RateCap
Advisors

Flash Update: **US RATE MARKETS – THURSDAY SEPTEMBER 11, 2025**

- **US Treasury yields and SOFR swap rates dropped on "as expected" CPI data and weaker-than-anticipated weekly jobless claims**
- **CPI data for August showed consumer inflation remains steady, but still above Fed expectations**
- **Weekly jobless claims surged to 267k, signaling job market weakness may be accelerating**
- **The combination of tepid inflation and a cooling jobs market likely locks in a 25 bp rate cut next week**
- **Tariffs and trade related developments will continue to weigh on the market for the foreseeable future**
- ***Next up for key data:* August Retail Sales data is released on Tuesday, 9/16 at 8:30 AM**
- **Short-end SOFR swap rates are trading down ~3-5 bps this morning, depending on tenor**
- **Long-end SOFR swap rates are currently trading down ~2-3 bps, depending on tenor**
- **The next FOMC rate decision is due on Wednesday, September 17 at 2:00 PM**
- ***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 moved lower this morning. An "as expected" August CPI print and a surge in weekly jobless claims were the primary catalysts for lower rates this morning. The data we have seen this week likely locks-in a 25 bp rate cut next week. Odds for a 25 bp September rate cut are now ~90.9%. Odds for a *50 bp* rate cut in September have settled at ~9.1%.

Please note Fed officials are in the pre-meeting quiet period. The next time we hear from a Fed official will be Chairman Powell's post-meeting press conference. The FOMC rate decision is due Wednesday, 9/17 at 2:00 PM.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading down ~4-5 bps this morning. **2Y** and **3Y** SOFR swap rates are down ~3-4 bps this morning. **5Y** and **10Y** SOFR swap rates are currently trading down ~2-3 bps. The very back-end of the swap curve is currently trading down ~2-3 bps.

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

CHART 1: ***US RATES SNAPSHOT: 10:00 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

2Y	3.510	-0.032	-25.5300	-1.2600	3.2580	-0.0440
3Y	3.466	-0.030	-29.4283	-0.9013	3.1750	-0.0378
4Y	3.523	-0.032	-34.7600	-0.3850	3.1709	-0.0331
5Y	3.568	-0.028	-36.7793	-0.0293	3.2007	-0.0289
7Y	3.754	-0.031	-44.7760	+0.0790	3.3089	-0.0277
10Y	4.022	-0.022	-52.7447	-0.2468	3.4956	-0.0271
20Y	4.626	-0.021	-77.0700	-0.5409	3.8556	-0.0259
30Y	4.674	-0.022	-82.7500	-0.2766	3.8473	-0.0250

