RateCap Advisors

Flash Update: **US RATE MARKETS – WEDNESDAY NOVEMBER 5, 2025**

- **US Treasury yields and SOFR swap rates are drifting slightly higher on a better-than-expected ADP private payrolls report**
- **October ADP results beat expectations (+42k actual vs. +30k expected), signaling healthy private sector labor demand**
- **Generally, interest rates have been in a loose holding pattern since the FOMC meeting and Chairman Powell's 'hawkish' comments**
- **The government shutdown enters Day 36, now the longest government shutdown in US history**
- **Traders continue to assess the impact of the ongoing government shutdown – rates remain in a "holding pattern"**
- **There is currently no ETA for a resolution, though negotiations are ongoing in Washington DC**
- **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 ~1-3 bps, depending on tenor**
- **Next up for key data: *TBD – Economic data releases postponed due to government shutdown***
- **The next FOMC rate decision is due on Wednesday, December 10th at 2:00 PM**

SOFR swap rates and US Treasury yields are drifting a touch higher this morning. A better-than-expected October ADP private payrolls report nudged rates higher this morning. The economic data "black-out" continues as the government shutdown enters 'Day 36'. The current government shutdown is now *the* longest shutdown in US history. Market concern and uncertainty are rising as the shutdown drags on.

Given the dearth of government published economic data, traders will look to "Fed-speak" for guidance on the Fed's current mindset. Rate traders will also be keeping an eye on corporate earnings. That said, we are not in a *total* economic data blackout – there will be times when traders can see fresh economic data from non-government or private entities. Private sector data is *generally* viewed as not quite as "robust" as government tabulated data results, but it can sustain traders with "just enough" data for the time being. "Some" data is better than "no" data!

This morning, traders got a glimpse of some fresh data. The October ADP Private Payrolls data was released at 8:15 AM. The ADP report showed private payrolls increased 42k – consensus expectations had called for an increase of 30k. Last month's ADP result was revised to down 29k (from -32k). Market reaction to ADP was muted – rates ticked a touch higher.

We will also see the S&P Global US Services PMI data, and ISM Services & Prices Paid data released at 10:00 AM. Both are service sector inflation indicators, but not "marquee" level, like CPI or PCE, so I do not expect a material market reaction. Rates could tick a bp or two in either direction depending on the 10:00 AM data results.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading ~1-2 bps higher 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 ~1-2 bps. The very back-end of the swap curve is currently trading up ~2-3 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)*

UST YIELDS | SWAP SPREADS | SOFR SWAP RATES

2Y	3.590	+0.014	-21.0385	-0.2225	3.3810	+0.0120
3Y	3.601	+0.017	-25.6983	-0.3534	3.3470	+0.0145
4Y	3.668	+0.019	-29.5005	-0.3355	3.3666	+0.0172
5Y	3.718	+0.023	-31.3500	-0.4750	3.4066	+0.0193
7Y	3.905	+0.028	-38.8783	-0.6783	3.5177	+0.0227
10Y	4.114	+0.028	-43.2225	-0.4725	3.6838	+0.0256
20Y	4.676	+0.035	-67.3990	-0.5890	4.0031	+0.0296
30Y	4.702	+0.037	-72.3900	-0.3900	3.9771	+0.0313

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

<u>CHART 2 & 2A:</u> SOFR SWAP RATES DRIFT SLIGHTLY HIGHER ON SOLID OCTOBER ADP PRIVATE PAYROLLS RESULTS

SOFR swap rates are drifting a touch higher this morning, mainly due to a *slightly* better-than-expected ADP jobs report. Overall, rates remain range bound as the market seeks direction. The ongoing government shutdown, lack of economic data and uncertainty swirling around the path forward for the Fed is forcing traders to dig-in and weather the storm. Hopefully, we can get the shutdown resolved and the economic data flowing!

Over the prior 30 days, SOFR swap rates touched, then bounced-off of the YTD lows. Rates have held mostly steady since the FOMC meeting, which tells me traders are experiencing a high level of uncertainty about the path forward for interest rates. The 2Y SOFR swap rate closed at 3.367% thirty days ago – it is currently trading at 3.381% (+1.4 bps).

