

## Flash Update: US Rate Markets – Friday 6/21/2024

- “Risk-Off” sentiment permeates markets, pushing yields slightly lower this morning
- Geopolitical concerns, particularly surrounding the political situation France, are driving the risk-off mood
- Rates are lower as traders park assets in safe-haven US Treasuries for the weekend
- Market participants are also waiting for the full plate of economic and inflation data we see next week
- PMI data released this morning was higher-than-expected, a negative for the inflation outlook

Good Morning!

US Treasury and SOFR swap rates drifted lower this morning as geopolitical fears permeated the market and led to “risk-off” positioning. Market participants are particularly focused on the political situation in France. Bond traders are fearful that a major shake-up in French leadership could have a negative economic impact, perhaps globally. As a result, traders are parking assets in safe-haven US Treasuries for the weekend. We also have a full plate of economic and inflation data on tap for next week, and a host of Fed officials scheduled to speak, which may also be contributing to the “risk-off” sentiment.

Despite rates trading in a relatively narrow range this week, we did see some elevated intra-day volatility – the market was choppy this week. From my perspective, it felt like market participants were eager to build on the rate cut optimism that the recent inflation and economic data had been fanning. Fed officials refused to cooperate however, and remained steadfast in their message: we are in no hurry to cut rates. That dichotomy created the intraday rate volatility we witnessed this week and held market rate cut optimism in check.

This morning’s S&P PMI data release was higher-than-expected – that is a potential negative for the inflation outlook and adds another layer of uncertainty to the rate cut outlook. Market reaction was minimal, but traders were hoping for more favorable PMI numbers. Market participants will see PCE, GDP, Personal Spending, Personal Income, New Home Sales and Existing Home sales data next week. I will provide a full rundown on the upcoming economic and inflation data in Monday’s market update. Monday is actually a light day for data – most of the more important data releases begin on Wednesday.

**CHART 1: US RATES SNAPSHOT: 10:15 AM Eastern**

	UST YIELDS	SWAP SPREADS	SOFR SWAP RATES
2Y	4.726 -0.011	-16.8750 +0.1875	4.5602 -0.0093
3Y	4.460 -0.008	-18.5000 +0.0450	4.2760 -0.0101
4Y	4.349 -0.011	-25.7700 -0.0200	4.1071 -0.0085
5Y	4.267 -0.008	-26.1937 +0.0563	4.0060 -0.0074
7Y	4.252 -0.006	-34.6216 -0.0266	3.9075 -0.0048
10Y	4.255 -0.004	-39.6250 +0.2500	3.8595 -0.0028
20Y	4.503 +0.001	-68.3085 -0.1543	3.8230 +0.0004
30Y	4.395 -0.001	-76.1250 +0.3750	3.6349 +0.0016

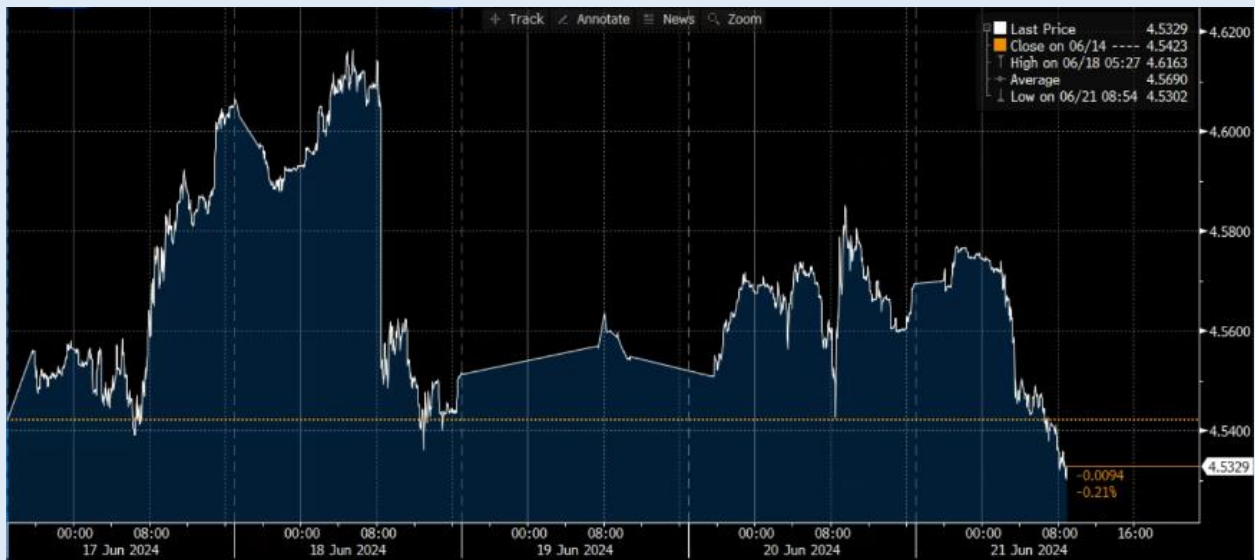
Source: Bloomberg, LLP | 10:15 AM NY Rates Snapshot

**Note:** First column is the current market level, second column is the change on the day; ‘Red’ = Lower; ‘Green’ = Higher; ‘White’ denotes active trading

**CHART 2: Risk-Off Sentiment Pushes Rates Lower; SOFR Swap Rates Trading in a Relatively Narrow Range**

SOFR swap rates drifted lower this morning, as a “risk-off” sentiment permeated the market. Despite the slight decline in swap rates this morning, SOFR swaps have traded in a relatively narrow range this week. We could certainly see pockets of intraday volatility next week as the market reacts to the data. For the week, short-term SOFR swap rates are close to unchanged. Given the geopolitical turmoil and rate cut optimism brewing globally, rates are likely to be biased lower for the very near term.

**Chart 2: 2Y SOFR SWAP RATE, PRIOR 5 TRADING SESSIONS**



Source: Bloomberg, LLP | 2Y SOFR Swap Prior 5 Trading Sessions

**CHART 3: Calendar of Fed Speeches, 6/21/2024 – 6/30/2024**

The calendar of Fed speeches through 6/30/2024 is detailed in the below Bloomberg graphic. It is unlikely Fed officials will deviate from the “we need to see more evidence inflation is dropping” tone of their recent remarks, particularly with a full plate of data coming next week. That said, there is still a shred of rate cut uncertainty remaining in the markets, so the market will be listening to the Fed-speak for additional clues on the timing and magnitude of potential rate cuts this year.

**Chart 3: CALENDAR OF UPCOMING FED SPEECHES**

Date	Time	A	M	R	Event
06/24	03:00				Fed's Waller Gives Opening Remarks
06/24	14:00				Fed's Daly Gives Remarks on Economy, Policy
06/25	07:00				Fed's Bowman Speaks on Monetary Policy, Bank Capital Reform
06/25	12:00				Fed's Lisa Cook Speaks on Economic Outlook
06/25	14:10				Fed's Bowman Gives Recorded Opening Remarks
06/28	06:00				Fed's Barkin Gives Keynote Speech
06/28	12:00				Fed's Bowman Speaks in Moderated Q&A

Source: Bloomberg, LLP | CALENDAR OF FED SPEECHES 6/20/2024 – 6/30/2024



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