

**Flash Update: US Rate Markets – Thursday 2/27/2025**

Rates are up a touch after the Q4 GDP revisions were released (see Chart 1). Basically, the revisions confirmed that the US economy advanced at a healthy pace and inflation was more stubborn than initially estimated at the end of 2024 (see Chart 3). However, weekly jobless claims rose to the highest level this year. The mixed data this morning kept rates mostly in-check, but rates drifted higher because the revision to the GDP PCE component is probably more important to the market right now, given the increasing concern about inflation rekindling.

Market focus will now shift to tomorrow’s release of the critical January PCE report. The market is becoming increasingly fearful about inflation – tomorrow’s PCE figures will give them some real data to digest. If the number is higher-than-expected, rates are likely to increase as traders unwind Fed rate cut bets. Pressure on inflation will only increase as we feel the impact of tariffs and other policy initiatives. Should PCE beat expectations, rates may drift lower on increased “rate cut optimism”. It would also ease market concerns (*somewhat*) about inflation accelerating at a more rapid pace. January PCE expectations and the prior month’s PCE figures are shown below (see Chart 2).

**Chart 1: US Treasury Yields, SOFR Swap Spreads & SOFR Swap Rates: 9:00 AM**

- SOFR swap rates are up ~2-3 bps across the curve this morning
- Swap traders are waiting for tomorrow’s release of the January PCE report
- SOFR swap rates are “bunched up”, but 3m/10y and 2Y/10Y are once again inverted
- 3M Term SOFR is 4.31851%; 2Y swap rate is 3.935%; 10Y swap rate is 3.8717%

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

	UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	4.094	+0.022	-16.1860	-0.0987	3.9350	+0.0224
3Y	4.072	+0.029	-21.4700	-0.4089	3.8584	+0.0249
4Y	4.104	+0.026	-26.1140	-0.3565	3.8324	+0.0257
5Y	4.113	+0.029	-28.8750	-0.1912	3.8254	+0.0268
7Y	4.203	+0.033	-36.7644	-0.6823	3.8377	+0.0284
10Y	4.289	+0.033	-41.8500	-0.3500	3.8717	+0.0297
20Y	4.587	+0.033	-65.1360	-0.1345	3.9379	+0.0314
30Y	4.545	+0.035	-74.8750	-0.3992	3.7978	+0.0323

Source: Bloomberg, LLP | 9:00 AM NY Rates Snapshot

**Chart 2: Expectations for January PCE, Personal Income & Personal Spending**

*1<sup>st</sup> number is January expectation; Second number is December reading*

02/28 08:30	📈	Personal Income	Jan	0.4%	--	0.4%
02/28 08:30	📈	Personal Spending	Jan	0.2%	--	0.7%
02/28 08:30	📈	Real Personal Spending	Jan	-0.1%	--	0.4%
02/28 08:30	📈	Wholesale Inventories MoM	Jan P	0.1%	--	-0.5%
02/28 08:30	📈	PCE Price Index MoM	Jan	0.3%	--	0.3%
02/28 08:30	📈	PCE Price Index YoY	Jan	2.5%	--	2.6%
02/28 08:30	📈	Core PCE Price Index MoM	Jan	0.3%	--	0.2%
02/28 08:30	📈	Core PCE Price Index YoY	Jan	2.6%	--	2.8%

Source: Bloomberg, LLP | ECONOMIC DATA RELEASES SCHEDULED FOR 2/28/2025, 8:30 AM

**Chart 3: Q4 GDP SECOND REVISION**



Metric	Second Est.	First Est.
GDP (QoQ)	+2.3%	+2.3%
Personal consumption	+4.2%	+4.2%
PCE price index, excl. food, energy	+2.7%	+2.5%
Residential investment	+5.4%	+5.3%
Nonresidential investment	-3.2%	-2.2%

Source: Bloomberg, LLP | Q4 2024 GDP – SECOND REVISION VS. INITIAL ESTIMATE

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