

Flash Update: US RATE MARKETS – WEDNESDAY SEPTEMBER 17, 2025

- US Treasury yields and SOFR swap rates are holding mostly steady this morning as the market braces for today’s FOMC rate decision
- The next FOMC rate decision is due this afternoon at 2:00 PM
- Traders *overwhelmingly* expect the FOMC to announce a 25 bp rate cut this afternoon
- Chairman Powell will hold his customary post-meeting press conference immediately following the Fed rate decision
- The FOMC will also release a new “dot plot” *and* revised economic projections today
- 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 flat to 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 are holding mostly steady this morning as traders brace for this afternoon’s *highly anticipated* FOMC rate decision. The Fed is widely anticipated to announce a 25 basis point reduction in the overnight benchmark rate at the conclusion of today’s central bank meeting. 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. The market will be listening.

**SOFR Swap Rate Summary:** The **1Y** SOFR swap rate is trading flat to 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 flat to up ~1 bp. 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: 9:15 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	3.513	+0.010	-24.2760	-0.4460	3.2714	+0.0051
3Y	3.480	+0.008	-28.4795	-0.0653	3.1955	+0.0064
4Y	3.541	+0.002	-34.0790	+0.0345	3.1949	+0.0063
5Y	3.590	+0.006	-36.7500		3.2239	+0.0052
7Y	3.772	+0.000	-44.6700	+0.0800	3.3273	+0.0016
10Y	4.022	-0.005	-52.1265	+0.2399	3.5021	-0.0029
20Y	4.596	-0.013	-76.7381	+0.0669	3.8299	-0.0140
30Y	4.628	-0.020	-82.1244	+0.1256	3.8083	-0.0185

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

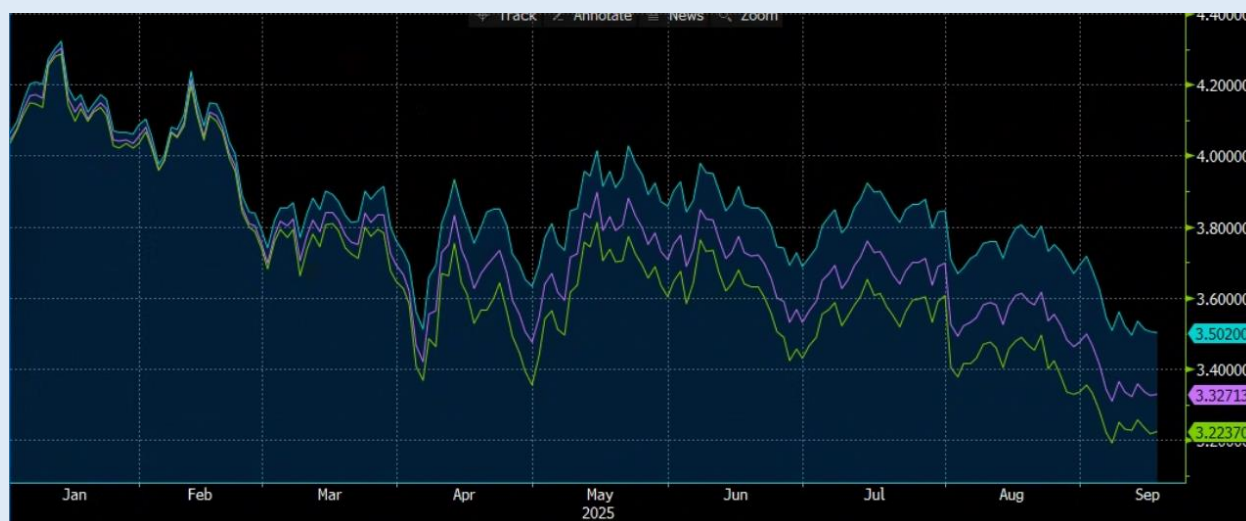
CHART 2 & 2A: SOFR SWAP RATES MOSTLY STEADY AS MARKET BRACES FOR FOMC RATE DECISION

SOFR swap rates are holding steady this morning as traders prepare for today’s FOMC rate decision. For the week, SOFR swap rates have traded mostly sideways in anticipation of the Fed meeting. Short-end swap rates have drifted slightly lower this week as traders brace for the FOMC rate decision. Short-end SOFR swap rates remain very close to the 2025 YTD lows.

