Flash Update: **US RATE MARKETS – MONDAY OCTOBER 6, 2025**

- **US Treasury yields and SOFR swap rates drifted a touch higher this morning as the market awaits economic data**
- **The US government shutdown continues, and there is no ETA for a resolution**
- **Market participants will likely focus on corporate earnings and the full plate of Fed officials scheduled to speak this week**
- ***"Government" data will not be released today due to the ongoing shutdown***
- **Non-government, private-sector economic data will continue to be released during the shutdown**
- **Short-end SOFR swap rates are trading up ~1-2 bps this morning, depending on tenor**
- **Long-end SOFR swap rates are currently trading up ~2-4 bps, depending on tenor**
- **Next up for key data: University of Michigan Consumer Sentiment Index is released on 10/10 at 10:00 AM**
- **The next FOMC rate decision is due on Wednesday, October 29th at 2:00 PM**
- ***Expect rate markets to continue to be headline and data driven***
- ***Elevated intraday rate volatility and/or sudden market movements are still possible for the near term***

SOFR swap rates and US Treasury yields drifted slightly higher this morning as market participants monitor and contemplate the ongoing government shutdown. Negotiations in Washington DC are ongoing, but so far, it appears little progress has been made. *The government shutdown remains a wildcard for the market and for the FOMC.*

A number of private-sector labor market indicators released last week pointed to a sluggish US labor market and moderation in demand, without raising alarm bells on the outlook for economic growth. That has left traders confident the Fed will deliver another quarter-point rate cut in October. So far, traders have looked past the US government shutdown and the threat of "firing" federal workers.

The economic data calendar this week is light due to the shutdown, with focus shifting to a long list of Fed speakers. Last week, policymakers gave commentary around service inflation, a big contribution to stubbornly high CPI readings. There does not appear to be an imminent end to the government shutdown in sight, and escalation is possible if Trump follows through on his threat to fire, rather than furlough, federal workers. Unions submitted an emergency request on Saturday night asking a US judge to immediately block any mass firings by the administration during the shutdown while they press a legal challenge. We will track this situation.

Markets are likely to remain focused on corporate earnings, particularly in the tech sector. In many ways, positive corporate earnings and the promise of AI-driven technology has been having a greater impact on the market than the economic data!

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading up ~1 bp this morning. **2Y** and **3Y** SOFR swap rates are up ~1-2 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 ~3-4 bps.

Please note: **Market levels can change quickly - potentially, very quickly - in this type of market environment.**

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)***

LOS ANGELES, CA NEW YORK, NY BALTIMORE, MD
TELEPHONE 212.500.0922 FAX 310.856.9495

UST YIELDS | SWAP SPREADS | SOFR SWAP RATES

2Y	3.594	+0.018	-22.4902	-0.3183	3.3711	+0.0159
3Y	3.615	+0.023	-28.3648	-0.1189	3.3327	+0.0206
4Y	3.687	+0.023	-33.1250	-0.1760	3.3495	+0.0240
5Y	3.743	+0.028	-35.6202	-0.1267	3.3880	+0.0272
7Y	3.939	+0.037	-44.3175	-0.4025	3.4983	+0.0337
10Y	4.160	+0.041	-49.2500	-0.1250	3.6687	+0.0389
20Y	4.721	+0.043	-73.4700	-0.1300	3.9878	+0.0413
30Y	4.756	+0.045	-79.5973	-0.2223	3.9601	+0.0413

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

<u>CHART 2 & 2A:</u> SOFR SWAP RATES DRIFT HIGHER; GOVERNMENT SHUTDOWN CONTINUES

SOFR swap rates drifted a touch higher this morning, as traders contemplate the impact of the ongoing government shutdown. Needless to say, the government shutdown is exacerbating what is already a high level of uncertainty in the market. Traders need data and information in order to make the next trading decision. In the absence of government data this week, traders will be listening *very* closely to Fed officials for clues about the state of the economy and the direction of monetary policy.

