



Flash Update: US RATE MARKETS – THURSDAY OCTOBER 9, 2025

The government shutdown continues – we are entering Day 9. Thus far, little progress has been made toward a resolution, but negotiations continue in earnest. Currently, rates are holding relatively steady as traders pause, given the absence of new data. Markets remain cautiously optimistic that politicians will be able to come to an agreement relatively quickly, but with each passing day, that may become more challenging to achieve.

So far, Fed-speak has not caused any major ripples in the market this week, but rates have ticked a touch higher. This morning, New York Fed President John Williams said he backed additional interest-rate cuts this year and that he is paying close attention to US employment, which has shown recent signs of weakness. “The risks of a further slowdown in the labor market is something I’m very focused on,” Williams said in an interview with the New York Times published on Thursday. Williams added that if the economy evolved as expected, with inflation moving up to around 3% and the unemployment rate inching up beyond its current 4.3%, he would back “lower rates this year, but we’ll have to see exactly what that means.” He also stressed the need to see more economic data – data currently blacked-out by the government shutdown. The lack of data and “more of the same” Fed-speak are the primary reasons rates are in a holding pattern at the moment.

Market participants will be tracking corporate earnings results closely, particularly in the tech sector. Global equities have soared to record highs as traders looked past worries of a potential “AI-bubble” in high-profile tech names and focused on corporate “resilience” and the possibility of further US interest-rate cuts. Speculation has been building that the AI frenzy is due for a correction, reminiscent of the “dot-com” bubble the market experienced. With a lack of economic data to digest, rate traders will be focused on corporate earnings results.

Currently, traders see a 94.6% chance for a 25 bp October rate cut. Market pricing implies ~44.8 bps of cumulative rate cuts for the remainder of the year. Market participants are still counting on two more, 25 bp rate cuts this year. The next FOMC rate decision is due on Wednesday, October 29th at 2:00 PM.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading flat to 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 ~2-3 bps. SOFR swap rates have been bouncing around in a ~10 bp range the past 10 days as the market seeks direction.

For the week, SOFR swap rates are up *slightly* across the curve. The 2-year SOFR swap rate opened the week at 3.355% and is currently trading at 3.371%. The 10-year SOFR swap rate began the trading week at 3.629% and is now trading at 3.668%.

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
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2Y	3.595	+0.015	-22.5440	-0.7260	3.3710	+0.0070
3Y	3.614	+0.020	-27.8700	-0.5500	3.3358	+0.0137
4Y	3.681	+0.019	-32.3750	-0.2800	3.3530	+0.0186
5Y	3.738	+0.023	-34.7500	-0.1251	3.3910	+0.0225
7Y	3.927	+0.028	-42.7513	-0.0413	3.4992	+0.0248
10Y	4.144	+0.027	-47.7475	-0.0026	3.6688	+0.0268
20Y	4.698	+0.028	-70.8750	-0.3635	3.9903	+0.0248
30Y	4.733	+0.026	-76.8991	-0.0241	3.9647	+0.0240

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

CHART 2: SOFR SWAP RATES STEADY AS TRADERS AWAIT DATA & DIRECTION



Source: Bloomberg, LLP | 1Y (WHITE), 2Y (BLUE), 3Y (ORANGE) & 5Y (PURPLE) SOFR SWAP RATES, PRIOR 10 DAYS

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