

Week ending 4/19/24

FOMC Could Take Its Time When Considering Rate Cuts

- Rates fluctuated as much as 15 bps last week following Fedspeak and strong consumer spending. The 2Y UST also touched 5% for the first time since November. The S&P ended the week down 3.05%, while the 5Y UST rose 11 bps.
- Retail Sales in March exceeded expectations, increasing 0.7% MoM vs. 0.4% estimate. The control group, which is used to calculate GDP, increased 1.1% MoM vs. 0.5% estimate. The continued strength in the consumer suggests the economy remains strong, likely lessening the urgency of Fed rate cuts.
- Chair Powell commented on the recent inflation reports from the week prior stating “the recent data have clearly not given us greater confidence and instead indicate that it is likely to take longer than expected to achieve that confidence.” He further added that “given the strength of the labor market and progress on inflation so far, it’s appropriate to allow restrictive policy further time to work.” Powell’s comments echo FOMC members, suggesting the Fed may hold rates higher for longer to bring inflation down to 2%.
- Several FOMC members reiterated policy is in restrictive territory and they can be patient when it comes to rate cuts. Minneapolis Pres. Kashkari said they could “potentially” hold rates steady this year, adding, “we need to wait and see, be patient as long as it takes, until we get convinced that inflation is on its way back down to 2%.” Atlanta Pres. Bostic stated “inflation is high – it’s too high – and we need to get it to our 2% target. I’m comfortable being patient.” He also noted that “where our stance is – I think is a restrictive stance – it will slow the economy down and eventually get us to 2% [inflation].”
- This week, focus will be on Q1 GDP on Thursday and the March PCE Deflator on Friday. March Personal Income and Spending reports also release Friday.

	Today	1 Week Ago	1 Month Ago	1 Year Ago	10Y Avg	20Y Avg	All Time Low
SOFR*	5.31%	5.32%	5.31%	4.80%	-	-	0.01%
1M Term SOFR*	5.32%	5.32%	5.33%	4.98%	-	-	0.01%
3M Term SOFR*	5.32%	5.32%	5.31%	5.07%	-	-	0.02%
1M BSBY*	5.35%	5.33%	5.34%	4.97%	-	-	0.04%
2Y UST	4.97%	4.92%	4.63%	4.09%	1.73%	1.84%	0.10%
5Y UST	4.68%	4.62%	4.23%	3.57%	2.03%	2.34%	0.19%
10Y UST	4.64%	4.60%	4.25%	3.49%	2.35%	2.90%	0.51%

*SOFR, Term SOFR and BSBY were introduced in 2018, 2019 and 2020, respectively. As such, there is no 10- and 20-year average to calculate.

Please contact your appropriate coverage person with any questions you may have or if you would like us to add a colleague to our distribution list.

Rates Contact	Phone	Email
Matthew Risicato	617-725-5798	Matthew.Risicato@citizensbank.com
Christopher Pelletier	617-725-5580	Christopher.Pelletier@citizensbank.com
Conor Leddy	617-994-7052	Conor.Leddy@citizensbank.com
Sikandar Hashmi	617-994-7078	Sikandar.Hashmi@citizensbank.com
Michael Denaro	617-725-5645	Michael.Denaro@citizensbank.com

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