## *Flash Update:* US Rate Markets – Wednesday 4/2/2025

- **US Treasury yields and SOFR swap rates edged a touch lower as the market awaits "Liberation Day"**
- **President Trump is expected to rollout the "new" tariffs in a Rose Garden ceremony beginning today at ~4:00 PM**
- **Few details have been leaked ahead the announcement, leading to speculation the details are still in flux**
- **Fears that restrictive US tariffs will curtail economic growth/and or fan inflation continue to dominate the market**
- **President Trump's policy and trade initiatives will likely continue to create market volatility and uncertainty in the near term**
- **Durable Goods Orders and Factory Orders data are released this morning at 10:00 AM**
- **However, traders are likely to be *singularly* focused on the tariff details announced later today**
- **Next up for data: March Employment Report is due Friday, April 4th at 8:30 AM**
- **Short-end SOFR swap rates are currently trading down ~2-3 basis points**
- **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 edged a touch lower this morning as a "risk-off" sentiment continues to grip the market in preparation for today's trade policy announcement. President Trump will roll out the new tariffs and trade policy in a Rose Garden press conference, currently scheduled for 4:00 PM. There is still tremendous uncertainty swirling around today's announcement. Global markets truly do not know what to expect. Fear that President Trump's aggressive and erratic tariff rollout will damage economic growth and/or fan inflation continues to dominate the market.

President Trump's press conference this afternoon may set the tone for the US economy for the rest of the year. It is definitely a "risk event" for market participants, mostly due to the uncertainty surrounding precisely what will be announced. A less "severe" tariff rollout would likely be viewed favorably by the market – rates could remain steady or drift higher as traders move assets out of US Treasuries and back into risk assets. A quick "capitulation" by our trade partners could also help to nullify any negative long-term tariff impacts to the economy. However, a more restrictive and/or aggressive tariff "announcement" would likely send rates lower on renewed speculation tariffs will dampen economic growth. That would increase the likelihood for Fed rate cuts this year and could sustain the risk-off sentiment we have been seeing in the run up to the tariffs announcement.

The ADP jobs report released this morning at 8:15 AM came in stronger than expected: 155k addition to private payrolls in March vs. 120k expected. The market noticed, but traders have a bigger fish to fry today, so the data was largely ignored…for now. We will see the March Employment Report released Friday 4/4 at 8:30 AM. Factory Orders and Durable Goods Orders for February are released this morning at 10:00 AM. However, I do not expect the economic data released today to have much of an impact on rates. Traders are likely to be *singularly* focused on the tariffs announcement at 4:00 PM.

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

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

**CHART 1:** ***US RATES SNAPSHOT: 9:00 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 | 3.856 | -0.025 | -17.1900 | -0.3130 | 3.6873 | -0.0269 |
| 3Y | 3.832 | -0.031 | -22.9200 | -0.2824 | 3.6047 | -0.0345 |
| 4Y | 3.859 | -0.036 | -27.6250 | -0.1800 | 3.5850 | -0.0360 |
| 5Y | 3.887 | -0.039 | -30.0104 | +0.0920 | 3.5883 | -0.0368 |
| 7Y | 3.996 | -0.043 | -37.3800 | +0.2700 | 3.6255 | -0.0390 |
| 10Y | 4.127 | -0.041 | -43.7386 | +0.1214 | 3.6913 | -0.0397 |
| 20Y | 4.517 | -0.042 | -69.8981 | +0.1632 | 3.8199 | -0.0401 |
| 30Y | 4.484 | -0.039 | -77.5000 | -0.0400 | 3.7105 | -0.0403 |

**Source: Bloomberg, LLP | 9:00 AM NY Rates Snapshot**

## CHART 2: SOFR SWAP RATES EDGE LOWER AS TRADERS PREPARE FOR TARIFF "LIBERATION DAY"

SOFR swap rates dipped a touch lower again this morning as the market anxiously awaits President Trump's 4:00 pm press conference. Despite pockets of elevated intraday volatility, economic growth fears slowly pushed swap rates lower during March. Rates continued to drift *slightly* lower this week ahead of "the announcement". 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 extremely high – President Trump's approach is too haphazard to predict with any accuracy. I strongly doubt that today's trade policy announcement will be the end of it – not by a longshot! *The market will remain "headline" driven for the foreseeable future, given the uncertain path forward.* That is *the* major risk surrounding today's "tariff deadline", *and beyond*. Market participants truly do not know what to expect.

