

Flash Update: US RATE MARKETS – MONDAY JULY 28, 2025

- US Treasury yields and SOFR swap rates moved a touch higher this morning as “trade deal” optimism spreads
- Progress on US trade negotiations is prompting a “risk-on” market sentiment and sapping demand for safe haven assets
- President Trump announced yesterday that he had struck a trade deal with the European Union
- The announcement eased market concerns that the EU and USA were on the brink of a prolonged and potentially damaging trade war
- US officials are meeting with Chinese officials in Stockholm this week – markets are optimistic a trade deal can be reached with China
- Overall, rates remain range bound as traders await key economic data and the FOMC rate decision due this week
- There is a full plate of economic data due for release this week including: GDP, 7/30, PCE, 7/31 and the July Employment Report, 8/1
- Short-end SOFR swap rates are trading flat to down ~1 bp this morning, depending on tenor
- Long-end SOFR swap rates are currently trading flat to up ~1 bp, 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 are holding mostly steady this morning – long-term rates are a *touch* higher on the positive trade news announced over the weekend. Overall, SOFR swap rates drifted slightly higher last week as the market balanced positive trade developments with the ongoing political attacks against the Fed and Chairman Powell. That said, the market is *definitely* waiting for the FOMC rate decision, hence the mostly range bound trading pattern we saw last week. The solid economic data we have seen recently and the positive trade developments make it less likely the Fed will need (or want) to cut rates multiple times this year, hence the slight uptick in rates.

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. That trend is likely to continue this morning, so we may see rates drift higher today, particularly after the equity markets open. Given the proximity of the FOMC rate decision, longer terms rates will be more vulnerable this week than the short-end of the curve. Longer tenors are more likely to be impacted by a change in market sentiment, especially during a safe haven “unwind”.

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 on Wednesday. The majority of economists and market participants do not expect a rate cut next week. The 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.

I expect all hands to be on deck this week for the Fed rate decision and Chairman Powell’s post-meeting press conference. We also will see a broad range of key economic data released this week. Traders will see GDP data on 7/30, PCE data on 7/31 and the July Employment Report on 8/1. There are a host of secondary numbers due for release as well, including JOLTS, ADP and Univ. of Michigan Consumer Confidence results. *We could definitely see elevated rate volatility this week as the market digests the broad range of data and information that will be released.*

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

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

CHART 1: US RATES SNAPSHOT: 9:00 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	3.926	+0.002	-25.3860	-0.3560	3.6729	-0.0019
3Y	3.875	+0.005	-30.1500	-0.5250	3.5741	-0.0009
4Y	3.913	+0.007	-35.3750	-0.6250	3.5670	+0.0005
5Y	3.964	+0.007	-36.7500	-0.5209	3.5976	+0.0021
7Y	4.165	+0.010	-46.2500	-0.6200	3.7040	+0.0035
10Y	4.400	+0.011	-53.2500	-0.6250	3.8683	+0.0048
20Y	4.938	+0.015	-78.1186	-0.8006	4.1592	+0.0072
30Y	4.945	+0.015	-83.5276	-0.6526	4.1108	+0.0081

Source: Bloomberg, LLP | 9:00 AM NY Rates Snapshot

CHART 2 & 2A: SOFR SWAP RATES HOLD MOSTLY STEADY AS MARKET AWAITS ECONOMIC DATA & FOMC RATE DECISION

Short-end swap rates are mostly unchanged this morning. Long-term SOFR swap rates drifted a touch higher, mostly on the positive trade developments. Continued optimism that the US will reach trade agreements with its major trading partners has shifted market sentiment. As a result, SOFR swap have moved towards the upper quartile of the recent trading range. That said, SOFR swap rates remain range bound as the market seeks direction. Given the proximity and importance of the FOMC rate decision, I do not see traders being bold enough to carve out a new trading range until after the Fed meeting.

Currently, forward market pricing implies ~43.6 bps of cumulative rate cuts for 2025. That number was ~43.7 at Friday’s close. The current odds for a July rate cut have dropped to ~3.1%; the odds for a September cut notched a touch higher to ~64.0%. The odds for an October rate cut are sitting at ~80.2%, and the odds for a December cut are currently holding steady at ~92.5%. There is some market speculation that the Fed could cut rates 50 bps in December (odds = ~42.4%). 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 Hold Steady As Market Awaits Data, FOMC Rate Decision



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR (10) DAYS

CHART 2A: Long-End Swap Rates Drift Higher On Positive Trade Developments



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

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