

Flash Update: US RATE MARKETS – TUESDAY NOVEMBER 25, 2025

- UST yields and SOFR swap rates are holding mostly steady this morning, despite the release of September PPI and Retail Sales data
- US Retail Sales rose modestly in September, suggesting consumers pulled back after several months of robust spending
- PPI picked up slightly in September from a month earlier, reflecting higher energy and food costs
- Fed officials are on the sidelines this week – there are no Fed speeches scheduled for the holiday shortened week
- FOMC officials will enter the official pre-meeting “quiet period” beginning on Friday, 11/28
- As such, the next time we hear from Fed officials will be Chairman Powell’s post meeting press conference on 12/10
- The “stale” data we are seeing is not ideal, but it will provide some recent “context” for market participants to digest
- Odds for a December rate cut have ticked-up since last week – odds are currently sitting at ~80%
- With inflation seemingly in check, traders believe that labor market weakness will prompt the Fed to cut rates 25 bps in December
- Short-end SOFR swap rates are trading flat to down ~1 bp this morning, depending on tenor
- Long-end SOFR swap rates are currently trading flat to 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 holding mostly steady this morning, despite the release of September PPI and Retail Sales data. The back-dated data did not provide any major surprises – wholesale inflation ticked a touch higher, and consumer spending weakened slightly.

US retail sales rose modestly in September, suggesting some consumers hit pause after several months of robust spending. Consumers lost some momentum at the end of an otherwise solid third quarter. While overall consumer outlays have been buoyed by wealthier shoppers benefiting from a strong stock market, lower-income consumers are showing signs of strain. Rising prices and a softening job market have fueled caution among many shoppers and helped push consumer sentiment near a record low.

PPI, which measures wholesale inflation, picked up in September from a month earlier, reflecting higher energy and food costs. The producer price index rose 0.3% from a month earlier after a 0.1% decline in August. That “income divide” has been front of mind for Fed officials, where there is a notable “split” among policymakers about whether to lower interest rates again at their meeting next month. Traders continue to see the odds of a 25 bp December rate cut as more likely than not.

Trade negotiations between the US and China will continue to captivate the market for the near-term, though the market reaction to trade related news has diminished – traders are simply getting used to the “noise”. Traders and market participants are likely to slide into “holiday” mode beginning this afternoon, as the US markets prepare for the Thanksgiving holiday.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading ~1 bp lower this morning. **2Y** and **3Y** SOFR swap rates are currently down ~1 bp this morning. **5Y** and **10Y** SOFR swap rates are currently trading flat to down ~1 bp. The very back-end of the swap curve is currently trading down ~1 bp. ***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: 9:15 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	3.497	+0.001	-19.7083	+1.4767	3.2829	-0.0035
3Y	3.480	+0.000	-24.2525	-0.1811	3.2395	-0.0013
4Y	3.538	-0.003	-27.8750	+0.2500	3.2559	+0.0005
5Y	3.586	-0.006	-29.1250	+0.7934	3.2954	+0.0028
7Y	3.768	-0.010	-35.8700	+0.8635	3.4100	-0.0030
10Y	4.009	-0.016	-41.8750	+0.7989	3.5912	-0.0087
20Y	4.610	-0.022	-66.7930	+1.1070	3.9428	-0.0119
30Y	4.648	-0.022	-71.8773	+0.8727	3.9303	-0.0126

Source: Bloomberg, LLP | 9:15 AM NY Rates Snapshot

CHART 2 & 2A: SOFR SWAP RATES HOLDING MOSTLY STEADY AS MARKET SHRUGS OFF “BACK-DATED” ECONOMIC DATA

SOFR swap rates are mostly steady this morning, as traders digest the Retail Sales and PPI data released this morning. I think that the data this morning confirmed what traders had suspected – inflation is rising, but modestly, and consumer spending is weakening as uncertainty and higher prices impact consumer sentiment. That said, the data released this morning is from *September*, so traders appear reluctant to move the market on stale data. ADP weekly jobless data released this morning showed that private sector hirings continue to weaken, supporting the notion that the broader US jobs market is weakening, perhaps significantly. By all accounts, the market and the Fed are *most* concerned about the labor market. That is the primary reason that market participants remain optimistic that the FOMC will cut rates again in December.

CHART 2: Short-End SOFR Swap Rates – Prior 30 Days



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 30 DAYS

CHART 2A: Long-End SOFR Swap Rates – Prior 30 Days



Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 30 DAYS

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