Source: Bloomberg, LLP | 10:00 AM NY Rates Snapshot

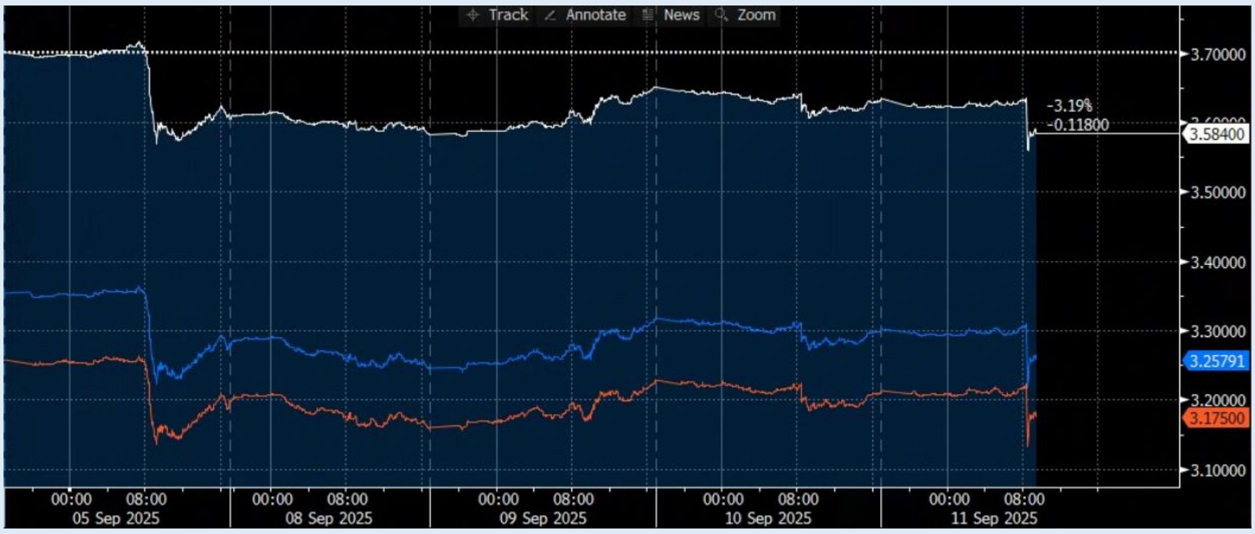
CHART 2, 2A & 2B: SOFR SWAP RATES DIP ON TEPID INFLATION DATA; SHORT-END SWAP RATES HOVER NEAR YEAR-TO-DATE LOWS

SOFR swap rates dipped lower this morning as the market breathes a sigh of “inflation” relief. The tepid PPI and CPI data likely ‘green light’ a Fed rate cut next week. The weaker-than expected jobless claims data we saw this morning keeps hopes for a 50 bp rate cut alive.

Please note, SOFR swap rates are trading *very* close to 2025 year-to-date lows. Declining swap rates have led to a significant reduction in cap premiums over the past two months, particularly for caps inside of three years. 10-Year US Treasury yields are at their lowest level since April, which is helping to lower mortgage rates and improve sentiment.

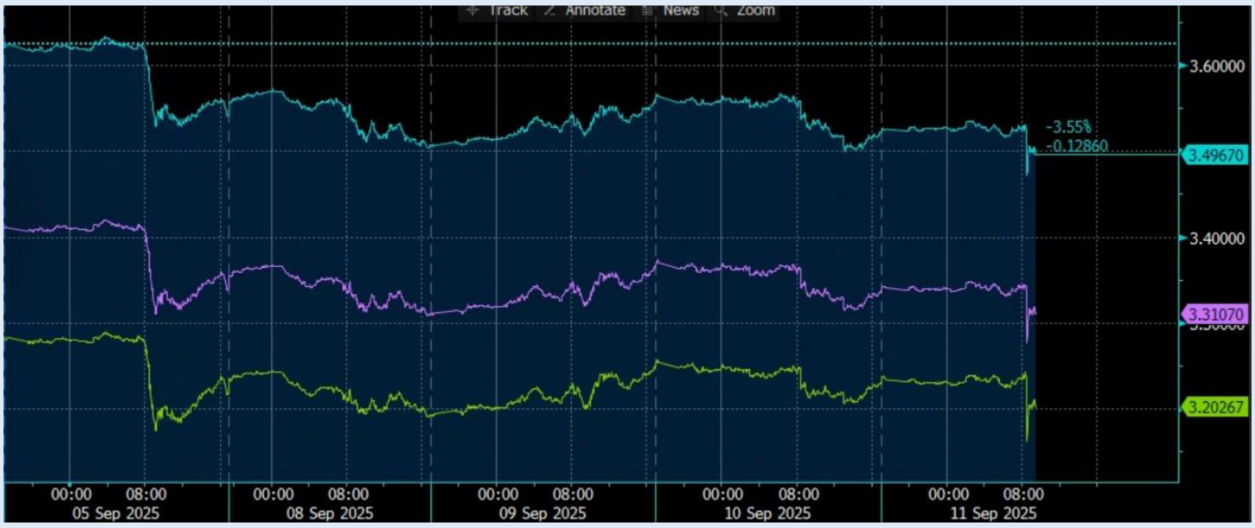
Currently, forward market pricing implies **~73.1 bps** of cumulative rate cuts for 2025. That number was ~68.2 bps at yesterday’s close. Odds for a 25 bp September rate cut have stabilized at ~90.9%. Traders have now *firmly* priced in a 25 bp rate cut for next week. Cumulative rate cut pricing now suggests we may see more than two, 25 bp rate cuts this year, or perhaps one jumbo 50 bp rate cut. Odds for a 50 bp rate cut in September are sitting at ~9.1%.

