

**Flash Update: US Rate Markets – Friday 5/10/2024**

- **Market focus will be on the numerous Fed officials that will be speaking today**
- **Market participants are looking ahead to next week’s PPI, CPI and Retail Sales Data**

US Treasury yields and SOFR swap rates opened a touch higher today as traders digest yesterday’s jobless claims data and prepare for a full calendar of Fed-Speak today (See Chart 1 & Chart 3). A host of Fed presidents are due to speak today, including Dallas’ Lorie Logan, Minneapolis’ Neel Kashkari and Chicago’s Austan Goolsbee. Fed Gov. Michelle Bowman will also be making comments. Market participants will be listening closely. Several of the Fed events scheduled for today are in a “Q&A” format, making it difficult to predict exactly what Fed officials will say. The market’s primary focus will be on rate cuts, particularly the timing of the initial cut.

Rates have been whipsawing around the past few weeks, as market sentiment has shifted quickly depending on the information or data at hand. We may see some intraday volatility given the scope of Fed speakers we hear today. That said, unless Fed officials deviate from the “higher-for-longer” script they have been following, the market may have a muted reaction as they look ahead to next week’s key data. Keep in mind that Fed-Speak has leaned hawkish since Powell’s press conference, which the market overall interpreted as leaning dovish. That is a big part of the reason that rates are stuck in the current range. Should Fed-Speak lean dovish, rates could move lower. A more hawkish slant to the Fed-Speak today could push rates slightly higher. Unless there are some completely unexpected comments today, I do not see rates running away in either direction given the critical data we see next week.

The Fed’s Logan has already said this morning that “it’s just too early to think about cutting rates” and the Fed’s Bowman said that the Fed should move “carefully and deliberately” as the FOMC moves toward its 2.00% inflation goal. Those comments lean hawkish from my perspective, so the Fed is maintaining a consistent tone thus far today. As a result, we have seen swap rates tick higher this morning.

**CHART 1: US RATES SNAPSHOT: 11:00 AM Eastern**

	<b>UST YIELDS</b>	<b>SWAP SPREADS</b>	<b>SOFR SWAP RATES</b>
2Y	4.853 +0.038	-8.6400 -0.3400	4.7673 +0.0342
3Y	4.661 +0.040	-13.6867 -0.2124	4.5257 +0.0381
4Y	4.575 +0.040	-21.5175 -0.0605	4.3710 +0.0404
5Y	4.508 +0.039	-23.3750 +0.2500	4.2751 +0.0424
7Y	4.501 +0.044	-32.1210 +0.2090	4.1799 +0.0434
10Y	4.496 +0.043	-36.8800 +0.1200	4.1278 +0.0424
20Y	4.741 +0.036	-66.0800 +0.4250	4.0815 +0.0410
30Y	4.641 +0.037	-75.4400 +0.8100	3.8865 +0.0400

Source: Bloomberg, LLP | 11:00 AM NY Rates Snapshot

Note: First column is the current market level, second column is the change on the day

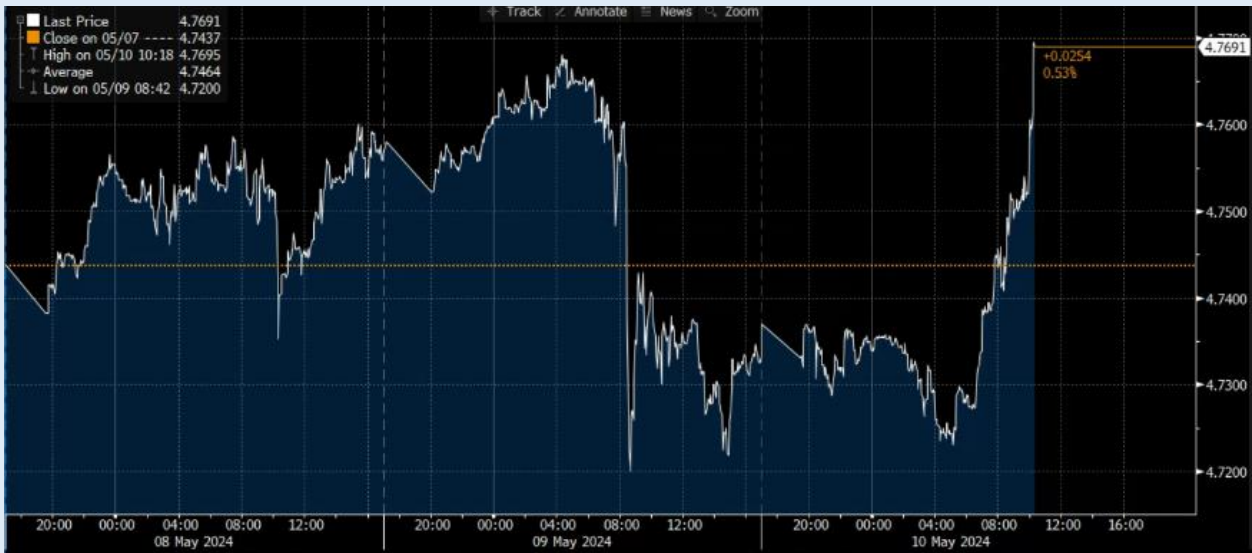
**CHART 2A & 2B: Swap Rates Drift Higher on Hawkish Fed-Speak, But Remain Stuck In A Tight Range This Week**

The top graph shows 1Y SOFR swap rates for the prior 3 trading sessions – the bottom graph shows the 30-Day chart. I included these graphs today to point out that despite a very choppy market this week, 1Y swap rates are still stuck in a relatively tight range after the significant drop we witnessed at the beginning of the month. This week, the “news of the day” has simply pushed short-term swap rates to the top or bottom of the trading range, and a very narrow range at that.

