__Flash Update:__ **US RATE MARKETS – THURSDAY AUGUST 7, 2025**

- **US Treasury yields and SOFR swap rates drifted lower this morning on slightly higher-than-expected weekly jobless claims**
- **Market participants continue to monitor the tariff situation and ongoing developments concerning the FOMC & Chairman Powell**
- **Ongoing fears tariffs will lead to increased inflation has caused rates to drift *slightly* higher this week**
- **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 down ~1 bp 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 after slightly higher-than-expected weekly jobless claims. Overall, rates remain in a very tight channel as the market looks ahead to next week's CPI and PPI data releases. Keep in mind we are in "summer trading" mode, so the market's reaction to data and information tends to be more muted. We have not really had a significant market catalyst this week.

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 this year. 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 down ~1 bp this morning. **2Y** and **3Y** SOFR swap rates are down ~1 bp 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.

Please note: **Market levels can change quickly - potentially, __very quickly__ - in this type of market environment.**

__CHART 1:__ ***US RATES SNAPSHOT: 9:00 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

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2Y	3.718	+0.005	-24.4400	-0.3982	3.4738	-0.0009
3Y	3.672	+0.006	-28.8699	-0.6168	3.3840	-0.0020
4Y	3.721	+0.000	-34.1000	-0.2910	3.3824	-0.0020
5Y	3.772	-0.003	-35.7710	+0.1226	3.4159	-0.0018
7Y	3.971	-0.007	-44.6825	+0.1375	3.5269	-0.0055
10Y	4.233	-0.006	-53.2272	-1.3246	3.7005	-0.0088
20Y	4.782	-0.017	-77.5000	+0.3800	4.0071	-0.0149
30Y	4.803	-0.017	-83.5000		3.9683	-0.0169

Source: Bloomberg, LLP | 9:00 AM NY Rates Snapshot

CHART 2 & 2A: SOFR SWAP RATES DRIFT A TOUCH LOWER ON WEEKLY JOBLESS CLAIMS…SWAP RATES CLOSE TO UNCHANGED FOR THE WEEK

SOFR swap rates dipped a touch lower this morning, on slightly weaker-than-expected weekly jobless claims data. Overall, rate markets have been very steady – swap rates have barely moved all 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 currently trading at 3.813% (vs. 3.815% at Friday's close), 2Y swap rates are trading at 3.474% (vs. 3.457% at Friday's close) and 10Y swap rates are trading at 3.701% (vs. 3.706% at Friday's close). Rates are *very* close to unchanged this week. Despite the focus on tariffs and the potential for increased inflation, rates have traded in a narrow range this week.

Currently, forward market pricing implies **~60.2 bps** of cumulative rate cuts for 2025. That number was ~60.6 at yesterday's close. The odds for a September rate cut ticked up to ~91.2%. At the moment, traders *firmly* favor two, 25 bp rate cuts in 2025 (or perhaps, one 50 bp rate cut in October or December).

CHART 2: ***Short-End SOFR Swap Rates Drift Slightly Lower On Higher-Than-Expected Weekly Jobless Claims***

Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR (30) DAYS

CHART 2A: ***Long-End Swap Rates Edge Lower on Jobless Claims Data***

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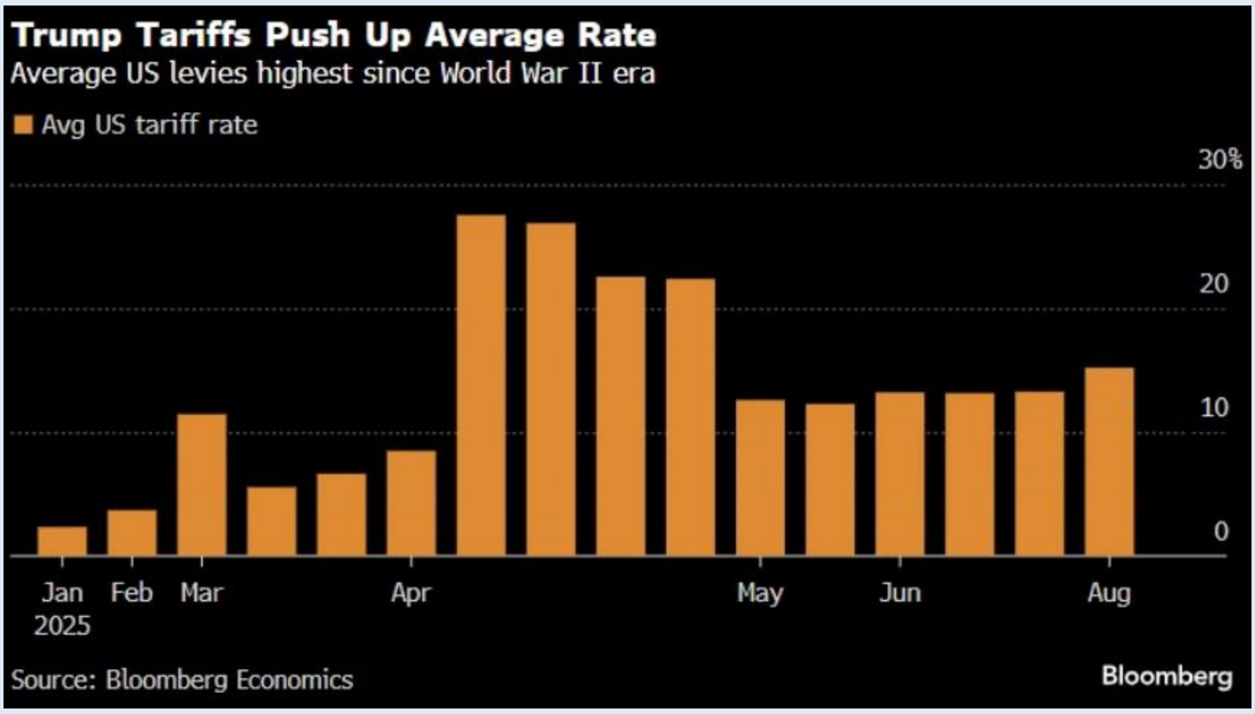
Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR (30) DAYS

