

Flash Update: US RATE MARKETS – MONDAY DECEMBER 29, 2025

- UST yields and SOFR swap rates are drifting lower this morning as the market prepares for year-end
- SOFR swap rates remain range bound as the market awaits a fresh run of economic data in early 2026
- Traders are also closely monitoring developments in Venezuela, Ukraine and China (trade)
- Pending Home Sales data for November prints this morning at 10:00 AM
- ADP Weekly Employment Change prints tomorrow at 8:15 AM
- The December FOMC meeting minutes will be released tomorrow at 2:00 PM
- The next FOMC rate decision is due Wednesday, January 28, 2026 at 2:00 PM
- Short-end SOFR swap rates are trading down ~1-2 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading down ~1-2 bps, depending on tenor

US Treasury yields and SOFR swap rates are ticking a touch lower this morning, as market participants shore up positions as we head towards year-end 2025. Upward pressure on commodity prices (Oil, Silver) and fear that an “AI bubble” is brewing in the equity markets are the likely culprits behind slightly lower rates this morning. It feels like traders are reallocating assets into safe-haven US Treasuries in order to avoid any year-end market surprises.

There is still a high level of uncertainty in the market regarding the path forward for interest rates, so traders are likely to move to the sidelines until next year. The primary concerns facing the market in early 2026 are geopolitical (Ukraine, Venezuela, China Trade), the upcoming FOMC “facelift” and questions surrounding inflation and the outlook for Fed rate cuts. There are many market participants who fear a curve steepener will occur in Q1 2026 due to strong economic growth and sticky inflation.

SOFR Swap Rate Summary: The 1Y SOFR swap rate is trading down ~1-2 bps this morning. 2Y and 3Y SOFR swap rates are currently trading down ~1-2 bps. 5Y and 10Y SOFR swap rates are currently trading down ~1-2 bps. The very back-end of the swap curve is currently trading up ~1-2 bps from Friday’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	3.465	-0.014	-16.9750	-0.2775	3.2959	-0.0172
3Y	3.514	-0.018	-20.4675	-0.1111	3.3096	-0.0172
4Y	3.596	-0.004	-23.9475	+0.1775	3.3569	-0.0160
5Y	3.677	-0.019	-26.1379	+0.2871	3.4167	-0.0148
7Y	3.877	-0.018	-33.1050	+0.3347	3.5541	-0.0135
10Y	4.114	-0.013	-36.8300	+0.2950	3.7463	-0.0114
20Y	4.749	-0.014	-62.9434	+0.4666	4.1218	-0.0084
30Y	4.801	-0.014	-67.8742	+0.4958	4.1231	-0.0078

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

CHART 2 & 2A: SOFR SWAP RATES DRIFT LOWER AS MARKET STEAMS TOWARD YEAR-END

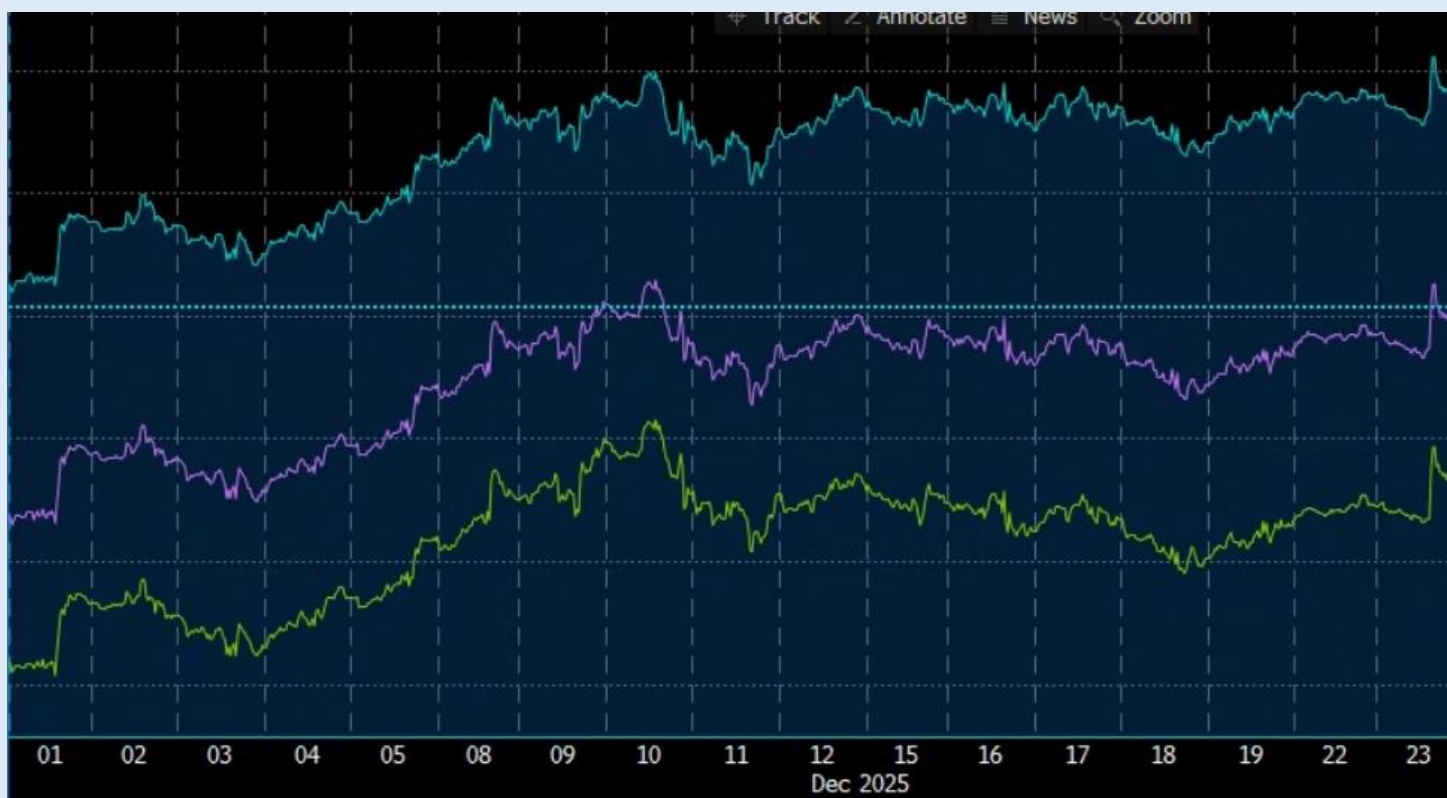
SOFR swap rates are drifting a touch lower this morning as the market prepares for year-end 2025. The strong economic data we saw last week has prompted traders to keep rates in a tight range as we finish up 2025. I do not expect traders to contemplate a new trading range until they can see a fresh data run in early January. The new data run for 2026 begins on 1/7 with the release of December ISM Services Data and the November JOLTS jobs report. The first “big” number we see next year is the December Employment Report, which is due for release on January 9 at 8:30 AM.

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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