

**Flash Update: US RATE MARKETS – TUESDAY DECEMBER 2, 2025**

- UST yields and SOFR swap rates are drifting higher as the market prepares for next week's FOMC rate decision
- With inflation seemingly in check, traders believe that labor market weakness will prompt the Fed to cut rates 25 bps next week
- Fed officials are in the official pre-meeting "quiet period"; Fed-speak resumes with Chairman Powell's post-meeting press conference
- There is no data scheduled for release today
- Wednesday 12/3, we will see: ADP Employment Data, 8:15 AM; Import/Export Price Data, 8:30 AM; ISM Services Index, 10:00 AM
- The economic data set for release tomorrow is back-dated data from September
- Tomorrow's data is not expected to dramatically move the market, but it could create pockets of intra-day volatility
- 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 ~87.1%
- 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 ~1-3 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 drifting slightly higher this morning, and the yield curve is steepening, as market participants position for next week's FOMC rate decision. Barring any unforeseen catalysts, the market will likely remain in a holding pattern ahead of next week's FOMC meeting. We are light on economic data today, but traders will see some back-dated data released tomorrow morning.

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". Market participants are also closely tracking the conflict between Ukraine and Russia, but so far the market impact has been minimal. *Mostly, traders are looking ahead to next week's highly anticipated FOMC rate decision.*

**SOFR Swap Rate Summary:** The **1Y** SOFR swap rate is trading flat to ~1 bp higher this morning. **2Y** and **3Y** SOFR swap rates are currently up ~1 bp 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 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
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2Y	3.526	-0.005	-20.6325	+0.2470	3.3212	-0.0007
3Y	3.545	+0.003	-24.9490	+0.1470	3.2973	+0.0048
4Y	3.618	+0.005	-28.5550	-0.0550	3.3261	+0.0078
5Y	3.676	+0.012	-30.1265	-0.1315	3.3762	+0.0109
7Y	3.869	+0.018	-37.1103	-0.0987	3.5045	+0.0176
10Y	4.110	+0.024	-41.3759	-0.1259	3.6966	+0.0216
20Y	4.730	+0.026	-67.1771	-0.2240	4.0592	+0.0256
30Y	4.763	+0.026	-71.5000	+0.0173	4.0483	+0.0262

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

**CHART 2 & 2A: SOFR SWAP RATES DRIFT HIGHER AS MARKET LOOKS AHEAD TO FOMC MEETING**

SOFR swap rates are drifting slightly higher this morning, as market participants begin to look ahead to next week’s FOMC rate decision. Rates are basically in a “holding pattern” as the market waits to hear from the Fed.

However, rates have ticked higher over the past week, as market participants are uncertain about the direction of monetary policy *after* next week’s meeting. A 25 bp rate cut is priced in to the curve – the uptick in rates tells me the market thinks next week’s cut is going to happen, but they are unsure about what the Fed has in store for 2026. A slow, but noticeable uptick in inflation has also caused the curve to steepen slightly from the back-end. By all accounts (i.e. recent Fed-speak), the FOMC appears *most* concerned about a weakening US labor market. That is the primary reason that market participants remain optimistic that the FOMC will cut rates 25 bps next week.

As mentioned, rates have ticked higher over the past ten days or so. The 2Y SOFR swap rate opened at 3.28% on 11/24 – it is currently trading at 3.32%. The 10Y SOFR swap rate was trading at 3.59% on 11/24 and is currently trading at 3.69%. You can see that the long-end rate increase has outpaced the short-end, hence the back-end curve steepener we are currently witnessing.

