

Flash Update: US Rate Markets – Tuesday 2/11/2025

Good Morning – SOFR swap rates are trading a touch higher this morning ahead of Powell’s 10:00 AM testimony in Washington DC. This could be a politically charged testimony that may have market implications. Rates are up due to a growing fear inflation will spike as a result of aggressive trade tariffs. The tariff news yesterday and today has only added to that fear, although traders are reluctant to move rates materially (higher or lower) at the moment. Powell begins speaking shortly...

CHART 1: RATES HOLD STEADY AHEAD OF POWELL TESTIMONY; 10Y TREASURY NEAR 4.50%



Source: Bloomberg, LLP | 10Y US TREASURY NOTE YIELD SINCE JULY 2024

We will see important inflation data this week – CPI is released tomorrow and PPI is released on Thursday, both at 8:30 AM. Market participants will be looking for signs of pre-emptive price increases in response to the new tariffs. Another month of sticky inflation or worse, an uptick, would further erode the possibility of a Fed rate cut anytime soon. It could also cast doubt on a rate cut *this year*, but it is probably too early to draw that conclusion. We do not know how long the tariffs and potential trade wars will last – or if they will materialize at all.

A higher-than-expected CPI and/or PPI print would likely push rates higher, as the possibility of a “first-half” rate cut would become more remote. A friendly CPI and/or PPI print would certainly calm the market, but not *necessarily* increase the odds for a Fed rate cut this Spring. Note: The market will be paying particular attention to tomorrow’s CPI data.

Another interesting fact – the price of gold keeps climbing, and it is currently at a record high. Gold is generally thought to be the “safest of safe-haven” investments. A major escalation in the price of gold is traditionally a sign of market fear and uncertainty. Keep an eye on gold prices – it can tell you a lot about market sentiment.

CHART 2: Gold Rises To Another Record...Market Fear & Uncertainty Rise As Well



Source: Bloomberg, LLP | SPOT GOLD PRICES, PRIOR (12) MONTHS

Disclaimer: *The information provided in this communication is intended for discussion purposes only. Nothing presented in this communication should be taken as a recommendation or forecast. All market data shown is indicative only and subject to change depending on current market conditions.*

AST Defeasance Consultants, one of the nation's leading commercial real estate consulting firms, was founded in 2007. We have extensive experience in commercial real estate defeasance, hedging, derivatives, and financial instruments. More than \$50 billion worth of transactions have been executed by the AST team. Only AST can combine innovation, expertise, and exceptional customer service.

Rate Cap Advisors was established in 2015 that focus on providing commercial real estate interest rate cap solutions. Our innovation and desire to explore new possibilities that benefit our clients have allowed us to save our clients millions of dollars. No matter the service or product, we take great pride in our pursuit of perfection with a unparalleled closing track record.