CHART 2: ***Short-End SOFR Swap Rates Drop On September Rate Cut Enthusiasm***



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR (5) DAYS

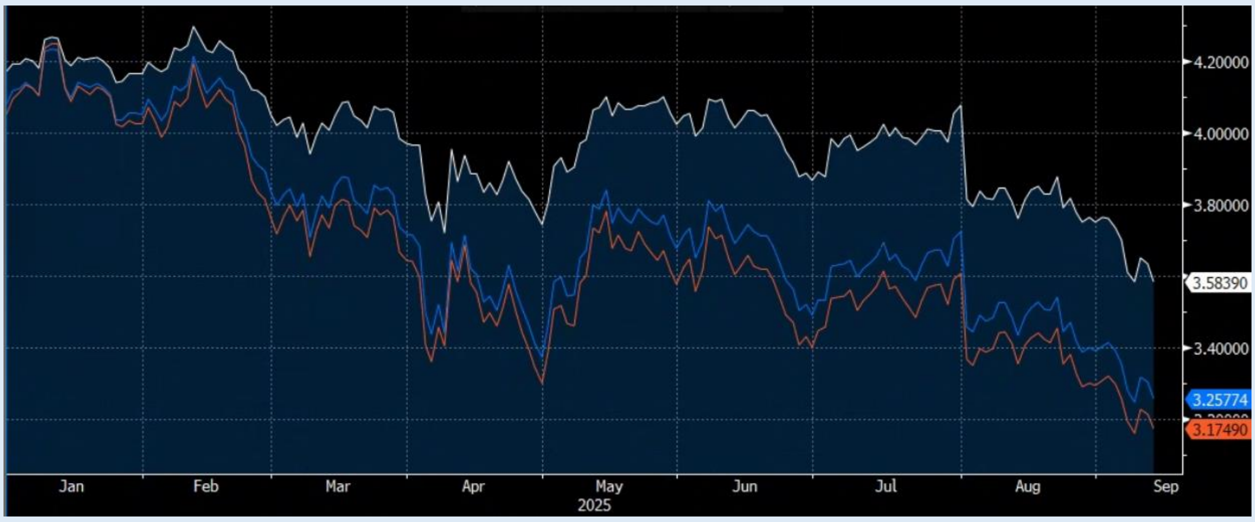
CHART 2A: ***Long-End Swap Rates Drift Slightly Lower On Stable Inflation Numbers***



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

CHART 2B: ***Short-End SOFR Swap Rates Trading <u>Very</u> Close To YTD Lows…***

LOS ANGELES, CA NEW YORK, NY BALTIMORE, MD
TELEPHONE 212.500.0922 FAX 310.856.9495



Source: Bloomberg, LLP | 1Y (green), 2Y (purple) & 3Y (light blue) SOFR SWAP RATES, YEAR-TO-DATE 2025

