

Flash Update: US RATE MARKETS – FRIDAY NOVEMBER 21, 2025

- UST yields and SOFR swap rates edged lower this morning on “dovish” Fed-speak hinting that a December rate cut is still in play
- The disparity in recent Fed-speak evidences the divide within the Fed with respect to the direction of monetary policy
- Traders will look to Fed-speak and corporate earnings performance for guidance in the absence of current economic data
- Economic data is beginning to trickle in, but it is mostly “back-dated”, stale data
- 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 ~1-2 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 are sliding lower this morning. Rates have been bouncing around in the range depending on which way the Fed rate cut winds are blowing. Yes, economic data is starting to trickle in, but in most cases it is “back-dated”, somewhat stale data. “Some” data, even back-dated, is better than “no” data, but is not the “up to date” data the market craves. As such, market participants are disproportionately focused on Fed-speak and on corporate earnings reports, particularly in the tech sector.

This morning, rates edged lower on dovish comments from the Fed’s Williams. The New York Fed President said (referring to monetary policy), “Therefore, I still see room for a further adjustment in the near term to the target range for the federal funds rate to move the stance of policy closer to the range of neutral, thereby maintaining the balance between the achievement of our two goals.” Williams added: “My assessment is that the downside risks to employment have increased as the labor market has cooled, while the upside risks to inflation have lessened somewhat”. Regarding inflation worries, Williams said that “underlying inflation continues to trend downward, absent any evidence of second-round effects emanating from tariffs.” In a market desperate for information and direction, that was enough to push rates lower and increase the odds for a December rate cut. Since yesterday, odds for a Fed rate cut in December have popped back up to ~65%.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading ~1-2 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 ~1-2 bps. The very back-end of the swap curve is currently trading down ~1-2 bps. **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: 9:00 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	3.505	-0.028	-22.1340	+0.3834	3.2848	-0.0243
3Y	3.497	-0.028	-25.3236	+0.4624	3.2463	-0.0223
4Y	3.564	-0.029	-29.1419	+0.4831	3.2684	-0.0221
5Y	3.618	-0.029	-30.5000	+0.6250	3.3139	-0.0211
7Y	3.809	-0.031	-37.1800	+0.9996	3.4396	-0.0195
10Y	4.059	-0.025	-43.1400	+0.7350	3.6289	-0.0176
20Y	4.665	-0.023	-68.2880	+0.9810	3.9838	-0.0129
30Y	4.703	-0.020	-73.1740	+0.8110	3.9723	-0.0113

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

CHART 2 & 2A: SOFR SWAP RATES EDGE A TOUCH LOWER ON DOVISH FED-SPEAK

SOFR swap rates remain range bound overall, but we have seen an uptick in volatility this week. There is still significant uncertainty surrounding the FOMC’s “plans” for the December meeting. There is a growing expectation that the Fed may simply want to cut again in December and then move to the sidelines while the effects of the recent rate cuts take hold.

For the week, 2Y SOFR swap rates are down ~11 bps; 10Y SOFR swap rates are down ~8 bps. Overall, swap rates are shifting lower this week as rate cut hopes are revived.

CHART 2: Short-End SOFR Swap Rates – Prior 5 Days



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 5 DAYS

CHART 2A: Long-End SOFR Swap Rates – Prior 5 Days



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

CHART 3: DECEMBER FED RATE CUT EXPECTATIONS IN FLUX, VOLATILITY TICKS HIGHER

Fed interest-rate cut bets for December have ramped up following comments from the Fed’s Williams. Williams said he sees room for the central bank to cut rates again in the near term as the labor market softens. Expectations for a cut have faded throughout the week following a hawkish set of FOMC minutes and remarks from Fed officials, with the US data “vacuum” also a factor. However, comments from the vice chair have reignited December rate cut wagers, with odds of a move next month rising to ~65% from ~40% just yesterday. *I expect rate volatility to continue as data starts to flow and Fed officials continue to share their views as we approach the December Fed meeting.*

