

**Flash Update: US Rate Markets – Wednesday 10/30/2024**

- Rates drifted higher this morning on strong 3Q GDP, ADP Jobs data
- Short-end SOFR swap rates are up ~1-2 bps this morning
- 3Q GDP printed at 2.8% vs. 2.9% expected; Personal Consumption beats expectations; Core GDP Price Index rises
- ADP jobs report shows +233k increase to private payrolls, crushing expectations calling for +111k
- PCE inflation data is due tomorrow, 10/31 at 8:30 AM
- Expectations for Core PCE are as follows: +0.3% MoM and +2.6% YoY
- The “big” data event for the week, however, is the October Employment Report due Friday 11/1 at 8:30 AM
- The presidential election will remain front-and-center for the rate markets as we draw closer to election day
- *Expect choppy rate markets to continue for the near term*

US Treasury yields and SOFR swap rates edged slightly higher on a stronger-than-expected ADP jobs report and a solid 3Q GDP result. Fed-sensitive short-end SOFR swap rates (1-3 years) opened ~5 bps higher this morning, then settled down and are currently trading up ~1-2 bps. Swap rates are likely to continue to bounce around today as the market digests the data.

Forward pricing is mostly unchanged this morning. The forward curve currently reflects ~23.8 bps of rate cuts for November and ~43.1 bps for 2024, indicating that traders firmly believe the FOMC will cut rates 25 bps in November – odds for a 25 bp rate cut in November are sitting at ~98%. Fed officials are in the pre-meeting “blackout” period, so we will not hear from any Fed officials until Chairman Powell’s post-meeting press conference next week.

The upcoming presidential election will also remain front and center for the market this week. We are not likely to get much new information from the candidates this week, but we could see some increased volatility as traders position for the possible outcome. *I expect the choppy rate markets to continue for the near term as traders work through the lingering uncertainty surrounding the election and the FOMC’s next rate move.*

The remaining “big” data events for the market this week are tomorrow’s release of the September PCE inflation data and Friday’s release of the October Employment Report. Friday’s Employment Report will likely draw the most market attention. Barring a major surprise from PCE, the main risk event for rates this week is Friday’s Employment Report. Friday’s jobs report may be *the* data that determines the Fed’s next move. As we know, the Fed is paying *very* close attention to the jobs market. A weak jobs report would likely increase the odds that the Fed cuts rates 25 bps at the November meeting. However, should the jobs report print stronger-than-expected, and should PCE show an uptick in inflation, SOFR swap rates are likely to drift higher.

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

	UST YIELDS	SWAP SPREADS	SOFR SWAP RATES
2Y	4.113 +0.017	-22.2800 -0.1880	3.8920 +0.0139
3Y	4.061 +0.009	-26.5858 -0.0818	3.7972 +0.0072
4Y	4.084 +0.002	-32.3000 -0.0650	3.7441 -0.0014
5Y	4.071 -0.011	-35.3125 +0.0625	3.7180 -0.0100
7Y	4.138 -0.024	-42.6756 +0.3864	3.7093 -0.0227
10Y	4.220 -0.034	-49.0000 -0.1250	3.7310 -0.0347
20Y	4.552 -0.046	-77.4080 -0.1090	3.7780 -0.0462
30Y	4.446 -0.052	-82.0000 +0.2500	3.6269 -0.0496

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

**Note:** First column is the current market level, second column is the change on the day; 'Red' = Lower; 'Green' = Higher; 'White' denotes active trading

**CHART 2, 2A & 2B: ADP Jobs Report Crushes Expectations; 3Q GDP Shows Solid Growth, Resilient Consumer**

The US economy expanded at a robust pace in the third quarter as household purchases accelerated and the federal government ramped up defense spending. 3Q GDP increased 2.8% after rising 3% in the previous quarter, according to the government’s initial estimate. Consumer spending, which comprises the largest share of economic activity, advanced 3.7%, the most since early 2023. The acceleration was led by more spending on goods. The Core GDP Price Index, a closely watched measure of underlying inflation, rose 2.2% (vs. 2.1% expected), roughly in line with the Federal Reserve’s 2.00% target.

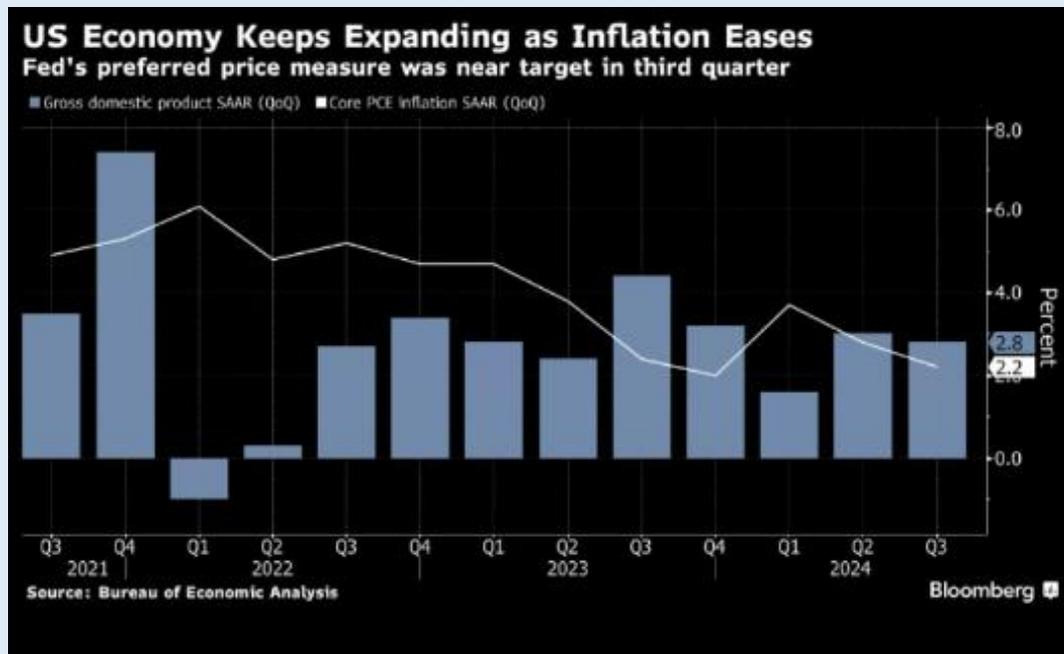
The October ADP report showed hiring at US companies accelerated by the most in more than a year, pointing to surprisingly solid demand for workers. Private payrolls increased by 233,000 in October (vs. 111k expected!) and September was revised higher, according to the ADP data results. Manufacturing was the only sector to lose jobs, while education and health services, as well as trade and transportation posted some of the strongest advances.

**CHART 2: 3Q GDP & OCTOBER ADP RECAP**

Event	Period	Surv(M)	Actual
MBA Mortgage Applications	Oct 25	--	-0.1%
ADP Employment Change	Oct	111k	233k
GDP Annualized QoQ	3Q A	2.9%	2.8%
Personal Consumption	3Q A	3.3%	3.7%
GDP Price Index	3Q A	1.9%	1.8%
Core PCE Price Index QoQ	3Q A	2.1%	2.2%

Source: Bloomberg, LLP | 3Q GDP DATA; OCTOBER ADP REPORT – RECAP

**CHART 2A: HISTORICAL GDP DATA**



Source: Bloomberg, LLP | HISTORICAL GDP DATA

**CHART 2B: OCTOBER ADP JOBS REPORT RECAP**





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