

Flash Update: US Rate Markets – Tuesday 11/26/2024

- SOFR swap rates edged higher this morning on President-elect Trump’s announcement that restrictive tariffs are coming on “day one”
- Traders are bracing for a full plate of key economic data released tomorrow
- 3Q GDP, Weekly Jobless Claims, Durable Goods & Retail Inventories data will be released tomorrow at 8:30 AM
- PCE, Personal Income & Personal Spending data will be released tomorrow at 10:00 AM
- The November FOMC meeting minutes will be released this afternoon at 2:00 PM
- Fed-sensitive short-end SOFR swaps are currently trading ~2-3 bps higher this morning
- Long-term SOFR swap rates are ~1-2 basis points higher currently

US Treasury yields and SOFR swap rates ticked slightly higher this morning as traders await key economic data due tomorrow and the release of the November FOMC meeting minutes today at 2:00 PM. President-elect Trump’s announcement that he plans to enact additional restrictive tariffs on “day one” pushed rates slightly higher this morning. Rates dipped yesterday as market participants favorably viewed President-elect Trump’s selection for Treasury Secretary. Scott Bessent is a seasoned Wall St. professional who is expected to support less restrictive tariffs and a reduced deficit. The announcement removed some of the “Trump trade” fear that gripped the market after the election, causing rates to settle down yesterday. However, that relief was tempered by the mounting evidence that we are likely to see more restrictive tariffs in the near future. This morning the market is mostly in a “wait-and-see” mode ahead of tomorrow’s massive pre-holiday data dump. Currently, SOFR swap rates are ~1-3 bps higher across the curve (See Chart 1).

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

	UST YIELDS	SWAP SPREADS	SOFR SWAP RATES
2Y	4.271 +0.021	-17.7827 +2.0851	4.0950 +0.0209
3Y	4.229 +0.022	-24.8150 -0.0110	3.9840 +0.0246
4Y	4.229 +0.025	-30.5375 +0.0875	3.9124 +0.0259
5Y	4.202 +0.027	-33.7500 -0.0106	3.8661 +0.0268
7Y	4.240 +0.029	-41.6305 -0.2605	3.8249 +0.0249
10Y	4.300 +0.027	-48.3684 -0.3946	3.8175 +0.0223
20Y	4.571 +0.020	-73.6109 -0.0359	3.8354 +0.0181
30Y	4.488 +0.023	-81.8854 -0.5260	3.6695 +0.0168

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

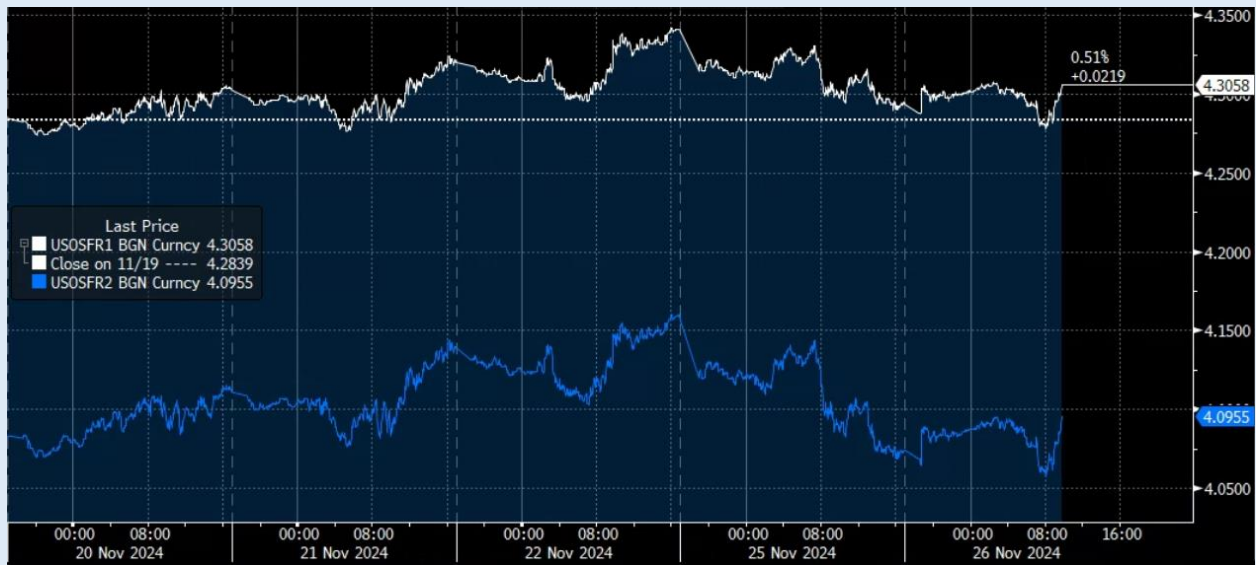
CHART 2: SWAP TRADERS BRACE FOR FOMC MEETING MINUTES & KEY ECONOMIC DATA; SWAP RATES DRIFT HIGHER

SOFR swap rates are drifting higher this morning on President-elect Trump’s tariff announcement. Yesterday, SOFR swap rates dropped on the positive market response to the Treasury Secretary nominee. However, traders seem reluctant to move rates significantly in the face of the full plate of key economic data we see tomorrow morning.

Tomorrow is a “big week” for data – there is a full plate of key economic data scheduled for release tomorrow morning. Revised 3Q GDP figures are released at 8:30 AM. The Fed’s “preferred inflation gauge”, PCE, is set for release at 10:00 AM. Given the renewed focus on inflation, the PCE data is *highly* anticipated by market participants, *and* the Fed. MoM Core PCE is expected to print at 0.3% (vs. 0.3% last month) and YoY Core PCE is forecasted at 2.8% (vs. 2.7% the prior month) – those numbers are probably a bit higher than the Fed would ideally like to see. Despite the holiday shortened week, we may see elevated volatility as market participants react to the data. We will also see Personal Income and Personal Spending data released tomorrow, as well as Durable Goods, Retail Inventories, Weekly Jobless Claims and Continuing Claims data.

The November FOMC meeting minutes are released this afternoon at 2:00 PM. The meeting minutes are not expected to provide any groundbreaking new information. However, the minutes could provide additional insight into the Fed’s thinking heading into the final meeting of the year. Odds for a 25 bp rate cut at the December meeting are currently sitting at ~56%.

CHART 2: 1Y (white) & 2Y (blue) SOFR Swap Rates, Prior (5) Trading Sessions



Source: Bloomberg, LLP | 1Y & 2Y SOFR SWAP RATES, PRIOR (5) TRADING SESSIONS

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