

**Flash Update: US Rate Markets – Friday 3/7/2025**

- US Treasury yields and SOFR swap rates edged slightly lower after a “mixed” Employment Report
- US hiring rose at a solid pace in February, but the Unemployment Rate unexpectedly ticked higher
- President Trump’s policy and trade initiatives will likely continue to create volatility and uncertainty in the near term
- FOMC Chairman Powell speaks today at 12:30 PM on the US economic outlook; Traders will be listening!
- Fed officials enter their pre-meeting “quiet period” beginning tomorrow
- Next Fed communication (after today) will be Chair Powell’s post-meeting press conference on 3/19
- Short-end SOFR swap rates are currently trading down ~1-3 bps
- Long-end SOFR swap rates are ~1-3 bps lower this morning
- *Expect elevated levels of intraday rate volatility to continue for the foreseeable future*

US Treasury yields and SOFR swap rates opened slightly lower this morning after the release of a “mixed” February Employment Report. US job growth steadied last month while the unemployment rate unexpectedly rose, providing a “mixed” snapshot of a jobs market hanging on the balance of rapidly changing government policy. SOFR swap rates moved lower as the slightly softer employment data portends a gradually cooling labor market, and increases the probability for Fed rate cuts later this year. Overall, the number calmed down a hyper-sensitive market – there was chatter in the market that this morning’s number would come in *much* weaker-than-anticipated. That was not the case.

Market focus will shift to Chairman Powell’s speech this afternoon at ~12:30 PM. Market participants will be listening closely to Chair Powell – a lot has changed since Powell’s last public appearance. It probably goes without saying, but the market will also remain laser focused on any tariff developments.

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

**CHART 1: US RATES SNAPSHOT: 10:00 AM Eastern**

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

	UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	3.935	-0.024	-16.4690	+0.2760	3.7741	-0.0204
3Y	3.942	-0.029	-22.2640	-0.3600	3.7219	-0.0323
4Y	3.993	-0.033	-26.2220	-0.3985	3.7212	-0.0352
5Y	4.021	-0.036	-28.8754	-0.1254	3.7312	-0.0375
7Y	4.140	-0.029	-37.1670	-0.3715	3.7699	-0.0319
10Y	4.253	-0.026	-42.8750	-0.2500	3.8258	-0.0273
20Y	4.607	-0.014	-68.5620	-0.4570	3.9235	-0.0165
30Y	4.564	-0.014	-76.8000	+0.3250	3.7970	-0.0113

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

**CHART 2 & 2A: FEBRUARY EMPLOYMENT REPORT RECAP**

US hiring remained firm in February and the unemployment rate edged higher, illustrating a labor market that is gradually cooling in the face of rising economic uncertainty. Nonfarm payrolls increased 151,000 (vs. 160k expected) after a downward revision to the prior month. Private payrolls increased

slightly less-than-forecasted (140k vs. 145k expected) and manufacturing payrolls edged higher in February. The unemployment rate unexpectedly rose to 4.1% (vs. 4.0% expected).

