

Flash Update: US Rate Markets – Thursday 3/6/2025

- **US Treasury yields and SOFR swap rates opened lower again, as US tariffs continue to weigh on global markets**
- **The Fed-sensitive short-end of the yield curve has been impacted the most this week, as traders ramp-up rate cut bets**
- **Forward-pricing implies 77 bps of cumulative rate cuts in 2025 and now implies 50% odds for a rate cut in May**
- **President Trump’s policy and trade initiatives will likely continue to create volatility and uncertainty in the near term**
- **Traders are also waiting for tomorrow’s release of the highly anticipated February Employment Report**
- **Next up for key economic data: February Employment Report prints tomorrow, 3/7 at 8:30 AM**
- **Short-end SOFR swap rates are currently trading down ~2-4 bps**
- **Long-end SOFR swap rates are ~1-2 bps lower this morning**

US Treasury yields and SOFR swap rates opened lower this morning as the market weighs the potential impact of restrictive tariffs on US economic growth. This week, short-term rates have been impacted the most, as traders increase bets the FOMC will be prompted to cut rates to prevent an economic slowdown. At the moment, traders seem to be focusing on the near-term “Fed” impact of the new tariffs, rather than the longer term implications of a global trade war. That has pushed short-term rates lower, and steepened the yield curve from the short-end.

Weekly jobless claims data came in slightly better-than-expected this morning. Economists are watching weekly claims closely for any sign of deterioration in the labor market as the Trump administration moves to shrink the federal government and concerns around the impact from tariffs weigh on business decisions. Initial jobless claims decreased to 221,000 for the week ended March 1, vs. 233,000 expected. Continuing claims, a proxy for the number of people receiving unemployment benefits, rose to 1.9 million last week. That figure is close to a three-year high, and a sign those out of work are having more difficulty finding new positions. Given the mixed employment data we have seen recently, tomorrow’s Employment Report is *highly* anticipated by market participants.

Expect elevated intra-day rate volatility to continue for the near-term, as the market reacts to geopolitical developments and the impact of new US trade policies (or perhaps, *shifting* US trade policies). Market participants will also be keeping an eye on the economic data – we get a host of secondary economic data this week, culminating with the release of the February Employment Report tomorrow at 8:30 AM. Chairman Powell speaks on the economic outlook tomorrow at 12:30 PM – the market will be listening. There is palpable uncertainty in the market about the path forward for interest rates, the impact of President Trump’s new policy and trade initiatives and the US economy.

Next up for key economic data: The February Employment Report prints tomorrow, 3/7 at 8:30 AM. Here is a quick recap of expectations for tomorrow’s Employment Report release: Non-Farm Payrolls, +160k expected (vs 143k prior); Private Payrolls, +146k (vs. 111k prior); Unemployment Rate, 4.00% (unchanged vs. prior), Average Hourly Earnings, 0.3% (vs. 0.5% prior). The next Fed “rate decision” is due on March 19th at 2:00 PM.

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

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

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

	UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	3.976	-0.028	-17.0925	-0.8925	3.8066	-0.0389
3Y	3.988	-0.024	-22.5890	-0.8890	3.7649	-0.0313
4Y	4.041	-0.014	-26.4920	-0.7105	3.7649	-0.0231
5Y	4.066	-0.012	-29.2500	-0.6404	3.7761	-0.0163
7Y	4.182	+0.002	-37.6000	-0.7150	3.8065	-0.0072
10Y	4.288	+0.009	-43.2000	-0.7000	3.8559	+0.0004
20Y	4.622	+0.012	-68.6200	-1.2050	3.9375	+0.0005
30Y	4.580	+0.008	-77.7392	-0.8692	3.8038	-0.0011

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

CHART 2: SOFR SWAP RATES REMAIN VOLATILE AS TARIFFS CONTINUE TO WEIGH ON MARKET

SOFR swap rates dropped again this morning, continuing a week of volatile trading and whip-saw rate movement. Economic growth concerns fueled by “trade wars” continue to dominate global markets. Despite the tremendous intra-day volatility we have seen this week, rates are holding steady. Look at the closing level on the 1Y SOFR swap rate this week: Monday, 4.021%; Tuesday 4.039%; Wednesday 4.042%; Today 3.997% - the trading range each day has been ~10-12 bps!

I expect the short-end to stay bid for the near-term as tariff-related “Fed” concerns drive the market. The only thing that could steal the attention away from tariffs would be an employment number that blows the doors off of expectations. A strong jobs report tomorrow could help temporarily ease global growth concerns. A weaker-than-expected jobs report would only add to growth concerns and rates would slide lower in response.

A weak jobs report tomorrow would also likely increase the odds for a fourth, 25 bp rate cut this year. That could also push Fed-sensitive short-end rates lower. Traders continue to bet on three, 25 bp rate cuts this year – and they are flirting with pricing-in *four*. The market’s repricing of rate cut expectations is primarily tariff driven, so there is the possibility that rate cut bets could be lowered at some point.

CHART 2: SOFR SWAP RATES REMAIN VOLATILE IN A NERVOUS AND UNCERTAIN MARKET



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

CHART 3: FED BEIGE BOOK RECAP

The latest Fed “Beige Book”, released yesterday, showed economic activity increased slightly, suggesting concerns about US economic growth may be overblown, or at least, premature. The report also showed that expectations for economic activity in the coming months were slightly optimistic, but the report did frequently mention concerns surrounding tariffs and looming changes to trade policy. The report

included some good news on the labor front, as “employment nudged slightly higher on balance.” However, the report noted that rising uncertainty about immigration and “other matters” were influencing current and future demand for labor. On balance, the Beige Book was positive, but underscores the tremendous uncertainty surrounding the path forward for the economy.

CHART 3: Fed Beige Book Shows US Economic Activity Rising Slightly



Source: Bloomberg, LLP | FED BEIGE BOOK – ECONOMIC ACTIVITY SUMMARY SINCE 2019

CHART 4: Schedule Of Fed Speeches Through March 7, 2025

Fed officials will be on the tape the remainder of the week – see below. The highlight of the week will be Chairman Powell’s speech on 3/7 at 12:30 PM. Powell will be speaking about the US economic outlook. Traders will *definitely* be listening. A lot has happened since we last heard from the Chairman. Note, Fed officials will enter their “quiet-period” beginning on 3/8 – we will not hear from another Fed official after that until Chairman Powell’s post-meeting press conference. The next FOMC rate decision is due on 3/19 at 2:00 PM.

CHART 4: Fed Speech Calendar Through 3/7/25

Date	Time	A	M	R	Event
03/06	08:45				Fed's Harker Gives Speech on Economic Education
03/06	15:30				Fed's Waller Speaks on the Economic Outlook
03/06	19:00				Fed's Bostic Speaks on Economy, Birmingham
03/07	10:15				Fed's Bowman Speaks on Policy Transmission
03/07	10:45				Fed's Williams Speaks on Panel on Policy Transmission
03/07	12:20				Fed's Kugler Speaks on Rebalancing Labor Markets
03/07	12:30				Fed's Powell Speaks on the Economic Outlook
03/07	13:00				Fed's Kugler Appears on Panel Discussion
03/08-03/20					Fed's External Communications Blackout

Source: Bloomberg, LLP | FED SPEECH CALENDAR THROUGH 3/7/25

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