

**Flash Update: US Rate Markets – Thursday 3/13/2025**

- US Treasury yields and SOFR swap rates ticked slightly higher this morning despite a softer-than-expected PPI print
- Traders, although relieved, seem to be discounting this week’s “backward” looking CPI & PPI inflation data
- Trading patterns the past two days suggest market participants are still fearful restrictive tariffs will fan inflation going forward
- Fears that prolonged tariffs will lead to higher inflation and weaker economic growth continue to permeate market sentiment
- President Trump’s policy and trade initiatives will likely continue to create volatility and uncertainty in the near term
- Weekly jobless claims came in better-than-expected at 220k (vs. 225k expected)
- Next up for data: University Of Michigan consumer sentiment data prints tomorrow, 3/14 at 10:00 AM
- Looking Ahead: February Retail Sales is released on Monday, 3/17 at 8:30 AM
- Fed officials are subject to their pre-meeting “quiet period” until after the 3/19 FOMC meeting
- Short-end SOFR swap rates are currently trading up ~1-3 bps
- Long-end SOFR swap rates are ~2-4 bps higher this morning
- *Expect elevated levels of intraday rate volatility to continue for the foreseeable future*

US Treasury yields and SOFR swap rates drifted slightly higher this morning, despite a lower-than-expected February PPI print. From my perspective, the market’s reaction this morning tells me traders are still nervous and highly uncertain about the path forward for interest rates. This morning’s rate move also tells me traders are not convinced inflation will remain in-check in the face of restrictive and constantly shifting tariffs.

Market focus will remain on the US political landscape and President Trump’s new economic policy and trade decisions for the foreseeable future. Economic data will continue to be viewed through a “tariff tinted” lens for the foreseeable future. Expect elevated intra-day rate volatility to continue for the near-term.

**Next up for data:** Univ. of Michigan consumer sentiment data prints tomorrow, 3/14 at 10:00 AM. Given the whirlwind changes under President Trump thus far, market participants will be eager to see how they are impacting consumer sentiment. The market will be paying *close* attention to the consumer sentiment data. Estimates are calling for a sentiment figure of 63 (vs. 64.7 prior). February Retail Sales prints on Monday, 3/17 at 8:30 AM. The US consumer has been the lynchpin of the US economy for the past few years. Any signs of consumer weakness would only add to a growing concern that the US economy is weakening.

**Rate Summary:** 1Y SOFR swap rate is up ~1-2 bps this morning. 2Y and 3Y SOFR swap rates are currently trading up ~1-3 bps. 5Y and 10Y SOFR swap rates are ~2-4 bps higher this morning.

***Expect rates to remain volatile!***

**CHART 1: US RATES SNAPSHOT: 10:00 AM Eastern**

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

**UST YIELDS | SWAP SPREADS | SOFR SWAP RATES**

2Y	3.997	+0.010	-16.4570	+0.2785	3.8330	+0.0096
3Y	3.998	+0.013	-21.4380	+0.2420	3.7857	+0.0156
4Y	4.058	+0.017	-25.8950	+0.2050	3.7878	+0.0201
5Y	4.093	+0.022	-29.1350	-0.0100	3.8031	+0.0234
7Y	4.219	+0.025	-37.5540	-0.0840	3.8457	+0.0257
10Y	4.337	+0.025	-43.0000	+0.1340	3.9087	+0.0271
20Y	4.688	+0.026	-67.1000	+0.2929	4.0183	+0.0280
30Y	4.657	+0.026	-76.0974	+0.3358	3.8967	+0.0282

Source: Bloomberg, LLP | 10:00 AM NY Rates Snapshot

**CHART 2: FEBRUARY PPI RECAP – LOWER-THAN-EXPECTED PPI PRINT CALMS MARKET – BUT THEY ARE NOT CONVINCED...**

US wholesale inflation printed lower-than-expected in every category, thanks primarily to a decline in services costs. However, PPI details that feed into the Fed’s “preferred inflation gauge”, PCE, were less favorable. That partially explains why swap rates moved higher this morning. Headline PPI was unchanged from a month earlier (0.0% vs. 0.3% expected) following a revised 0.6% increase in January. Core PPI declined for the first time since July (-0.1% vs. 0.3% expected).

**CHART 2: February PPI Recap – February PPI Results Beat Expectations**

Event	Period	Surv(M)	Actual	Prior	Revised
PPI Final Demand MoM	Feb	0.3%	0.0%	0.4%	0.6%
PPI Ex Food and Energy MoM	Feb	0.3%	-0.1%	0.3%	0.5%
PPI Ex Food, Energy, Trade MoM	Feb	0.3%	0.2%	0.3%	--
PPI Final Demand YoY	Feb	3.3%	3.2%	3.5%	3.7%
PPI Ex Food and Energy YoY	Feb	3.5%	3.4%	3.6%	3.8%
PPI Ex Food, Energy, Trade YoY	Feb	3.4%	3.3%	3.4%	--
Initial Jobless Claims	Mar 8	225k	220k	221k	222k
Continuing Claims	Mar 1	1888k	1870k	1897k	--

Source: Bloomberg, LLP | FEBRUARY PPI RECAP

**CHART 3: SOFR SWAP RATES DRIFT HIGHER AS MARKET UNCERTAINTY LINGERS – EXPECT ELEVATED VOLATILITY TO CONTINUE**

SOFR swap rates drifted higher again this morning, after a better-than-expected PPI print was largely ignored by market participants. The favorable PPI data, in combination with yesterday’s better-than-expected CPI data, did help alleviate market fears that inflation was already moving higher as a result of restrictive US tariffs. Given the highly uncertain political, geopolitical and economic environment currently, traders seem to be discounting this week’s “backward” looking CPI and PPI inflation data.

I expect intra-day rate volatility to remain elevated. *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. There is definitely the potential for more of the “whip-saw” trading patterns we have seen recently as market participants sort out what is next for rates.

Forward pricing currently reflects ~61.2 basis points of Fed rate cuts by the end of 2025 – that is down significantly from last week. The next full 25 bp rate cut is not fully priced in until June. However, odds for a rate cut in May have dropped to 28.4%. The constantly shifting FOMC “expectations” underscore the uncertainty regarding the path forward for interest rates that is prevalent in the rate markets.

The FOMC is widely expected to keep rates steady at its March 18-19 gathering, mirroring a lack of monetary policy adjustment at the January meeting.

**CHART 3: SOFR Swap Rates Drift Higher Again Despite Favorable PPI Data**



Source: Bloomberg, LLP | 1Y (white) & 2Y (blue) SOFR SWAP RATES – PRIOR (5) TRADING SESSIONS

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