

Flash Update: US RATE MARKETS – MONDAY OCTOBER 27, 2025

Rates are drifting slightly higher this morning, due to a combination of Friday’s tepid CPI release and encouraging US/China trade progress. Signs that the US and China are closing in on a trade deal stoked optimism at the start of an important week for rate markets. Currently, SOFR swap rates are up ~1-2 bps across the curve. Barring anything unexpected, I do not anticipate rates will break out of the current range until after the Fed rate decision on Wednesday.

The *big event* this week is the FOMC rate decision, due Wednesday October 29th at 2:00 PM, followed immediately by FOMC Chairman Powell’s press conference and Q&A. The market will be paying very close attention to the Fed’s wording regarding monetary policy, and traders are anxiously anticipating Chair Powell’s post-meeting remarks. Powell’s comments could very well set the tone for rates for the remainder of the year, particularly if the government shutdown lingers and the economic data void continues. Market participants are trying to gauge how worried the Fed is about inflation and assess what possible impact that could have on rate cuts next year. The Fed is widely anticipated to cut the benchmark overnight rate 25 basis points this week. A 25 basis point rate cut is also expected in December – odds for a 25 bp December rate cut are stable at ~95.8%.

Market participants will also continue to closely monitor geopolitics, US trade negotiations and the ongoing US government shutdown. Traders will be paying particular attention to the “Magnificent Seven” tech-earnings reports due this week. The AI furor has driven equity markets to record highs and bolstered the economy – this week’s earnings results will be a key test of the “durability” of the AI-powered stock rally. There have been whispers recently that equity markets may be approaching an “AI bubble”.

The government shutdown enters day 27, with no end in sight. The longer the shutdown lingers, the worse it will be for the economy and for markets. Traders will continue to trade without the benefit of key economic data. That puts even more emphasis on the Fed meeting this week! *The bottom line remains the same: We need the government shutdown to end and the data flow to begin.*

