

Flash Update: US RATE MARKETS – MONDAY DECEMBER 8, 2025

- UST yields and SOFR swap rates are moving higher this morning as the market prepares for the FOMC rate decision
- With inflation *mostly* in check, traders believe that labor market weakness will prompt the Fed to cut rates 25 bps this week
- Odds for a December rate cut have stabilized – they are currently sitting at ~89.6%
- *However, lingering inflation concerns are the likely culprit behind the uptick in rates this morning*
- Along those lines, odds for a *series* of rates cuts in 2026 continue to drop
- Fed officials remain in the pre-meeting “quiet period” until Friday 12/12
- Fed-speak resumes with Chairman Powell’s post-meeting press conference (Wed., 12/10 @ 2:30 PM)
- Markets will also see a new Fed “Dot-Plot” and Summary of Economic Projections (SEP) released on Wednesday
- *The next FOMC rate decision is due Wednesday, December 10th at 2:00 PM*
- Short-end SOFR swap rates are trading up ~3-5 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~2-5 bps, depending on tenor

SOFR swap rates and US Treasury yields are drifting higher this morning, as the market braces for a *critical* FOMC rate decision. The FOMC will also be releasing a new “dot-plot” and Summary of Economic Projections (SEP) on Wednesday afternoon. Traders and investors are eager to see both.

Last week’s economic data results did little to alter bets the FOMC will cut rates on Wednesday. Odds for a December rate cut have ticked up to ~89.6%. However, lingering inflation fears were fanned somewhat by last week’s PCE results. *I think the general “inflation fear” undercurrent will continue and I think it is primarily responsible for the uptick in rates we have witnessed over the past few days.*

The “big show” this week is the December FOMC meeting. Traders are anxiously waiting for this week’s highly anticipated FOMC rate decision. The FOMC is anticipated to cut rates 25 bps this week. I do not expect the Fed rate decision to be unanimous. Chairman Powell will again take center stage at his post-meeting presser – *the market will be listening!!*

Market uncertainty surrounding the pace of easing in 2026, however, is growing. Unease that inflation remains “too high” has also caused divisions among Fed officials, in a rift that has been exacerbated by the lack of fresh economic data recently. After this week’s likely 25 basis point rate cut, market pricing is leaning toward *two* more moves by the end of 2026, down from three signaled barely a week ago.

The risk for markets this week is that the Fed does not sound as dovish as anticipated. That could push swap rates higher and steepen the yield curve, driving cap premiums higher.

SOFR Swap Rate Summary: The 1Y SOFR swap rate is trading up ~3-4 bps this morning. 2Y and 3Y SOFR swap rates are currently up ~4-5 bps this morning. 5Y and 10Y SOFR swap rates are currently trading up ~3-5 bps. The very back-end of the swap curve is currently trading up ~2-3 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: 10:00 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 RATES

2Y	3.596 +0.035	-20.5863 -0.0486	3.3916 +0.0353
3Y	3.627 +0.043	-24.5445 -0.0975	3.3834 +0.0428
4Y	3.698 +0.044	-27.9350 +0.0615	3.4147 +0.0461
5Y	3.757 +0.046	-29.5000 +0.1440	3.4631 +0.0472
7Y	3.946 +0.044	-36.6500 -0.3350	3.5815 +0.0418
10Y	4.170 +0.035	-40.9400 -0.0650	3.7622 +0.0343
20Y	4.778 +0.026	-66.4304 -0.2004	4.1152 +0.0242
30Y	4.811 +0.020	-70.8671 +0.0079	4.1036 +0.0199

Source: Bloomberg, LLP | 10:00 AM NY Rates Snapshot

CHART 2 & 2A: SOFR SWAP RATES MOVE HIGHER ON LINGERING INFLATION FEARS; MARKET PREPARES FOR FOMC RATE DECISION

SOFR swap rates are moving a touch higher this morning, as inflation fears linger in the market. Traders are also preparing for the highly anticipated FOMC rate decision later this week. Overall, SOFR swap rates have been trading in a relatively narrow range over the past 30 days, but they have drifted higher as inflation fears remain front of mind for traders. Friday’s PCE results did little to assuage those fears. The market has lacked “catalysts” as we approached the FOMC meeting, which helped keep rates range bound. Well, the big moment is *almost* here, so although traders seem nervous, they will likely remain content to sit tight and wait for the Fed rate decision. Barring anything unforeseen, I expect rates to remain range bound until the FOMC rate decision is announced.

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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