**CHART 2:** ***SOFR Swap Rates Edge Lower As Market Awaits Tariff News***

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

## CHART 3: MARKETS BRACE FOR TRADE POLICY ANNOUNCEMENT

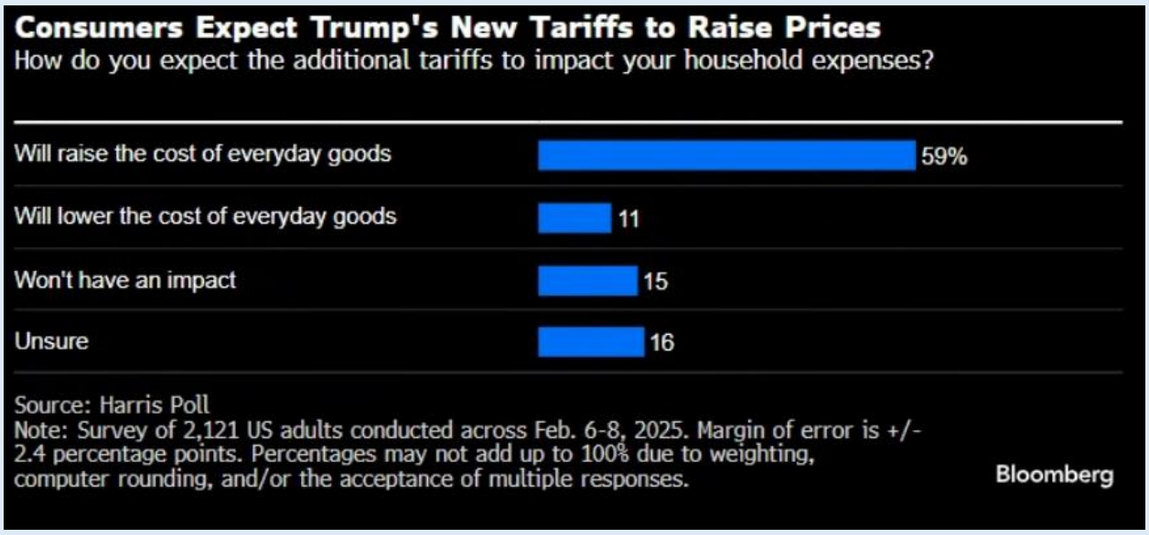
This afternoon at ~4:00 PM, President Trump is set to impose a broad range of "reciprocal" tariffs and other levies on what he has labeled "Liberation Day". President Trump's objective is to "reset" US trade policy to be more fair and equitable to the United States. President Trump said on NBC news this past weekend that, "the world has been ripping off the United States for the last 40 years and more. And all we're doing is being fair." However, the haphazard and *constantly* shifting announcements have confused global markets and created tremendous uncertainty – and a fair dose of fear.

By all accounts, important details such as the level of the tariffs, their duration and any exemptions for countries or sectors were still being debated inside the White House as late as this morning! That may

be what the market fears the most – the unpredictability of President Trump. As we know, financial markets are already rattled, and central bank officials across the globe fear the new trade policies could spark a US recession and a global economic slowdown. Fear also remains that tariffs will drive inflation higher, potentially pushing the US into stagflation.

The FOMC is also concerned that the deterioration in consumer sentiment and knee-jerk "corporate" reactions that tariffs can create will do more damage to the economy than the tariffs themselves. Currently, US consumers appear skeptical that tariffs will bolster the economy and are already worrying about the potential for higher prices. March consumer sentiment figures plunged the lowest level in more than two years, and long-term inflation expectations jumped to a 32-year high.

**CHART 3:** ***US Consumers Fear Price Impact Of New Tariffs***




**Source: Bloomberg, LLP | HARRIS POLL RESULTS – IMPACT OF NEW TARIFFS ON PRICES**

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LOS ANGELES, CA NEW YORK, NY BALTIMORE, MD
TELEPHONE 212.500.0922 FAX 310.856.9495