CHART 3: UNCERTAINTY SURROUNDING US TARIFFS CONTINUES TO WEIGH ON RATES MARKET

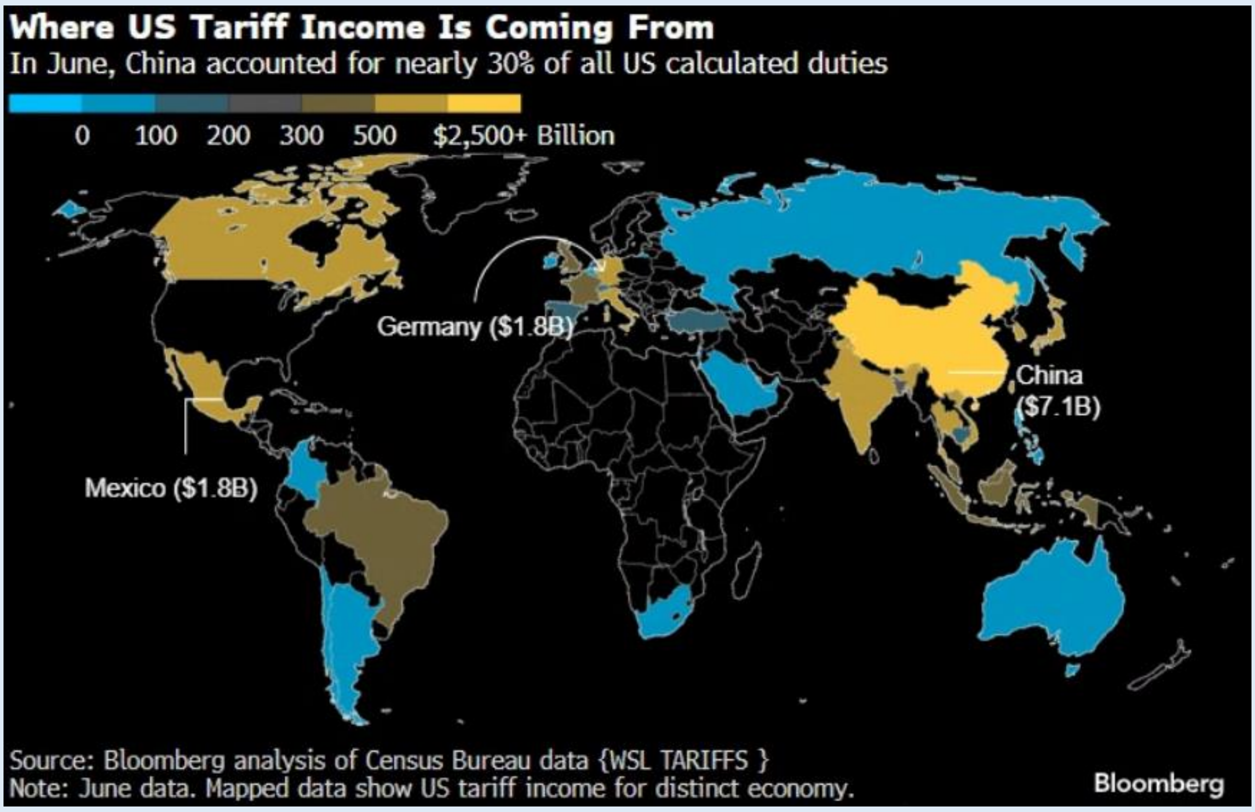
President Donald Trump's new tariffs have taken hold, with higher rates for almost all US trading partners. As a result, the average US tariff rate will increase to 15.2%, with some countries facing duties as high as 50%. The 15.2% average US tariff rate is the highest since the World War II era. President Trump has pledged that the tariffs will slash trade deficits and push companies to move manufacturing back to the US. Those opposed to tariffs have argued they could weaken economic growth and/or cause inflation to spiral out of control. There is also a fear that supply lines could be disrupted, leading to shortages on store shelves. None of those have yet come to pass, but recent economic data has indicated potential troubles lie ahead as the tariffs take hold. Despite the progress made to date on trade negotiations, crucial details of President Trump's plans remain left to be worked out. This may only be the beginning of a prolonged period of high tariffs. Market uncertainty remains at elevated levels. That caution comes amid mounting concerns about the US economy after data last week showed an uptick in inflation as well as weakening job growth and consumer spending.

CHART 2: ***Average US Tariffs At Highest Levels Since WW II Era***



Source: Bloomberg, LLP | AVERAGE US TARIFF RATE FOR 2025

CHART 2A: ***Breakdown Of US Tariff Income***



Source: Bloomberg, LLP | US TARIFF INCOME BREAKDOWN

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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