

Flash Update: US Rate Markets – Tuesday 4/22/2025

- US Treasury yields and SOFR swap rates held mostly steady this morning as the market awaits data & direction
- “Trump vs. Powell, Round 2” is unsettling markets and adding to escalated levels of fear and uncertainty
- A jittery and anxious market is pausing to regroup and reassess the path forward for interest rates
- President Trump’s policy and trade initiatives are continuing to create global market volatility and uncertainty
- *Expect rate markets to continue to be “headline” driven in the short term*
- Forward market pricing now implies ~90.7 basis points of cumulative rate cuts for 2025
- Traders anticipate a series of rate cuts this year based on expectations for dramatically slower economic growth
- The next FOMC rate decision is due on Wednesday, May 7 at 2:00 PM
- Fed officials are “on-the-tape” this week, prior to the pre-meeting Fed “communications blackout” beginning 4/26
- Short-end SOFR swap rates are currently trading *up* ~1-2 basis points
- Long-end SOFR swap rates are ~1-3 bps *lower* this morning, depending on the tenor
- *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 and the curve steepened slightly. Market participants are clearly waiting for direction. That “direction” may come from economic data, President Trump or the FOMC...or all three! Right now the market seems to be taking a slight breather to regroup and reassess. Most of the movement in rates since the tariffs were first announced was based on speculation. Market participants seem unwilling to reset the current trading range without seeing compelling evidence in the data. That said, fear and uncertainty continue to dominate the market. President Trump’s “comments” about FOMC Chairman Powell and the independence of the central bank continue to unsettle markets, further contributing to market dislocation and volatility. With the FOMC meeting approaching, President Trump’s anti-Powell rhetoric is likely to ramp up.

This rest of this week we will see mostly secondary economic data. Highlights include: The S&P Global US Manufacturing & Services PMI data and March New Home Sales are released on 4/23; Existing Home Sales data for March is released on 4/24, and Univ. of Michigan Consumer Sentiment data prints on 4/25. The next “big” economic data we see will be Q1 GDP and March PCE, which are both scheduled for release on 4/30 at 8:30 AM. Traders will be eager to see the economic growth and inflation data. There are also numerous Fed officials scheduled to speak this week. That said, the market will continue to monitor developments on several fronts – tariffs, economic data, Fed-speak and Trump vs. Powell will continue to captivate the market for the near term. Expect the market to remain headline driven.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is up ~1-2 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading up ~1-2 bps. **5Y** and **10Y** SOFR swap rates are ~1-3 bps *lower* this morning, depending on the tenor. ***Please note – market levels can change quickly (potentially very quickly!) in this type of market environment.***

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	3.787	+0.026	-27.4050	-1.0369	3.5158	+0.0132
3Y	3.797	+0.012	-32.8697	-0.2765	3.4697	+0.0080
4Y	3.887	+0.000	-37.8750		3.5048	+0.0022
5Y	3.968	-0.007	-40.6229	+0.3298	3.5624	-0.0042
7Y	4.169	-0.016	-49.1910	+0.3142	3.6797	-0.0118
10Y	4.385	-0.025	-56.3546	+0.5909	3.8230	-0.0200
20Y	4.910	-0.034	-87.0400	+1.0550	4.0410	-0.0215
30Y	4.872	-0.030	-92.0800	+0.9371	3.9520	-0.0211

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

CHART 2 & 2A: SOFR Swap Rates Hold Mostly Steady As Market Awaits Direction; Yield Curve Steepens

SOFR swap rates opened mostly steady this morning, with the swap curve steepening slightly. Despite the recent market turbulence, short-term SOFR swap rates are still sitting near the lows for the year. (Note: we are currently *at* the lows for the prior 6-months.) Market participants are clearly awaiting data and direction. Traders will be keeping a close eye on data, Fed-speak and any political or trade related news.

