

Flash Update: US RATE MARKETS – WEDNESDAY OCTOBER 29, 2025

Rates are holding mostly steady this morning, as market participants brace for the FOMC rate decision and Chairman Powell’s post-meeting remarks. Barring anything unexpected, I do not anticipate rates will break out of the current trading range until after the Fed rate decision this afternoon. Cap premiums have ticked slightly higher this week, but remain close to the year-to-date lows we saw late last week. Since the prior Fed meeting on 9/17/2025, short-term swap rates are down ~10 bps.

The *big event* this week is today’s FOMC rate decision, due at 2:00 PM. FOMC Chairman Powell’s press conference and Q&A will follow the rate announcement – Powell’s presser is scheduled to begin at 2:30 PM. The market will be paying *very* close attention to the Fed’s wording regarding monetary policy, and traders are anxiously awaiting 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 will be trying to gauge how worried the Fed is about inflation and assess what possible impact that “concern” could have on rate cuts *next* year. The lingering government shutdown is also contributing to growing uncertainty regarding monetary policy guidance and the path forward for interest rates. The Fed is expected to cut the benchmark overnight rate 25 basis points today. Right now, a rate cut is also expected in December, but the odds for a 25 bp December rate cut have dropped to ~87%.

I do not expect any *major* surprises from the Fed today. However, should Powell’s post-meeting comments lean hawkish, rates are likely to rise, perhaps materially, and rate volatility will increase. Either (or both) of those results would lead to higher cap premiums. Keep in mind we are just of the year-to-date lows for SOFR swaps (10/16/25), so cap premiums remain very close to the YTD lows. I also think that Powell and the FOMC will stop short of signaling sustained rate cuts, and maintain a “meeting-by-meeting” bias. Based on recent comments, the majority of FOMC members are still concerned about inflation.

The government shutdown enters day 29, 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 this afternoon! *The bottom line remains the same: We need the government shutdown to end and the data flow to begin.* It will also be interesting to hear Chairman Powell’s thoughts regarding the ongoing government shutdown. The shutdown is certainly adding to uncertainty regarding forward monetary policy guidance and the path forward for interest rates.

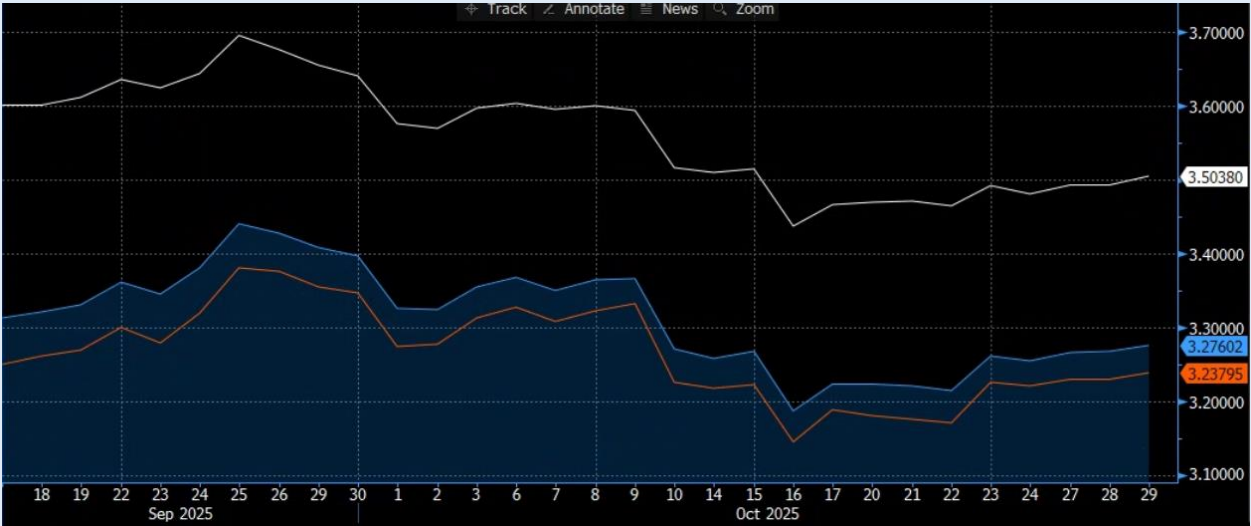
CHART 1: US RATES SNAPSHOT: 9:00 AM Eastern

