

Flash Update: US RATE MARKETS – MONDAY JULY 21, 2025

- US Treasury yields and SOFR swap rates drifted a touch lower this morning, as traders await data and the upcoming Fed rate decision
- Market participants seem handcuffed by the high level of uncertainty currently permeating the market
- President Trump’s anti-Fed rhetoric and threats to fire Chairman Powell will continue to weigh on financial markets
- There is no data released today; Focus early this week will be on the next round of corporate earnings reports
- 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 ~3-5 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. Rates edged a touch lower as market participants hold on to the slim hope that the Fed will cut rates next week. Market participants are waiting for data and/or information, but mostly looking ahead to next week’s Fed rate decision. Dovish comments by Fed officials last week rekindled the possibility for a Fed rate cut in July. Fed officials are now in the pre-meeting “quiet period”, so we will have to wait until next week to see how it plays out. The majority of economists and market participants *do not* expect a rate cut next week.

Focus early this week will be on the broad range of corporate earnings reports due for release. Market participants will be looking for signals that tariffs are negatively impacting corporate earnings results. Given the proximity of the next Fed meeting, I don’t expect market participants to overreact to earnings reports, but they could create pockets of heightened intraday volatility this week. Expect rates to remain range bound this week, but susceptible to “headline” volatility. However, if anti-Fed rhetoric ramps up even further ahead of the FOMC meeting next week, or if corporate earnings are unexpectedly weak, rates could drift even lower.

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 ~3-5 bps. The very back-end of the swap curve is currently trading down ~4-5 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
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2Y	3.848	-0.021	-24.3026	-0.0878	3.6055	-0.0228
3Y	3.805	-0.031	-29.8330	+0.2121	3.5073	-0.0287
4Y	3.855	-0.034	-35.2570	+0.1980	3.5056	-0.0315
5Y	3.910	-0.038	-37.0024	+0.2476	3.5407	-0.0339
7Y	4.122	-0.042	-47.0520	+0.3000	3.6546	-0.0422
10Y	4.370	-0.046	-54.7500	+0.1250	3.8238	-0.0449
20Y	4.926	-0.054	-80.9760	+0.6090	4.1179	-0.0488
30Y	4.935	-0.054	-86.3553	+0.2697	4.0721	-0.0534

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

CHART 2 & 2A: SOFR SWAP RATES DRIFT LOWER; TRADERS LOOK AHEAD TO NEXT WEEK’S FOMC MEETING

SOFR swap rates drifted a touch lower this morning, as political pressure mounts for the Fed to cut rates. That said, the “pressure” has not materially changed the market outlook for a July rate cut. Those odds are still sitting under 5%. Overall, rates are largely unchanged from where they were sitting one month ago. Longer-term rates have been a touch more volatile than the short-end, but neither have moved dramatically over the prior thirty days. Barring anything unforeseen, we may not see traders bold enough to carve out a new trading range until after the July FOMC meeting. Uncertainty remains high – I believe the recent low volatility, range-bound market environment is simply a lull in the action.

Currently, forward market pricing implies ~47.7 bps of cumulative rate cuts for 2025. That number was ~45.6 at Friday’s close. The current odds for a July rate cut are holding at ~4.7%; the odds for a September rate cut notched up to ~62.4%. The odds for an October rate cut are sitting at ~82.5%, and the odds for a December rate cut are currently ~94.4%. There is some market speculation that the Fed could cut rates 50 bps in December (odds = ~43.1%). 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 Notch Lower – “Pressure” On Fed Keeps July Rate Cut Hopes Alive



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR (30) DAYS

CHART 2A: Long-End Swap Rates Dip Lower Ahead Of Corporate Earnings Reports



Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR (30) DAYS

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