## **CHART 2: Short-End SOFR Swap Rates – Year-To-Date 2025**

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

## **CHART 2A: Long-End SOFR Swap Rates – Year-To-Date 2025**



Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, YEAR-TO-DATE 2025

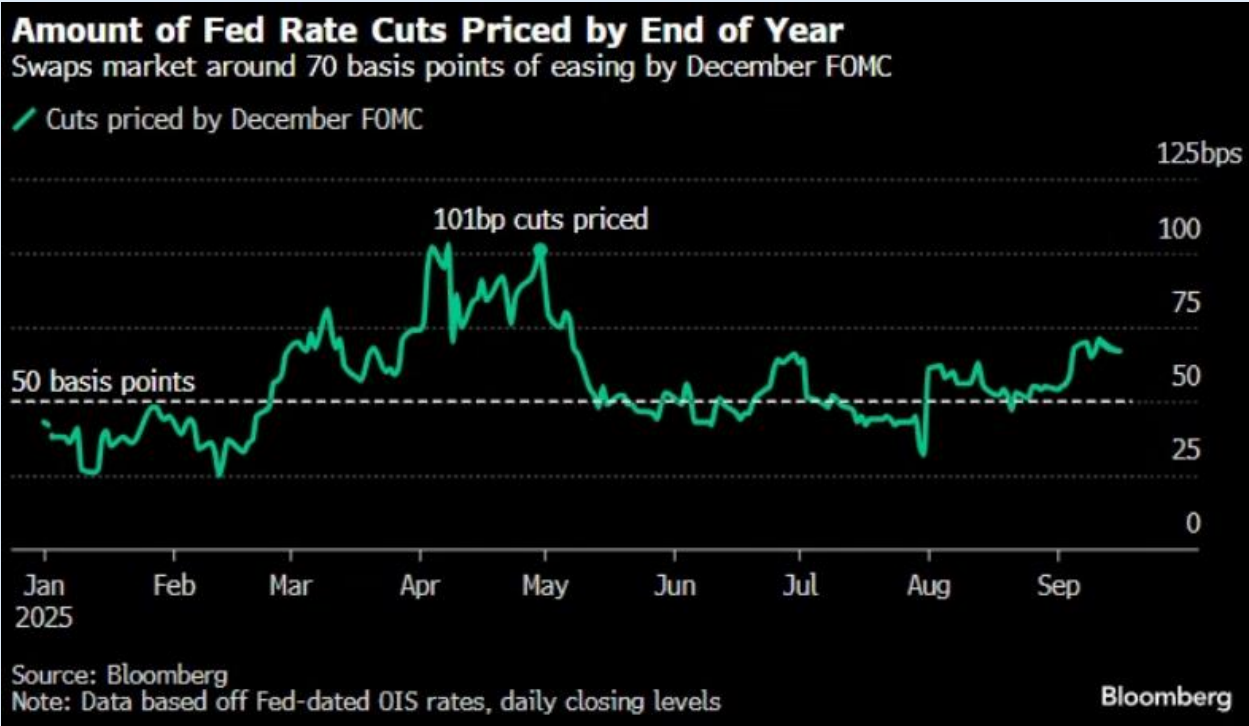
## **CHART 3, 3A & 3B: FOMC RATE CUT EXPECTATIONS FOR 2025**

In terms of what is next for rates, that will depend on what we see and hear from the Fed this afternoon. A dovish Fed is likely to increase rate cut expectations, leading to slightly lower rates – remember, the curve has 70 bps of Fed rate cuts already priced in. However, increased rate cut expectations could also fan inflation fears, leading to a steeper swap curve driven by the back-end. A “hawkish-cut” or “neutral-bias” Fed would likely cause increased volatility and higher rates as the market attempts to ascertain the Fed’s next move. Uncertainty breeds volatility.

Chairman Powell’s post-meeting comments are also highly anticipated and are likely to set the monetary policy tone for the remainder of the year. I strongly suspect 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 Fed “dot plot” and Chairman Powell’s comments and press conference.

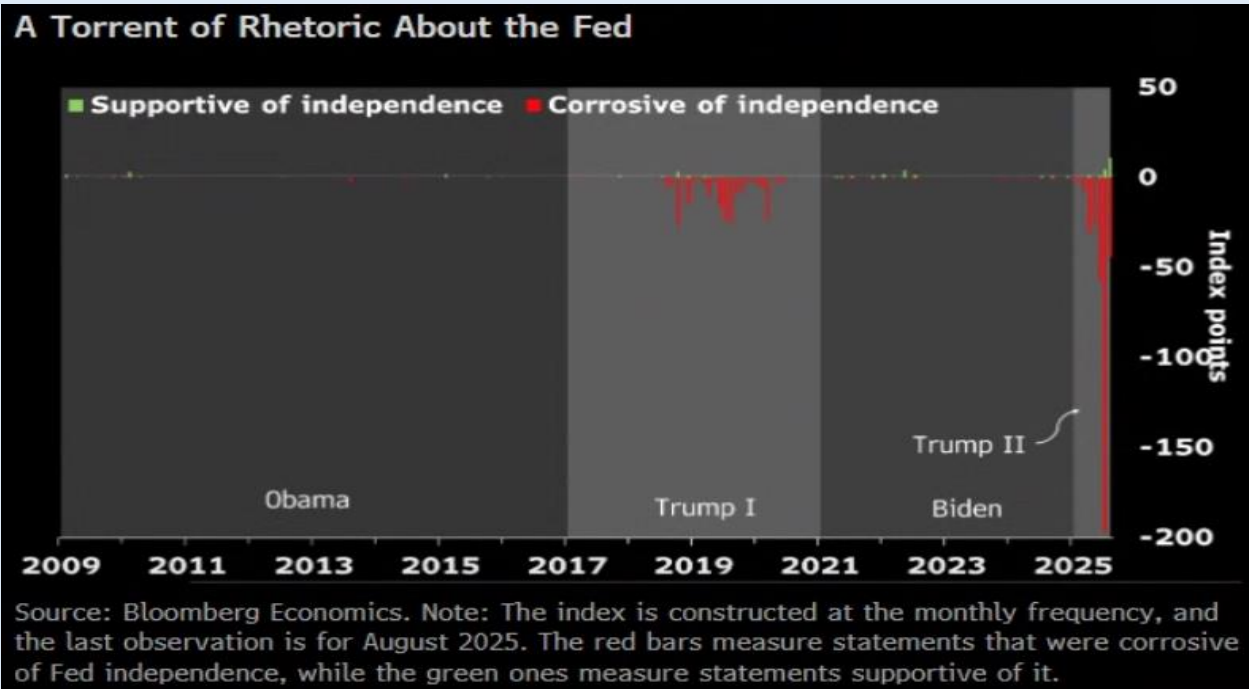
Heading into the FOMC meeting, forward market pricing implies **~69.1 bps** of cumulative rate cuts for 2025. That number was ~68.4 bps at yesterday’s close. Odds for a 25 bp rate cut today have stabilized at ~94%. Cumulative rate cut pricing implies we may see *three* rate cuts this year, including today’s anticipated 25 bp cut. There is also growing speculation that we could see one 25 bp rate cut today and a jumbo 50 bp rate cut in October or December. Bottom line, traders expect a 25 bp rate cut this afternoon, and they are leaning towards two additional cuts in 2025.