Big picture, 1Y swap rates are still ~21 basis points lower than they were on April 30<sup>th</sup>. We may see rates break out of the range again next week, given the important economic and inflation data we have on tap.

**Chart 2A: 1Y SOFR SWAP RATES, PRIOR 3 TRADING SESSIONS**

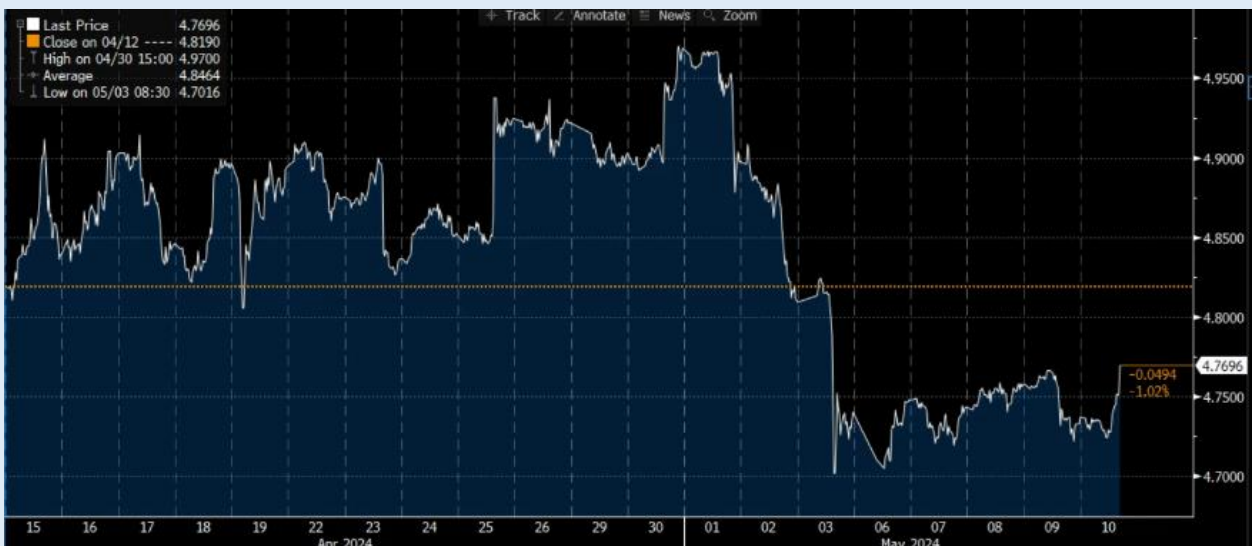
- Although rate markets are jittery, 1Y SOFR swaps have traded in a relatively narrow range this week
- 1Y Swap rates are currently at the top of the range for the week (far right of chart)



Source: Bloomberg, LLP | 1Y SOFR SWAP RATES – PRIOR 3 TRADING SESSIONS

**Chart 2B: 1Y SOFR SWAP RATES, PRIOR 30 DAYS**

- Despite a choppy market this week, 1Y SOFR swap rates are down ~21 bps from 4/30/24





Source: Bloomberg, LLP | 1Y SOFR SWAP RATES – PRIOR 30 DAYS

**CHART 3: Schedule of Upcoming Fed Speeches**

The table below lists the schedule of Fed speeches through 5/17/2024. There are a host of Fed officials on the tape today and next week. Of particular note, Chairman Powell has a high profile speech on 5/14. However, there are a number of Fed Presidents speaking today – their comments always have the capacity to move the market. We will see if Fed officials can provide some fresh insight into their thinking over the next couple of weeks. The timing of the first rate cut is still very much up for debate.

Date	Time	A	M	R	Event
05/10	09:00				Fed's Bowman Speaks on Financial Stability Risks
05/10	10:00				Fed's Logan Participates in Moderated Q&A
05/10	10:00				Fed's Kashkari Participates in Q&A
05/10	12:45				Fed's Goolsbee Speaks in Moderated Q&A
05/10	13:30				Fed's Barr Gives Commencement Speech
05/10	14:15				Fed's Kashkari, Goolsbee on CNBC
05/13	09:00				Fed's Mester, Jefferson Discuss Central Bank Communications
05/14	09:10				Fed's Cook Speaks at NY Fed Event
05/14	10:00				Fed Chair Powell, ECB's Knot Speak
05/15	12:00				Fed's Kashkari Speaks in Fireside Chat
05/15	15:20				Fed's Bowman Speaks on Financial Landscape
05/16	10:00				Fed's Barr Testifies to Senate Banking
05/16	10:30				Fed's Harker Speaks on Higher Education, Healthcare
05/16	12:00				Fed's Mester Gives Remarks on Economic Outlook
05/16	15:50				Fed's Bostic Speaks in Moderated Chat on Economy
05/17	10:15				Fed's Waller Speaks on Payments Innovation

Source: Bloomberg, LLP | Schedule of Fed Speeches Through 5/17/2024

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