

Flash Update: US RATE MARKETS – FRIDAY NOVEMBER 14, 2025

- US Treasury yields and SOFR swap rates are moving lower this morning as a “risk-off” sentiment grips the market
- Odds for a December rate cut have dipped to 50% - “cautious” Fed-speak this week has dimmed December rate cut hopes
- US economic data releases will resume ASAP; The timetable for releasing key economic data should be ironed out by early next week
- Short-end SOFR swap rates are trading down ~2-3 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading down ~2-3 bps, depending on tenor
- The next FOMC rate decision is due on Wednesday, December 10th at 2:00 PM

SOFR swap rates and US Treasury yields moved lower this morning, as a sudden bout of risk aversion gripped the market. The “risk-off” sentiment is mostly due to concerns about skyrocketing equity valuations, coupled with hawkish Fed-speak dimming hopes for a December rate cut. As such, traders, investors and portfolio managers are reallocating assets out of equities and into US Treasuries, hence the drop in rates this morning.

Despite the drop in rates this morning, odds for a December rate cut continue to plunge, mainly due to the “hawkish” Fed-speak traders heard this week. A majority of Fed officials speaking this week preached caution with respect to further rate cuts, forcing traders to reassess the probability of a December rate cut. Currently, odds for a 25 December rate cut are sitting near 50%. *A 25 basis point December rate cut was almost fully priced in just two weeks ago.*

Traders will continue to pay close attention to the tech-sector (NVIDIA releases earnings next week), which has been under pressure due to skyrocketing valuations. Geopolitical developments and global trade negotiations will also continue to captivate the market. As we have seen this week, market participants will be listening to Fed-speak *closely* for clues on the direction of monetary policy.

All that said, traders are eagerly awaiting the economic data that was postponed due to the shutdown, and they are looking forward to the resumption of “normal” US economic data releases.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading ~2-3 bps lower this morning. **2Y** and **3Y** SOFR swap rates are currently down ~2-3 bps this morning. **5Y** and **10Y** SOFR swap rates are currently trading down ~2-3 bps. The very back-end of the swap curve is currently trading down ~2-3 bps.

Amazingly, despite the pockets of volatility we have witnessed, SOFR swap rates are close to unchanged for the week! The 2Y swap rate opened the week at 3.354%, and is currently trading at ~3.355%. The 10Y SOFR swap rate began the week at 3.661% and is currently trading at ~3.656%. *For me, SOFR swap trading this week illustrates clearly that traders want to see economic data before committing to a new trading range.*

Please note: Market levels can change rapidly – rate cap premiums are subject to a dynamic market that can change frequently.

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	3.566	-0.026	-21.3495	-0.1900	3.3547	-0.0263
3Y	3.564	-0.028	-24.9600	-0.0716	3.3149	-0.0286
4Y	3.622	-0.034	-28.8850	-0.0200	3.3300	-0.0316
5Y	3.672	-0.035	-30.4992	+0.1191	3.3686	-0.0334
7Y	3.856	-0.037	-37.4905	+0.2295	3.4821	-0.0327
10Y	4.073	-0.032	-43.3750		3.6561	-0.0309
20Y	4.661	-0.022	-67.3890	-0.4740	3.9881	-0.0280
30Y	4.691	-0.022	-72.3427	-0.3577	3.9669	-0.0264

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

CHART 2, 2A & 2B: “RISK-OFF” SENTIMENT PUSHES SOFR SWAP RATES LOWER; TRADERS TRIM DECEMBER RATE CUT BETS

SOFR swap rates moved lower this morning, mainly due to a sudden “risk-off” sentiment created by concerns about the equity markets. I expect an uptick in rate volatility over the next couple of weeks as the economic data begins to flow and traders assess the state of the economy and path forward for interest rates. Currently, SOFR swap rates are down ~2-3 bps across the swap curve.

