

CHART 2: 1Y, 2Y & 3Y SOFR SWAP RATES, PRIOR (7) TRADING SESSIONS



Source: Bloomberg, LLP | 1Y (WHITE), 2Y (GREEN) & 3Y (ORANGE) SOFR SWAP RATES, PRIOR (7) TRADING SESSIONS

CHART 2A: Treasury Yields Dip As Tariff-related Inflation Fears Ease On China Announcement



Source: Bloomberg, LLP | UST 10Y NOTE YIELDS SINCE JUNE 2023

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