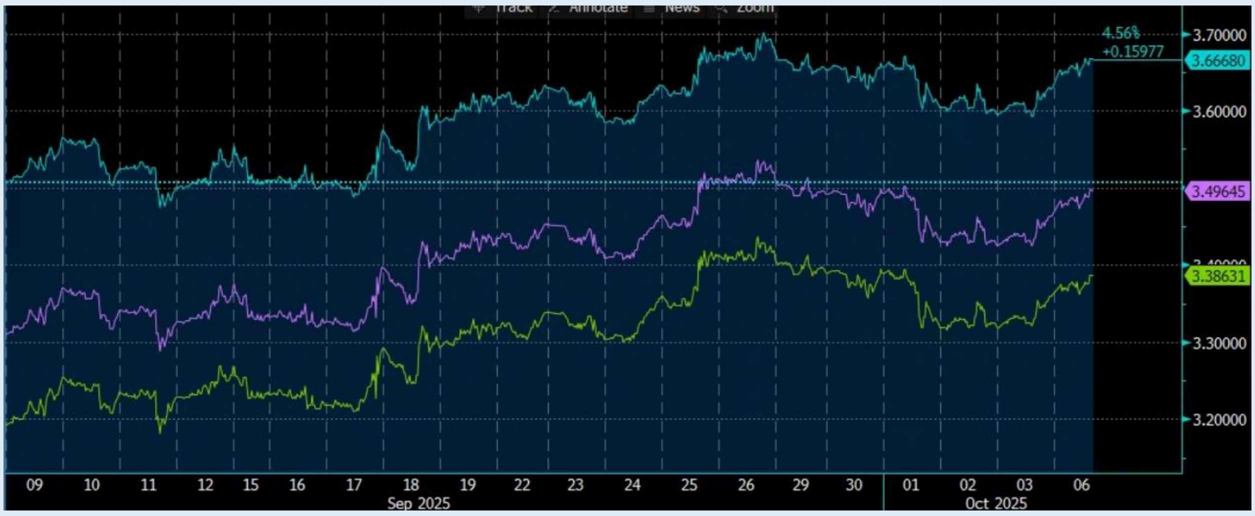
Last week swap rates bounced around but were overall subdued, as the market dealt with the shutdown. The 2-year SOFR swap rate began last week at ~3.42% - it is now trading slightly lower at ~3.37%. 10-year SOFR swap rates started last week at ~3.68% and are presently trading at ~3.67%. The curve steepened a touch today, driven by the back-end of the curve as inflation fears linger.

Currently, forward market pricing implies **~45.4 bps** of cumulative rate cuts for 2025. That number was ~45.8 bps at Friday's close. That cumulative number ticked up ~3 basis points last week. Odds for a 25 bp rate cut in October also increased last week, to ~95.7%. Implied odds that the Fed will *skip* a rate cut in October and hold off until December are a paltry ~4.3%. Cumulative rate cut pricing implies the market is confident the Fed will cut rates 25 bps again in October. Traders have basically removed the possibility of a 50 bp rate cut this year.

<u>CHART 2:</u> *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>CHART 3 & 3A:</u> SCHEDULE OF FED SPEAKERS THROUGH OCTOBER 9, 2025 | SERVICE INFLATION REMAINS ELEVATED

There is a jam-packed schedule of Fed speakers this week! Given the current government data black-out, market participants will be listening closely to what Fed officials have to say. The government shut-down remains a wildcard for the Fed, so traders will be keen to hear officials' perspective on the potential impact to the economy, job market, inflation and monetary policy. Chairman Powell speaks on Thursday at 8:30 AM – he is scheduled for "introductory remarks", but he will likely comment on current affairs too. The FOMC September meeting minutes will be released on Wednesday, 10/8 at 2:00 PM.

Last week, ISM Services inflation printed higher-than-anticipated, signaling service-sector inflation remains elevated. Inflation will remain a key focus for the Fed as they consider the path forward for monetary policy. Stay tuned!

<u>CHART 3:</u> *Schedule of Fed Speakers This Week…*

Date Time	A	M	R	Event	Period
10/06 17:00				Fed's Schmid Speaks on Economic Outlook and Monetary Policy	
10/07 10:00				Fed's Bostic Speaks at Fisk University in Nashville	
10/07 10:05				Fed's Bowman Delivers Welcoming Remarks	
10/07 10:30				Fed's Miran in Fireside Chat	
10/07 11:30				Fed's Kashkari Speaks at Star Tribune Summit	
10/07 16:05				Fed's Miran at Deutsche Bank EVent	
10/08 09:20				Fed's Musalem Gives Welcoming Remarks	
10/08 09:30				Fed's Barr Keynote at Community Banking Research Conference	
10/08 14:00				FOMC Meeting Minutes	Sep 17
10/08 15:15				Fed's Kashkari Speaks at Center for Indian Country Development	
10/08 16:30				Fed's Kashkari Hosts Fireside Chat with Senator Tina Smith	
10/08 17:45				Fed's Barr Speaks on Communnity Development	
10/09 08:30				Fed Chair Powell Gives Welcoming Remarks	
10/09 08:35				Fed's Bowman Delivers Welcoming Remarks	
10/09 08:45				Fed's Bowman Moderates Discussion	
10/09 12:45				Fed's Barr Speaks on Economic Outlook	
10/09 13:00				Fed's Kashkari and Barr Speak in Conversation	

Source: Bloomberg, LLP | SCHEDULE OF FED SPEECHES THROUGH 10/9/2025

<u>CHART 3A:</u> *Services Inflation Creeping Higher…*

Source: Bloomberg, LLP | CPI SERVICES INFLATION, EX-ENERGY SINCE 2020

Disclaimer: *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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