

## **Flash Update: US RATE MARKETS – WEDNESDAY AUGUST 6, 2025**

- US Treasury yields and SOFR swap are holding mostly steady this morning as the market assesses the path forward for interest rates
- Market participants are monitoring the tariff situation and ongoing developments concerning the FOMC & Chairman Powell
- President Trump ramped up his tariff blitz, saying he plans to impose increased levies on countries buying energy from Russia
- President Trump also announced he plans to slap duties on semiconductor and pharmaceutical imports “soon”
- Ongoing fears tariffs will lead to increased inflation has caused rates to drift *slightly* higher this week
- Data released yesterday showed weakening US services amid ‘sticky’ price pressures
- Next up for data: July CPI inflation data is released on Tuesday, 8/12 at 8:30 AM
- Short-end SOFR swap rates are trading flat this morning
- Long-end SOFR swap rates are currently trading up ~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 are holding mostly steady this morning – back-end rates are up a couple of basis points. Rates have drifted a touch higher this week, mostly due to lingering inflation fears. Yesterday, ISM Services Index data printed weaker-than-expected, and the Prices Paid component came in higher-than-forecasted (69.9 vs. 66.5 the prior reading). The recent inflation data has been sticky enough to warrant ongoing concern by market participants. From my perspective, that is the primary reason rates have not moved lower this week. Yes, the weak employment data is a concern, but so is a spike in inflation. At the moment, the market is still contemplating the ramifications of the slowing jobs market. However, fear that tariff induced inflation is coming is keeping market participants from fully committing to lower rates. Remember, weak economic growth and rising inflation create “stagflation, which is difficult for the Fed to manage via monetary policy. The path forward for rates may not be as clear as it seemed after the weak July jobs data and prior months revisions – we’ve got a long way to go and a *lot* of data to see before the next Fed meeting on September 17.

The next “big” data we will see will be July CPI, released on 8/12 at 8:30 AM. Traders will be paying very close attention to the inflation data. Should inflation remain static or even dip a touch lower, rates are likely to drop back towards the bottom of the range. An uptick in the CPI data would likely take some of the starch out of rate cut expectations – traders would likely discount the possibility of a 50 bp rate cut. A “jumbo” rate cut could potentially fan inflation, the last thing the Fed wants to see. Expect rates to bounce around in a relatively tight range today as market participants regroup and prepare for the next round of economic data. Corporate earnings reports, US Treasury issuance and news concerning the Fed will remain in focus for the market, but so far, they have not had a material impact on rates this week.

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

***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	3.724	-0.001	-24.0540	-0.4258	3.4847	-0.0046
3Y	3.690	-0.001	-28.7500	+0.7500	3.3930	-0.0032
4Y	3.731	+0.005	-34.2175	+0.4925	3.3895	+0.0014
5Y	3.781	+0.004	-36.1330	+0.1150	3.4214	+0.0054
7Y	3.982	+0.011	-45.3460	+0.0245	3.5326	+0.0127
10Y	4.226	+0.015	-52.6250	-0.0297	3.7004	+0.0151
20Y	4.786	+0.023	-78.6955	-0.1238	4.0005	+0.0213
30Y	4.806	+0.027	-84.7447	-0.1446	3.9592	+0.0236

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

CHART 2 & 2A: SOFR SWAP RATES HOLD STEADS AS MARKET MONITORS TARIFF DEVELOPMENTS

SOFR swap rates are mostly flat this morning. The back-end of the swap curve ticked a basis point or two higher. Markets have been very steady this week. The slight uptick in rates has been mostly due to US Treasury issuance, ongoing uncertainty surrounding US tariffs and lingering fears an uptick in inflation is coming. The main thing that could derail a September rate cut would be higher inflation. For the week, 1Y SOFR swap rates are up ~2 bps, 2Y swap rates are up ~3 bps and 10Y swap rates are close to unchanged. Despite the focus on tariffs and the potential for increased inflation, rates have traded in a narrow range so far this week.

Currently, forward market pricing implies ~58.2 bps of cumulative rate cuts for 2025. That number was ~58.3 at yesterday’s close. The odds for a September rate cut are sitting at ~89.2%. At the moment, traders *firmly* favor two, 25 bp rate cuts in 2025. A September rate cut is *definitely* back on the table.

CHART 2: Short-End SOFR Swap Rates Flat As Market Pauses To Regroup



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

CHART 2A: Long-End Swap Rates Drift Higher As Inflation Fears Linger



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

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