**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

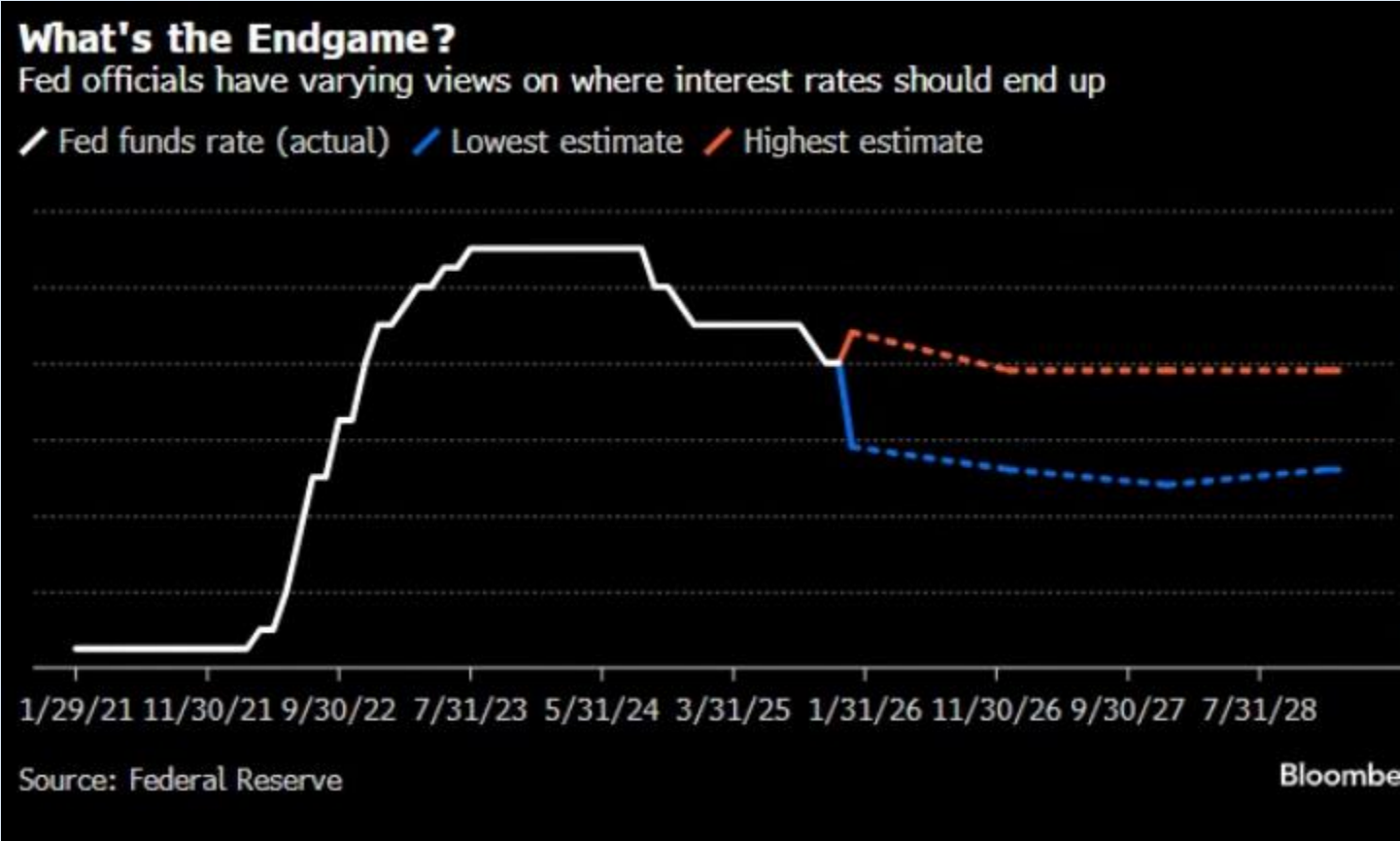
**CHART 3: FOMC EXPECTED TO CUT 25 BPS NEXT WEEK; THE FORWARD OUTLOOK FOR THE FED IS FAR MORE UNCERTAIN**

The FOMC is widely anticipated to cut the benchmark overnight rate 25 basis points next week, prompted primarily by a softening US labor market. Odds for a 25 bp December rate cut are currently sitting at ~87%. However, a “divided” Fed makes forecasting what’s next for the Fed beyond next week



extremely challenging. The Fed is seemingly divided into three camps. One wants to hold rates steady and remain in a “wait-and-see” mode. The second wants to cut rates 25 bps in December and then make decisions on a meeting-by-meeting basis. The third camp seeks aggressive rate cuts and supports a neutral rate far below the 3.00% - 3.50% range most market participants expect. It will be interesting to see which “camp” is able to prevail next week – and going forward! The dissension within the Fed also makes Chairman Powell’s post-meeting press conference all the more important.

CHART 3: A Divided Fed Makes Forecasting Challenging



Source: Bloomberg, LLP | LOWEST / HIGHEST FOMC ESTIMATES FOR FED FUNDS RATE THROUGH JULY 2028

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