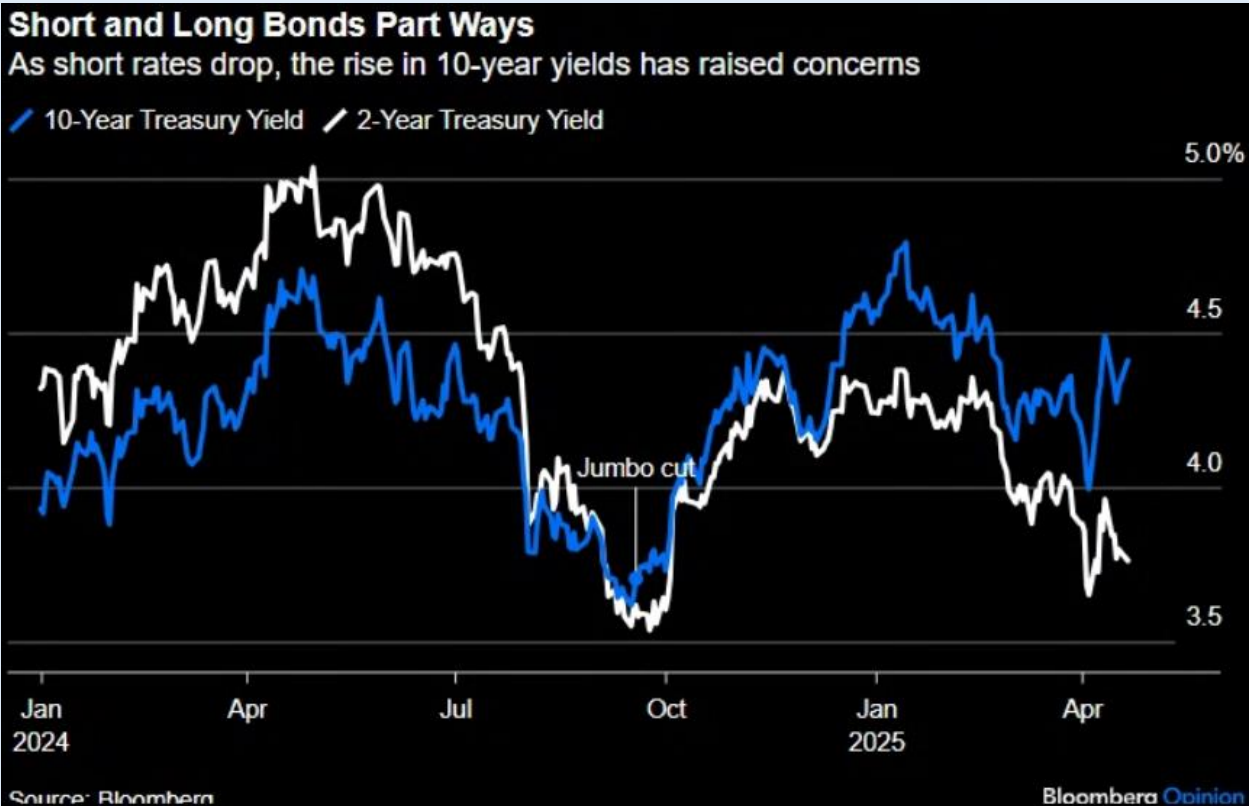
The market may also be looking ahead to some key upcoming events – Q1 2025 GDP data and PCE, the Fed’s “preferred” inflation gauge, will be released on 4/30 at 8:30 AM. The next FOMC rate announcement is scheduled for Wednesday, 5/7 at 2:00 PM. Expect rates to hold in a relatively wide trading range for the near term as traders await fresh data and the Fed. Expect swap rates to continue to react real-time to news – especially news concerning Trump vs. Powell and/or tariff related headlines. The potential for pockets of whipsaw intraday rate volatility remains.

CHART 2: SOFR Swap Rates Hold Mostly Steady



Source: Bloomberg, LLP | 1Y (white), 2Y (orange) & 3Y (purple) SOFR SWAP RATES, PRIOR 12-MONTHS

CHART 2A: Treasury Yield Curve Steepens



Source: Bloomberg, LLP | 2Y & 10Y US TREASURY YIELDS SINCE JANUARY 2024

CHART 3 & 3A: SCHEDULE OF FED SPEECHES THROUGH 4/24/2025; FED RATE CUT EXPECTATIONS HOLDING STEADY...FOR NOW

There is a full plate of Fed officials scheduled to speak this week. Market participants will be paying close attention to Fed-speak, particularly in light of the confrontation brewing between President Trump and FOMC Chairman Powell. The Fed is already grappling with the massive uncertainty and fear created by the tariff rollout. Fed-speak this week is also important because Fed officials enter the pre-meeting “communications blackout” on 4/26. This week is the last time we will hear directly from Fed officials until after the next FOMC meeting.

