

Flash Update: US RATE MARKETS – TUESDAY AUGUST 19, 2025

- US Treasury yields and SOFR swap rates drifted a touch lower this morning as the market awaits data and Fed guidance
- Housing Starts and Building Permits data for July came in better-than-expected – market participants shrugged-off the data
- Traders are likely to focus on Fed related matters this week
- The July FOMC Meeting Minutes are released tomorrow, 8/20 at 2:00 PM
- FOMC Chairman Jerome Powell speaks at the Fed’s annual Jackson Hole event on Friday, 8/22 at 10:00 AM
- Tariffs and trade related developments will continue to captivate the market for the foreseeable future
- Rising geopolitical risk is also a growing concern for the market, particularly the situations in Ukraine and the Middle East
- 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
- *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*

SOFR swap rates and US Treasury yields drifted a touch lower this morning, as traders await the next round of key economic data and brace for comments from Chairman Powell later this week. Markets definitely have a “summer trading” feel as we approach the end of the season. Lighter volume and a lack of catalysts often lead to range bound markets and reduced volatility, and that is what we are seeing right now. Last week, we did see some pockets of rate activity surrounding the inflation and retail sales data, but the positive news on both fronts largely offset each other. Last week’s data did not provide any clear direction for the market. In fact, it seemed to add to the uncertainty about a Fed rate cut in September. The FOMC will be in focus this week – the July FOMC meeting minutes are released tomorrow afternoon and Chairman Powell speaks on Friday morning. Market participants are hoping for some fresh guidance from the Fed this week. Currently, two 25 bp rate cuts are firmly priced in to the forward curve. I am still not convinced that a rate cut is a certainty for September – hopefully, Chair Powell can shed some light on the Fed’s current mindset and provide some clear guidance for the rates market.

Market participants largely shrugged-off the positive housing data we saw this morning. Housing Starts and Building Permits both beat expectations. Of particular note, the data showed that multi-family Housing Starts were up 27% in July. That is a huge positive for a sector that has been struggling recently. The data did not have a material impact on rates – traders likely want to see more data before drawing any conclusions about the overall health of the housing market.

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 ~1-2 bps. Rate volatility remains relatively subdued given the summer trading environment.

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

2Y	3.754	-0.009	-24.3550	-0.4272	3.5114	-0.0141
3Y	3.711	-0.011	-28.6344	-0.1139	3.4270	-0.0133
4Y	3.772	-0.015	-34.0650	-0.0280	3.4322	-0.0135
5Y	3.833	-0.013	-35.8825	+0.1157	3.4740	-0.0137
7Y	4.049	-0.015	-44.9400	+0.2630	3.6015	-0.0127
10Y	4.318	-0.016	-52.7500	+0.2500	3.7915	-0.0130
20Y	4.896	-0.012	-77.5520	-0.0470	4.1220	-0.0131
30Y	4.917	-0.016	-82.5000	+0.2769	4.0936	-0.0131

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

CHART 2 & 2A: SOFR SWAP RATES DRIFT LOWER AS MARKET AWAITS FED GUIDANCE

SOFR swap rates dipped slightly this morning as market participants shrugged off the positive housing data released this morning. Traders are clearly waiting for Fed guidance and the next round of key economic data. The next key data we will see will be July PCE, which is released on 8/29. SOFR swap rates have been trading in a narrow range since last week – the 2Y SOFR swap rate opened last week at 3.525% and it is currently trading at ~3.511%. Yes, we had some pockets of intraday volatility, but the positive inflation and retail sales data basically offset each other. Tame inflation and solid retail sales argues for holding monetary policy steady. I expect the market to continue to trade in a relatively tight range until we hear from Chairman Powell later this week.

Currently, forward market pricing implies ~54.1 bps of cumulative rate cuts for 2025. That number was ~53.3 at yesterday’s close. Based on the generally positive economic data we saw last week, odds for a 25 bp September rate cut have dropped to ~83.1% – those odds were sitting at ~99% just a week ago. Market participants are hopeful that Chairman Powell will provide fresh guidance on the Fed’s monetary policy stance during his Jackson Hole speech scheduled for later this week.

CHART 2: Short-End SOFR Swap Rates Drift Lower But Remain Range Bound



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

CHART 2A: Long-End Swap Rates Mostly Steady As Traders Await Data



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

CHART 3: FED MEETING MINUTES RELEASED TOMORROW AT 2:00 PM; FOMC CHAIRMAN POWELL SCHEDULED TO SPEAK ON 8/22

This week is relatively light on key economic data, so the market’s focus is likely to shift to Fed related matters. The July Fed meeting minutes are released on 8/20 at 2:00 PM. The minutes are not expected to have a dramatic impact on rates, but given the “split” Fed we saw in July, market participants will be scouring the minutes for any clues about the Fed’s current mindset. Is a September rate cut truly on the table, or is it still a longshot? The meeting minutes may provide some additional insight into that question.

That said, the big “Fed” event for the week is Chairman Powell’s speech at the annual Jackson Hole, WY symposium. Chairman Powell is scheduled to speak on Friday, 8/22 at 10:00 AM. Chair Powell will be speaking on the economic outlook. Make no mistake, market participants will be paying very close attention to Powell’s comments. A week or so ago, a 25 bp rate cut in September was a given – not so right now. Odds have dipped for a September rate cut, so market participants will be eager to hear the Chairman’s current perspective and guidance.

CHART 3: Fed Speech Calendar Will Be A Focus For Market Participants This Week

Date	Time	A	M	R	Event	Period	S
08/19	10:00				Fed's Bowman Speaks on BTV		
08/19	14:10				Fed's Bowman Speaks at Wyoming Blockchain Symposium 2025		
08/20	11:00				Fed's Waller Speaks on Payment at Wyoming Blockchain Symposium		
08/20	14:00		🔔	📅	FOMC Meeting Minutes	Jul 30	
08/20	14:00				Fed Releases FOMC Minutes		
08/20	15:00				Fed's Bostic in Moderated Conversation on Economic Outlook		
08/21	07:30				Fed's Bostic Shares Brief Remarks on Economy		
08/22	10:00				Fed's Powell Speaks on Economic Outlook at Jackson Hole		
08/25	15:15				Fed's Logan Speaks at Bank of Mexico Centennial Conference		
08/25	19:15				Fed's Williams Gives Keynote Remarks		
08/26	00:01				Fed's Barkin Repeats Remarks on the Economy		

Source: Bloomberg, LLP | SCHEDULE OF FED SPEECHES TO 8/26/2025

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