

Flash Update: US Rate Markets – Thursday 3/27/2025

- **US Treasury yields and SOFR swap rates are holding mostly steady as market awaits economic data and tariff guidance**
- **Despite the favorable revisions to Q4 GDP, market participants largely ignored the revised GDP data**
- **Uncertainty is mounting as President Trump’s April 2ND “tariff deadline” looms**
- **Next Up For Data: February PCE is released Friday, 3/28 at 8:30 AM**
- **The PCE inflation data will be the key data focus for the market this week**
- **President Trump’s policy and trade initiatives will likely continue to create market volatility and uncertainty in the near term**
- **The President’s recently announced automobile tariffs will only increase market apprehension and uncertainty**
- **Short-end SOFR swap rates are currently trading down ~1-2 basis points**
- **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 rates held mostly steady this morning, as the market awaits key inflation data due tomorrow and tracks the constantly shifting tariff landscape. The rate move today was more attributable to renewed uncertainty surrounding President Trump’s recently announced automobile tariffs. The market remains concerned tariffs will create higher inflation and slower economic growth – they just cannot decide on which is the bigger risk at the moment, hence the reluctance to carve out a new trading range this week. President Trump’s April 2 tariff “Liberation Day” also looms ominously in the background. Traders largely shook-off the Q4 GDP revisions. The GDP revisions were mostly in line with expectations.

The yield curve steepened *slightly* this morning – long term rates ticked slightly higher and short-term rates edged lower. Nothing dramatic. Market participants are waiting for tomorrow’s PCE data, which will provide as close to a real-time inflation reading as possible, and next week’s April 2nd tariff deadline.

Market focus will now shift to tomorrow’s release of February PCE data. If tomorrow’s PCE inflation data beats expectations, focus will squarely shift to economic growth. In that scenario, SOFR swap rates are likely to move lower, particularly on the Fed-sensitive short-end of the curve. However, unless PCE *radically* departs from expectations (in either direction), I do not see the market establishing a new trading range or directional bias until they get more clarity on what is going to happen on April 2.

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. The April 2nd tariff deadline looms, and the market truly does not know what to expect. Yesterday, President Trump signed an executive order to implement a 25% tariff on auto imports and pledged harsher punishment on the EU and Canada if they retaliate. That is only adding to market uncertainty.

Expect the possibility for elevated intra-day rate volatility to continue for the near-term.

Expectations for tomorrow’s February PCE release are as follows: Headline MoM, 0.3% (vs. 0.3%); Core MoM, 0.3% (vs. 0.3% prior); Headline YoY, 2.5% (vs. 2.5% prior); Core YoY, 2.7%, (vs. 2.6% prior). Personal Income and Personal Spending data will also be released tomorrow at 8:30 AM.

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

CHART 1: US RATES SNAPSHOT: 9:30 AM Eastern

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

	UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	3.996	-0.020	-16.8800	+0.1825	3.8295	-0.0186
3Y	3.996	-0.018	-22.9400	+0.2100	3.7688	-0.0143
4Y	4.059	-0.013	-27.9650	-0.1525	3.7692	-0.0093
5Y	4.099	-0.006	-31.2388	-0.6138	3.7882	-0.0042
7Y	4.232	+0.006	-39.2146	+0.0254	3.8406	+0.0056
10Y	4.367	+0.016	-45.3949	-0.0949	3.9148	+0.0141
20Y	4.746	+0.019	-70.5550	-0.2000	4.0416	+0.0176
30Y	4.723	+0.022	-79.5000	-0.2212	3.9294	+0.0182

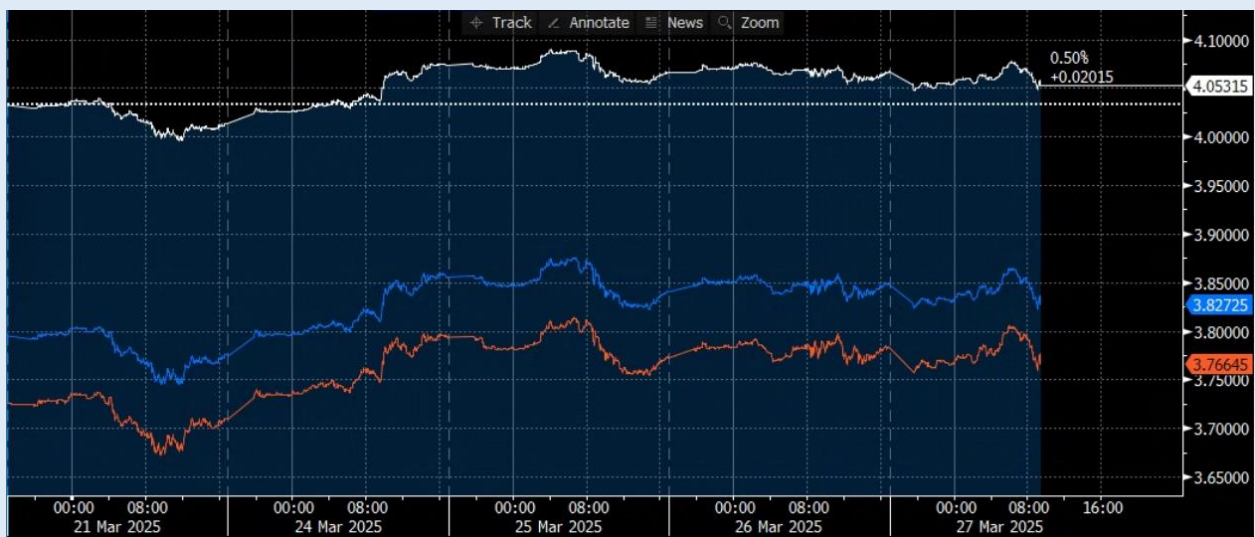
Source: Bloomberg, LLP | 9:30 AM NY Rates Snapshot