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

UST YIELDS			SWAP SPREADS		SOFR SWAP RATES	
2Y	3.496	+0.006	-22.0628	+0.2397	3.2761	+0.0080
3Y	3.502	+0.006	-26.6618	+0.0252	3.2380	+0.0070
4Y	3.565	+0.007	-30.7000	-0.2150	3.2542	+0.0050
5Y	3.616	+0.007	-32.7500	-0.3750	3.2902	+0.0042
7Y	3.781	+0.008	-39.4900	-0.9200	3.3934	+0.0048
10Y	3.985	+0.009	-43.1100	-0.3600	3.5552	+0.0055
20Y	4.527	+0.011	-66.3780	-0.5970	3.8640	+0.0060
30Y	4.552	+0.013	-71.8536	-0.5936	3.8340	+0.0058

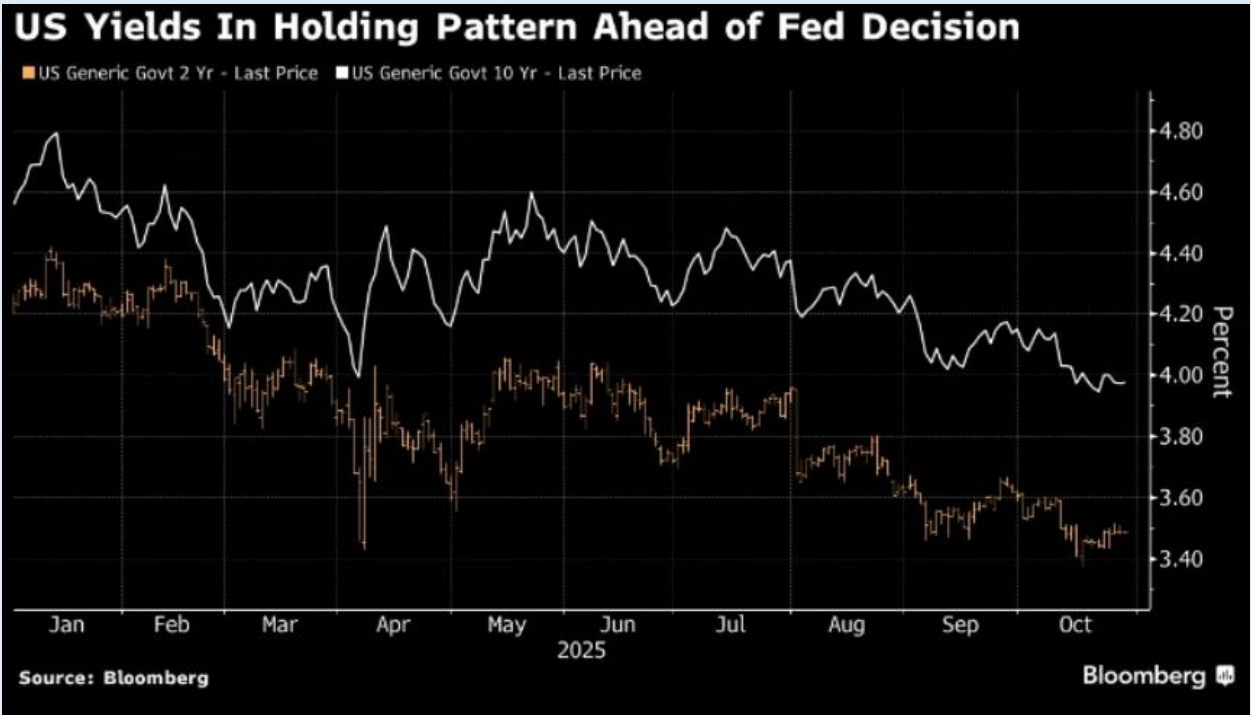
Source: Bloomberg, LLP | 9:00 AM NY Rates Snapshot

