

2Y	4.044	+0.027	-17.3828	-0.7428	3.8728	+0.0204
3Y	4.026	+0.020	-21.3475	-0.1825	3.8129	+0.0159
4Y	4.069	+0.011	-25.7960	-0.1710	3.8032	+0.0107
5Y	4.095	+0.005	-28.6250	-0.1250	3.8099	+0.0053
7Y	4.206	+0.003	-36.6000	-0.2600	3.8405	-0.0013
10Y	4.304	-0.008	-41.4000	-0.0250	3.8920	-0.0081
20Y	4.635	-0.018	-65.2325	-0.1580	3.9840	-0.0193
30Y	4.598	-0.023	-74.3679	+0.0071	3.8550	-0.0241

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

CHART 2 & 2A: FEBRUARY RETAIL SALES RECAP – MIXED RESULTS LEAD TO MUTED MARKET REACTION

US Retail Sales rose 0.2% in February (vs. 0.6% expected), and the January data was revised to a 1.2% decline, the biggest drop since July 2021. Seven of the report's thirteen categories posted decreases, including motor vehicles, gasoline sales, electronics, and apparel. Spending at restaurants and bars declined the most in a year.

However, the control-group retail sales data, also referred to as “core retail sales”, increased 1.0% in February, reversing the prior month’s drop. Control-group sales are watched closely by market participants, as it feeds into the government’s calculation of “goods spending” for GDP. Control-group retail sales excludes food services, auto dealers, building materials stores and gasoline stations – the very items that may be impacted the most by high tariffs. That is a big reason the market had an overall muted reaction to the sales data.

The February Retail Sales data adds to evidence that consumer spending is dropping off, as tariffs risk reigniting inflationary pressures and slowing economic growth. Inflation has not ticked higher yet, but the consumer expectation is that it will, particularly in a scenario where the US is involved in a prolonged global trade war.

CHART 2: February Retail Sales Recap

Metric	Actual	Estimate
Retail sales (MoM)	+0.2%	+0.6%
Sales ex. autos (MoM)	+0.3%	+0.3%
‘Control group’ sales (MoM)	+1.0%	+0.4%

Source: Bloomberg, LLP | FEBRUARY RETAIL SALES RECAP

CHART 2A: Historical Retail Sales Data

US Retail Sales Rise Less Than Forecast

February retailer receipts barely rise after tumbling in January



Source: Census Bureau

Note: Control group sales exclude food, gasoline, building materials and autos

Bloomberg

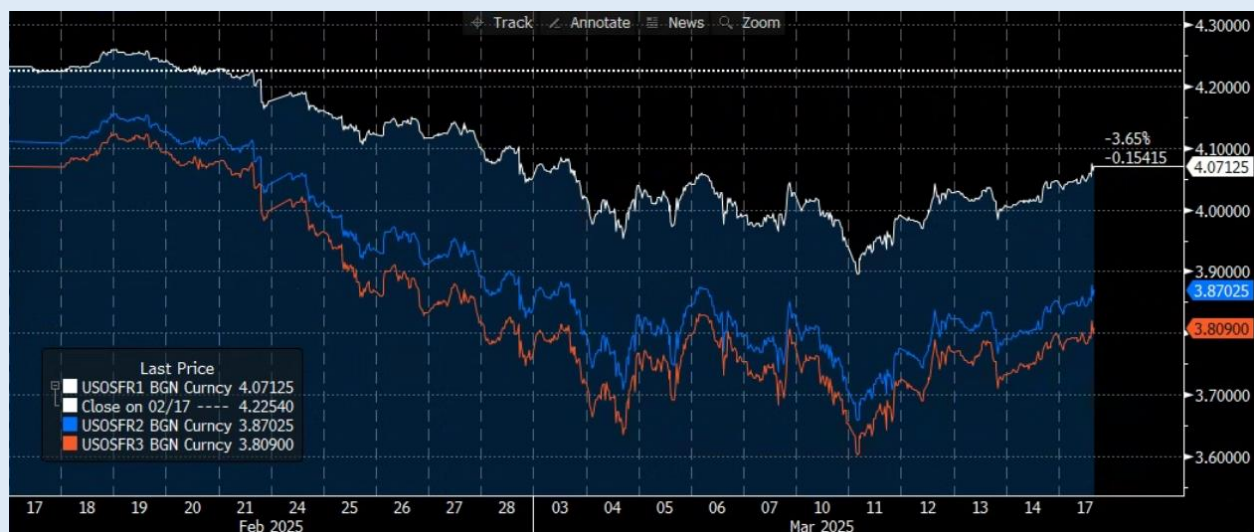
Source: Bloomberg, LLP | HISTORICAL RETAIL SALES DATA SINCE DECEMBER 2023

CHART 3: SOFR SWAP RATES HOLD MOSTLY STEADY; YIELD CURVE FLATTENS

SOFR swap rates initially drifted higher this morning on the mixed February Retail Sales results, then steadied as market participants viewed the data favorably. Short-end swap rates ticked a bp or two higher, and long-term swap rates dropped a few bps as economic growth concerns were somewhat allayed by the consumer data. Traders had feared that US consumers were flocking to the exits – that did not happen. From my perspective, right now the market is more worried about inflation than it is about slower growth, although that does seem to change day-to-day depending on the headlines and data du jour. The strong retail sales control-group result does help alleviate some of the immediate economic growth concerns that were prevalent in the market.

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.*

CHART 3: SOFR Swap Rates Muted After Mixed Retail Sales Results; Market Awaits FOMC Rate Decision



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



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