

Flash Update: US Rate Markets – Wednesday 2/19/2025

- Rates hold steady ahead of this afternoon’s release of the January FOMC Meeting Minutes
- SOFR swap rates have been trading sideways this week as the market awaits the Fed minutes
- Market participants expect the minutes to reveal the Fed could be on hold for the foreseeable future
- President Trump’s trade tariffs will likely continue to add to market volatility and uncertainty
- Short-end SOFR swap rates are currently trading flat to last night’s closing levels
- Long-end SOFR swap rates are up ~1 bp this morning

US Treasury yields and SOFR swap rates are holding steady this morning as the market awaits the release of the January FOMC meeting minutes, due this afternoon at 2:00 PM. We did see some housing data this morning – Housing Starts and Building Permits data results were mixed, but came in close to expectations. Traders largely ignored the data and there was minimal market impact. The bigger news this morning was that President Trump revealed possible levies of around 25% on automobile, semiconductor and pharmaceutical imports. His comments further added to the fragile market picture. Additionally, initial hopes for an end to the war in Ukraine were constrained by the exclusion of Ukrainian and European officials from US-Russia talks held on Tuesday. In short, rates across the curve are trading very close to where we started the week. *We are currently seeing a jittery and highly uncertain market grappling with many possible market catalysts.*

Rate Summary: 1Y SOFR swap rates are trading down ~1 bp this morning. 2Y and 3Y SOFR swap rates are currently trading flat to last night’s close. 5Y and 10Y SOFR swap rates are up ~1-1.5 bps this morning.

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

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

	UST YIELDS	SWAP SPREADS	SOFR SWAP RATES
2Y	4.304 -0.001	-15.3703 -0.1203	4.1506 -0.0039
3Y	4.326 -0.002	-20.8605 +0.0145	4.1194 -0.0025
4Y	4.374 +0.001	-25.2500 +0.1250	4.1132 +0.0009
5Y	4.404 +0.002	-28.8750 +0.1250	4.1162 +0.0042
7Y	4.488 +0.014	-36.0280 -0.3725	4.1305 +0.0083
10Y	4.564 +0.013	-40.7700 -0.3950	4.1584 +0.0114
20Y	4.841 +0.017	-63.4500 -0.6300	4.2084 +0.0119
30Y	4.785 +0.019	-73.0000 -0.7500	4.0558 +0.0115

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

CHART 2: SOFR SWAP RATES STEADY AS MARKET REGROUPS AHEAD OF FOMC MINUTES

SOFR swap rates are holding mostly steady this morning, as the market awaits this afternoon’s January FOMC meeting minutes release. Market participants are also pausing to regroup and assess the outlook for President Trump’s new economic and trade policies. Swap rates have drifted higher over the past 30 days, as the possibility of multiple rate cuts in 2025 becomes increasingly remote. Rising inflation fears are also contributing to higher swap rates.

CHART 2: SOFR Swap Rates Steady Ahead Of Fed Minutes Release



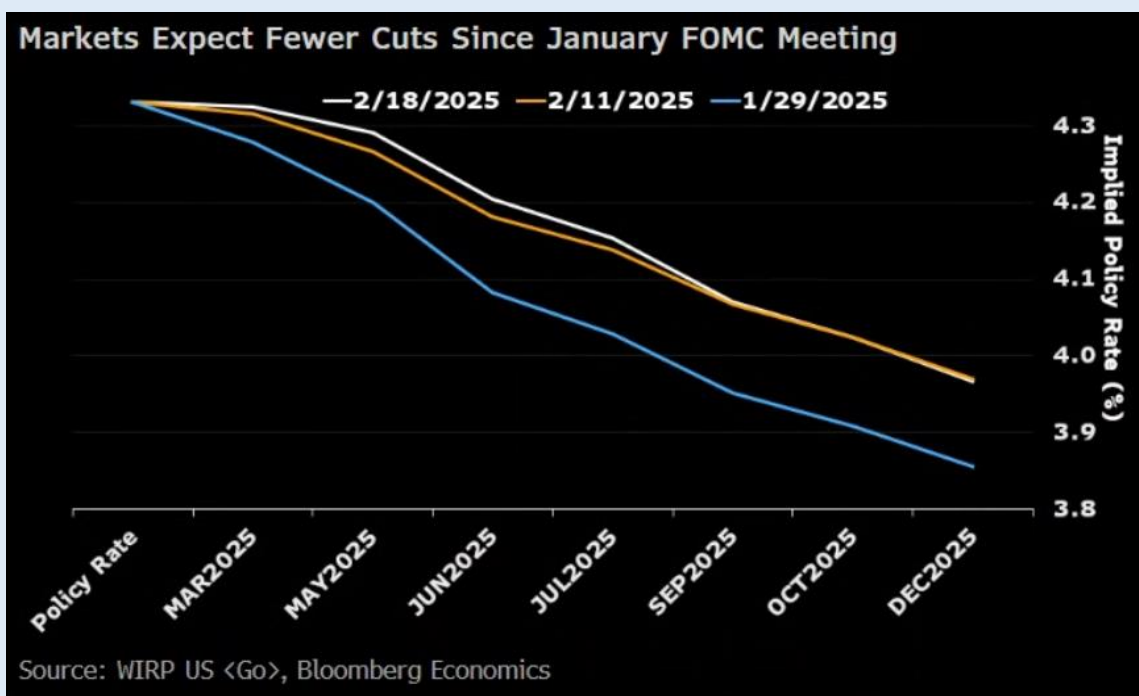
Source: Bloomberg, LLP | 1Y (white) & 2Y (blue) & 3Y (orange) SOFR SWAP RATES – PRIOR (30) DAYS