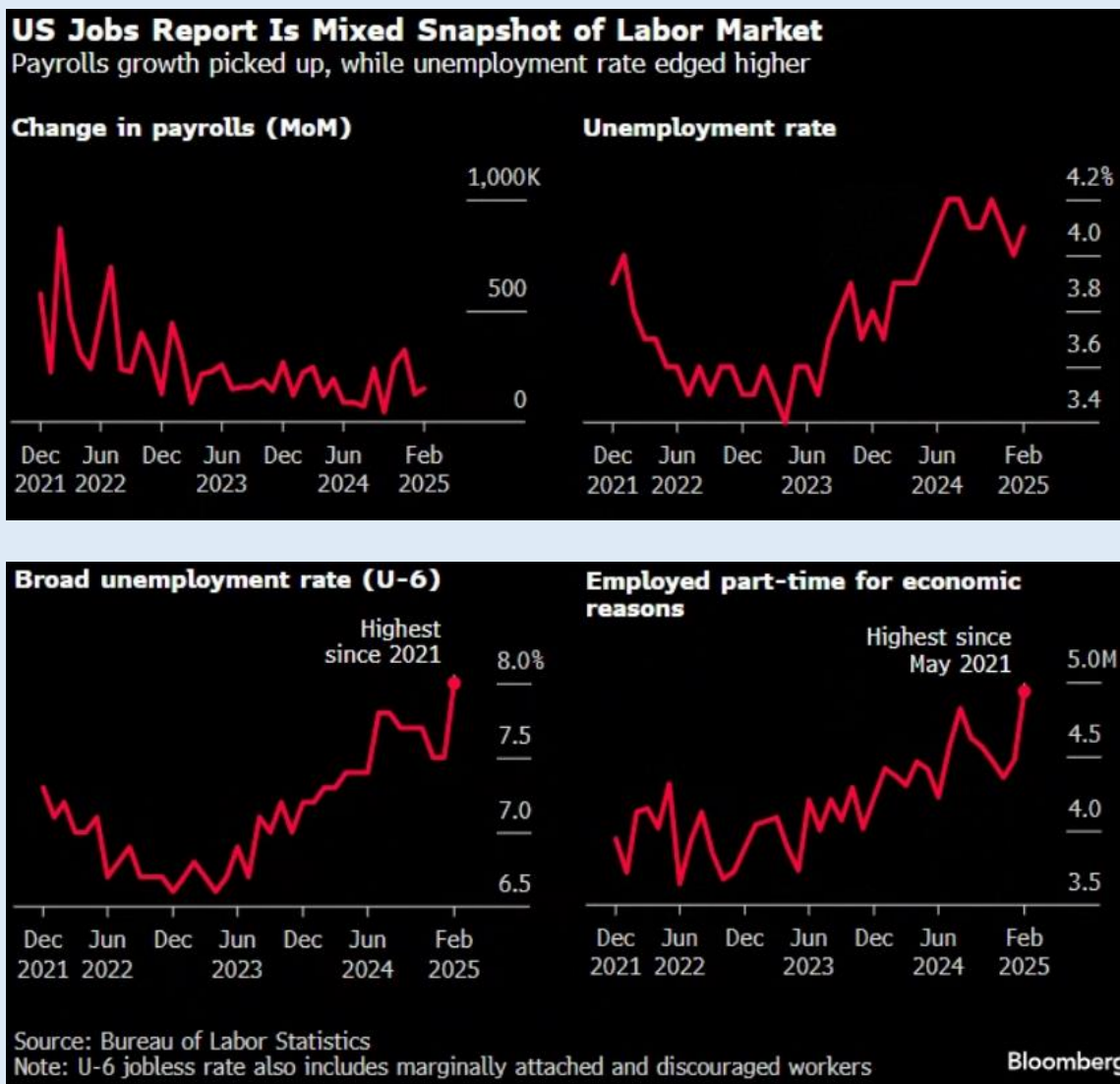
The February employment data released today does *not* include the federal “job cuts” announced recently. Some economists predict the US could lose over 500,000 jobs by the end of this year due to federal job cuts. We will begin to see the effect of shrinking government payrolls in the March employment data. Overall, the jobs data released this morning shows a solid, but ever-so-gradually cooling labor market.

**CHART 2: FEBRUARY EMPLOYMENT REPORT RECAP – MIXED DATA SUGGESTS LABOR MARKET IS GRADUALLY COOLING**

Metric	Actual	Median estimate
Change in payrolls (MoM)	+151k	+160k
Unemployment rate	4.1%	4%
Average hourly earnings (MoM)	+0.3%	+0.3%

Source: Bloomberg, LLP | FEBRUARY EMPLOYMENT REPORT RECAP

**CHART 2A: HISTORICAL EMPLOYMENT REPORT DATA**



Source: Bloomberg, LLP | HISTORICAL EMPLOYMENT REPORT DATA SINCE DECEMBER 2021

**CHART 3: SOFR SWAP MARKET REACTION TO EMPLOYMENT DATA**

SOFR swap rates dropped slightly on the mixed employment data released this morning. From my perspective, the data this morning eased fears that the bottom was about to fall out of the jobs market.

