



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

	UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	3.945	-0.055	-17.2000	-0.1634	3.7750	-0.0560
3Y	3.950	-0.058	-22.8100	-0.3900	3.7223	-0.0628
4Y	3.993	-0.066	-26.7815	-0.4065	3.7175	-0.0654
5Y	4.019	-0.067	-29.3850	-0.0100	3.7267	-0.0653
7Y	4.138	-0.059	-37.7305	+0.0492	3.7605	-0.0610
10Y	4.247	-0.053	-43.3400	+0.1048	3.8141	-0.0550
20Y	4.594	-0.048	-68.7227	+0.3673	3.9080	-0.0460
30Y	4.555	-0.043	-77.5718	+0.2383	3.7800	-0.0418

Source: Bloomberg, LLP | 9:45 AM NY Rates Snapshot

**CHART 2: SOFR SWAP RATES DROP ON RECESSION FEARS**

SOFR swap rates dropped across the curve as fears of a US economic slowdown mount. A sudden disruption to US growth would increase the odds for additional Fed rate cuts. As such, the Fed-sensitive short-end of the swap curve will continue to remain vulnerable to market fear and angst. The threat of a potential recession this year, based on mounting fears a global trade war may be prolonged, is causing a shift from stocks to “safe haven” US treasuries. That is pushing swap rates and US Treasury yields down across the curve.

Forward pricing currently reflects ~75 basis points of Fed rate cuts by the end of 2025. The next full 25 bp cut is not fully priced in until June, with odds for a rate cut in May hovering at just under 40%. The FOMC is widely expected to keep rates steady at its March 18-19 gathering, mirroring a lack of policy adjustment at the January meeting.

The market will be “headline” driven for the foreseeable future, given the uncertain path forward. The market wants clarity and will be reacting to headlines real-time. Expect swap rates to remain volatile as long as uncertainty reigns.

The below Bloomberg graph shows the drop in short-term SOFR swap rates over the prior 30 days. 1Y SOFR swaps are down ~23.9 bps over the prior 30 days. 2Y swap rates are down ~35.9 bps over the past 30 days on increased Fed rate cut bets. 3Y swap rates are down ~37.8 bps during the same time period.

**CHART 2: SOFR SWAP RATES TO REMAIN VOLATILE AS MARKET UNCERTAINTY GROWS**



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



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