



Flash Update: US RATE MARKETS – FRIDAY DECEMBER 19, 2025

- UST yields and SOFR swap rates are drifting a touch higher this morning following the Bank of Japan's interest rate hike
- Overall, the market remains relatively quiet and rates remain range bound as we approach year-end 2025
- University of Michigan Consumer Sentiment data prints this morning at 10:00 AM
- Expectations are calling for a December Consumer Sentiment reading of 53.5 (vs. 53.3 in November)
- Next up for data: 3Q GDP (second revision) is scheduled for release on Tuesday, 12/23 at 8:30 AM
- The next FOMC rate decision is due Wednesday, January 28, 2026 at 2:00 PM
- Short-end SOFR swap rates are trading up ~2-3 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~2-3 bps, depending on tenor

US Treasury yields and SOFR swap rates are drifting a touch higher this morning in response to the Bank of Japan's rate hike. Yesterday, the BOJ *raised* the benchmark rate to regulate economic growth. The hike raised the benchmark Japanese rate to the highest level in the past 10 years, and most global bond yields drifted higher in response. Nothing dramatic, but the move did erode some of yesterday's CPI-driven decline in rates.

From my perspective, the market feels like it is moving into “holiday” mode as we steam towards year-end. I honestly expected that the market would have had a more pronounced reaction to the employment and inflation data, but that was not the case. That tells me traders are still uncertain about the path forward for rates, and therefore, unwilling to break out of the current trading range. Traders want to see fresh economic data that is not “tainted” by the impact of the government shutdown. It is tough to see the catalyst that will materially move rates between now and year end. We are likely to see rates bounce around in the current 10-15 bp range as traders position for year-end.

This morning we will see the December Univ. of Michigan Consumer Sentiment and inflation expectations data released at 10:00 AM. The data is current, so market participants are likely to pay attention to the results. Expectations are calling for an “unchanged” result, so I do not expect the data to have a material market impact.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading up ~2-3 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading up ~2-3 bps. **5Y** and **10Y** SOFR swap rates are currently trading up ~2-3 bps. The very back-end of the swap curve is currently trading up ~2-3 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: 9:00 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**

2Y	3.485 +0.025	-17.5805	-0.2310	3.3104 +0.0228
3Y	3.528 +0.028	-20.5795	-0.0395	3.3226 +0.0271
4Y	3.618 +0.028	-24.1775	-0.2050	3.3695 +0.0269
5Y	3.692 +0.029	-26.2500	-0.2500	3.4306 +0.0274
7Y	3.903 +0.030	-33.3777	-0.4002	3.5719 +0.0278
10Y	4.149 +0.028	-38.2500	-0.1050	3.7681 +0.0273
20Y	4.787 +0.027	-64.9710	-0.1882	4.1388 +0.0259
30Y	4.829 +0.027	-69.3703	-0.1203	4.1360 +0.0248

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

CHART 2 & 2A: SOFR SWAP RATES TICK HIGHER AS MARKET SHIFTS INTO “HOLIDAY” MODE

SOFR swap rates are drifting a touch higher this morning as global bond markets absorb the BOJ’s interest rate hike and shift into “holiday” mode. Rates could potentially drift a touch lower today should the December consumer sentiment data print below expectations. If the consumer sentiment data beats expectations, rates may tick slightly higher. I do not expect a dramatic move in rates either way today.

For the week, **2-year SOFR swap rates** are down ~4 basis points (**3.351% 12/12 close; 3.310% currently**). **10-year SOFR swap rates** are close to unchanged this week (**3.774% 12/12 close; 3.768% currently**). Overall, SOFR swap rates remain largely range bound as the market seeks direction.

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



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

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