The odds for a December rate cut have dropped to ~50%. Chairman Powell’s recent hawkish “warning” that a December rate cut is “not a foregone conclusion, far from it” has been backed-up by his Fed colleagues this week. Most of the Fed officials speaking this week have leaned “hawkish” and have signaled the Fed is prepared to move forward cautiously with respect to future rate cuts. That is significantly dimming market hope for a December rate cut. That said, there is still a strong sentiment in the market that the employment market will continue to weaken (perhaps materially) into year-end and during the first half of 2026. It will be interesting to see what the upcoming data reveals about the US labor market! Prepare for volatility.

CHART 2: Short-End SOFR Swap Rates – Prior 7 Days



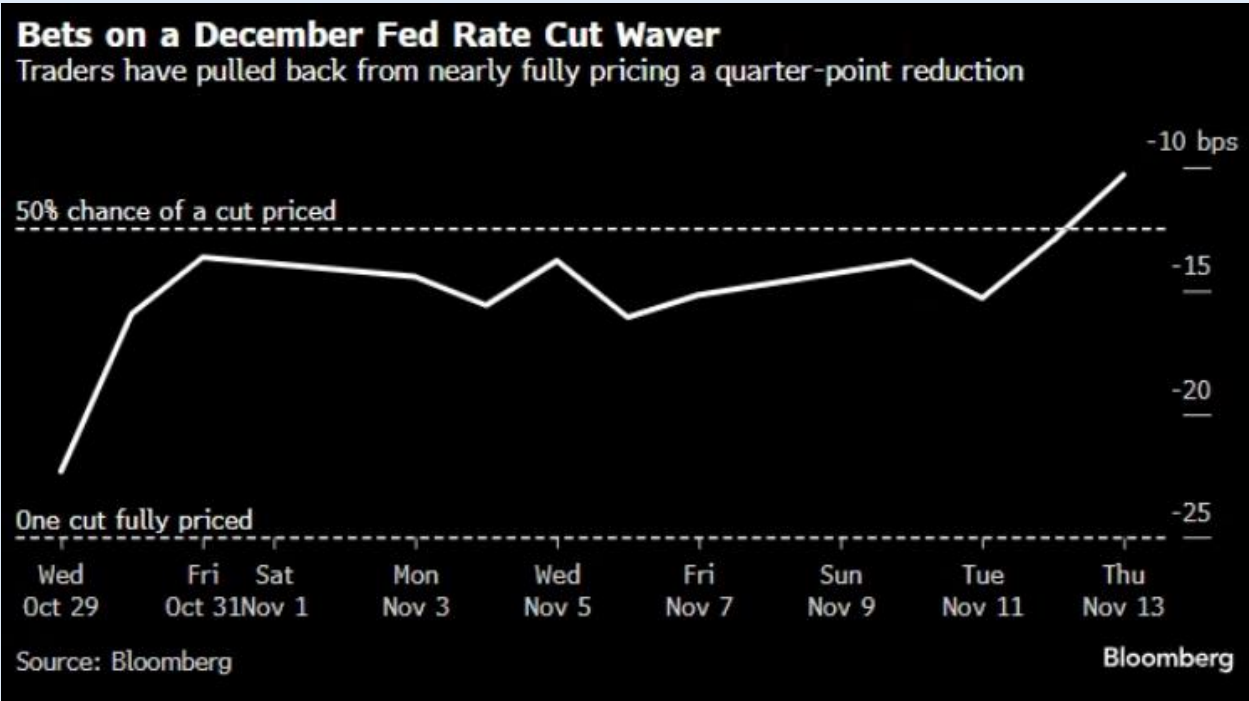
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 7 DAYS

CHART 2A: Long-End SOFR Swap Rates – Prior 7 Days



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

CHART 2B: Traders Pare December Rate Cut Bets On Hawkish Fed-Speak



Source: Bloomberg, LLP | MARKET EXPECTATIONS FOR A 25 BP DECEMBER RATE CUT SINCE THE OCTOBER FOMC MEETING

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