RateCap Advisors

Flash Update: **US RATE MARKETS – FRIDAY OCTOBER 10, 2025**

The US government shutdown continues – we are entering Day 10. Progress toward a resolution has been slow, but negotiations continue in earnest. Rates are down a few basis points this morning, but overall, rates are holding steady this week as traders assess the implications of a prolonged government shutdown. Markets remain cautiously optimistic that politicians will be able to come to an agreement relatively quickly, but with each passing day, that may become more challenging to achieve.

Economists currently estimate that the shutdown could shave 0.1 to 0.2 percentage points off GDP for each week it continues, with the impact magnified because the government's data flow has largely gone dark. Air travel, taxpayer services and national parks are among the first government functions to feel the strain of a prolonged impasse. Air travel is emerging as the most visible strain. Flight delays linked to air-traffic-control staffing shortfalls have hit airports across the country.

So far, Fed-speak has not caused any major ripples in the market this week. Rates drifted slightly higher yesterday, but backtracked this morning on comments by Fed Governor Waller. Waller said, "job growth has probably been negative the last few months". He added: "The labor market is weak, and that's the punchline for policy, that's what we need to know." That sounds like the labor market is *the* primary concern for the Fed at the moment, which does portend more rate cuts.

That said, the FOMC meeting minutes released yesterday revealed that the Fed sees tariffs as the biggest threat to inflation and further rate cuts. A mixed-message to be sure, yet still similar to what we have heard from Fed officials recently: They don't like the direction of inflation, but they can tolerate it *and* cut rates if the labor market is significantly weakening. Despite the Fed's overall "cautious" tone, futures markets are still pricing in two more rate cuts before the end of 2025. The government shutdown, lack of economic data and "more of the same" Fed-speak are the primary reasons rates are in a holding pattern at the moment.

Market participants will continue to track corporate earnings results closely, particularly in the tech sector. Global equities have soared to record highs as traders looked past worries of a potential "AI-bubble" in high-profile tech names. Speculation has been building that the AI frenzy is due for a correction, reminiscent of the "dot-com" bubble the market previously experienced. With a scarcity of economic data to digest, rate traders will be focused on corporate earnings results.

Currently, traders see a 94.8% chance for a 25 bp October rate cut. Market pricing implies ~45.4 bps of cumulative rate cuts for the remainder of the year. Market participants are still counting on two more, 25 bp rate cuts this year. The next FOMC rate decision is due on Wednesday, October 29th at 2:00 PM.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading down ~1-2 bps this morning. **2Y** and **3Y** SOFR swap rates are down ~2-3 bps this morning. **5Y** and **10Y** SOFR swap rates are currently trading down ~3-4 bps. The very back-end of the swap curve is currently trading down ~3-4 bps. SOFR swap rates have been bouncing around in a ~10 bp range the past seven trading sessions as the market seeks direction.

SOFR swap rates have been stuck in a narrow range this week. The 2-year SOFR swap rate opened the week at 3.355% and is currently trading at **3.347%**. The 10-year SOFR swap rate began the trading week at 3.629% and is now trading at **3.626%**.

CHART 1: ***US RATES SNAPSHOT: 9:00 AM Eastern***

**For SOFR Swap Rates & Change-On-Day (In Bps) – Refer Two Far Right Columns (SOFR Swap Rates)*

UST YIELDS | SWAP SPREADS | SOFR SWAP RATES

LOS ANGELES, CA NEW YORK, NY BALTIMORE, MD
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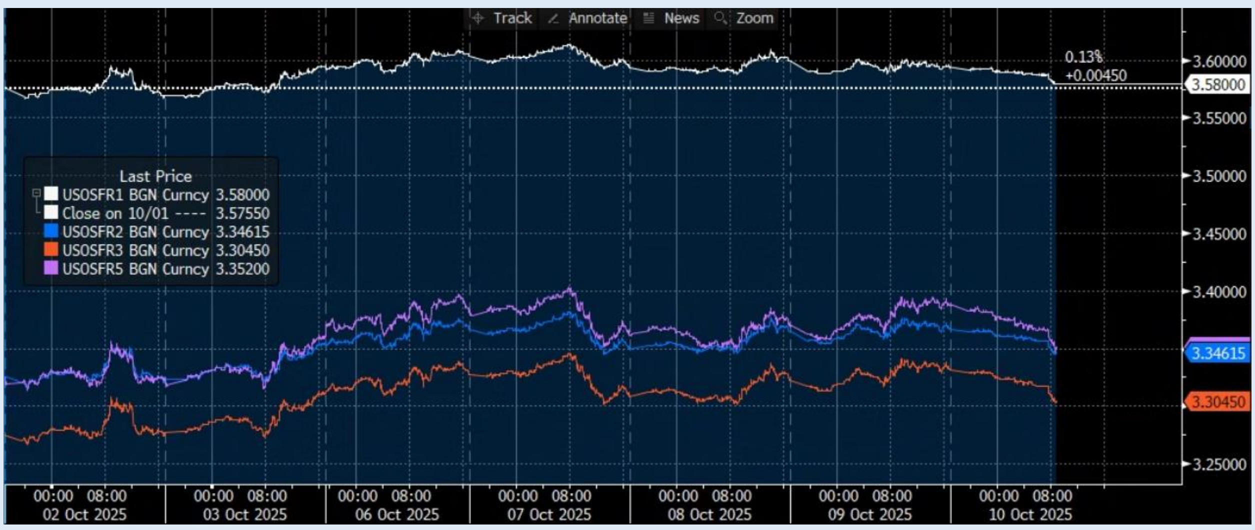
2Y	3.568	-0.024	-22.2635	+0.5065	3.3475	-0.0190
3Y	3.580	-0.027	-27.5171	+0.3929	3.3066	-0.0248
4Y	3.643	-0.039	-31.8650	+0.5100	3.3208	-0.0292
5Y	3.696	-0.040	-34.1250	+0.6220	3.3558	-0.0326
7Y	3.877	-0.041	-41.9010	+0.7890	3.4602	-0.0348
10Y	4.096	-0.043	-47.0000	+0.7500	3.6260	-0.0360
20Y	4.638	-0.048	-69.8200	+0.9150	3.9407	-0.0389
30Y	4.675	-0.045	-76.3714	+0.6067	3.9125	-0.0394

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

CHART 2: ***SOFR SWAP RATES REMAIN IN A HOLDING PATTERN AS TRADERS AWAIT DATA & DIRECTION***



Source: Bloomberg, LLP | 1Y (WHITE), 2Y (BLUE), 3Y (ORANGE) & 5Y (PURPLE) SOFR SWAP RATES, PRIOR 7 DAYS

Disclaimer: *The information provided in this communication is intended for discussion purposes only. Nothing presented in this communication should be taken as a recommendation or forecast. All market data shown is indicative only and subject to change depending on current market conditions.*

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Rate Cap Advisors was established in 2015 that focus on providing commercial real estate interest rate cap solutions. Our innovation and desire to explore new possibilities that benefit our clients have allowed us to save our clients millions of dollars. No matter the service or product, we take great pride in our pursuit of perfection with a unparalleled closing track record.

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