CHART 3 & 3A: FOMC JANUARY MEETING MINUTES PREVIEW

We will see the release of the FOMC meeting minutes this afternoon at 2:00 PM. The minutes will cover the January 29th FOMC meeting. Fed Chairman Powell has made it *very* clear recently that the FOMC is in no hurry to further adjust monetary policy in the near term. Market participants expect the meeting minutes to reflect and reinforce that careful, “wait-and-see” approach. Economists and traders also expect that policymakers likely viewed inflation and unemployment risks as “balanced”. However, there is speculation that the minutes may show that the FOMC further discussed the risks created by the Trump administration’s proposed policy initiatives, with a bias toward upside inflation risks. That is the primary reason rates drifted higher yesterday.

Given the roughly balanced risks to the economy at the moment and the uncertainty swirling around President Trump’s new policies, market participants and economists anticipate the meeting minutes to hint at a prolonged Fed “pause” lasting through much of the first half of the year, and perhaps into the second half of 2025. Should the minutes reflect market expectations, rates are likely to trade sideways or drift higher. Should the minutes sound more dovish than expected, rates could drop as the market keeps rate cut hopes alive.

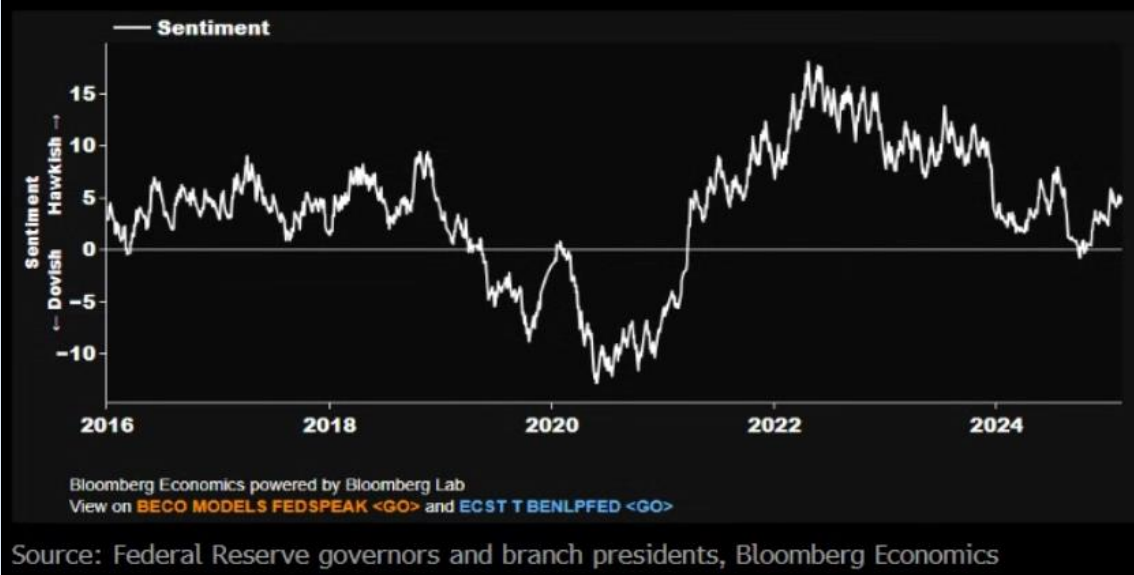
CHART 3: Market Expects Fewer Rate Cuts In 2025



Source: Bloomberg, LLP | IMPLIED FED RATE CUTS FOR 2025

CHART 3A: Fed-Speak Has Leaned Hawkish Recently

Fedspeak Has Turned More Hawkish in Recent Weeks



Source: Bloomberg, LLP | BLOOMBERG FEDSPEAK SENTIMENT INDEX

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