

Flash Update: US RATE MARKETS – THURSDAY OCTOBER 30, 2025

- US Treasury yields and SOFR swap rates are drifting higher this morning as the market seeks direction
- The FOMC cut the overnight benchmark rate 25 basis points yesterday, as anticipated
- However, Powell’s post-meeting remarks cast doubt on a December rate cut and rates moved higher in response
- SOFR swap rates jumped ~9-11 bps during Powell’s remarks yesterday and odds for a December rate cut plunged
- Initial feedback on the meeting between US and Chinese officials has been encouraging and will help to calm trade war fears
- The US government shutdown enters Day 30; 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 up ~2-3 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~1-3 bps, depending on tenor
- Next up for key data: *TBD – Economic data releases postponed due to government shutdown*
- The next FOMC rate decision is due on Wednesday, December 10th at 2:00 PM

SOFR swap rates and US Treasury yields continue to move higher this morning, extending an increase in rates that began after hawkish post-meeting comments from FOMC Chairman Powell. Chair Powell’s comments had a powerful effect on the market and his remarks quickly shifted sentiment regarding the likelihood of a December rate cut. Powell’s comments also hinted that the Fed is indeed worried about inflation (and stagflation), and it appears there may be more dissension within the Fed than meets the eye.

Markets will continue to navigate a turbulent market. Traders will remain focused on tariffs and US-China trade negotiations, mixed tech-sector earnings and a cautious Federal Reserve amid a host of other moving parts shaping markets. The government shutdown and economic data “black-out” will also continue to weigh on markets. Chair Powell referenced the shutdown several times during his remarks yesterday. Bottom line, Powell signaled that the lack of economic data makes the Fed’s decision making process more difficult, and he cautioned that the Fed would move forward carefully. He likened the Fed’s current situation to “driving in heavy fog” – when that happens, yes, you still have some visibility, but you slow down and drive more cautiously. Powell made it sound like the FOMC would take the same approach to monetary policy for the near term, or until the government shutdown is resolved and the economic data flow resumes.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading ~2-3 bps higher this morning. **2Y** and **3Y** SOFR swap rates are up ~2-3 bps this morning. **5Y** and **10Y** SOFR swap rates are currently trading up ~2-3 bps. 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: 10:00 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
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2Y	3.620	+0.023	-23.2184	-0.6784	3.3900	+0.0156
3Y	3.623	+0.026	-27.3355	-0.2505	3.3503	+0.0209
4Y	3.684	+0.022	-31.3520	-0.2270	3.3663	+0.0217
5Y	3.736	+0.025	-33.3750	-0.2500	3.4022	+0.0221
7Y	3.910	+0.027	-40.7200	-0.5350	3.5045	+0.0216
10Y	4.101	+0.025	-44.1300	-0.5050	3.6620	+0.0205
20Y	4.630	+0.027	-67.5860	-1.0660	3.9563	+0.0173
30Y	4.647	+0.022	-73.0111	-0.7611	3.9195	+0.0161

Source: Bloomberg, LLP | 10:00 AM NY Rates Snapshot

CHART 2 & 2A: SOFR SWAP RATES MOVE HIGHER ON CHAIR POWELL’S COMMENTS

SOFR swap rates are drifting higher this morning, continuing an increase in swap rates that began during Chairman Powell’s hawkish remarks yesterday. Swap rates began moving higher after Powell said that a December rate cut is not a “foregone conclusion”. Clearly, that surprised traders and sent rates quickly higher. Powell also hinted that the Fed is concerned about stagflation, a condition that is tough for the Fed to manage.

In short, Powell’s hawkish, cautionary comments led to higher swap rates yesterday, as traders quickly dialed down rate cut expectations. Before he spoke, a December rate cut was almost completely priced in. By the time he was done speaking, the odds for a December rate cut had plunged to ~64% - that number had been hovering in the low to mid 90’s until late last week! Currently, the odds for a December rate cut are sitting at ~67%.

Here’s a quick rundown on the increase in SOFR swap rates *since yesterday morning*: 1Y swap rates are up ~14 bps; 2Y swap rates are up ~13 bps; 3Y swap rates are up ~13 bps; 5Y & 10Y swap rates are up ~12 bps.