Not the case. Traders have recently increased rate cut bets – the February employment data reinforces current forward “rate cut” pricing and certainly keeps the door open for Fed rate cuts this year.

For the week, 1Y SOFR swap rates dropped ~5.5 bps, and 2Y SOFR swap rates are down ~6.3 bps. Expect elevated intraday rate volatility for the near term, and I expect the “whip-saw” trading activity we saw this week to continue. *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.

**CHART 3: SOFR SWAP RATES DROP SLIGHTLY ON MIXED EMPLOYMENT DATA**

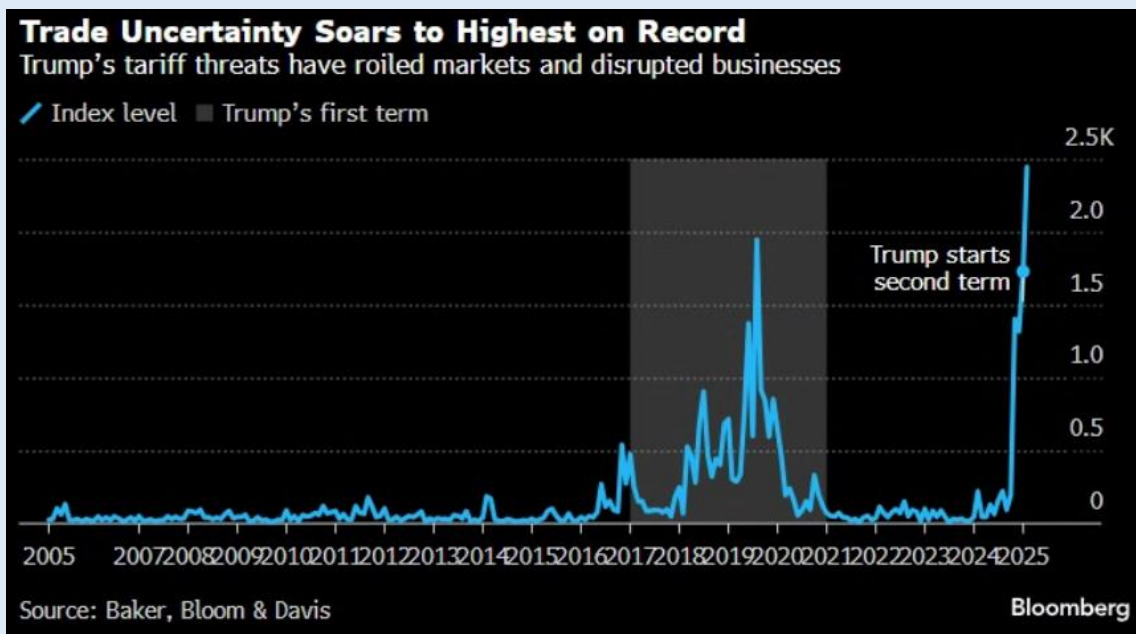


Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES – PRIOR (5) TRADING SESSIONS

**CHART 4: TARIFF FEARS REMAIN FRONT AND CENTER FOR THE MARKET**

Thus far, President Trump's new tariff policies have been marked by stops and starts, postponements, shifting details, “head fake” rollouts, and massive, debilitating confusion, causing tremendous uncertainty and angst for US trading partners and businesses. The “rapid fire” tariff rollout has been driven by President Trump's stated urgency to *rapidly* “fix” trade inequities – however, it has also led to chaos in the economy and financial markets. The lack of a clear and concise message from the administration has made it challenging for US companies to make decisions, and has contributed to a sharp drop in consumer confidence and US equities. I expect the fear and uncertainty to continue for the foreseeable future. Prepare for volatility!

**CHART 4: Trade Uncertainty At An All-Time High**



Source: Bloomberg, LLP | TRADE UNCERTAINTY INDEX SINCE 2005



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