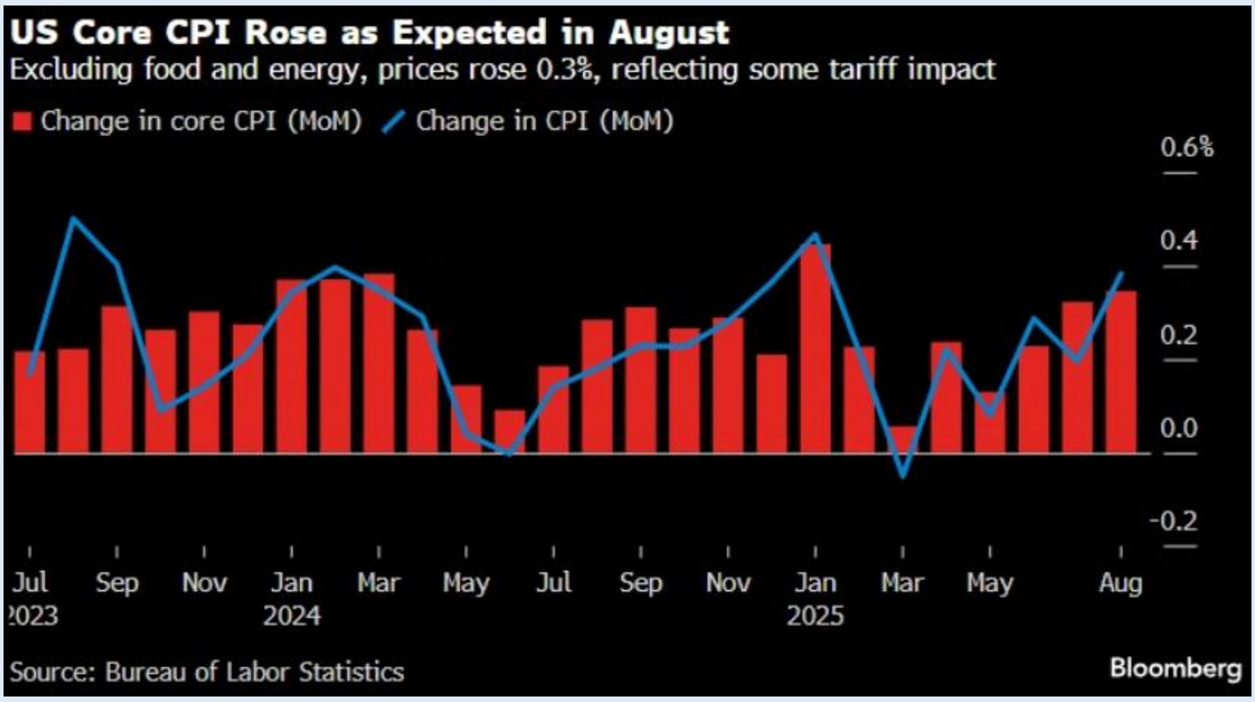
<u>CHART 3 & 3A:</u> ECONOMIC DATA RECAP – AUGUST CPI MEETS EXPECTATIONS, WEEKLY JOBLESS CLAIMS SURGE

Consumer inflation rose as expected in August, keeping the Fed on track to cut interest rates next week. Core CPI, which excludes the often volatile food and energy categories, increased 0.3% from July, as expected. Headline CPI also printed at expectations, 0.4%, but the monthly increase was the most since the start of the year. Inflation remains in check, for now. I do think that forward inflation jitters will linger until we get more clarity on tariffs.

Applications for US unemployment benefits jumped last week to the highest level in almost four years, indicating layoff activity may be on the rise amid a sharp slowdown in hiring. Initial jobless claims rose by 27,000 to 263,000 in the week ended Sept. 6, the highest level since October 2021. It does feel like the US labor market slowdown is accelerating.

