

**Flash Update: US RATE MARKETS – TUESDAY OCTOBER 28, 2025**

Rates are drifting a touch higher this morning, as market participants prepare for the FOMC rate decision on Wednesday. Barring anything unexpected, I do not anticipate rates will break out of the current range until after the Fed rate decision on Wednesday. Currently, SOFR swap rates are up ~1-2 bps across the curve. SOFR swap rates bounced off of the YTD lows late last week (~+10 bps on the short-end), and have traded in a tight range this week. Cap premiums have ticked slightly higher this week, but remain close to the year-to-date lows we saw last week.

Given the dearth of economic data at the moment, 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. On Wednesday and Thursday, Microsoft Corp., Alphabet Inc., Meta Platforms Inc., Amazon.com and Apple Inc. will report results. There have been whispers recently that equity markets may be approaching an “AI bubble”. Market participants will also continue to closely monitor geopolitics, US trade negotiations and the ongoing US government shutdown.

The *big event* this week, however, 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 tomorrow. Right now, a 25 basis point rate cut is also expected in December – odds for a 25 bp December rate cut are stable at ~93.4%.

I do not expect any “surprises” from the Fed tomorrow. The Fed, and Chairman Powell, have experienced *unprecedented* political pressure during 2025. However, traders clearly still trust the Fed and have avoided the temptation to react to the political pressure the Fed has faced. Chairman Powell’s remarks remain the benchmark for monetary policy guidance, and the Fed continues to operate independent of any outside political pressure (See Chart 3 & Chart 4). President Trump’s comments shifted 2-year and 10-year Treasury yields by 2 basis points or less, with the average change near zero – and no clear direction. Bessent’s comments had even less impact, though on average the effect was to push yields slightly higher. Chair Powell’s speeches, however, moved 2-year yields by as much as 8 bps in either direction and 10-year yields by 5 bps, with an average decline of about 1 bp.

The government shutdown enters day 28, 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 be forced to trade without the benefit of key economic data. That puts even more emphasis on the Fed rate decision tomorrow! *The bottom line remains the same: We need the government shutdown to end and the data flow to begin.*

**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	3.512	+0.021	-22.2955	+0.3165	3.2866	+0.0202
3Y	3.514	+0.021	-26.4297	-0.2861	3.2518	+0.0220
4Y	3.575	+0.024	-30.3715	-0.4220	3.2688	+0.0211
5Y	3.625	+0.023	-32.3668	-0.6168	3.3053	+0.0201
7Y	3.794	+0.021	-38.7300	-0.2540	3.4073	+0.0168
10Y	3.995	+0.014	-42.8500	-0.2250	3.5675	+0.0125
20Y	4.531	+0.004	-65.8687	+0.1163	3.8739	+0.0065
30Y	4.557	+0.004	-71.4886	-0.1136	3.8431	+0.0038

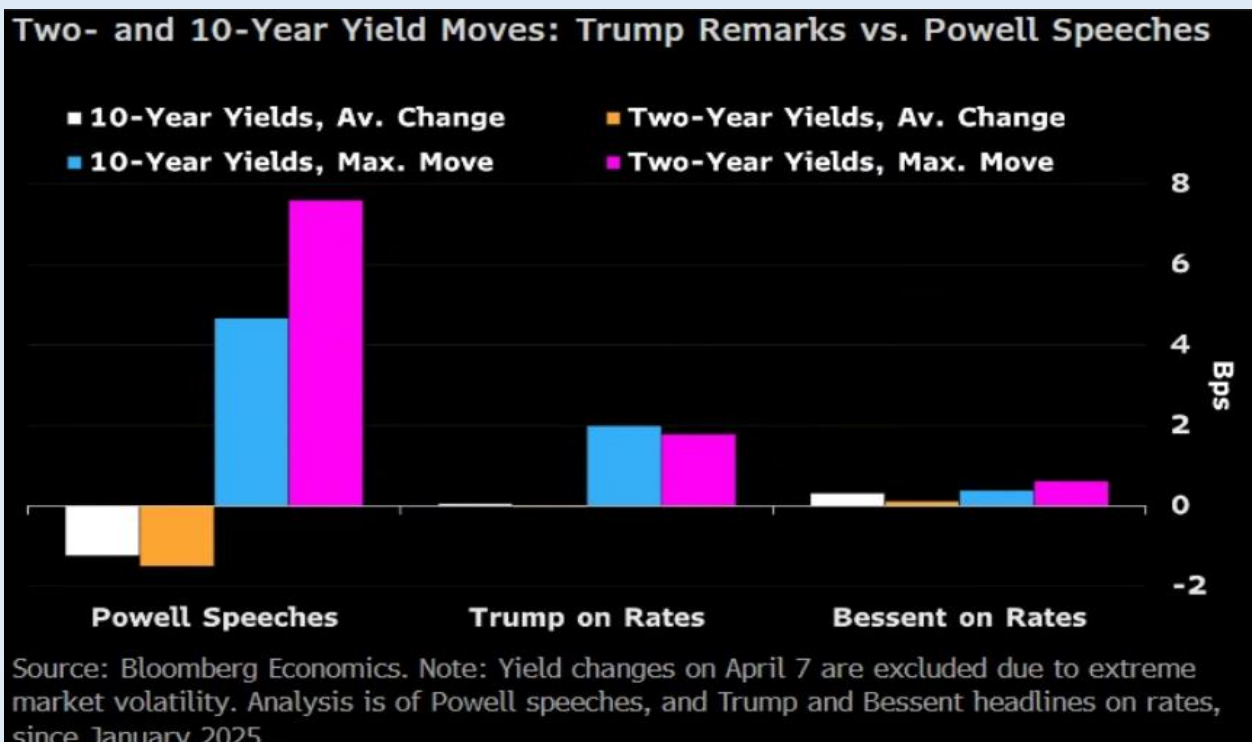
Source: Bloomberg, LLP | 9:30 AM NY Rates Snapshot

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



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

**CHART 3: MARKETS STILL BELONG TO POWELL AND THE FED...**



Source: Bloomberg Economics. Note: Yield changes on April 7 are excluded due to extreme market volatility. Analysis is of Powell speeches, and Trump and Bessent headlines on rates, since January 2025.

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

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