

Flash Update: US RATE MARKETS – FRIDAY AUGUST 29, 2025

PCE, Personal Income and Personal Spending data for July all printed “at expectations” (See Chart 2A). Rates held mostly steady on the short-end after the data was released – short-end swap SOFR swap rates are currently up ~1-2 bps. Long-end rates ticked ~2-3 bps higher – despite the “as expected” PCE print, inflation is still running at a higher rate than the Fed wants to see. YoY Core PCE printed at 2.9%, which is still “pretty far” from the Fed’s 2.00% target. Forward pricing is also holding steady. Odds for a 25 bp September rate cut are sitting at ~85.2%. The forward curve currently implies 55.5 basis points of cumulative rate cuts for 2025. I expect rates to trade in a narrow range today as we approach the long weekend.

The market will continue to focus on the deepening Fed drama and the possible long term market implications. I will be watching that situation closely over the coming weeks – there is more at stake for borrowers than meets the eye. (Note – There is a court hearing scheduled for today – It is worth keeping an eye on – this Fed situation is a *huge* wildcard for the markets).

Traders are also looking ahead to next week’s critical August Employment Report. A weak jobs report could “seal the deal” for a 25 bp rate cut in September. Conversely, a stronger-than-expected result may cause the Fed to hold off on a rate cut until October, or even December. The August Employment Report prints on Friday, September 5th at 8:30 AM. There is also a host of secondary economic data set for release next week, including the JOLTS and ADP jobs data, Factory Orders and ISM Services, among others. *Make no mistake – the data event next week is the release of the August Employment Report.*

Going forward, economic data *supporting* a September rate cut is likely to have a minimal impact on swap rates – the 50 bps of rate cuts for this year is already priced into the forward curve. In addition, I think the market is mostly convinced that the Fed is not going to cut rates “multiple” times in 2025 – traders seem to have heard the Fed’s message. I think that is the primary reason rates have not dropped on the data we have seen recently – traders are reluctant to price in more than two, 25 bp rate cuts this year. The risk to cap purchasers and borrowers is that the Fed *holds off* on a September rate cut and signals they may wait until December to cut rates. Signaling only *one* rate cut this year would definitely drive swap rates higher, leading to an increase in cap premiums.

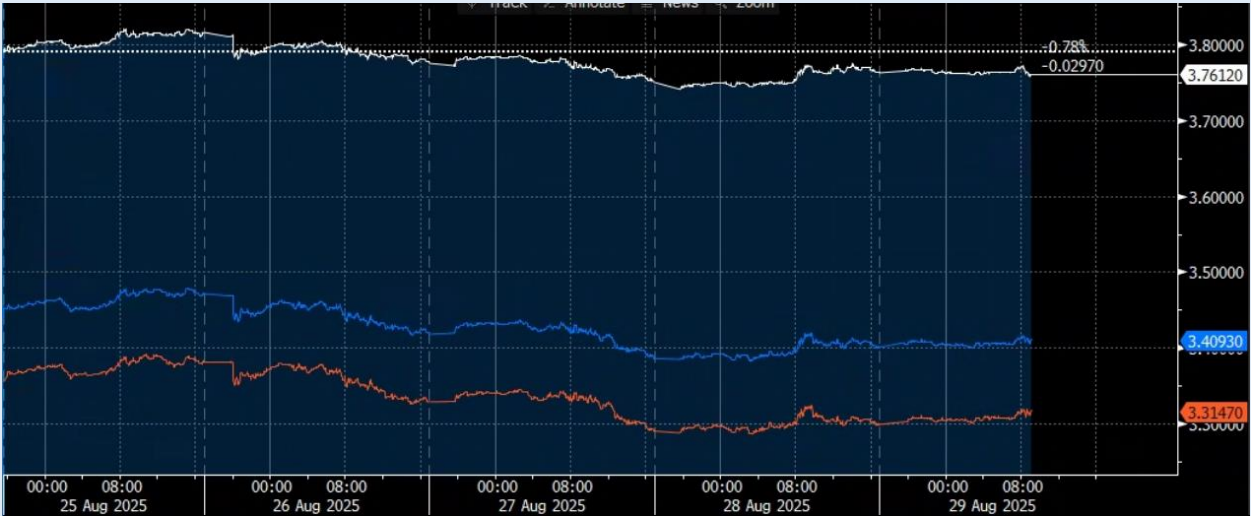
CHART 1: US RATES SNAPSHOT: 9:15 AM Eastern

