RateCap Advisors

__Flash Update:__ US RATE MARKETS – WEDNESDAY OCTOBER 22, 2025

- **US Treasury yields and SOFR swap rates are holding mostly steady this morning as the market remains in a "wait-and-see" mode**
- **The US government shutdown enters Day 22; There is currently no ETA for a resolution, though negotiations are ongoing**
- **The present government shutdown is now the second longest shutdown in US history, deepening market concerns**
- **Short-end SOFR swap rates are trading flat to up ~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: *September CPI will be released on Friday, October 24 at 8:30 AM***
- **The September CPI data was originally scheduled for release on October 15th**
- **This CPI release is good news for the FOMC, enabling them to get a fresh look at consumer inflation prior to the meeting next week**
- **Fed officials will remain in the pre-meeting "quiet-period" from October 18 – October 30**
- **The next FOMC rate decision is due on Wednesday, October 29th at 2:00 PM**

SOFR swap rates and US Treasury yields are holding mostly steady this morning, as market participants hope for a resolution to the government shutdown and contemplate the path forward for interest rates beyond 2025. For the week, SOFR swap rates have held mostly steady. Yes, there are many market "wildcards" in play at the moment, but there does seem to be a strong consensus among traders, market participants, investors and economists that the Fed is going to cut rates 25 bps two more times this year.

I do think 'term' rates have room to move lower. The cost of protection against a bigger decline in yields across the curve is rapidly rising, according to option pricing. Traders continue to pile into "risk-off" assets (US Treasuries, Gold) as the US government shutdown becomes *the second longest on record*. There are also renewed concerns over the "credit market", which may be poised to deteriorate further. The longer the absence of economic data muddies the trading waters for market participants, the greater the potential for fear and uncertainty – and lower rates. It could also lead to a spike in rate volatility as the market "catches up" to the data - particularly if the data reveals any unexpected "surprises".

Market participants are likely to continue to be on edge this week as they monitor geopolitics, US trade negotiations, corporate earnings reports and the ongoing US government shutdown. *Most importantly, we need the government shutdown to end and the data flow to begin.* There is *some* good news in terms of economic data. *Please note the following:* The US Bureau of Labor Statistics is set to release September's CPI results on **Friday, 10/24/25** at 8:30 AM after a delay due to the government shutdown. The data, originally slated for Oct. 15, will give Fed officials a key reading on inflation ahead of their Oct. 29 policy meeting. Needless to say, *__everyone__* is waiting for the inflation data! My perspective: It is very good news that the Fed will see the CPI data prior to the meeting.

__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 up ~1-2 bps.

__Please note:__ **Market levels can change quickly - potentially, __very quickly__ - in this type of market environment.**

__CHART 1:__ *US RATES SNAPSHOT: 9:15 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

	UST Yield	Chg	Swap Spread	Chg	SOFR Swap Rate	Chg
2Y	3.457	+0.002	-23.1640	+0.3560	3.2269	+0.0055
3Y	3.461	+0.002	-27.8671	+0.3480	3.1835	+0.0073
4Y	3.517	+0.003	-31.6150	+0.5100	3.1997	+0.0093
5Y	3.567	+0.003	-33.0000	+0.7434	3.2383	+0.0113
7Y	3.748	+0.004	-40.1340	+0.7682	3.3480	+0.0134
10Y	3.968	+0.005	-45.0000	+0.8750	3.5195	+0.0149
20Y	4.522	+0.007	-68.1080	+0.9558	3.8420	+0.0151
30Y	4.550	+0.007	-73.3750	+0.7500	3.8176	+0.0150

Source: Bloomberg, LLP | 9:15 AM NY Rates Snapshot

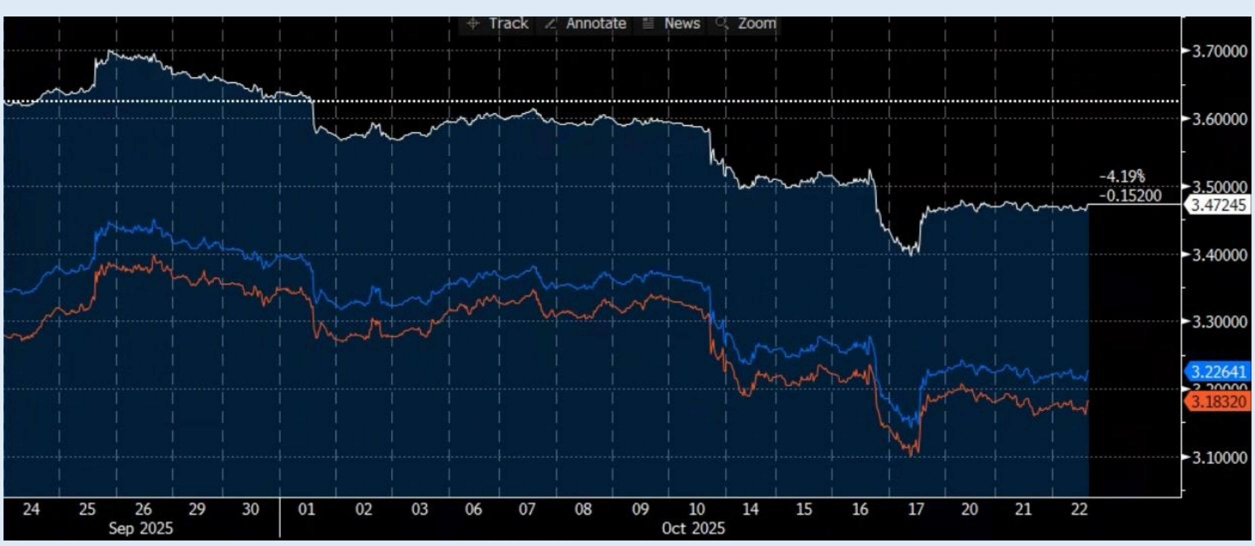
CHART 2 & 2A: SOFR SWAP RATES MOSTLY STEADY AS MARKET REMAINS IN A "WAIT-AND-SEE" MODE

SOFR swap rates are holding mostly steady this morning, as traders monitor the shutdown and the busy corporate earnings season. Traders are still mostly flying blind on the economic data front. For the week, swap rates have held mostly steady. The 2y SOFR swap rate opened the week at 3.224% and is currently trading at ~3.226%.

Over the past 30 days, SOFR swap rates have steadily declined and have tested YTD lows. The 2Y SOFR swap rate is down ~22 bps over the past 30 days and hit a new low for the year on 10/17. Longer term swap rates are down a bit less over past 30 days – 10y SOFR swap rates are down ~16 bps. SOFR swap rates have since bounced a touch higher, but remain in close proximity to the recent YTD lows. Traders are also looking ahead to Friday's September CPI release and beyond that, next week's FOMC rate decision.

Odds for a 25 bp rate cut in October are sitting at ~96.7%. The odds for a 25 bp rate cut in December are currently ~96.5%, up *slightly* from last week. The odds for a 50 bp cut in December have decreased to a meager 0.2%! Talk of a 50 bp rate cut this year has been virtually shut down in recent weeks. Current cumulative rate cut pricing implies the market remains confident the Fed will cut rates 25 bps in October *and* December. Currently, forward market pricing implies **~48.9 bps** of cumulative rate cuts for 2025. That number was ~49.2 bps at yesterday's close.

CHART 2: ***Short-End SOFR Swap Rates – Prior 30 Days***



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 30 DAYS

<u>CHART 2A:</u> ***Long-End SOFR Swap Rates – Prior 30 Days***

Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 30 DAYS

<u>Disclaimer:</u> *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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