



Flash Update: US RATE MARKETS – THURSDAY AUGUST 28, 2025

SOFR swap rates and US Treasury yields moved slightly higher this morning on a better-than-expected 2Q GDP revision. Second quarter GDP was revised higher to 3.3% (vs. 3.1% first revision), the strongest GDP print since September 2023. Overall, given the summer trading environment, the market reaction was muted. Short-end swap rates drifted slightly higher (See Chart 1). Long-term rates were down ~1-2 bps this morning, as traders are still concerned about inflation, the surging US deficit and the market implications of President Trump’s attempt to manipulate the Fed. The positive GDP revision does make it *slightly* more likely the Fed will refrain from “aggressive” rates cuts that could fuel inflation. As such, back-end rates dropped a bp or two this morning. Overall, SOFR swap rates have been trading in a relatively narrow range this week.

Despite the Fed “drama” and focus on the data this week, markets will continue to 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 rate volatility. That said, the Fed’s preferred inflation gauge, PCE, is released tomorrow at 8:30 AM. With inflation in focus again for the market, traders will be paying close attention to the July PCE results. A higher-than-expected PCE print tomorrow would likely lower the odds for a September rate cut, and short-end SOFR swap rates would likely drift higher. July core PCE is forecast to show a 2.9% increase in July from a year ago. That would be fastest annual pace in five months. Odds for a 25 bp September rate cut are holding steady at ~85%.

I do not think we are likely to see the market’s “real” reaction to the Fed drama and/or the data released this week until traders return from “summer vacation” next week.

**SOFR Swap Rate Summary:** The **1Y** SOFR swap rate is trading up ~1-2 bps this morning. **2Y** and **3Y** SOFR swap rates are currently up ~2-3 bps. **5Y** swap rates are up ~2-3 bps this morning, and **10Y** SOFR swap rates are currently trading flat to last night’s close. 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.

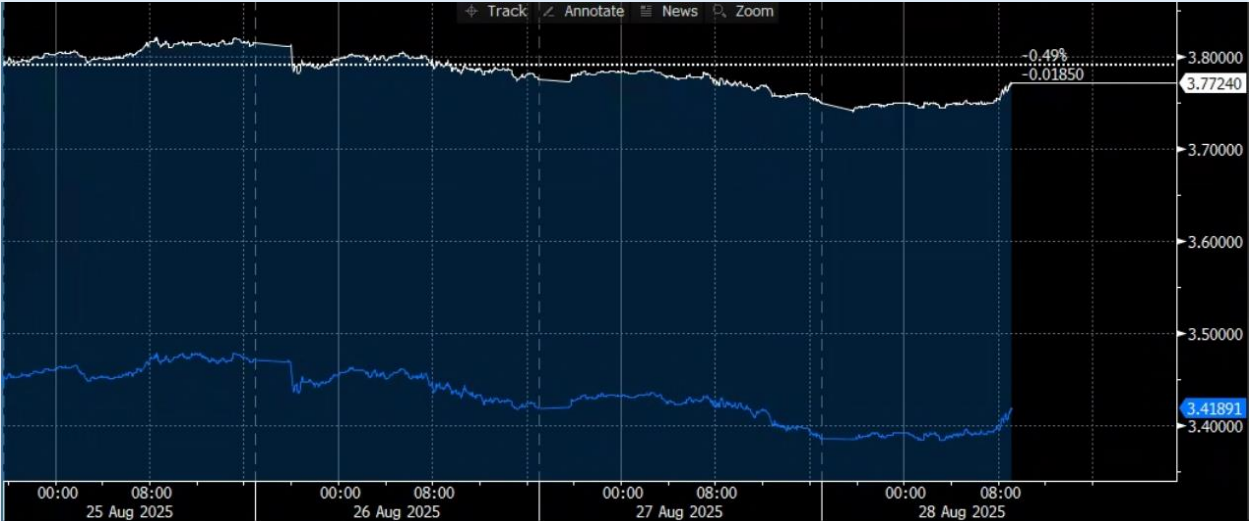
CHART 1: US RATES SNAPSHOT: 9:15 AM Eastern

\*For SOFR Swap Rates & Change-On-Day (In Bps) – Refer Two Far Right Columns Below (SOFR SWAP RATES)

UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	3.643 +0.034	-22.6290	-0.1127	3.4197	+0.0343
3Y	3.610 +0.030	-28.7930	+0.2470	3.3235	+0.0334
4Y	3.656 +0.024	-34.5795	+0.1170	3.3213	+0.0294
5Y	3.720 +0.025	-36.2825	-0.0325	3.3593	+0.0248
7Y	3.948 +0.016	-45.3000	-0.1850	3.4962	+0.0143
10Y	4.240 +0.006	-53.4079	-0.0329	3.7066	+0.0052
20Y	4.860 -0.013	-78.5300	+0.3520	4.0755	-0.0100
30Y	4.904 -0.018	-83.8722	+0.1278	4.0657	-0.0161

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

**CHART 2: Short-End SOFR Swap Rates Drift Higher As 2Q GDP Is Revised To 3.3%; Overall, A Quiet Week For Swap Rates**



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) SOFR SWAP RATES, PRIOR (4) TRADING SESSIONS (WEEK-TO-DATE)

**CHART 2A: 2Q GDP Revision Shows US Economic Growth Remains “Solid”; Business Investment Increases**



Source: Bloomberg, LLP | HEADLINE GDP, BUSINESS INVESTMENT DATA SINCE Q1 2022

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