CHART 2: Short-End SOFR Swap Rates – Prior 10 Days



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

CHART 2A: Long-End SOFR Swap Rates – Prior 10 Days



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

CHART 3 & 3A: FOMC Recap – Fed Cuts Benchmark Rate 25 BPS, Powell’s Hawkish Comments Cast Doubt On December Rate Cut

Yesterday the Federal Open Market Committee reduced the overnight benchmark rate by 25 basis points to 3.75% lower bound / 4.00% upper bound. The move was widely anticipated, so no surprises there.

However, Chairman Powell’s comments were *far* more hawkish than the market expected. As a result, rates quickly moved higher amid plunging rate cut expectations for December. Powell dropped a brick on the market yesterday when he said that a December rate cut “was not a foregone conclusion. *Far from it.*” He said that exact statement *several* times during his press conference – the market heard the message loud and clear!

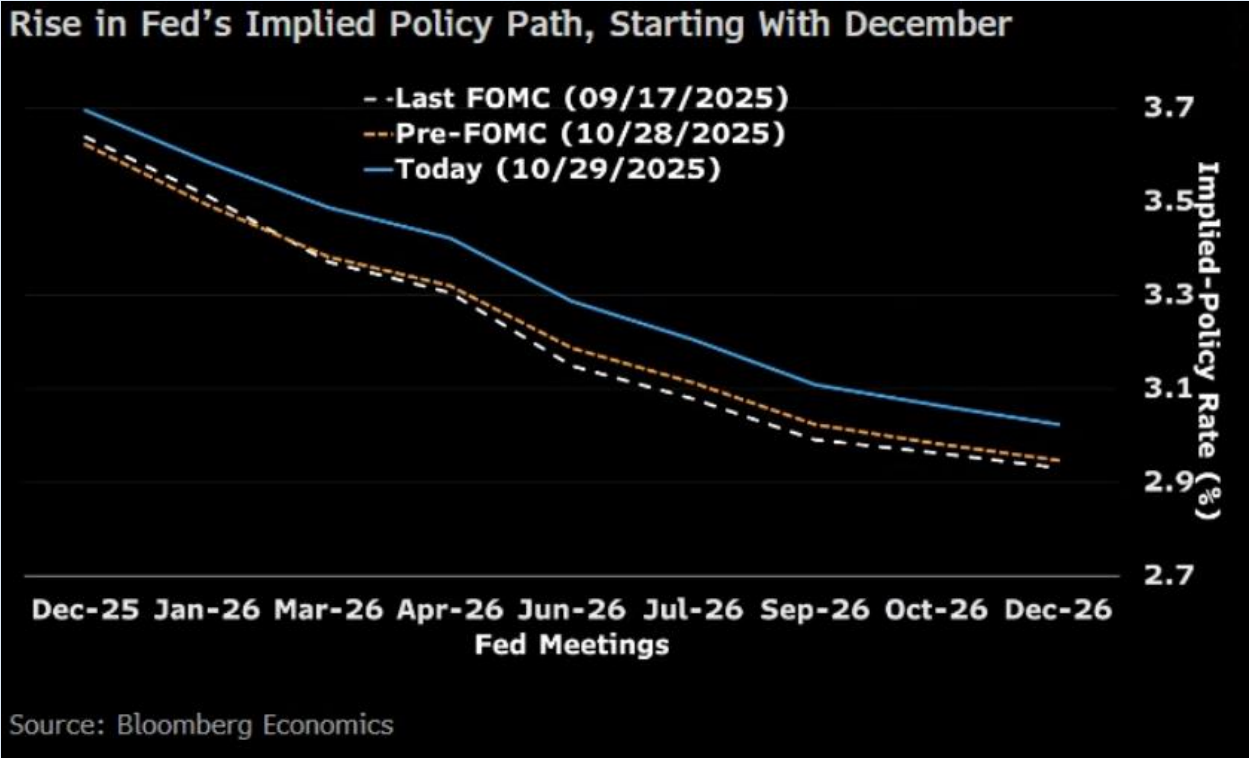
Powell was upbeat in his assessment of the economy, but did return to the familiar Fed refrain: They are concerned about inflation, but still feel the risk to the employment market outweighs the uptick in inflation. Despite the data blackout, Powell stated that committee members felt conditions had not “materially changed” since the last meeting. From my perspective, yesterday’s rate cut felt like a preemptive “risk management” cut, similar to the September rate cut. Ideally, the Fed wants to continue to narrow the gap between Fed funds and inflation, and they are adamant about preventing a major slowdown in the labor market. Right now, concerns about a weakening labor market surpass concerns about rising inflation.

