

Flash Update: US RATE MARKETS – TUESDAY JULY 29, 2025

- US Treasury yields and SOFR swap rates drifted lower this morning ahead of tomorrow's FOMC rate decision
- Markets are preparing for the Fed rate announcement and the release of key economic data later this week
- Overall, SOFR swap rates remain range bound as the market seeks clear direction
- 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
- This morning, the JOLTS job openings report prints at 10:00 AM
- 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 ~2-3 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*

Rates edged lower this morning, as traders and portfolio managers prepare for the Fed rate decision and brace for the key economic and inflation data due for release later this week. 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 tomorrow afternoon. The majority of economists and market participants do not expect a rate cut tomorrow, and I am in that camp. This morning we will see the JOLTS job openings data at 10:00 AM – expectations are calling for 7,500. The JOLTS number is not expected to dramatically move rates, but it could help set the tone as we steam towards the FOMC rate decision.

I do not see Powell (or other FOMC members for that matter) caving to political pressure. I would also point out that, despite President Trump’s constant refrain that rate cuts would help the “cost” of government debt, *managing the country’s interest expense is not a Fed mandate*. Also keep in mind that lowering the overnight rate does not guarantee lower mortgage rates - it could take a while for rate cuts to lower mortgage rates and it is possible they do not move substantially lower if the Fed cuts rates. Fed rate cuts may not be the boon to the housing market that people expect. That said, I do believe the Fed should cut rates soon, particularly if the inflation data remains static. Even if inflation shows a slight uptick, I do not think that moving the Fed Funds rate down 25 bps will have a meaningful impact on inflation. A rate cut would also be good for market sentiment – markets are clamoring for a rate cut and I think the Fed will provide one soon, probably in September. The FOMC rate decision is due tomorrow, 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 this week as well, including JOLTS, ADP and Univ. of Michigan Consumer Confidence results. *We could definitely see elevated rate volatility later 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 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 ~2-3 bps. The very back-end of the swap curve is currently trading down ~3 bps.

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 | 3.915 | -0.011 | -24.7050 | +0.6929 | 3.6574 | -0.0168 |
| 3Y | 3.858 | -0.019 | -30.1835 | -0.0735 | 3.5580 | -0.0185 |
| 4Y | 3.894 | -0.017 | -35.6250 | -0.1895 | 3.5505 | -0.0198 |
| 5Y | 3.947 | -0.022 | -37.2500 | -0.3750 | 3.5809 | -0.0210 |
| 7Y | 4.152 | -0.024 | -46.5233 | +0.2167 | 3.6884 | -0.0231 |
| 10Y | 4.386 | -0.024 | -53.3750 | | 3.8540 | -0.0248 |
| 20Y | 4.925 | -0.030 | -78.2470 | +0.3890 | 4.1431 | -0.0280 |
| 30Y | 4.931 | -0.028 | -83.7068 | -0.0890 | 4.0940 | -0.0294 |

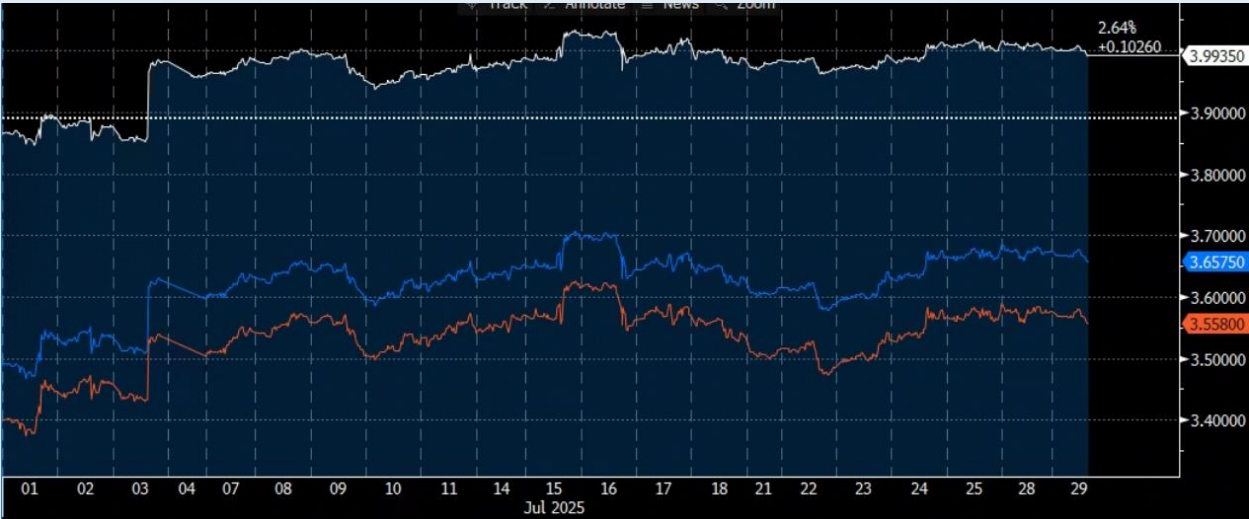
Source: Bloomberg, LLP | 9:00 AM NY Rates Snapshot

CHART 2 & 2A: SOFR SWAP RATES EDGE SLIGHTLY LOWER AS MARKET BRACES FOR FOMC RATE DECISION

As I have been pointing out in recent updates, SOFR swap rates remain range bound as the market seeks direction. You can see from the graphs below that swap rates across the curve popped higher in early July after the strong June Employment Report – the solid employment data basically shut down talk of a third rate cut this year. Since early July, SOFR swap rates have been stuck in a relatively narrow 20 basis point trading range. Swap rates have recently moved to the upper quartile of the 30-day trading range, as positive trade developments, solid economic data and relatively tame inflation make it less likely the Fed will need to cut rates multiple times this year. The market seems locked into two rate cuts this year.

Currently, forward market pricing implies ~45.1 bps of cumulative rate cuts for 2025. That number was ~43.9 at yesterday’s close. The current odds for a July rate cut have dropped to ~2.2%; the odds for a September cut notched a touch higher to ~64.2%. The odds for an October rate cut are sitting at ~81.0%, and the odds for a December cut are currently holding steady at ~93.3%. 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. 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 Mostly Steady As Traders Brace For FOMC Rate Decision



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

CHART 2A: Long-End Swap Rates Drift Lower As Market Awaits Fed Rate Decision & Key Economic Data



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

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