

**Flash Update: US RATE MARKETS – FRIDAY DECEMBER 12, 2025**

- Short-and-medium term UST yields and SOFR swap rates are holding mostly steady this morning
- Back-end rates are up a few ticks as the yield curve continues to steepen, mainly due to lingering inflation worries
- Traders are looking ahead to next week’s economic data releases and a resumption of “Fed-Speak”
- Fed officials have emerged from the pre-meeting “quiet period” and are back on the tape today
- The Fed’s Goolsbee said this morning that he favored “holding off” on a December rate cut due to lingering inflation concerns
- Kansas City Fed President Schmid cited similar inflation concerns as the basis for his dissension
- Fed comments this morning were the primary reason back-end rates ticked higher and the curve steepened
- Focus will shift to the *flood* of data released between now and the next FOMC meeting
- The November Employment Report will be released Tuesday 12/16 at 8:30 AM
- Chairman Powell noted the committee would be tracking the data carefully between now and the January FOMC meeting
- The next FOMC rate decision is due Wednesday, January 28, 2026 at 2:00 PM
- Short-end SOFR swap rates are trading flat to up ~1 bp this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~1-5 bps, depending on tenor

US Treasury yields and SOFR swap rates are holding mostly steady this morning, and the yield curve steepened slightly. Fed officials are back on the tape today – the market will be listening. This morning, dissenting FOMC members cited inflation concerns as the primary reason for voting against a rate cut this week. Concern that inflation is poised to move higher due to Fed rate cuts and a “delayed” tariff impact are keeping medium-and-long-term Treasury rates elevated and steepening the yield curve.

Overall, rates are relatively quiet this morning as the market looks ahead to the upcoming economic data and continues to digest the Fed rate cut, Chairman Powell’s comments, the new SEP and a revised consensus “dot-plot”.

**SOFR Swap Rate Summary:** The **1Y** SOFR swap rate is trading close to unchanged this morning. **2Y** and **3Y** SOFR swap rates are currently trading close to unchanged. **5Y** and **10Y** SOFR swap rates are currently trading up ~1-3 bps. The very back-end of the swap curve is currently trading up ~3-5 bps from yesterday’s closing levels. ***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	3.543	+0.002	-17.9480	-0.4075	3.3652	-0.0010
3Y	3.591	+0.005	-22.1750	-0.1150	3.3720	+0.0040
4Y	3.682	+0.012	-25.8750	-0.2500	3.4138	+0.0084
5Y	3.750	+0.016	-28.2700	-0.3950	3.4687	+0.0128
7Y	3.954	+0.023	-35.8625	-0.3225	3.5962	+0.0199
10Y	4.190	+0.034	-41.2500	-0.8750	3.7789	+0.0255
20Y	4.814	+0.048	-68.1848	-1.2761	4.1338	+0.0355
30Y	4.850	+0.049	-72.5046	-1.0046	4.1254	+0.0399

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

CHART 2 & 2A: SHORT-END SOFR SWAP RATES MOSTLY STEADY AS MARKET AWAITS DATA; BACK-END RATES DRIFT HIGHER, CURVE STEEPENS

SOFR swap rates are holding mostly steady this morning. The front-end of the curve is relatively quiet, but the back end is up a few bps as the yield curve continues to slowly steepen. The next “big” data event will be the release of the *November* Employment Report on Tuesday 12/16 – all eyes will be on that report!

For the week, **2-year SOFR swap rates** are only up ~1 basis point (3.356% 12/5 close; **3.365%** currently). **10-year SOFR swap rates** are up ~5 bps for the week (3.737% 12/5 close; **3.778%** currently) which shows the curve continues to steepen.