The other thing I keyed on was Powell’s reference to “differing views” within the Fed. He pointed out a couple of times that the most recent Fed meeting featured “strongly differing views about how to proceed.” That tells me there may be more dissension within the Fed than meets the eye, which could make it more difficult for the FOMC to agree on the path forward for rates. Powell also said that there was “a sense” on the committee to “let’s pause here kind of thing.” He added that there is a “growing chorus” of “feeling like maybe this is where we should at least wait a cycle.” He further clarified that for “some part of the committee” it is time to “take a step back” and assess whether there “really are downside risks to the labor market,” or see whether “the stronger growth that we’re seeing is real.” He circled back to the topic of future rates cuts and said, “if we do wind up resuming rate cuts — at some point we will, but some point — I think we’re trying to get to the end of this cycle with the labor market in a good place and with inflation on its way to 2% or at 2%.”

Bottom line – the path forward for the Fed is no longer as clear as it was just yesterday. *I do still see a real possibility for a 25 bp December rate cut.* Should economic conditions and inflation remain relatively static, the Fed may feel it necessary to do another “risk management” rate cut in December. Theoretically, the government shutdown could end tomorrow – that would *greatly* help the Fed to make

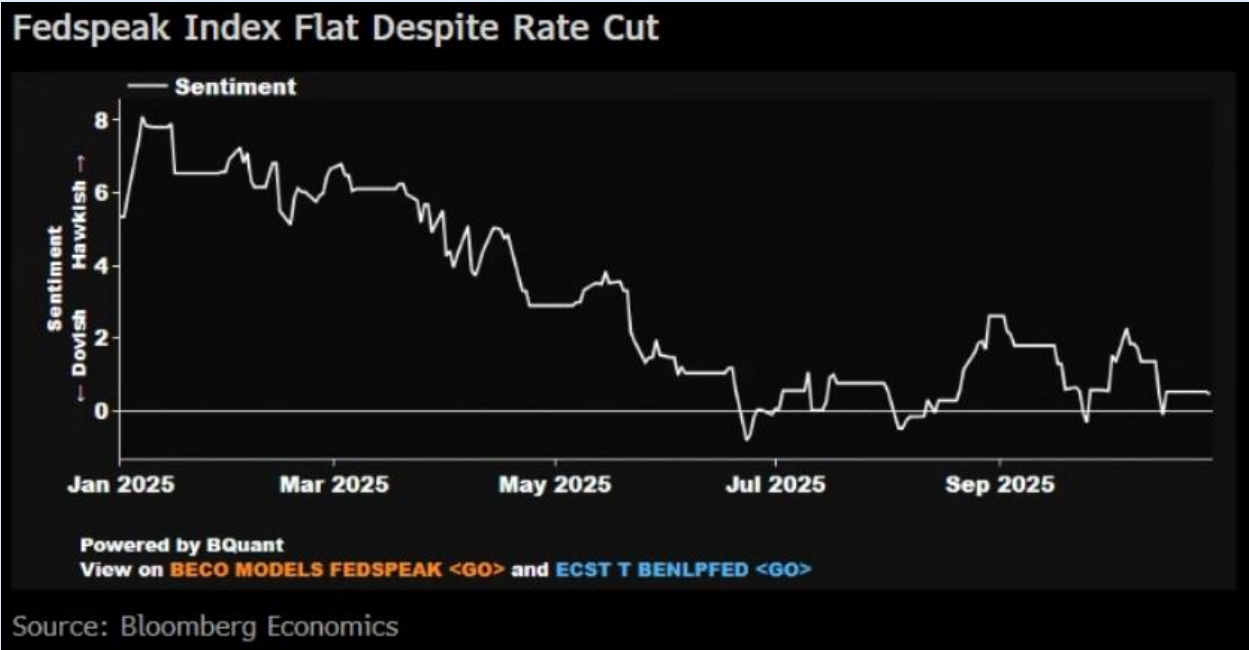
an informed, data-based decision in December. *However, as long as the FOMC remains in a data fog, I expect them to move ahead very cautiously. Stay tuned!*

CHART 3: Hawkish Comments From Chairman Powell Force Traders To Dial-Down Rate Cut Expectations



Source: Bloomberg, LLP | CURRENT FED RATE CUT EXPECTATIONS THROUGH DECEMBER 2026, BY MEETING

CHART 3A: The FOMC Cut Rates Yesterday, But...Recent Fed-Speak Has Leaned Neutral/Hawkish



Source: Bloomberg, LLP | BLOOMBERG FED-SPEAK INDEX: YEAR-TO-DATE 2025

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