

**Flash Update: US RATE MARKETS – TUESDAY JULY 22, 2025**

- US Treasury yields and SOFR swap rates are holding mostly steady this morning as traders await 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
- Focus early this week will be on the next round of corporate earnings reports
- 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
- 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 are holding mostly steady this morning, as the market awaits next week's FOMC rate decision. This is a relatively light week for primary economic data – the next big event is the upcoming July FOMC meeting. Existing Home Sales data for June is released today at 10:00 AM. Tomorrow, we will see Initial Jobless Claims at 8:30 AM and S&P Global US Manufacturing & Services PMI and New Home Sales data released at 10:00 AM. None of the numbers due for release this week are expected to move the market dramatically.

Fed officials are now in the pre-meeting “quiet period”, so the next time we hear from a Fed official will be Chairman Powell's post-meeting press conference. The majority of economists and market participants *do not* expect a rate cut next week.

Focus the early part of 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 the 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 ~1-2 bps this morning. **2Y** and **3Y** SOFR swap rates are down ~1-2 bps 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 ~1 bp.

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

**CHART 1: US RATES SNAPSHOT: 9:45 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	3.840	-0.022	-24.4440	+0.0701	3.5971	-0.0188
3Y	3.794	-0.019	-29.6800	+0.3627	3.4989	-0.0165
4Y	3.842	-0.020	-35.0450	+0.1505	3.4970	-0.0177
5Y	3.899	-0.017	-36.6195	-0.0195	3.5334	-0.0181
7Y	4.115	-0.016	-46.2229	+0.3571	3.6522	-0.0143
10Y	4.362	-0.015	-53.6250	+0.4850	3.8276	-0.0097
20Y	4.926	-0.010	-79.2830	+0.6270	4.1344	-0.0034
30Y	4.935	-0.009	-84.2493	+0.7373	4.0934	-0.0016

Source: Bloomberg, LLP | 9:45 AM NY Rates Snapshot

CHART 2 & 2A: SOFR SWAP RATES HOLD MOSTLY STEADY AS MARKET PARTICIPANTS AWAIT DIRECTION

SOFR swap rates are holding mostly steady this morning, despite mounting political pressure 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 sitting under 3%. Overall, rates are largely unchanged from where they were sitting last week at this time. Barring anything unforeseen, we may not see traders bold enough to carve out a new trading range until after the July FOMC meeting. Market 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 ~45.7 bps of cumulative rate cuts for 2025. That number was ~45.1 at yesterday’s close. The current odds for a July rate cut have dropped to ~2.6%; the odds for a September cut held steady at ~59.6%. The odds for an October rate cut are sitting at ~81.2%, and the odds for a December cut are currently holding steady at ~94.3%. There is some market speculation that the Fed could cut rates 50 bps in December (odds = ~43.5%). 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. A September rate cut is also still a possibility, although those odds have slid lower over the past two weeks.

CHART 2: Short-End SOFR Swap Rates Edge Lower In Quiet Market



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR (7) DAYS

CHART 2A: Long-End Swap Rates Steady As Market Awaits Direction

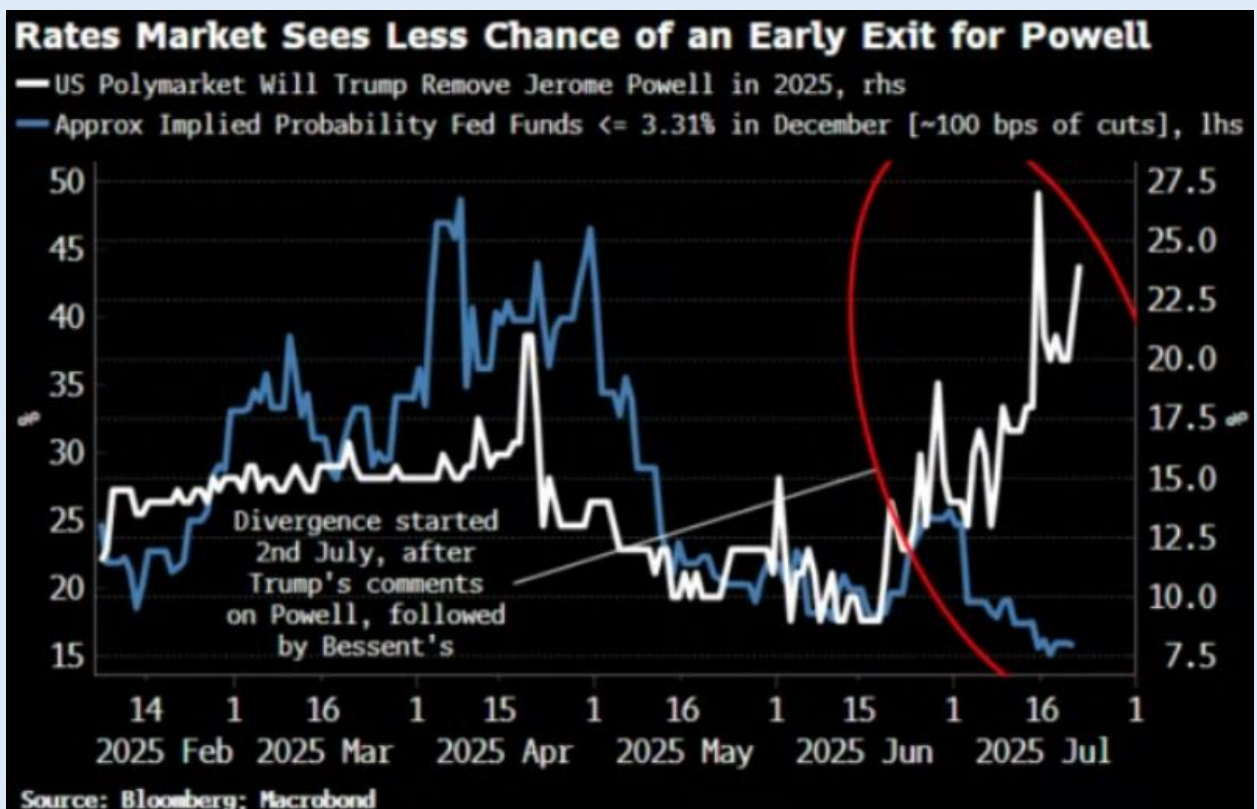


Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR (7) DAYS

### CHART 3: RATE MARKETS CALM DESPITE POWELL “DRAMA”; MARKET IMPLIED ODDS PLUNGE FOR 100 BPS OF RATE CUTS THIS YEAR

According to Polymarket, the world’s largest “prediction market”, the odds of an early exit for FOMC Chair Powell are rising, even as the rate markets appear largely unperturbed. The Polymarket implied probability that Powell leaves his post in 2025 is now sitting at ~24% (it peaked last week at 27% before falling as low as 20%). From a market perspective, there has been no “real” reaction from the rate markets to the possibility that Chair Powell will be removed before his term expires in 2026. The implied probability that the FOMC cuts rates 100 bps or more by its December meeting remains low and is *not* climbing. That said, markets anticipate this is not the end of this “saga”, which explains the rising odds that Powell will be removed early.

### CHART 3: Markets Believe Powell “Safe” ...For Now; Forward Pricing Shows Slim Chance For 100 BPS Of Rate Cuts In 2025



Source: Bloomberg, LLP | POLYMARKET PROBABILITY TRUMP REMOVES POWELL (white); FED FUNDS IMPLIED PROBABILITY FOR 100 BPS OF RATE CUTS THIS YEAR (blue)

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