

**Flash Update: US Rate Markets – Tuesday 3/11/2025**

- **US Treasury yields and SOFR swap rates edged slightly higher this morning as the risk-off “flight-to-quality” takes a breather**
- **President Trump is set to meet with US Business leaders today to discuss tariffs and the economy**
- **Market participants will be tracking the meeting closely for any hint of a shift in economic or trade policies**
- **President Trump’s policy and trade initiatives will likely continue to create volatility and uncertainty in the near term**
- **Next up for data: February CPI data is released tomorrow, 3/12 at 8:30 AM; February PPI is released on 3/13 at 8:30 AM**
- **Given the recent changes to US trade policy, the inflation numbers are a primary focus for the market this week**
- **Fed officials are subject to their pre-meeting “quiet period” until after the 3/19 FOMC meeting**
- **The January JOLTS jobs report, covering job openings and layoffs, prints this morning at 10:00 AM**
- **Short-end SOFR swap rates are currently trading up ~1-2 bps**
- **Long-end SOFR swap rates are ~1-2 bps higher this morning**
- ***Expect elevated levels of intraday rate volatility to continue for the foreseeable future***

US Treasury yields and SOFR swap edged slightly higher this morning as the risk-off “flight-to-quality” gripping the market takes a breather. President Trump announced he will meet with US business executives today to discuss the recent shift in economic and trade policies. The market is coming to grips with the fact that President Trump is planning to press forward with his new policy initiatives despite the short-term market turmoil they are creating. Market participants are hoping that the meeting will provide more clarity or perhaps, a shift in policy to accommodate a more ordered policy implementation approach. That said, it is possible the meeting will serve as a platform for President Trump to emphasize his resolve to push ahead regardless of the impacts to US businesses and equity markets.

It may take a lot more than one meeting in Washington to calm markets and reverse the strong “risk off” sentiment dominating the markets. The rate markets feel fragile to me at the moment and seem to be preparing for bad news rather than good news. President Trump will need some favorable results soon to regain market confidence. I expect markets to remain volatile and “headline” driven for the foreseeable future. Make no mistake, recent remarks made by President Trump and others suggesting they will accept near-term “economic pain” to achieve policy objectives spooked the markets. Increased volatility and uncertainty have been the immediate result.

Market focus will remain on the US political landscape and President Trump’s new economic policy and trade decisions for the foreseeable future. The April 2<sup>nd</sup> tariff “deadline” looms on the horizon. However, the focus this week will shift to the inflation data we see in the middle of the week. February CPI data prints tomorrow 3/12 at 8:30 AM, followed by February PPI, which prints on Thursday, 3/13 at 8:30 AM.

Market participants will see the January JOLTS jobs report print this morning at 10:00 AM. Given the proximity to the Employment Report we saw on Friday, the JOLTS report is not expected to roil markets, unless it significantly misses estimates. The JOLTS report is forecasted to show job openings of 7665k for January, vs. 7600k in December. The layoffs component of the January JOLTS report is expected to rise to 1806k, vs. 1771k the prior month.

Here is a quick rundown of consensus expectations for February CPI: Headline MoM, 0.3% (vs. 0.5% prior); Core MoM, 0.3% (vs. 0.4% prior); Headline YoY, 2.9% (vs. 3.0% prior); Core YoY, 3.2% (vs. 3.3% prior). An “as expected” or lower-than-expected CPI print would likely solidify the odds for three, 25 bp rate cuts this year, especially in light of the heightened fears of an economic slowdown.