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



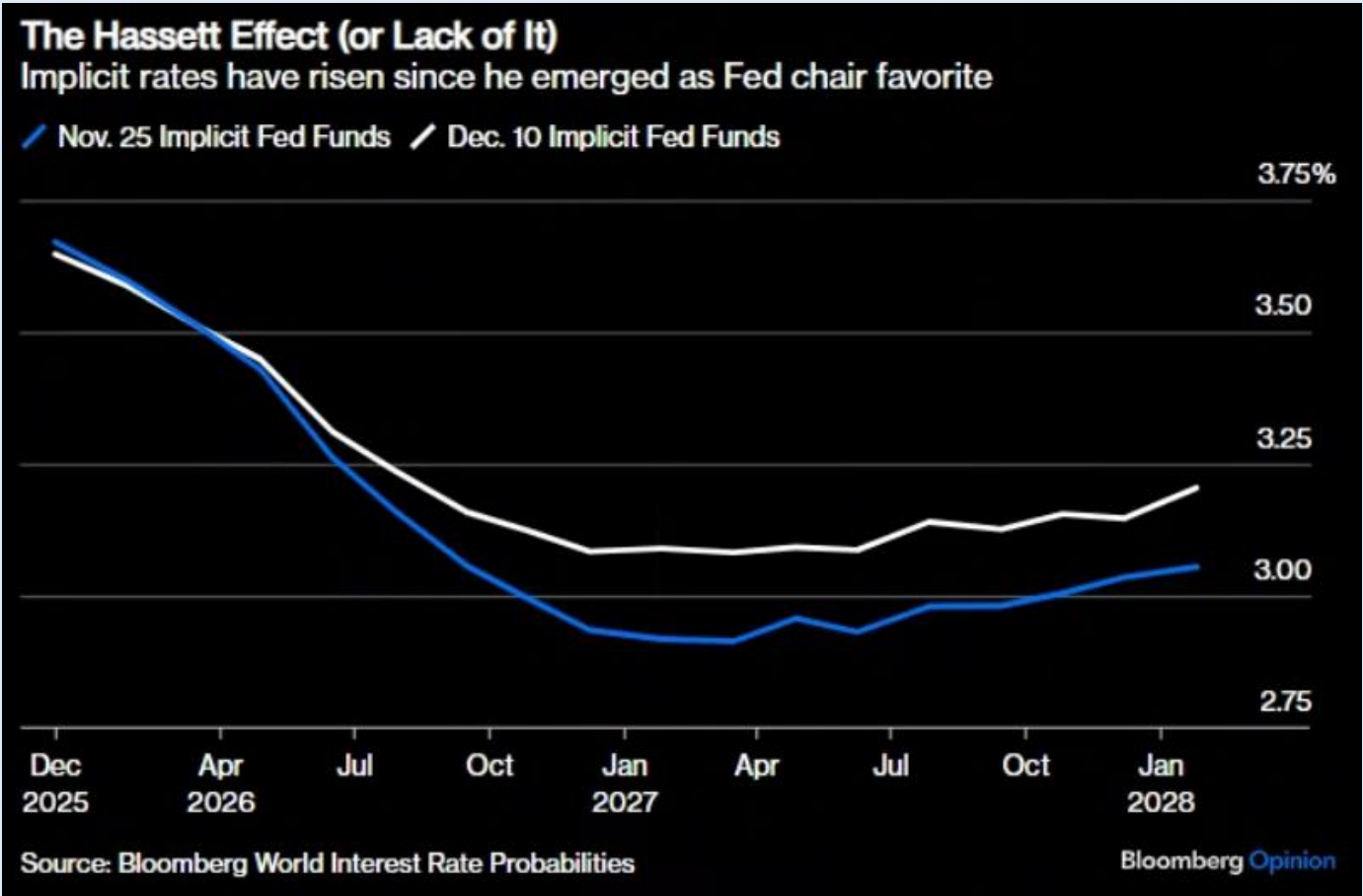
Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 30 DAYS

### **CHART 3 & 3A: AN UNCERTAIN PATH FORWARD FOR RATES IN 2026**

Markets are bracing for what could be a very interesting market in 2026. The curve continues to steepen on inflation fears, several Fed officials will be replaced, including Chairman Powell, and we will see the real impact of tariffs and the 75 basis points of Fed rate cuts done this year. My take is we will continue to see the curve steepen as long as inflation fears linger. The curve steepening could also be exacerbated by forward market pricing that continues to price in two *or more* rate cuts next year. That scenario can create a “pivot steepener” where short-end rates stay anchored or drop, and long-end rates move higher on inflation worries.

