

Flash Update: US Rate Markets – Friday 1/24/2025

- Rates move a touch lower this morning, but have overall held steady this week as traders await fresh data
- Market participants are also pausing to monitor and assess the impact of President Trump’s new policies
- Traders seem reluctant to move rates materially ahead of next week’s FOMC rate decision and Powell’s press conference
- We will see data released this morning at 10:00 AM; The data is not expected to materially move rates
- Next up for data: GDP released on 1/30 and PCE inflation data released on 1/31
- Fed officials remain 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 ~1 bp *lower* than last night’s closing levels
- Long-end swap rates are *up* ~1-2 basis points this morning

US Treasury yields and SOFR swap rates opened a touch lower this morning, but have overall held steady this week as the market pauses to gauge the outlook for President Trump’s second term and waits for next week’s FOMC rate decision. Short-term SOFR swaps are trading in an extremely tight range this week – the 2-year swap rate barely moved a basis point this week (4.126% on Monday, currently trading 4.118%). Market participants are also waiting for fresh data, which we will see late next week. That said, we do not see any significant economic data until after the FOMC meeting (GDP 1/30; PCE 1/31). From my perspective, it feels like the market is waiting for next week’s FOMC rate decision and key economic data before establishing a new range. Chairman Powell’s post-meeting press conference next week is also highly anticipated.

Rates have been quiet this week as the market pauses before a big week for data *and* the FOMC. We could easily see the opposite next week: elevated volatility as the market digests and reacts to the Fed announcement and data. I will get into more detail on the Fed rate decision and upcoming data next week. President Trump remains *the* wildcard for the market. We got a glimpse of what may be the start of a contentious “battle” with the FOMC – Trump said yesterday, “*I will demand that interest rates drop immediately*”. As we know, that is not the Fed’s current plan – the Fed is expected to hold rates steady at next week’s meeting. My suspicion is that this is only the beginning of the pressure President Trump will apply to the FOMC. Additionally, Trump’s shifting tariff narrative, “rapid-fire” style and the sheer volume of Executive Orders we have seen will keep market participants on their toes for the foreseeable future. This is only the beginning!

Rate Summary: Short-term SOFR swap rates are down ~1 basis point currently; Long-term SOFR swap rates are up ~1-2 bps this morning. For the week, 2Y SOFR swap rates are down ~1 bp; 10Y swap rates are up ~5 bps this week, mostly due to Trump’s tariff narrative.

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	4.276	-0.013	-15.8643	+0.4297	4.1187	-0.0104
3Y	4.340	-0.011	-22.5827	+0.5833	4.1174	-0.0048
4Y	4.415	-0.005	-26.9855	+0.5940	4.1271	+0.0001
5Y	4.449	-0.002	-31.2450	+0.5302	4.1385	+0.0046
7Y	4.553	+0.002	-39.5279	+0.7221	4.1584	+0.0102
10Y	4.652	+0.007	-46.6050	+0.6700	4.1866	+0.0149
20Y	4.945	+0.009	-72.2425	+0.8200	4.2240	+0.0185
30Y	4.881	+0.014	-82.2232	+0.6954	4.0590	+0.0196

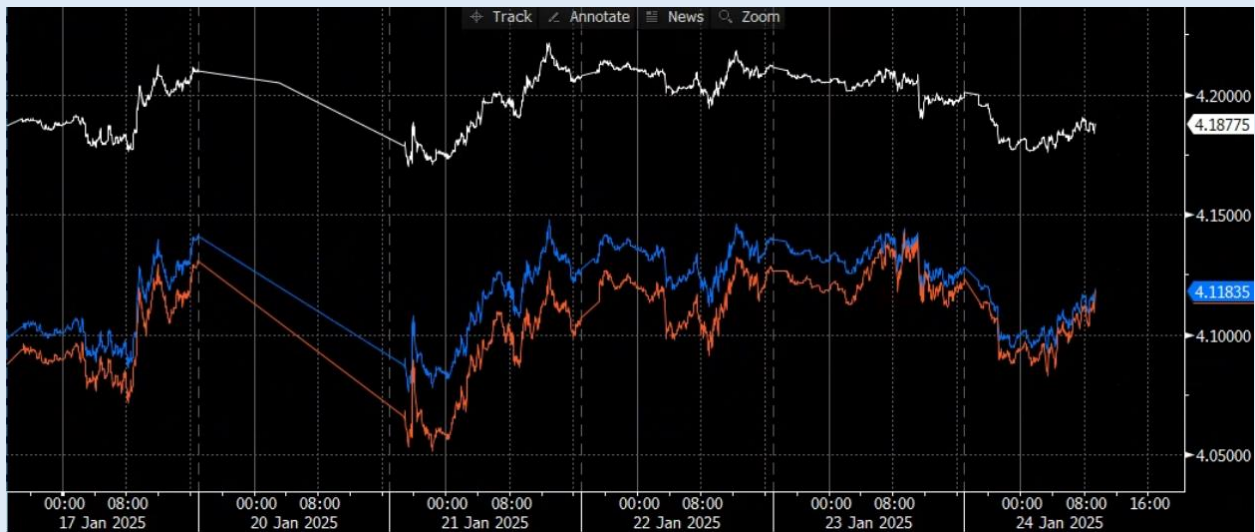
Source: Bloomberg, LLP | 9:30 AM NY Rates Snapshot

CHART 2: SOFR SWAP RATES HOLD STEADY AS MARKET MONITORS PRESIDENT TRUMP AND AWAITS FRESH DATA

US Treasury yields and SOFR swap rates mostly held steady this morning as traders monitor President Trump’s quick-fire decisions and await next week’s fresh economic data and FOMC rate decision. *Next week could be a volatile ride for rates given the plethora of data and information the market will receive.* We won’t see the GDP (1/30) and PCE (1/31) data until *after* the Fed meeting, so the market will be squarely focused on the FOMC rate decision and Chairman Powell’s press conference the early part of next week. We will also get to experience first-hand President Trump’s reaction to the FOMC rate decision. As mentioned, that is *definitely* a wild card. While the Fed has steadfastly stated they will not capitulate to political pressure, the market is not under any such constraints.

Next week’s GDP data will provide the first glimpse into economic growth for Q4 2024. The PCE data will be particularly important – it is the Fed’s preferred inflation tracker. With inflation back in focus, market participants will be paying close attention the PCE results.

CHART 2: 1Y, 2Y & 3Y SOFR SWAP RATES, PRIOR (5) TRADING SESSIONS



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

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