

**Flash Update: US RATE MARKETS – TUESDAY SEPTEMBER 16, 2025**

- US Treasury yields and SOFR swap rates are holding mostly steady as the market prepares for the FOMC rate decision
- August Retail Sales increased 0.6%, significantly beating expectations calling for a 0.2% increase
- US Retail Sales rose in August for the third consecutive month in a broad advance, topping off a resilient summer of spending
- Traders largely ignored the strong Retail Sales data, given the proximity to tomorrow's FOMC rate decision
- Tariffs and trade related developments will continue to captivate the market for the foreseeable future
- Short-end SOFR swap rates are trading flat to up ~1 bp this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~1-2 bps, depending on tenor
- The next FOMC rate decision is due tomorrow, September 17 at 2:00 PM
- Traders *overwhelmingly* expect the FOMC to announce a 25 bp rate cut tomorrow
- Chairman Powell will hold his customary press conference immediately following the Fed rate decision
- The FOMC will also release a new "dot plot" and revised economic projections
- *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 as traders brace for tomorrow's FOMC rate decision. The Fed is widely anticipated to announce a 25 basis point reduction in the overnight benchmark rate tomorrow afternoon. The Fed rate decision is due at 2:00 PM. The FOMC will also release a new "dot plot" and fresh economic projections after the meeting concludes. Chairman Powell will hold his customary "post-meeting" press conference immediately following the announcement of the Fed's rate decision.

We did see some key consumer spending data released this morning, but market participants largely ignored the data given the proximity of the FOMC rate decision. August Retail Sales increased for the third consecutive month, capping off a strong summer of spending. This morning's report adds to evidence that consumers are still spending even as tariffs boost the cost of some goods, sentiment remains subdued and the labor market shows signs of faltering. Though wage growth has cooled, many workers' pay gains continue to outpace inflation.

**SOFR Swap Rate Summary:** The 1Y SOFR swap rate is trading down ~1 bp this morning. 2Y and 3Y SOFR swap rates are flat to up ~1 bp 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: 9:15 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	3.539	+0.002	-24.5200	-0.2835	3.2942	-0.0023
3Y	3.502	+0.000	-28.9504	-0.0334	3.2151	+0.0002
4Y	3.565	+0.002	-34.5740	+0.0255	3.2116	+0.0021
5Y	3.609	+0.004	-37.1250	+0.1250	3.2394	+0.0050
7Y	3.797	+0.010	-45.1900	+0.2800	3.3465	+0.0113
10Y	4.053	+0.016	-52.6329	+0.2421	3.5268	+0.0160
20Y	4.637	+0.018	-77.0187	+0.0213	3.8680	+0.0169
30Y	4.674	+0.014	-82.2767	+0.2287	3.8519	+0.0162

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

CHART 2 & 2A: SOFR SWAP RATES MOSTLY STEADY AS MARKET BRACES FOR FOMC RATE DECISION

SOFR swap rates are holding mostly steady this morning as traders prepare for tomorrow’s FOMC rate decision. For the week, SOFR swap rates have traded sideways in anticipation of the Fed meeting. 2-year SOFR swap rates closed on Friday at 3.311% and are currently trading at 3.294%.

In terms of what is next for rates, that will depend on what we see and hear from the Fed tomorrow. A dovish Fed is likely to increase rate cut expectations, leading to lower rates, but it could also fan inflation fears, leading to a steeper curve driven by the back-end. A hawkish or neutral Fed would likely cause increased volatility and higher rates as the market attempts to ascertain the Fed’s next move. Either way, I do expect some volatility tomorrow afternoon.

Chairman Powell’s comments are also highly anticipated and are likely to set the monetary policy tone for the remainder of the year. I also anticipate we will see Fed “dissent” on both sides regardless of the rate decision, which could further complicate the market’s reaction to the Fed announcement, release of the new “dot plot” and Chairman Powell’s press conference.

Heading into the FOMC meeting, forward market pricing implies ~67.3 bps of cumulative rate cuts for 2025. That number was ~68.1 bps at yesterday’s close. Odds for a 25 bp September rate cut have stabilized at ~95.8%. Cumulative rate cut pricing still implies we may see more than two, 25 bp rate cuts this year, or perhaps one jumbo 50 bp rate cut. Bottom line, traders expect a 25 bp rate cut tomorrow.

CHART 2: Short-End SOFR Swap Rates Steady As Market Braces For FOMC Rate Decision



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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