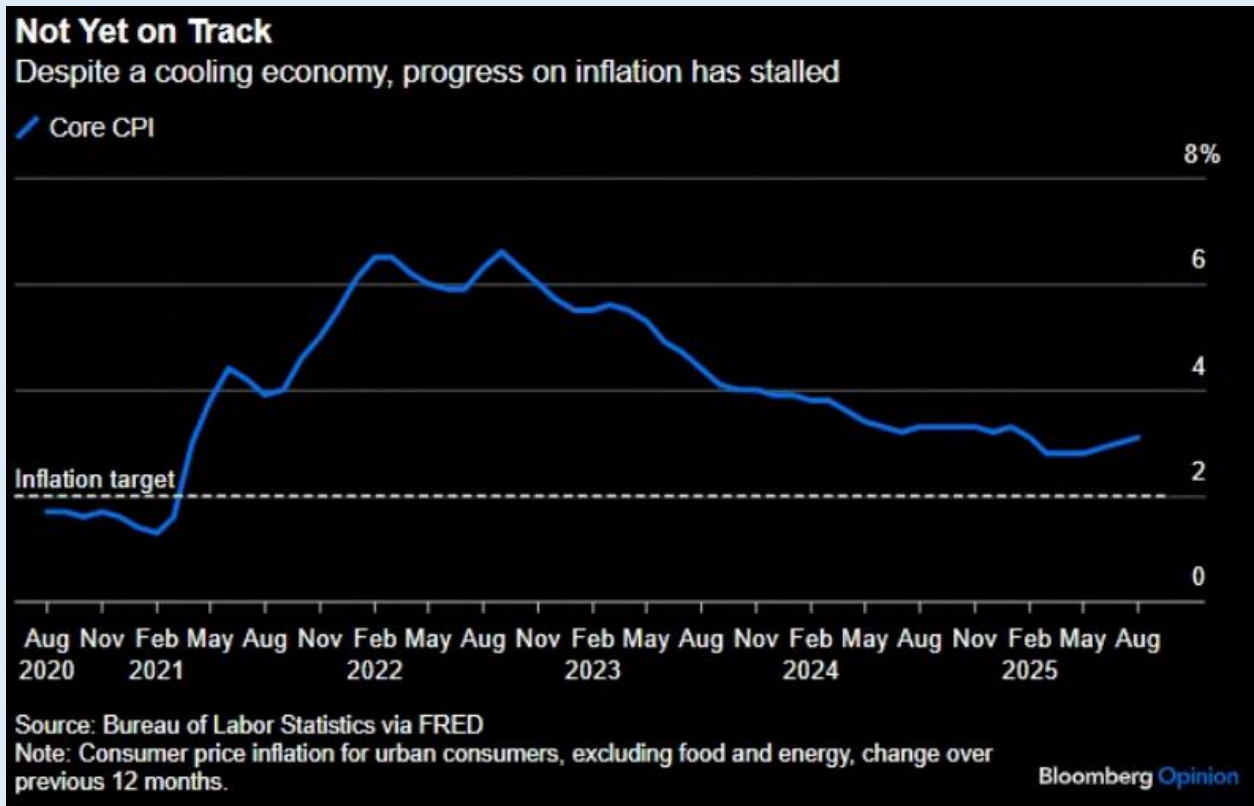
**CHART 3: Fed Rate Cut Expectations – Market Sees Three Rate Cuts This Year (Including A 25 bp Cut This Afternoon)**



Source: Bloomberg, LLP | FED RATE CUT EXPECTATIONS FOR 2025

**CHART 3A: Besieged Fed Faces Ongoing Threats To Independence**





Source: Bloomberg, LLP | CORE CPI SINCE AUGUST 2020

**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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