

Flash Update: US RATE MARKETS – THURSDAY JULY 24, 2025

- US Treasury yields and SOFR swap rates moved higher this morning as “trade deal” optimism spreads
- Progress on US trade negotiations has prompted a “risk-on” market sentiment and sapped demand for safe haven assets
- Weekly Jobless Claims posted better-than-expected for the sixth straight week, also contributing to higher rates this morning
- Overall, rates remain range bound as market participants look ahead to next week’s FOMC rate decision
- Short-end SOFR swap rates are trading up ~2-5 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~4-5 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*

Rates ticked higher this morning as progress on US trade negotiations continues to bolster market sentiment, leading to a “risk on” trading pattern. Traders are slowly rebalancing portfolios from safe-haven US Treasuries to riskier assets like equities. The shift in market sentiment is the primary reason we are seeing slightly higher rates this week. If the “risk on” momentum continues, we may see rates drift higher as traders and portfolio managers sell Treasuries and buy risk assets.

That said, barring anything unforeseen, I anticipate rates will remain range bound until the FOMC rate decision next week. 2Y SOFR swaps were trading at 3.588% thirty days ago – right now they are trading at 3.672% (+8.4 bps). 10Y SOFR swaps closed at 3.803% thirty days ago and are currently trading at 3.898% (+9.5 bps). Rates are moving toward the upper-end of the recent thirty day trading range – the highs for the range are ~8-10 bps higher than where rates are trading right now. The “risk on” sentiment may keep rates biased higher this week, but I do not expect rates to break out of the range.

Fed officials remain 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. The next FOMC rate decision is due on Wednesday, July 30 at 2:00 PM. FOMC Chairman Jerome Powell will hold his *highly* anticipated press conference immediately following the rate decision.

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

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

CHART 1: US RATES SNAPSHOT: 9:15 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
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2Y	3.927	+0.046	-25.5650	-0.4350	3.6724	+0.0423
3Y	3.883	+0.057	-30.3300	-0.4326	3.5805	+0.0505
4Y	3.931	+0.058	-35.8625	-0.3625	3.5792	+0.0532
5Y	3.991	+0.059	-37.6250	-0.3850	3.6154	+0.0546
7Y	4.199	+0.060	-47.2500	-0.5900	3.7285	+0.0535
10Y	4.436	+0.057	-53.8750	-0.2500	3.8980	+0.0516
20Y	4.976	+0.054	-78.4310	-0.5026	4.1925	+0.0477
30Y	4.984	+0.049	-84.0100	-0.2600	4.1447	+0.0458

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

CHART 2 & 2A: SOFR SWAP RATES INCREASE AS “RISK ON” SENTIMENT CONTINUES

SOFR swap rates moved a touch higher this morning on continued optimism that the US will reach trade agreements with its major trading partners. As a result, SOFR swap rates are moving towards the upper quartile of the recent thirty day trading range. Given the proximity and importance of next week’s FOMC meeting, I do not see traders being bold enough to carve out a new trading range until after the meeting.

It is important to note that the uptick in rates this week has been driven by trade optimism and not by a significant shift in rate cut expectations. Furthermore, keep in mind that markets can show more pronounced moves in thin “summer trading”. All hands are likely to be on deck for next week’s Fed meeting – I think we will get a much better feel for the short-term direction for rates after we hear from the FOMC. I would avoid drawing any conclusions about rate cuts or the direction of SOFR swap rates based on this week’s trading patterns.

Currently, forward market pricing implies ~44.7 bps of cumulative rate cuts for 2025. That number was ~45.9 at yesterday’s close. The current odds for a July rate cut have dropped to ~2.6%; the odds for a September cut notched a touch higher to ~63.9%. The odds for an October rate cut are sitting at ~81.1%, and the odds for a December cut are currently holding steady at ~93.6%. There is some market speculation that the Fed could cut rates 50 bps in December (odds = ~43.3%). 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 decreased over the past two weeks.

CHART 2: Short-End SOFR Swap Rates Tick Higher As “Risk On” Sentiment Grips Market



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



CHART 2A: Long-End Swap Rates Rise As Demand For Safe Haven Assets Wanes



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

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