

Flash Update: US Rate Markets – Friday 3/21/2025

- **US Treasury yields and SOFR swap rates dip lower as economic growth fears dominate the market**
- **“Risk-off” sentiment grips markets as corporate earnings continue to disappoint**
- **President Trump’s policy and trade initiatives will likely continue to create market volatility and uncertainty in the near term**
- **Short-end SOFR swap rates are currently trading down ~4-5 bps**
- **Long-end SOFR swap rates are ~3-5 bps lower this morning**
- ***Expect elevated levels of intraday rate volatility to continue for the foreseeable future***

US Treasury yields and SOFR swap rates dipped lower this morning. Market participants remain fearful that the economy will slow significantly this year – mostly due to a perceived ripple effect created by US trade tariffs. Disappointing corporate earnings added to the “weaker growth” narrative this week, and contributed to lower rates this morning. The tremendous uncertainty surrounding the US economic outlook has created a “risk-off” market sentiment. When that happens, traders and portfolio managers will often seek the refuge of US Treasuries, until the storm blows over. Chairman Powell’s post-meeting comments on Wednesday did soothe market jitters somewhat, but that comfort was short-lived. From my perspective, the Chairman sounded as uncertain as the market has felt recently. There are simply too many unknowns at this point.

There are no data releases scheduled for today. The next significant data we see will be the release of revised Q4 GDP on 3/27, and more importantly, PCE inflation data on 3/28. The market’s 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. *Expect elevated intra-day rate volatility to continue for the near-term.*

As long as economic growth fears remain, and assuming inflation stays in-check, SOFR swap rates are likely to be biased lower in the short term. However, I do not expect rates to move materially lower – not with the ‘split’ fear of the possibility for tariffs to create higher inflation/lower growth. The market will need *much* more data before they are bold enough to carve out a new trading range in either direction.

Note: Fed officials are back “on the tape” today, so we may see some volatility as Fed officials comment on the recent FOMC rate announcement.

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

CHART 1: US RATES SNAPSHOT: 9:15 AM Eastern

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

	UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	3.919	-0.044	-16.9740	-0.0580	3.7510	-0.0442
3Y	3.894	-0.045	-21.7000	-0.1100	3.6775	-0.0486
4Y	3.937	-0.043	-26.4315	-0.2465	3.6675	-0.0485
5Y	3.968	-0.044	-29.3750	-0.3346	3.6750	-0.0480
7Y	4.085	-0.040	-37.4419	-0.2896	3.7111	-0.0444
10Y	4.206	-0.030	-43.2500	-0.7500	3.7738	-0.0395
20Y	4.563	-0.023	-67.4020	-0.7770	3.8906	-0.0303
30Y	4.538	-0.016	-76.4887	-0.7387	3.7743	-0.0254

Source: Bloomberg, LLP | 9:15 AM NY Rates Snapshot

CHART 2: SOFR SWAP RATES DIP LOWER ON ECONOMIC GROWTH FEARS

SOFR swap rates dipped lower this morning due to growing economic growth fears and disappointing corporate earnings. There is a lot happening at the moment for the market to digest including US economic and trade policy “changes”, heightened geopolitical tensions and a shifting US economy. Those factors will remain a primary focus for the market.

For the week, 1Y SOFR swap rates are down ~4 bps; 2Y swaps are down ~9 bps; 3Y swaps are down ~11 bps; 5Y swaps are down ~13 bps; 10Y swaps are down ~13 bps. The yield curve flattened a touch this week.

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 the path forward for interest rates.*

CHART 2: SOFR Swap Rates Dip Lower On Economic Growth Concerns



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES – PRIOR (5) TRADING SESSIONS (Prior Week)

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