The odds for a December rate cut have dipped down to ~68.1%. Despite Powell's hawkish "warning" last week, *market participants are still leaning towards a December rate cut*, based mainly on fear that the employment market will continue to weaken into year-end and during the first half of 2026. I also believe that, eventually, the GDP "drag" caused by the prolonged government shutdown will increase the odds for another Fed rate cut.

<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*

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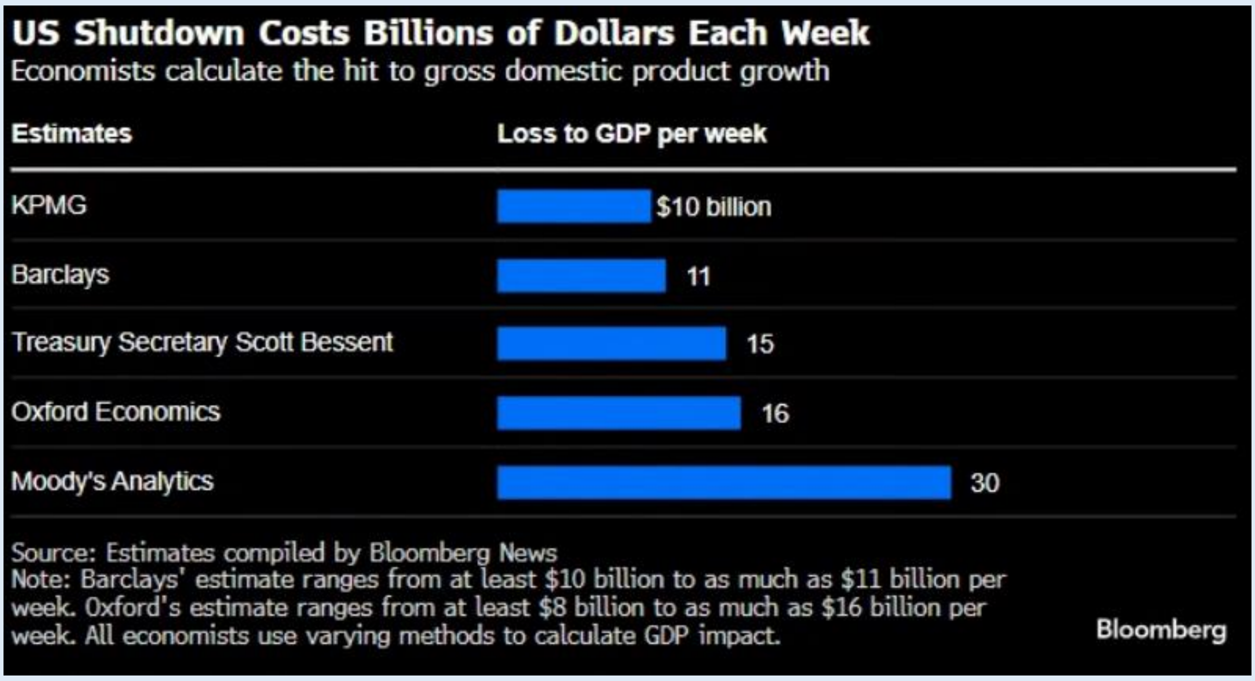
Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 30 DAYS

<u>CHART 3:</u> Prolonged Government Shutdown Impacts Economic Growth

The government shutdown enters Day 36. It has become the longest government shutdown in US history, with its economic toll deepening and no sign of a resolution soon. The longer the shutdowns lingers, the greater the risk to US economic growth. As to the amount of “damage” being done to GDP per week, there are varied estimates, ranging from ~$11 billion to ~$30 billion. The government shutdown may also be negatively impacting consumer sentiment. Negative consumer sentiment could damage Holiday spending, creating another threat to economic growth.

<u>CHART 3:</u> *A Prolonged Government Shutdown <u>Will</u> <u>Hurt</u> <u>The</u> <u>Economy</u>*



Source: Bloomberg, LLP | ESTIMATED ‘DAMAGE’ TO GDP, PER WEEK, DUE TO THE GOVERNMENT SHUTDOWN (VARIOUS ESTIMATES)

<u>Disclaimer:</u> *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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