CHART 1: 1Y, 2Y & 3Y SOFR SWAP RATES – PRIOR 10 TRADING SESSIONS; TRADERS AWAIT FED RATE DECISION



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 10 TRADING SESSIONS

CHART 2: INFLATION LIKELY TO REMAIN A CONCERN FOR THE FED INTO 2026

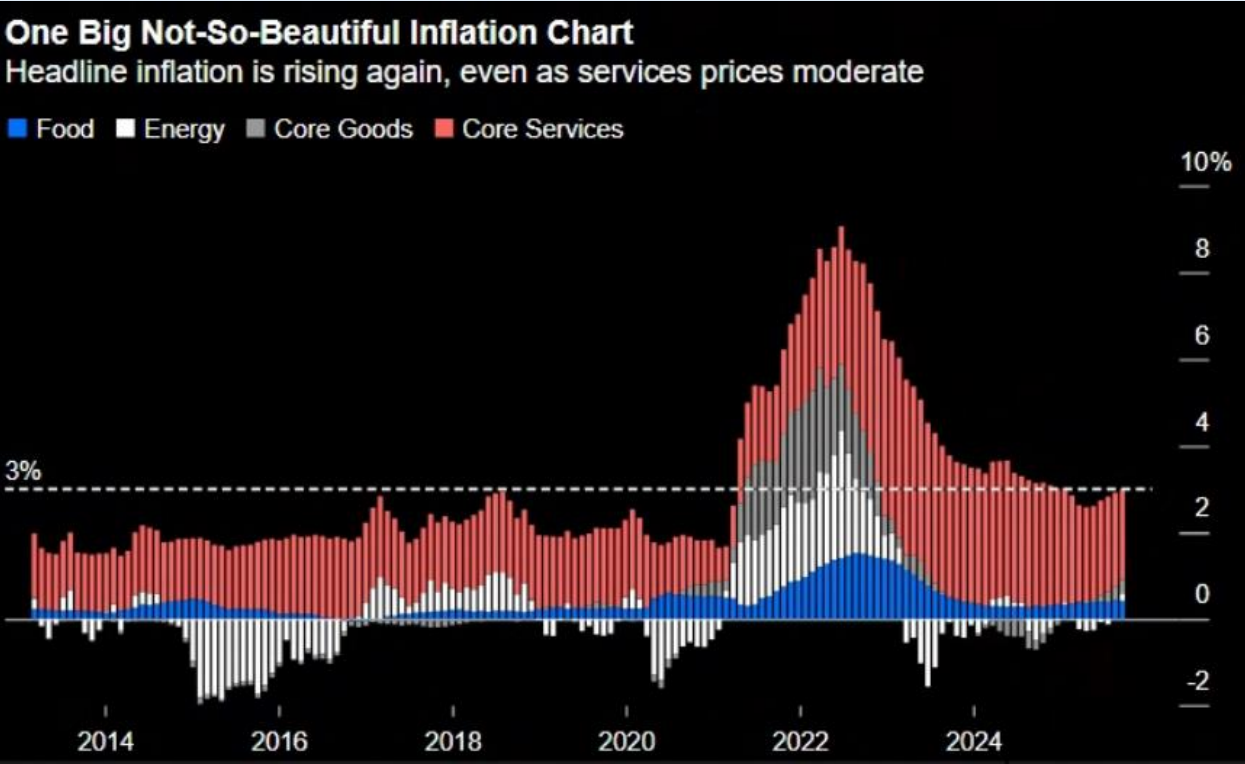


CHART 3 CORE INFLATION READINGS ARE ABOVE 3.00%...A THREAT TO 2026 RATE CUTS?

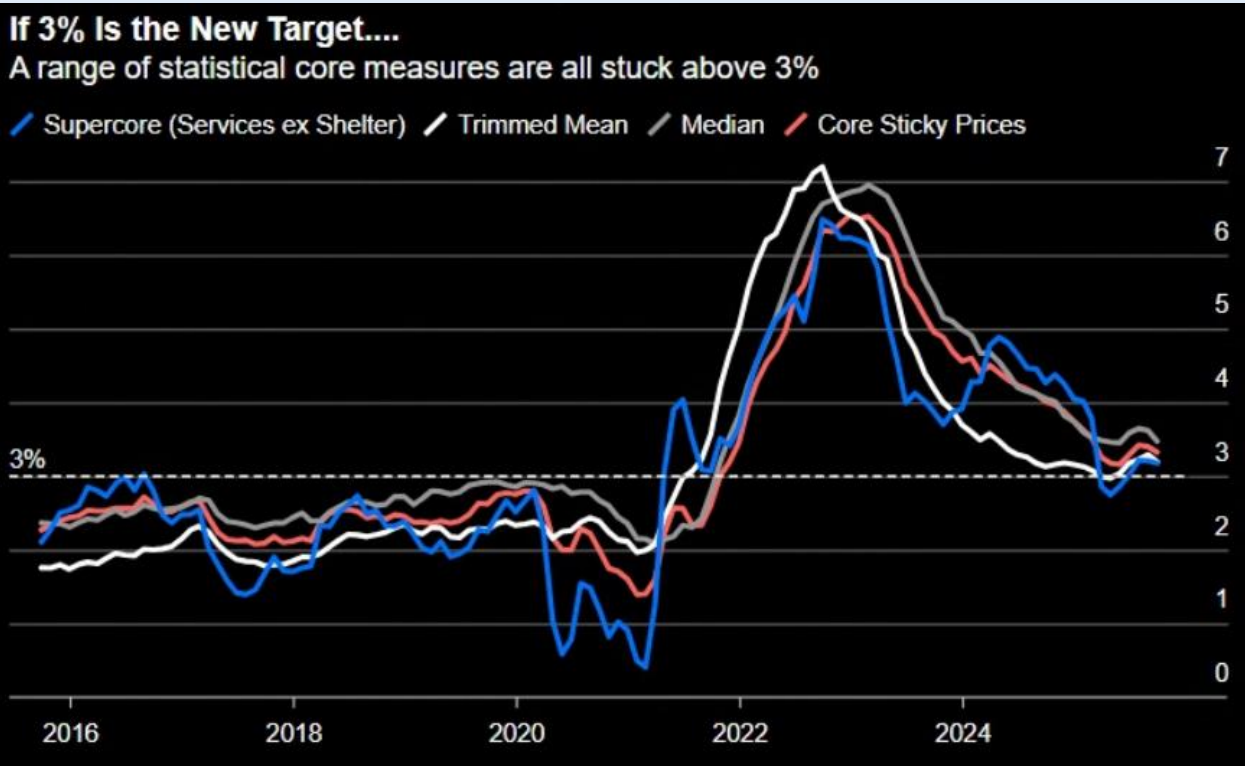


CHART 4: Bloomberg Survey Results – FOMC Rate Cut Expectations Through June 2026

Meeting Date:	Oct. 29	Dec. 10	Jan. 28	March 18	April 29	June 17
	2025	2025	2026	2026	2026	2026
Fed funds target, higher bound	4.00%	3.75%	3.75%	3.50%	3.50%	3.50%
Previous survey	4.00%	3.75%	3.75%	3.75%	3.50%	3.50%
Difference	0.00	0.00	0.00	-0.25	0.00	0.00

Source: Bloomberg, LLP | FOMC RATE CUT EXPECTATIONS (BLOOMBERG SURVEY) THROUGH JUNE 2026



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