

Flash Update: US RATE MARKETS – THURSDAY AUGUST 21, 2025

- US Treasury yields and SOFR swap rates drifted *slightly* higher this morning as the market awaits data and Fed guidance
- FOMC Chairman Jerome Powell speaks at the Fed's annual Jackson Hole event tomorrow, 8/22 at 10:00 AM
- Chair Powell will be speaking on the Fed's current economic outlook – the market will be listening!
- This week is light on key economic data, but we will see S&P Global Services & Manufacturing PMI data this morning at 10:00 AM
- July Existing Home Sales data is also released this morning 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 up ~1-2 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~2-3 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 are drifting slightly higher this morning. Market participants are bracing for Chairman Powell's Jackson Hole speech tomorrow morning at 10:00 AM. 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 this week.

The FOMC will be in focus this week – Chairman Powell speaks on Friday morning. Market participants are hoping for some fresh guidance from the Fed. 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 market.

There is secondary economic data scheduled for release this morning: S&P Global Services and Manufacturing PMI and July Existing Home Sales results are due at 10:00 AM. I do not expect the data this morning to have a significant impact on rates. We are in the midst of the summer doldrums and traders will likely be reluctant to move rates prior to Chair Powell's speech tomorrow.

The July FOMC meeting minutes were released yesterday at 2:00 PM. The minutes showed that a "majority" of participants judged upside inflation risk as greater, while "several" viewed risks as roughly balanced, and "a couple" considered downside employment risk more salient. From my perspective, it still does not feel like a September rate cut is a given.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading up ~1 bp this morning. **2Y** and **3Y** SOFR swap rates are up ~1-2 bps this morning. **5Y** and **10Y** SOFR swap rates are currently trading up ~2-3 bps. The very back-end of the swap curve is currently trading down ~2-3 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: 9:15 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

2Y	3.767	+0.018	-25.4016	-0.8066	3.5137	+0.0109
3Y	3.720	+0.021	-29.2775	-0.4075	3.4287	+0.0142
4Y	3.776	+0.022	-34.5775	-0.3500	3.4325	+0.0175
5Y	3.834	+0.022	-36.1663	-0.2913	3.4735	+0.0204
7Y	4.047	+0.027	-44.7500	-0.5800	3.6015	+0.0221
10Y	4.320	+0.029	-52.6248	-0.4998	3.7941	+0.0241
20Y	4.901	+0.028	-77.6800	-0.3500	4.1261	+0.0239
30Y	4.924	+0.030	-82.6250	-0.4968	4.0985	+0.0234

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

CHART 2 & 2A: SOFR SWAP RATES MOSTLY STEADY AS MARKET AWAITS FED GUIDANCE

SOFR swap rates are holding mostly steady this morning as markets brace for Chairman Powell’s comments tomorrow. 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 – the 2Y SOFR swap rate opened the week at 3.525% and it is currently trading at ~3.513%. I expect SOFR swap rates to remain range bound today as the market awaits Chairman Powell’s speech tomorrow.

Currently, forward market pricing implies ~52.1 bps of cumulative rate cuts for 2025. That number was ~53.4 at yesterday’s close. Based on the generally positive economic data we saw last week, odds for a 25 bp September rate cut have dipped to ~79.2% – those odds were sitting at ~99% just a week ago. The market seems to have abandoned hope for a third rate cut this year for now, and has firmly settled on two, 25 bp rate cuts this year. 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 Flat As Market Braces For Chairman Powell’s Comments



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 & 3A: FED IN FOCUS THIS WEEK: FOMC CHAIRMAN POWELL SCHEDULED TO SPEAK TOMORROW, 8/22 AT 10:00 AM

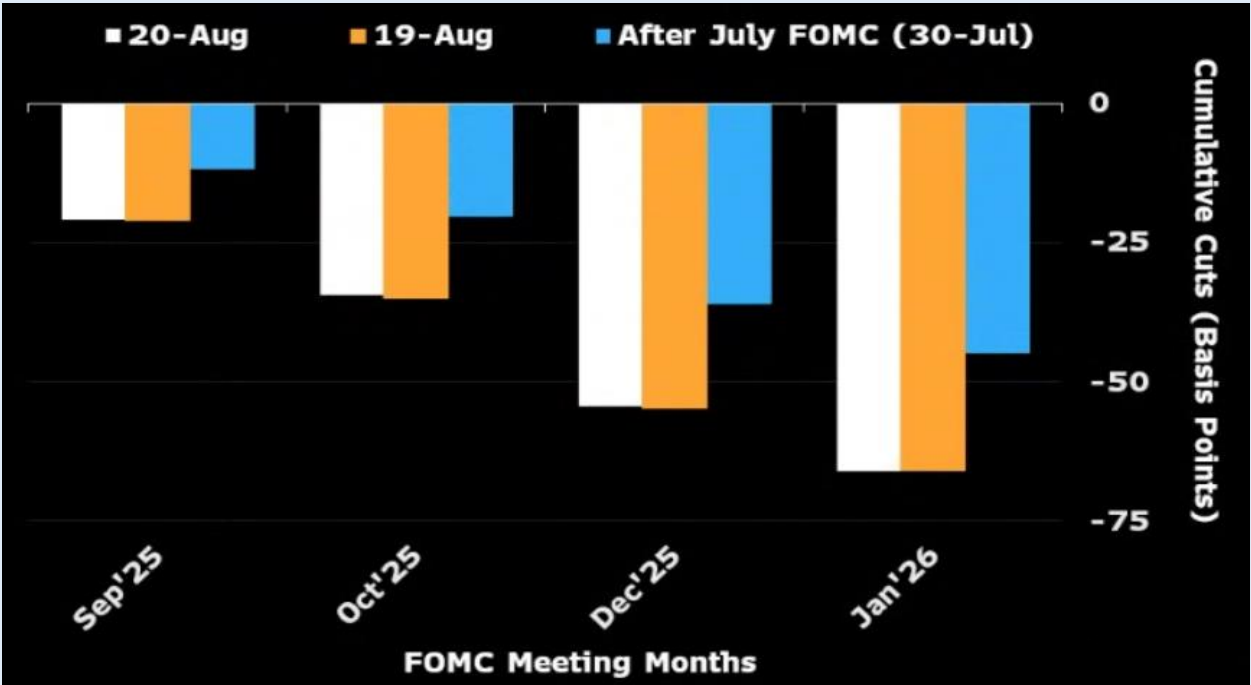
This week is relatively light on key economic data, so the market’s focus is likely to shift to Fed related matters. The “big” Fed event for the week is Chairman Powell’s speech at the annual Jackson Hole, WY symposium. Chairman Powell is scheduled to speak on Friday, 8/22 at 10:00 AM. Chair Powell will 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 The Focus For Market Participants This Week

Date	Time	A	M	R	Event
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
08/27	00:01				Fed's Barkin Repeats Repeats Remarks on the Economy
08/28	18:00				Fed's Waller Speaks on Monetary Policy

Source: Bloomberg, LLP | SCHEDULE OF FED SPEECHES TO 8/28/2025

CHART 3A: Fed Rate Cut Expectations Little Changed Since July FOMC Meeting



Source: Bloomberg, LLP | FED RATE CUT EXPECTATIONS FOR NEXT FOUR FOMC MEETINGS

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