

Flash Update: US Rate Markets – Thursday 5/9/2024

- Range bound rate markets await data, direction from Fed
- Market participants are looking ahead to next week's release of PPI, CPI and Retail Sales Data
- Corporate and Financial earning season continues; Earnings results may impact the rate markets
- Weekly Jobless Claims posted the highest level since August 2023; Rates initially dipped, then recovered
- There are a host of Fed officials scheduled to speak this week and next week; The market will be listening!
- Fed-Speak highlight is Chairman Powell's speech on 5/14 (Same day as PPI release)

It is reasonably quiet in the rate markets ahead of the highly anticipated PPI (5/14), CPI (5/15) and Retail Sales (5/15) data releases next week. (All of them are released at 8:30 AM.) There is also a broad range of secondary economic data scheduled for release next week, so the market will have *plenty* of new data to digest.

Fed officials are *all over* the tape this week and next week (See Chart 2 and 5/8 update for more details). Fed-speak is particularly important right after a Fed meeting, so the market will be listening. Chairman Powell speaks on 5/14. Talk of delayed rate cuts may push rates up, or hold them here. Talk of perhaps an earlier than expected rate cut (or at least a signal a rate cut will happen *this year*) may push rates down a bit. Should next week's data not reveal any new insights, we may continue to trade within the current range.

Short-term SOFR swap rates are down *slightly* so far today (See Chart 1). Medium-term swaps are flat to last night's close, and long-term swaps are up a bp or two. Very quiet overall. Jobless Claims did post at the highest level since August 2023, but after initially dropping ~5 bps, swap rates crept higher (See Chart 3).

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

	UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	4.820	-0.016	-8.4160	-0.1489	4.7365	-0.0193
3Y	4.638	-0.012	-13.9010	-0.0289	4.4997	-0.0130
4Y	4.560	-0.009	-21.6520	+0.1680	4.3506	-0.0066
5Y	4.495	-0.005	-23.6250	+0.2500	4.2602	-0.0005
7Y	4.493	+0.003	-32.1050	+0.5126	4.1727	+0.0066
10Y	4.496	+0.012	-36.8904	+1.1096	4.1284	+0.0133
20Y	4.755	+0.021	-66.2026	+0.1652	4.0939	+0.0213
30Y	4.662	+0.024	-76.0000	+0.1250	3.9034	+0.0241

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

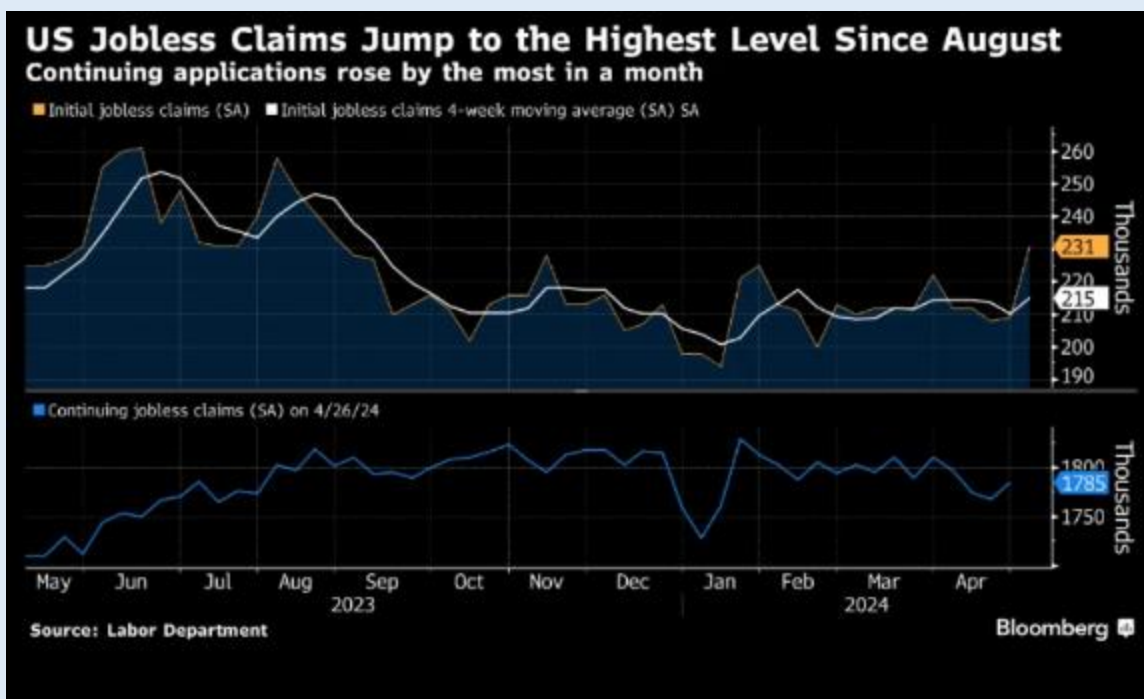
CHART 2: SCHEDULE OF FED SPEECHES THROUGH MAY 14, 2024

Date	Time	A	M	R	Event
05/08	11:00				Fed's Jefferson Speaks About Careers in Economics
05/08	11:45				Fed's Collins Speaks to MIT Students
05/08	13:30				Fed's Cook Speaks on Financial Stability
05/09	14:00				Fed's Daly Participates in Fireside Chat
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
05/13	09:00				Fed's Mester, Jefferson Discuss Central Bank Communications
05/14	10:00				Fed Chair Powell, ECB's Knot Speak
05/15	12:00				Fed's Kashkari Speaks in Fireside Chat

Source: Bloomberg, LLP | Fed Speech Calendar Through 5/14

CHART 3: US JOBLESS CLAIMS POSTED HIGHEST LEVEL SINCE AUGUST 2023

One other thing to note – today’s Jobless Claims data was the highest since August 2023. Federal Reserve officials are keeping a close eye on labor demand and wage growth as they debate when it might be appropriate to lower interest rates. Rates did initially dip down ~5 bps this morning after the data release, but then drifted higher to where we sit now. I point this out to show the high level of data “sensitivity” that exists in the market at the moment. A weekly claims number is usually not a major market moving event, unless it *wildly* misses expectations. We will likely be in a jittery market for the near term – do not underestimate the impact those numbers may have next week, should they miss expectations. Expect pockets of elevated intra-day rate volatility for the near term. Stay tuned!



Source: Bloomberg, LLP | Weekly Jobless Claims Historical Data

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