**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	3.637	+0.008	-22.9250	+0.0760	3.4090	+0.0087
3Y	3.599	+0.011	-28.6557	+0.4443	3.3141	+0.0155
4Y	3.647	+0.016	-34.3335	+0.2915	3.3134	+0.0193
5Y	3.709	+0.022	-36.0171	+0.1129	3.3524	+0.0227
7Y	3.934	+0.026	-45.0614	-0.3014	3.4878	+0.0260
10Y	4.230	+0.027	-53.2930	+0.2070	3.6986	+0.0293
20Y	4.862	+0.034	-78.3745	+0.1335	4.0794	+0.0349
30Y	4.910	+0.035	-83.5000	+0.2500	4.0754	+0.0369

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

CHART 2: SOFR Swap Rates Drift Higher As Market Digests Data



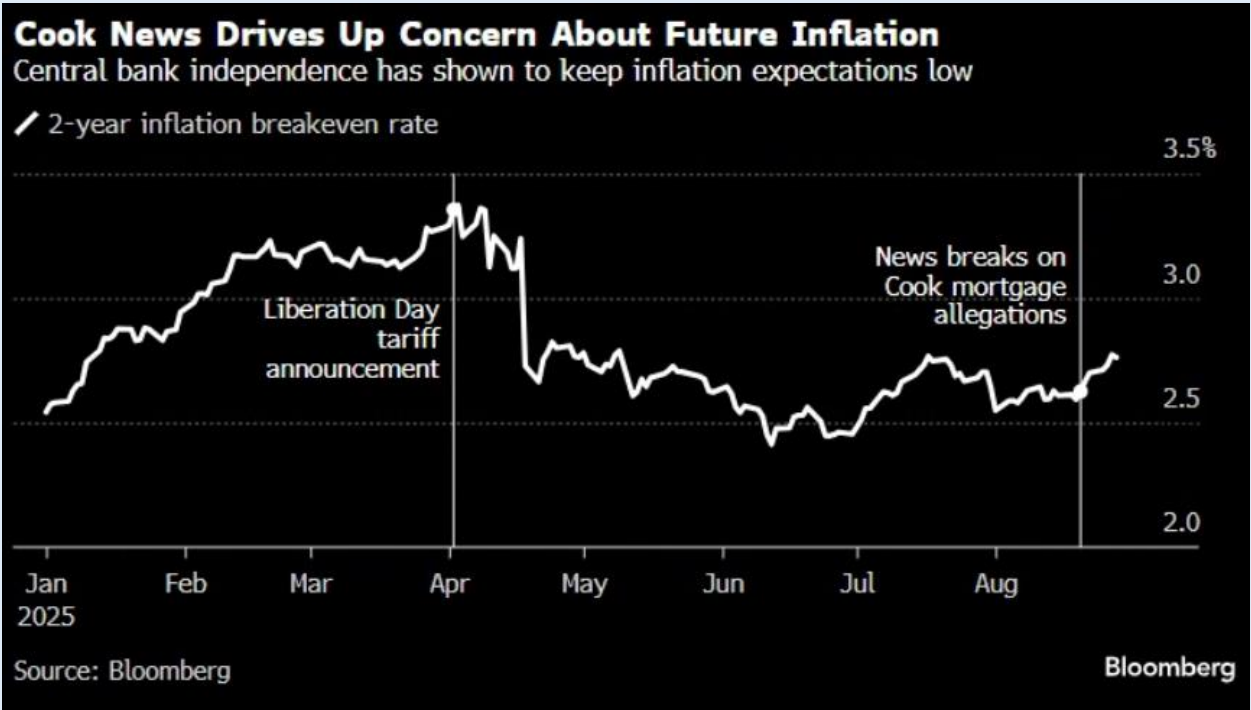
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR (5) TRADING SESSIONS (WEEK-TO-DATE)