CHART 2: SOFR SWAP RATES HOLD STEADY AS MARKET AWAITS PCE DATA DUE TOMORROW

SOFR swap rates held steady again this morning. Market participants had a somewhat muted reaction to the GDP revisions released this morning, mostly due to the fact that GDP is a backward looking indicator. As we know, things have changed *dramatically* from the fourth quarter of last year. SOFR swap rates are little changed for the week, particularly short-end swaps (1Y, 2Y & 3Y). The 2Y SOFR swap rate opened the week at 3.78% - 2Y swap rates are currently trading at 3.82%.

I expect the potential for elevated intra-day rate volatility to continue for the foreseeable future. Market uncertainty remains high – President Trump’s approach is too haphazard to predict with any accuracy. *The market will remain “headline” driven for the foreseeable future, given the uncertain path forward.* That is the major risk surrounding the April 2ND tariff deadline - market participants truly do not know what to expect, leading to tremendous uncertainty. The market wants *clarity* and will be reacting to headlines real-time.

CHART 2: SOFR Swap Rates Hold Steady As Market Awaits Direction



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES – PRIOR (5) Trading Sessions

CHART 3 & 3A: Q4 2024 GDP REVISIONS: RECAP – US ECONOMY GREW FASTER THAN EXPECTED; GDP PRICE INDEX DROPS

The US economy expanded at a faster pace in the fourth quarter than previously estimated while a key measure of inflation was revised lower. Q4 2024 GDP was revised to a 2.4% annualized rate (vs. the 2.3% prior revision). The Core GDP Price Index, which is tracked closely by the Fed, was revised down to 2.6% (vs. 2.7% prior). The Q4 2024 GDP numbers were boosted by upward revisions to net exports,

government spending and business investment. Growth in consumer spending, which accounts for two-thirds of GDP, was revised lower to 4% (vs. 4.2% the prior revision).

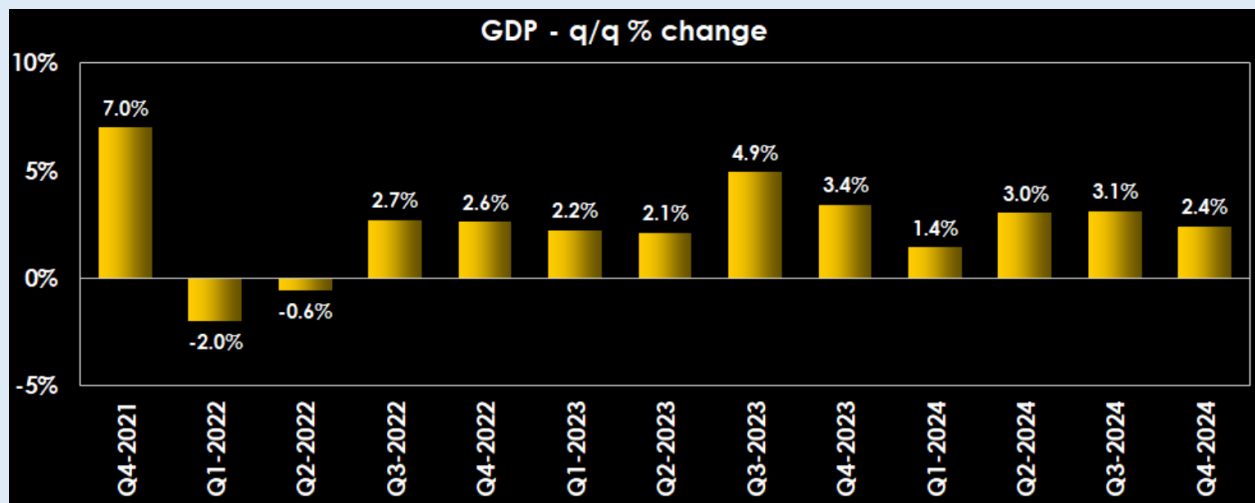
Overall, the market had a muted reaction to the revised GDP data. The revisions were, on balance, positive – I think the muted market reaction is more attributable to “relief” that the revisions were favorable. Generally speaking, economists are still anticipating slower growth in 2025 due to concerns over President Donald Trump's economic and trade agendas.

CHART 3: Q4 2024 GDP Revisions: Recap

Event	Period	Surv(M)	Actual	Prior
GDP Annualized QoQ	4Q T	2.3%	2.4%	2.3%
Personal Consumption	4Q T	4.2%	4.0%	4.2%
GDP Price Index	4Q T	2.4%	2.3%	2.4%
Core PCE Price Index QoQ	4Q T	2.7%	2.6%	2.7%

Source: Bloomberg, LLP | Q4 2024 GDP REVISIONS

CHART 3A: Historical GDP Since Q4 2021



Source: ECONODAY, INC. | Historical US GDP Since Q4 2021

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.

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