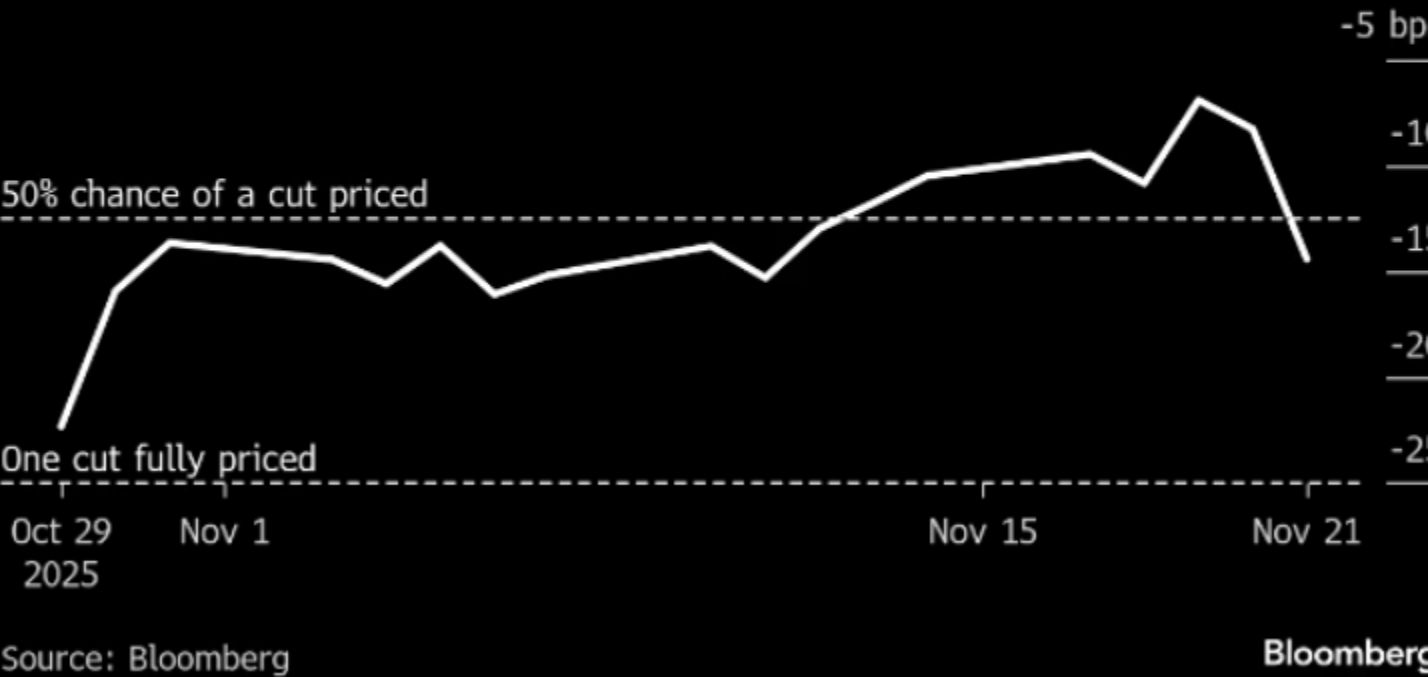
At this point, I think a December Fed rate cut is still 50/50. Yes, Williams’ comments pushed rates down a touch and increased the odds for a December cut, but comments from Fed Governor Barr showed the *other* side of the Fed coin. Earlier today, Barr said, “I am concerned that we’re seeing inflation still at around 3% and our target is 2%, and we’re committed to getting to that 2% target”. Barr added: “So we need to be careful and cautious now about monetary policy, because we want to make sure that we’re achieving both sides of our mandate.”

Clearly the Fed is fractured at the moment in terms of the forward direction for monetary policy. I expect volatility to continue as traders weigh the possibilities for a rate cut at the next Fed meeting.

CHART 3: December Rate Cut Expectations Pop Higher on Dovish Fed-Speak

December Fed Rate Cut Hangs in Balance as Risk Aversion Rules

Traders now see a reduction as a coin toss next month as markets swoon across the globe



Source: Bloomberg, LLP | FOMC DECEMBER RATE CUT EXPECTATIONS

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