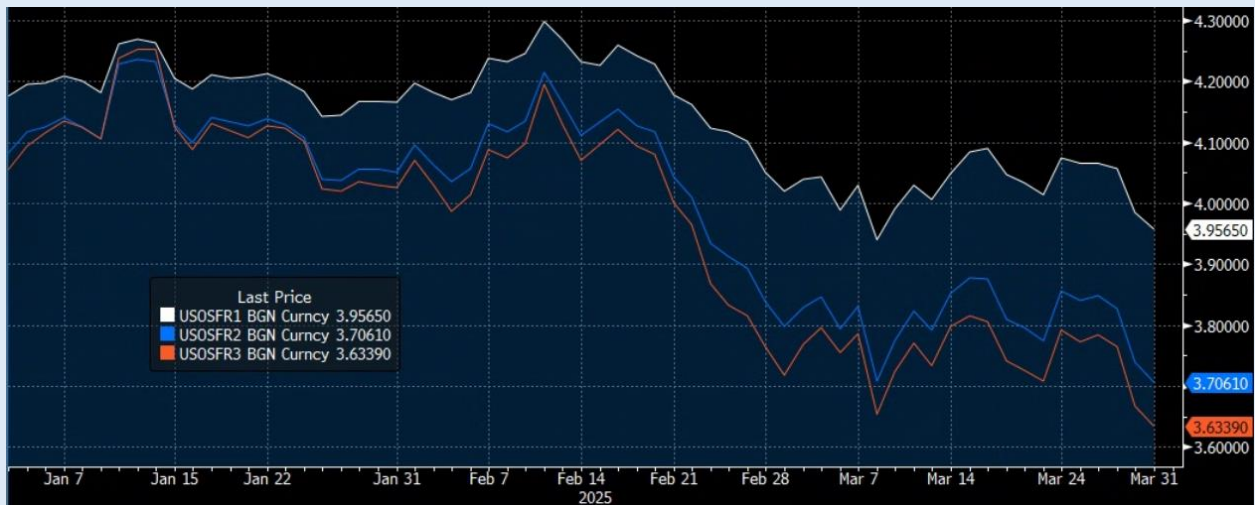


SOFR swap rates dipped lower this morning – a flight-to-quality ahead of Wednesday’s tariff announcements pushed Treasury yields lower. Despite pockets of elevated intraday volatility, economic growth fears have slowly pushed swap rates lower during March. 1-year, 2-year and 3-year SOFR swap rates are currently sitting at the lows for 2025.

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 Wednesday’s headlines real-time.

CHART 2: SOFR Swap Rates Dip Lower On Flight-To-Quality...Short-Term SOFR Swaps Currently Trading At 2025 Lows



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES: 2025 YEAR-TO-DATE

CHART 3: 2Y TREASURY YIELDS SHIFT LOWER AS TARIFF JITTERS DENT ECONOMIC GROWTH PROJECTIONS

Short-term Treasury yields continue to decline as economic growth jitters increase the likelihood for Fed rate cuts, perhaps sooner rather than later. That said, the high level of uncertainty surrounding US tariffs is keeping market participants in check, for now. Traders have been reluctant to carve out a decisive new trading range – there are just too many unknowns at the moment. The slide lower in short-term Treasury yields recently suggests the market remains extremely nervous about US economic growth. It is clear that tariff uncertainty is clouding the path forward for interest rates – for the market *and* the Fed.

CHART 3: 2Y Treasury Yields At 2025 Lows



Source: Bloomberg, LLP | 2Y US TREASURY NOTE YIELD SINCE APR 2024

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