

**Flash Update: US RATE MARKETS – THURSDAY OCTOBER 16, 2025**

- **US Treasury yields and SOFR swap rates are holding steady this morning as the market remains in a holding pattern**
- **The US government shutdown continues, and there is no ETA for a resolution**
- ***Due to the shutdown, September PPI and Retail Sales data will not be released today***
- **Non-government, private-sector economic data will continue to be released during the shutdown**
- **Short-end SOFR swap rates are trading flat to down ~1 bp this morning, depending on tenor**
- **Long-end SOFR swap rates are currently trading flat to up ~1 bp, depending on tenor**
- **Next up for key data: TBD**
- **The next FOMC rate decision is due on Wednesday, October 29th at 2:00 PM**

SOFR swap rates and US Treasury yields are holding steady this morning, as market participants monitor the ongoing government shutdown, Fed-speak, corporate earnings reports and tariff and trade developments. The “big” story for the market remains the government shutdown and the resulting lack of economic data. Negotiations in Washington DC are ongoing, but so far, it appears little progress has been made. *The government shutdown remains a wildcard for the market and for the FOMC.* This week should have been a busy one for official inflation and spending data (CPI, Wed.; PPI, Thurs.; Import Prices, Fri.; Retail Sales, Thurs.; Business Inventories, Thurs.; Housing Starts, Fri.). Instead, this week has been a data vacuum because of the government shutdown.

The Fed released the Beige Book yesterday, but it did little to move the needle on forward market pricing. In short, the latest Beige Book showed economic activity little changed since the early-September version and consumer spending was seen as inching down in recent weeks. Employment was seen as stable, with demand slowing. The market had a muted reaction to the report.

This morning, the NY Federal Reserve Bank’s October Index, which measures business activity in the state and parts of New Jersey and Connecticut, decreased 4.2 points to -23.6. Generally, readings below zero indicate contraction. It was the worst reading since January 2021, when the service sector was still struggling to regain its footing after the pandemic. Within the report, results showed employment contracted for a second month and views on the business climate continued to deteriorate. While the report is regionally focused, it does underscore a general theme developing throughout the country - weaker employment and decelerating business activity. Both argue for a series of Fed rate cuts. (Note: The Federal Reserve System is funded independently and is not subject to the federal budget appropriations process, so its operations are not halted by a shutdown).

**SOFR Swap Rate Summary:** The **1Y** SOFR swap rate is trading flat to up ~1 bp this morning. **2Y** and **3Y** SOFR swap rates are flat to up ~1 bp this morning. **5Y** and **10Y** SOFR swap rates are currently trading flat to up ~1 bp. The very back-end of the swap curve is currently trading flat to up ~1 bp.

**Please note: Market levels can change quickly - potentially, very quickly - in this type of market environment.**

**CHART 1: US RATES SNAPSHOT: 9:30 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**

2Y	3.497	-0.001	-23.4644	-0.3644	3.2637	-0.0039
3Y	3.497	-0.003	-27.9443	-0.0793	3.2204	-0.0025
4Y	3.559	-0.003	-32.2500	-0.1350	3.2370	-0.0012
5Y	3.618	+0.003	-34.2500	-0.0843	3.2762	+0.0002
7Y	3.803	+0.000	-41.3500	-0.0900	3.3925	+0.0024
10Y	4.030	+0.003	-46.2495	+0.0262	3.5709	+0.0044
20Y	4.596	+0.003	-70.0285	-0.2883	3.8984	+0.0012
30Y	4.623	-0.002	-75.1000	-0.0843	3.8747	-0.0012

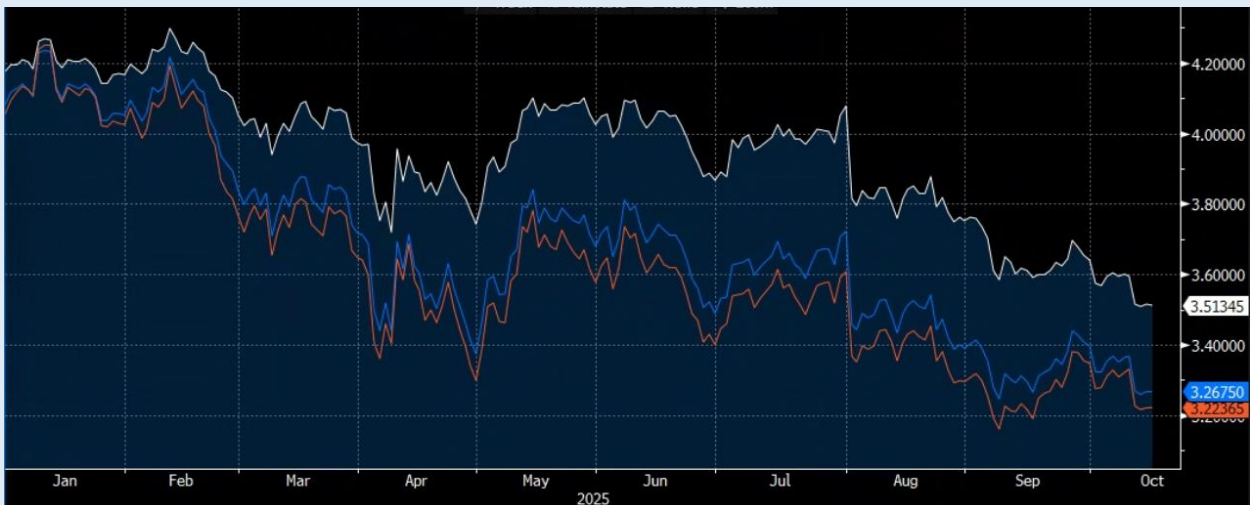
Source: Bloomberg, LLP | 9:30 AM NY Rates Snapshot

### CHART 2 & 2A: SOFR SWAP RATES MOSTLY STEADY; MARKET GRAPPLES WITH GOVERNMENT SHUTDOWN AND LACK OF ECONOMIC DATA

SOFR swap rates are holding mostly steady this morning, as traders continue to contemplate the impact of the ongoing government shutdown. This week swap rates bounced around but were overall subdued, as the market dealt with the shutdown and the resulting scarcity of economic data. The 2-year SOFR swap rate began the week at ~3.271% - it is now trading at ~3.264%. 10-year SOFR swap rates started the week at ~3.552% and are presently trading at ~3.571%. *Note: SOFR swap rates are trading very close to YTD lows.*

Currently, forward market pricing implies ~48.1 bps of cumulative rate cuts for 2025. That number was ~48.6 bps on Monday morning. Odds for a 25 bp rate cut in October have increased ~97.8%. Implied odds that the Fed will *skip* a rate cut in October and hold off until December are a paltry ~2.2%. Cumulative rate cut pricing implies the market remains confident the Fed will cut rates 25 bps in October *and* December.

#### CHART 2: Short-End SOFR Swap Rates – Year-To-Date 2025



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, YTD 2025

#### CHART 2A: Long-End SOFR Swap Rates – Year-To-Date 2025



Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, YTD 2025

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