

Flash Update: US RATE MARKETS – TUESDAY DECEMBER 9, 2025

- UST yields and SOFR swap rates are mostly steady 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 tomorrow
- Odds for a 25 bp December rate cut have stabilized – they are currently sitting at ~92.1%
- Note: The *October* JOLTS employment report prints today at 10:00 AM
- A weak JOLTS result could lead to slightly lower rates ahead of tomorrow’s FOMC rate decision
- 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 down ~1-2 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading down ~1-3 bps, depending on tenor

SOFR swap rates are holding mostly steady 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. Chairman Powell will hold his customary post-meeting press conference tomorrow at 2:30 PM.

Traders will see the *October* JOLTS jobs data this morning at 10:00 AM. This is “back dated” data, so barring a radical departure from expectations, I do not expect a *significant* market reaction to the JOLTS data. JOLTS job openings for October is expected to print at 7117k.

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 ~92.1%. 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!!* The December Fed meeting is shaping up to be one of those meetings where the new dot-plot, SEP and Chairman Powell’s press conference will be far more important than the actual rate cut. *Those three variables will likely set the tone for rates for 2026.*

Market uncertainty continues to swirl around the pace of easing in 2026. 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 traders and investors are anticipating. A “neutral” or even “neutral-hawkish” monetary policy tone could push SOFR swap rates higher and steepen the yield curve, driving cap premiums higher.

SOFR Swap Rate Summary: The 1Y SOFR swap rate is trading down ~1 bp this morning. 2Y and 3Y SOFR swap rates are currently up ~1 bp this morning. 5Y and 10Y SOFR swap rates are currently trading down ~1-2 bps. The very back-end of the swap curve is currently trading down ~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: 9:15 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						
2Y	3.563	-0.011	-19.6820	-0.0660	3.3675	-0.0124
3Y	3.596	-0.014	-23.6289	+0.2969	3.3581	-0.0130
4Y	3.671	-0.015	-27.3150	+0.3645	3.3893	-0.0127
5Y	3.731	-0.015	-29.3758	+0.2892	3.4372	-0.0136
7Y	3.918	-0.018	-36.3772	+0.2028	3.5557	-0.0173
10Y	4.141	-0.023	-40.8500	+0.0250	3.7338	-0.0220
20Y	4.743	-0.028	-66.5450	+0.1550	4.0787	-0.0271
30Y	4.775	-0.028	-71.1250	-0.0680	4.0641	-0.0286

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

CHART 2 & 2A: *SOFR SWAP RATES MOSTLY STEADY AS MARKET PREPARES FOR FOMC RATE DECISION*

SOFR swap rates are holding mostly steady this morning – a bp or two lower as you move out along the curve. 1Y swaps have traded in a narrow range recently. SOFR swap rates 2-years and out have been a bit more volatile. Lingering inflation fears have pushed medium and long term rates higher recently. 2Y and 3Y swaps have increased due mainly to reduced Fed rate cut expectations for 2026. Barring anything unforeseen, I expect SOFR swap 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

CHART 3: FORWARD IMPLIED FED FUNDS RATES AS OF 12/9/2025



Please see below for the most current implied Fed Funds rates through October 2026. Currently, the market is pricing in two additional 25 basis point rate cuts for 2026.

CHART 3: MARKET IMPLIED FED FUNDS RATES FOR 2026

FOMC Forward FF	
12/10/25	3.6700
01/28/26	3.5997
03/18/26	3.5177
04/29/26	3.4646
06/17/26	3.3395
07/29/26	3.2716
09/16/26	3.1930
10/28/26	3.1514

Source: Bloomberg, LLP | IMPLIED FED FUNDS RATE THROUGH OCTOBER 2026

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