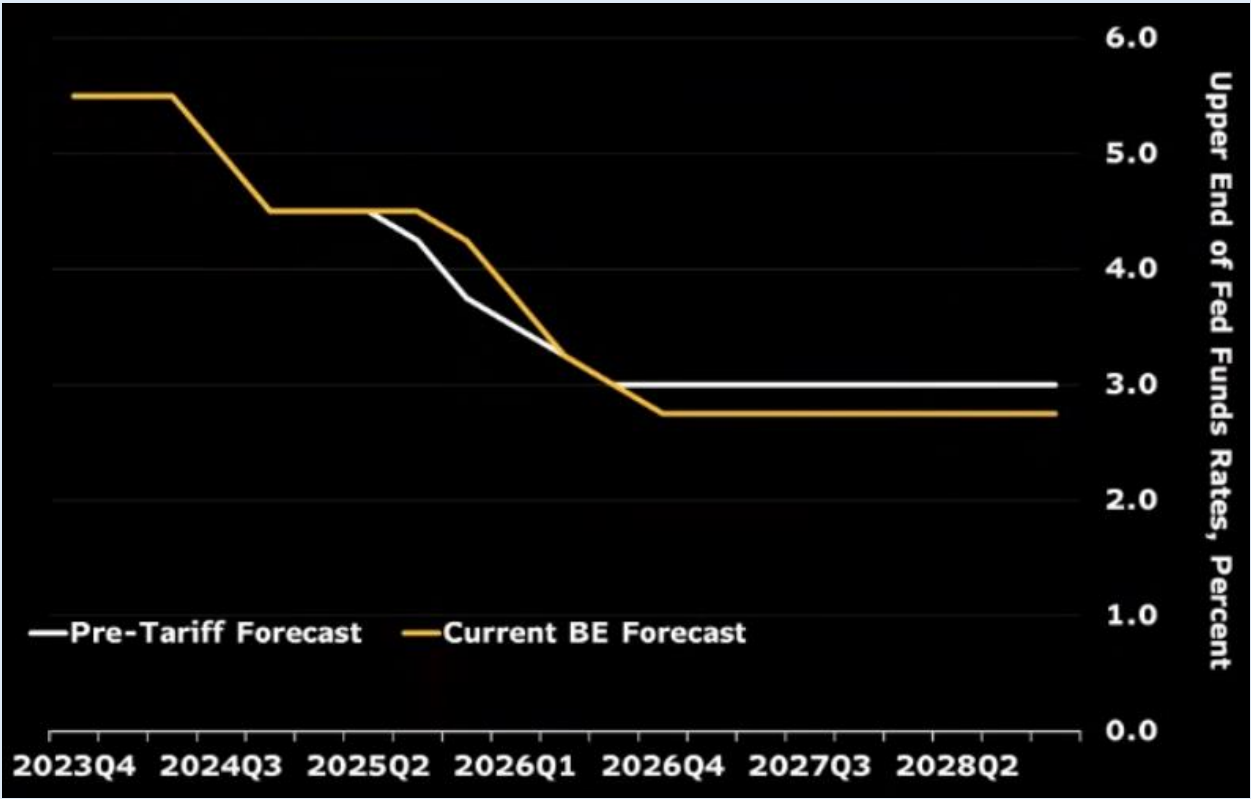
The next FOMC rate decision is due on May 7, 2025 at 2:00 PM. Currently, market expectations are predicting the Fed will leave the overnight rate unchanged. Currently, forward market pricing implies 90.7 bps of cumulative rate cuts for 2025. Current odds for the “next” rate cut are as follows: 25 bp rate cut in May, 13.6%; 25 bp rate cut in June, 60.7%; 25 bp rate cut in July, 92.2%.

CHART 3: Fed Officials “On-The-Tape” This Week Prior To The Pre-Meeting Communications Blackout

Date	Time	A	M	R	Event
04/22	09:00				Fed's Jefferson Speaks at Economic Mobility Summit
04/22	09:30				Fed's Harker Speaks at Economic Mobility Summit
04/22	13:40				Fed's Kashkari Speaks in Moderated Discussion
04/22	14:30				Fed's Barkin Speaks in Fireside Chat
04/22	18:00				Fed's Kugler Speaks on Monetary Policy Transmission
04/23	00:00				Fed's Kugler Gives Brief Introductory Remarks
04/23	09:00				Fed's Goolsbee Gives Opening Remarks
04/23	09:30				Fed's Musalem Gives Opening Remarks
04/23	09:35				Fed's Waller Gives Opening Remarks
04/23	18:30				Fed's Hammack Speaks on Balance Sheet
04/24	17:00				Fed's Kashkari Speaks in Moderated Discussion
04/26-05/08					Fed's External Communications Blackout

Source: Bloomberg, LLP | SCHEDULE OF FED SPEECHES THROUGH 4/24/2025

CHART 3A: Fed Rate Cut Expectations Holding Relatively Steady...For Now



Source: Bloomberg, LLP | BREAKEVEN FED FUNDS RATE FORECAST THROUGH 2028

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