

**Flash Update: US RATE MARKETS – FRIDAY JULY 18, 2025**

- US Treasury yields and SOFR swap rates drifted lower this morning, but remain largely unchanged for the week
- Market participants seem handcuffed by the high level of uncertainty currently permeating the market
- The information and data we received this week were not significant enough to change the market's outlook
- President Trump's anti-Fed rhetoric and threats to fire Chairman Powell will continue to weigh on financial markets
- For the near term, traders will remain focused on tariffs, trade negotiations, geopolitics and inflation expectations
- Short-end SOFR swap rates are trading down ~2-3 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading down ~1-3 bps, depending on tenor
- The next FOMC rate decision is due on Wednesday, July 30th at 2:00 PM
- *Expect rate markets to continue to be headline and data driven*
- *Elevated intraday rate volatility and/or sudden market movements are still possible for the near term*

US Treasury yields and SOFR swap rates drifted slightly lower this morning, mostly due to dovish comments by the Fed's Waller. Waller stated he still favors a July rate cut, primarily due to job market concerns driven by the private sector. Despite all the "data and drama" we saw this week, rates traded in a narrow channel. Rates are currently trading very close to where they began the week. The 2Y SOFR swap rate started the week at 3.635% - it is currently trading at 3.626%. The 10Y SOFR swap rate began the week at 3.854% and is currently trading at 3.872%. Not a lot of movement given the amount of data and information we received this week. In short, I do not believe we have any greater clarity on the Fed's next move, or the path forward for interest rates. Expect rates to remain range bound in the near term, but susceptible to "headline" volatility.

The escalating political drama surrounding the Fed and Chairman Powell will continue to weigh on markets. Clearly, President Trump is using every tactic he can to oust the Fed Chairman, or at least to pressure him to lower rates. Bottom line: The market's overall tepid response to the data this week, and to President Trump's "anti-Fed" rhetoric, indicates "rate cut uncertainty" remains elevated.

Fed officials will be heading into their pre-meeting "quiet period" – today will be the last day we will hear from Fed officials until after the July Fed meeting wraps up. All eyes will slowly shift to the FOMC meeting (and Chairman Powell's press conference) at the end of the month.

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

***Please note: Market levels can change quickly - potentially, very quickly - in this type of market environment.***

**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	3.865	-0.039	-24.0169	+0.5842	3.6261	-0.0339
3Y	3.836	-0.039	-30.0060	+0.4040	3.5361	-0.0346
4Y	3.894	-0.038	-35.4445	+0.3205	3.5405	-0.0341
5Y	3.952	-0.036	-37.3645	+0.3855	3.5800	-0.0323
7Y	4.172	-0.035	-47.4350	+0.6050	3.7002	-0.0294
10Y	4.423	-0.028	-55.0000	+0.2500	3.8743	-0.0258
20Y	4.987	-0.017	-81.5000	-0.2407	4.1729	-0.0203
30Y	4.990	-0.018	-86.1072	+0.0178	4.1292	-0.0182

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

CHART 2 & 2A: SOFR SWAP RATES DRIFT A TOUCH LOWER, BUT REMAIN RANGE BOUND AS MARKET SEEKS DIRECTION

SOFR swap rates drifted a touch lower this morning, primarily due to dovish comments by the Fed’s Waller. Waller is a known Fed “dove” who supports a July rate cut, so this is not really new information. Waller’s dovish comments helped push rates down a bp or two this morning, but did not materially change the market outlook for a July rate cut. Those odds are still sitting under 5%. From my perspective, the data we saw this week simply validated current market rate cut pricing – that is the primary reason rates did not move more meaningfully this week. SOFR swap rates continue to trade in a range (See Chart 2 & Chart 2A). Longer-term rates have been a touch more volatile than the short-end of the curve. Barring anything unforeseen, we may not see traders bold enough to carve out a new trading range until after the July FOMC meeting.

Currently, forward market pricing implies ~45.1 bps of cumulative rate cuts for 2025. That number was ~43.3 at yesterday’s close. The current odds for a July rate cut notched up slightly ~4.7% (dovish Fed comments are keeping the slim hope of a July rate cut alive); the odds for a September rate cut stabilized at ~58.7%. The odds for an October rate cut are sitting at ~80.6%, and the odds for a December rate cut are currently ~93.5%. There is also growing market speculation that the Fed could cut rates 50 bps in December (odds = ~42.6%). Currently, the market still favors two, 25 bp rate cuts in 2025, but those rate cuts are not anticipated to occur until the October and/or December FOMC meetings.

CHART 2: Short-End SOFR Swap Rates Drift Lower As The Market Seeks Direction



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR (5) DAYS

CHART 2A: Long-End Swap Rates Hold Mostly Steady As Traders Look Ahead To July FOMC Meeting



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

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