

Flash Update: US RATE MARKETS – FRIDAY SEPTEMBER 19, 2025

- US Treasury yields and SOFR swap rates edged higher this morning as the market awaits a full plate of data and Fed-speak due next week
- Economic and inflation data will remain a key focus for market participants going forward
- Fed officials are back “on the tape” this morning – *the market will be listening!*
- Tariffs and trade related developments will continue to captivate the market for the foreseeable future
- Ongoing political pressure on the Fed will also weigh on markets for the near term
- Short-end SOFR swap rates are trading up ~1-2 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~2-3 bps, depending on tenor
- Next up for key data: 2Q Final GDP Revision is due on Thursday, 9/25 at 8:30 am; August PCE prints Friday, 9/26 at 8:30 am
- The next FOMC rate decision is due on Wednesday, October 29th 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 drifted a touch higher this morning across the curve. Market participants are wrapping up a busy week and preparing for another one next week. We will see a host of primary (GDP, PCE) and secondary (Housing, Consumer Sentiment, Personal Income, Personal Spending and others) economic data released next week, and there is a jam-packed schedule of Fed-speak on tap as well. Given the proximity to the most recent Fed meeting, market participants will be paying *close* attention to what Fed officials have to say.

I expect the Fed and the market to remain focused on the economic data going forward. Powell was clear that although they are worried about the labor market, they are also worried about rising inflation. That dilemma will make the Fed’s job more challenging over the near term. Fed officials are also back “on the tape” beginning today. Given the uncertain path forward for the Fed and broad range of possible “dot plot” outcomes, I expect market participants will be listening closely. The fact that markets hardly moved post-Fed meeting shows how little the Fed meeting resolved in terms of the outlook for rates. In the candid words of Chair Jerome Powell, “it’s challenging to know what to do,” and “there are no risk-free paths now.”

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

2Y	3.576	+0.013	-24.2719	+0.1520	3.3339	+0.0127
3Y	3.561	+0.015	-28.7020	+0.0380	3.2754	+0.0147
4Y	3.631	+0.024	-34.0245	-0.0310	3.2849	+0.0193
5Y	3.686	+0.024	-36.6126	+0.0480	3.3208	+0.0236
7Y	3.880	+0.028	-44.6963	-0.2243	3.4351	+0.0271
10Y	4.133	+0.030	-51.8718	+0.1299	3.6153	+0.0283
20Y	4.715	+0.024	-76.8240	+0.0900	3.9481	+0.0251
30Y	4.747	+0.022	-82.1181	-0.0221	3.9265	+0.0225

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

CHART 2 & 2A: SOFR SWAP RATES TICK HIGHER AS MARKET AWAITS DATA, FED-SPEAK

SOFR swap rates drifted a touch higher this morning, as the market looks ahead to next week. We have a full plate of Fed officials on the tape and there is important economic data due for release. From my perspective, the post-Powell uptick in swap rates reflects a realization by the market that the Fed’s forward path *is by no means certain*. We saw a somewhat wide disparity on the new dot-plot, so there are still a wide range of possible “rate” outcomes for this year. The uptick in rates tells me that the market is having second thoughts about two additional rate cuts this year. As such, traders have paused as they assess what is next for the Fed, the economy, the labor market and inflation – that is a lot to digest! Layer in the political drama and well, traders have their hands *full* at the moment.

For the week, short-term swap rates have barely moved. The 2-year SOFR swap rate opened Monday at 3.312% and is currently trading at 3.333%. Reminder, short-end SOFR swap rates remain *very* close to the 2025 YTD lows, which is keeping most cap premiums near YTD lows as well.

Currently, forward market pricing implies ~44.3 bps of cumulative rate cuts for 2025. That number was ~45.1 bps at yesterday’s close. Odds for a 25 bp rate cut in October are currently sitting at ~91.9%. Implied odds that the Fed will *skip* a rate cut in October and hold off until December are ~8.1%. Cumulative rate cut pricing implies the market anticipates two additional rate cuts this year.

CHART 2: Short-End SOFR Swap Rates - Prior 30 Days



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

CHART 2A: Long-End SOFR Swap Rates - Prior 30 Days



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

CHART 3: SCHEDULE OF FED SPEECHES THROUGH FRIDAY SEPTEMBER 26TH

Fed officials have emerged from the pre-meeting quiet period and are back on the tape in force. Given the continued Fed drama and uncertain path forward for interest rates, market participants will be listening closely to what Fed officials have to say. The schedule of Fed speeches is *jam-packed* next week (see Chart 3). The highlight will be Chairman Powell’s speech on the economic outlook on **Tuesday, 9/23 at 12:30 pm**. I do not expect Powell to deviate too much from his latest post-meeting comments, but he could definitely shed additional light on the Fed’s current mindset with respect to further rate cuts this year.

This morning in a published essay, the Fed’s Kashkari wrote that he favors two additional rate cuts this year given the slowdown in hiring. Kashkari said he believes the risk of a sharp increase in unemployment warrants the FOMC taking near-term action to support the labor market. However, he also added he believes the Fed’s neutral rate has moved up to ~3.10%. That would imply we are ~100 bps away from that target. We will see what other Fed officials have to say about the rate cut, the economy and what is next for the FOMC. Stay tuned for a lot more from the Fed next week!

CHART 3: Fed Officials Prepare For A Busy Week – The Market Will Be Listening!

Date	Time	A	M	R	Event
09/19	16:00				Fed's Miran Appears on Fox Business
09/22	09:45				Fed's Williams Speaks on Monetary Policy Panel
09/22	10:00				Fed's Musalem Speaks of Economic Outlook and Monetary Policy
09/22	12:00				Fed's Hammack Speaks on Reserve Banks and the Economy
09/22	12:00				Fed's Barkin Speaks at Howard Co Chamber
09/22	12:00				Fed's Miran Speaks at The Economic Club of NY
09/23	09:00				Fed's Bowman Speaks on Economic Outlook
09/23	10:00				Fed's Bostic Participates in Live Podcast Interview
09/23	12:35				Fed's Powell Speaks on Economic Outlook
09/24	16:10				Fed's Daly Gives Keynote Remarks on Monetary Policy
09/25	08:20				Fed's Goolsbee Speaks on Trends for West Michigan
09/25	09:00				Fed's Williams Gives Welcoming Remarks at US Dollar Conference
09/25	10:00				Fed's Bowman in Moderated Discussion
09/25	13:00				Fed'sd Barr Speaks on Bank Stress Testing
09/25	13:40				Fed's Logan Speaks in a Panel
09/25	15:30				Fed's Daly Conversation with Mark Packard
09/26	09:00				Fed's Barkin Conversation at the PIIIE
09/26	13:00				Fed's Bowman Speaks on Monetary Policy

Source: Bloomberg, LLP | SCHEDULE OF FED SPEECHES THROUGH 9/26/2025



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