CHART 2: SHORT-TERM SOFR SWAP RATES SINCE SEPTEMBER 17, 2025 (PRIOR FED RATE DECISION)



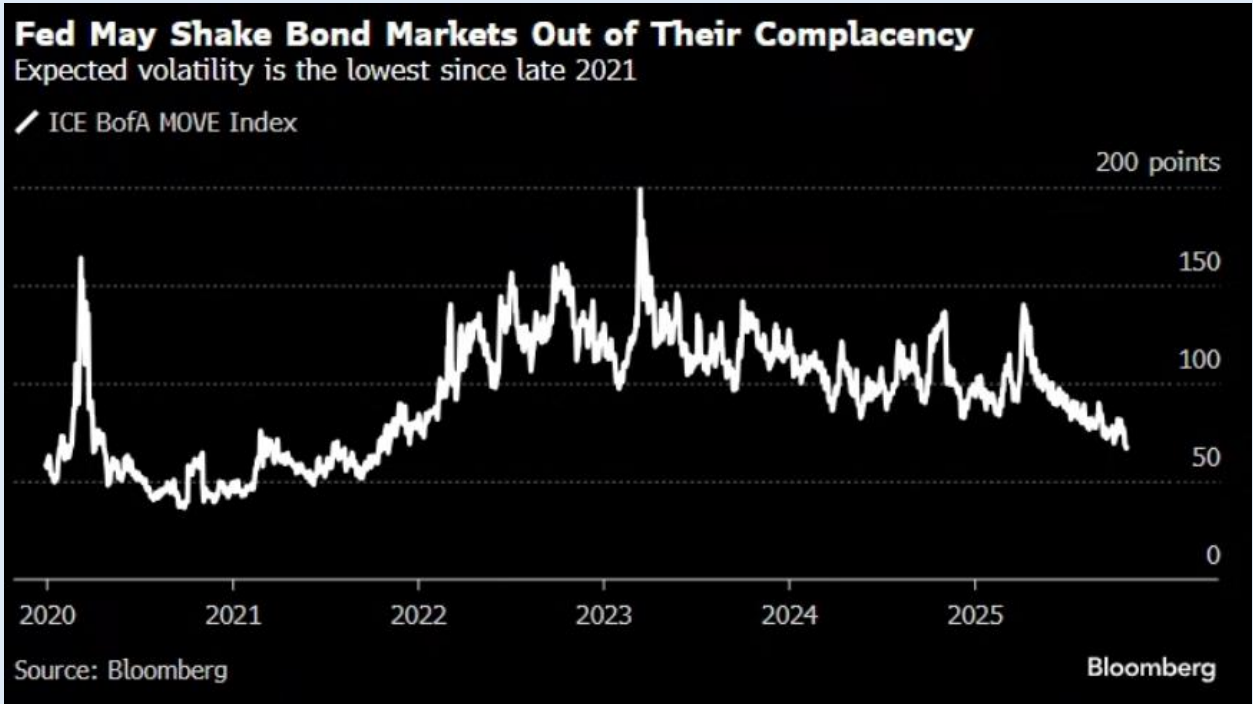
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES SINCE 9/17/20245 (PRIOR FOMC RATE DECISION)

CHART 3: US Treasury Yields Steady As Market Braces For FOMC Rate Decision



Source: Bloomberg, LLP | YEAR-TO-DATE GENERIC 2-YEAR (GOLD) & 10-YEAR (WHITE) US TREASURY YIELDS

CHART 4: A Hawkish Powell Could Be The Catalyst For Increased Rate Volatility



Source: Bloomberg, LLP | “MOVE” US TREASURY VOLATILITY INDEX SINCE 2020

CHART 5: 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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