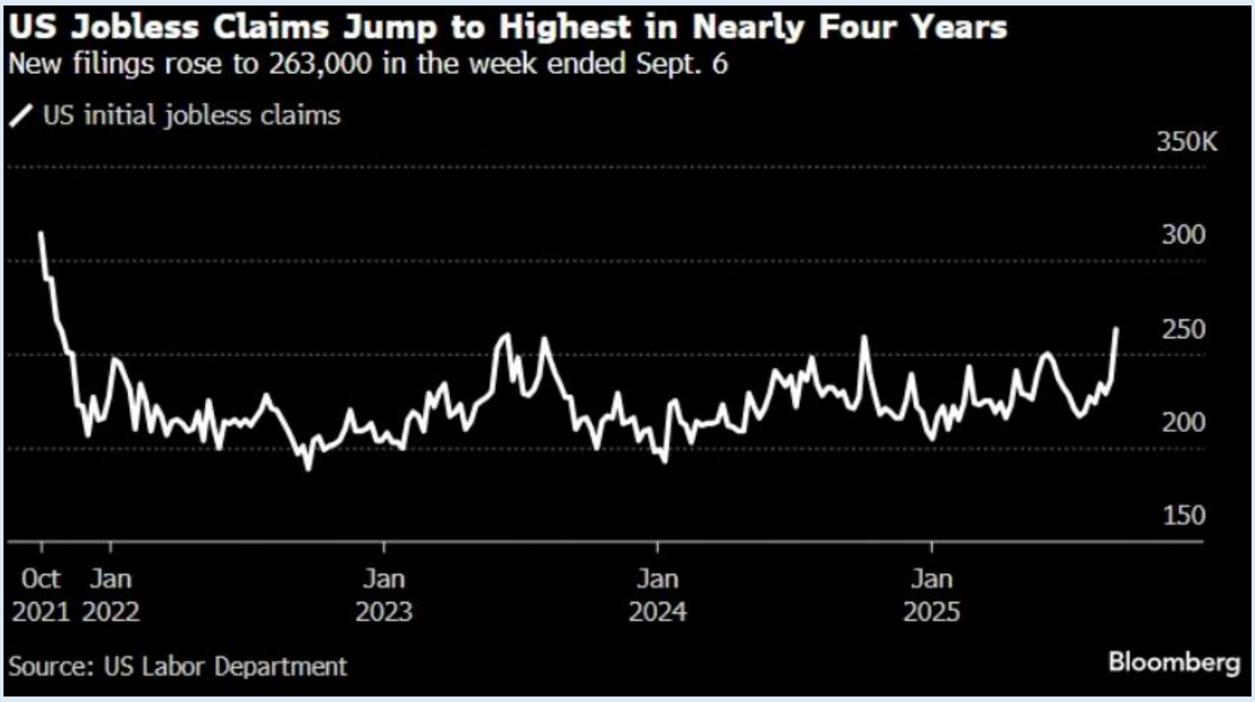
Bottom line, this morning's data leans stagflationary for me. On the one hand we have a cooling jobs market, and the weakness may be accelerating. On the other, we have stubborn consumer inflation – the 0.4% monthly increase in CPI is the most in four years. From my perspective the recent economic and inflation data support a 25 bp rate cut next week. I think the market is getting ahead of itself in calling for a 50 bp cut. I am not ruling out a third rate cut this year, I just believe the Fed would, if necessary, prefer to spread the rate cuts out over three meetings. I do not think the Fed will want to risk a jumbo rate cut that could accelerate inflation.

<u>CHART 3:</u> *August CPI Recap – CPI Meets Expectations, But Remains Above Fed Target*



Source: Bloomberg, LLP | HISTORICAL CPI DATA SINCE JULY 2023

<u>CHART 3A:</u> ***Weekly Jobless Claims Surge To Four Year High***



Source: Bloomberg, LLP | WEEKLY JOBLESS CLAIMS DATA SINCE OCTOBER 2021

***

AST Defeasance Consultants, one of the nation's leading commercial real estate consulting firms, was founded in 2007. We have extensive experience in commercial real estate defeasance, hedging, derivatives, and financial instruments. More than $50 billion worth of transactions have been executed by the AST team. Only AST can combine innovation, expertise, and exceptional customer service.

Rate Cap Advisors was established in 2015 that focus on providing commercial real estate interest rate cap solutions. Our innovation and desire to explore new possibilities that benefit our clients have allowed us to save our clients millions of dollars. No matter the service or product, we take great pride in our pursuit of perfection with a unparalleled closing track record.

***