**Rate Summary:** 1Y SOFR swap rate is up ~1 bp this morning. 2Y and 3Y SOFR swap rates are currently trading up ~1-2 bps. 5Y and 10Y SOFR swap rates are ~1-2 bps higher this morning. *Expect rates to be volatile today!*

**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	3.895	+0.013	-17.4030	+0.2770	3.7230	+0.0148
3Y	3.902	+0.011	-22.9800	+0.8235	3.6718	+0.0179
4Y	3.951	+0.012	-27.2485	+0.7215	3.6692	+0.0187
5Y	3.982	+0.015	-30.1100	+0.5584	3.6806	+0.0191
7Y	4.104	+0.012	-38.3820	+0.6880	3.7209	+0.0170
10Y	4.224	+0.012	-44.2394	+0.4183	3.7832	+0.0147
20Y	4.587	+0.011	-69.3900	+0.5297	3.8940	+0.0151
30Y	4.552	+0.011	-78.0000	+0.3750	3.7729	+0.0153

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

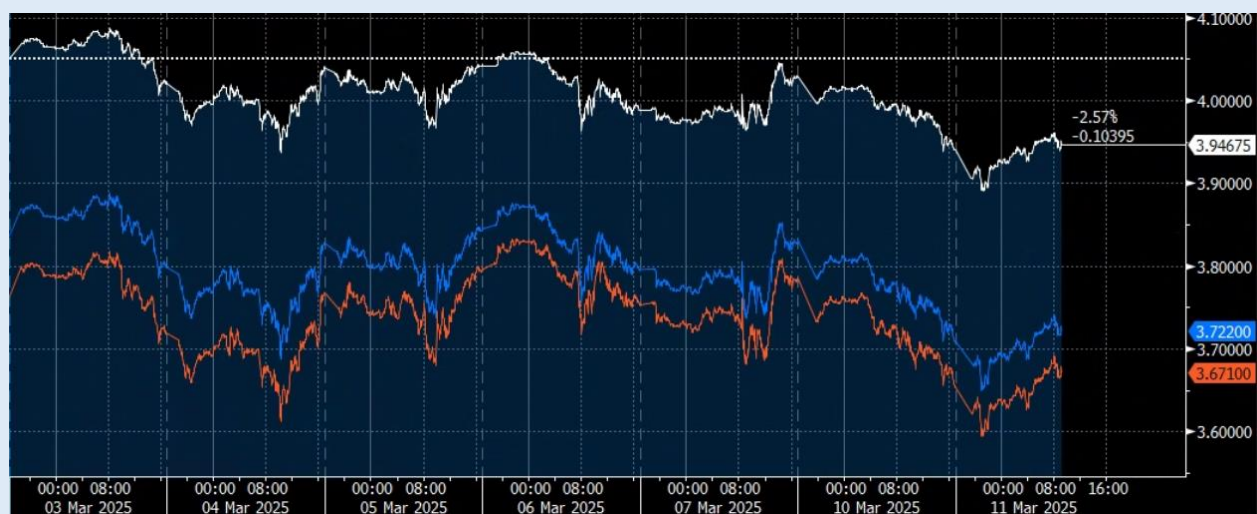
**CHART 2 & 2A: SOFR SWAP RATES EDGE HIGHER AS MARKET AWAITS DATA & INFORMATION**

SOFR swap rates edged slightly higher this morning as market participants pause to assess the US economic and trade policy landscape. As we know, volatility and uncertainty have increased in recent weeks as President Trump implemented new economic and trade policies. That is likely to remain the case for the near term. As such, expect pockets of intraday volatility for swap rates.

Forward pricing currently reflects ~82.5 basis points of Fed rate cuts by the end of 2025 – that signals to me that optimism is growing for a fourth potential rate cut this year. That’s the good news. The bad news is that additional rate cuts are likely to be prompted by economic weakness. The next full 25 bp rate cut is not fully priced in until June. However, odds for a rate cut in May have jumped to 49.1%. 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.*

**CHART 2: SOFR Swap Rates To Remain Volatile As Market Fear & Uncertainty Grows**



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES – PRIOR (7) TRADING SESSIONS

**CHART 2A: Treasury Volatility and Economic Policy Uncertainty Rise**



Source: Bloomberg, LLP | MOVE VOLATILITY INDEX & ECONOMIC POLICY UNCERTAINTY INDEX

**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.

\*\*\*