CHART 3: Economic Data Recap – Data Prints “At Expectations”

Metric	Actual	Estimate
PCE price index (MoM)	+0.2%	+0.2%
Core PCE price index (MoM)	+0.3%	+0.3%
PCE price index (YoY)	+2.6%	+2.6%
Core PCE price index (YoY)	+2.9%	+2.9%
Real consumer spending (MoM)	+0.3%	+0.3%

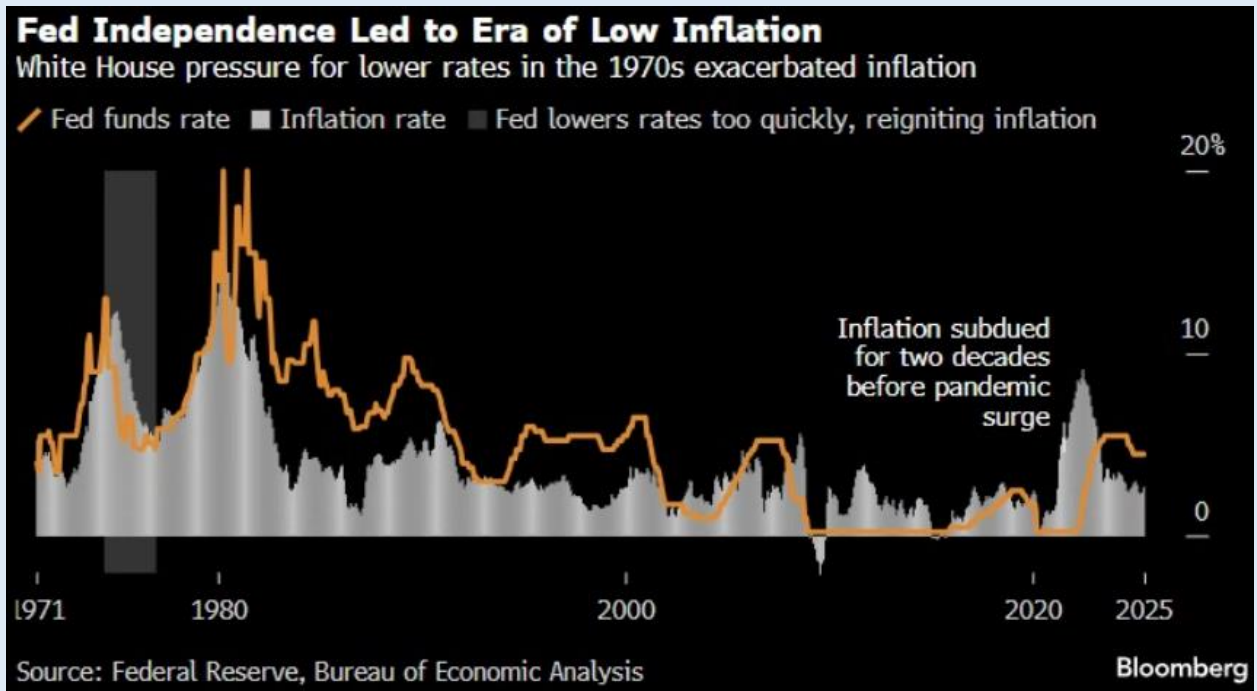
Source: Bloomberg, LLP | ECONOMIC DATA RECAP 8/29/2025

CHART 4: Fed Drama Adding To Market Uncertainty...And Impacting Inflation Forecasts



Source: Bloomberg, LLP | 2-YEAR INFLATION EXPECTATIONS (YTD)

CHART 5: History Shows Fed Must Stay Independent...



Source: Bloomberg, LLP | FOMC POLICY ANALYSIS SINCE 1971

Disclaimer: The information provided in this communication is intended for discussion purposes only. Nothing presented in this communication should be taken as a recommendation or forecast. All market data shown is indicative only and subject to change depending on current market conditions.

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