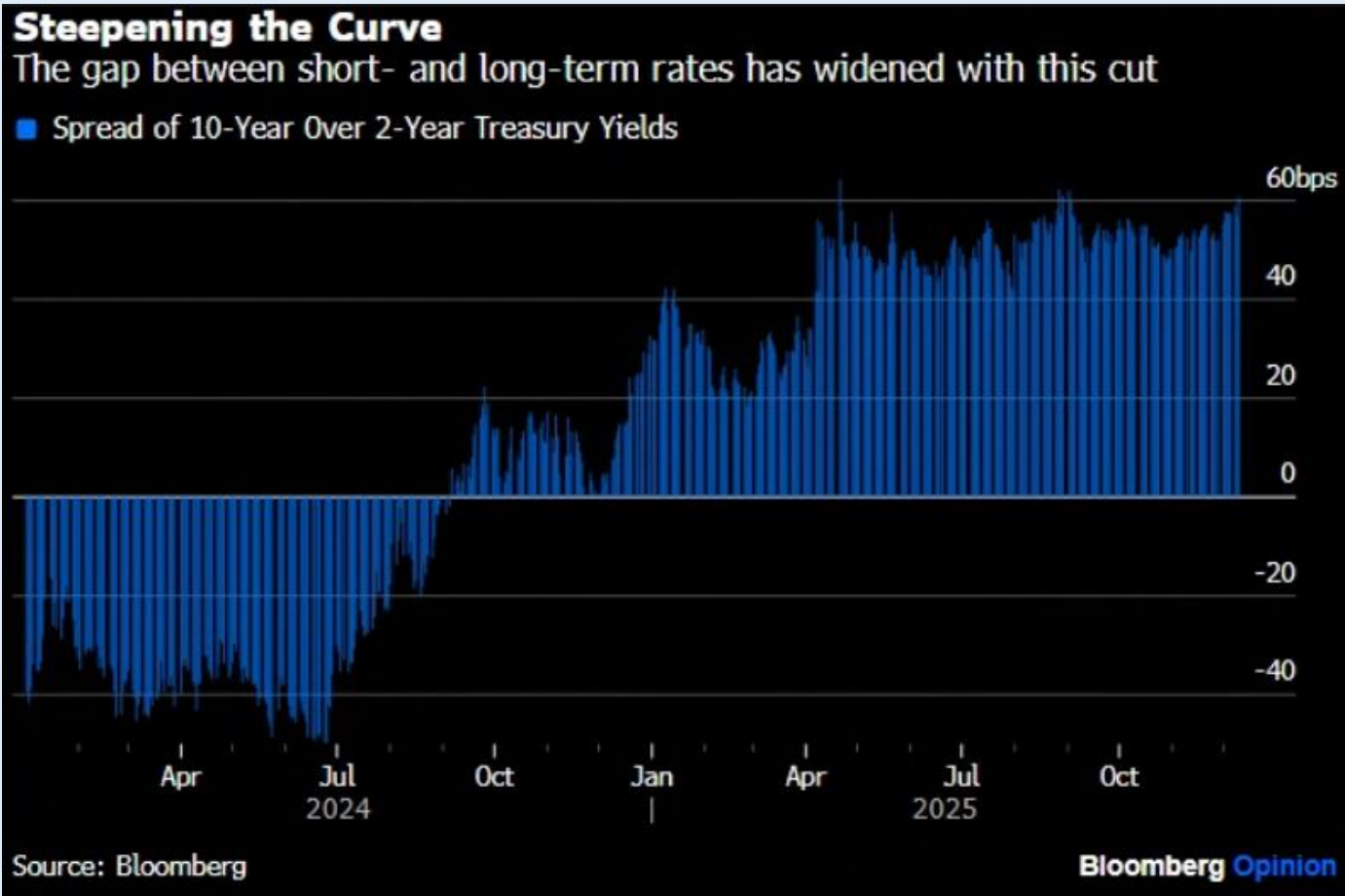
### **CHART 3: Market Shrugs-Off Hassett FOMC Chairman Rumors...For Now**





Source: Bloomberg, LLP | BLOOMBERG OPINION – “HASSETT EFFECT” ON FED FUNDS PROJECTIONS

CHART 3A: Yield Curve Continues To Steepen As Inflation Fear Lingers



Source: Bloomberg, LLP | BLOOMBERG OPINION YIELD CURVE DATA 2’S/10’S UST YIELDS

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