RateCap Advisors

__Flash Update:__ US RATE MARKETS – TUESDAY SEPTEMBER 2, 2025

- **US Treasury yields and SOFR swap rates moved higher this morning as the market prepares for key economic data**
- **Risk premiums are rising as uncertainty once again dominates the markets**
- **Focus for the near term will be on economic data and comments by Fed officials as we approach the September FOMC meeting**
- **Tariffs and trade related developments will continue to captivate the market for the foreseeable future**
- **Next up for data: The August Employment Report prints on Friday, 9/5 @ 8:30 AM**
- **Short-end SOFR swap rates are trading up ~1-5 bps this morning, depending on tenor**
- **Long-end SOFR swap rates are currently trading up ~3-5 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 higher this morning as the market prepares for the release of key economic data. Risk premiums are rising as geopolitical and economic uncertainty grows. Confusion surrounding US tariffs is also contributing to increased uncertainty and risk premiums, particularly on the long-end of the yield curve.

Traders are coming back from the long weekend in a relatively circumspect mood. The next few weeks will provide a big test for markets, with jobs data, inflation figures and the Fed's rate decision all due. The markets will continue to focus on the deepening Fed drama and the possible long term implications - this Fed situation is a *huge* wildcard for the markets.

Traders are also looking ahead to the August Employment Report due Friday at 8:30 AM. A weak jobs report could "seal the deal" for a 25 bp rate cut in September. Conversely, a stronger-than-expected result may cause the Fed to hold off on a rate cut until October, or even December. There is also a host of secondary economic data set for release this week, including the JOLTS (9/3) and ADP (9/4) jobs data, Factory Orders (9/3) and ISM Manufacturing data (today at 10:00 AM), among others. *That said, make no mistake – __the__ data event this week is the release of the August Employment Report on Friday.*

Going forward, economic data *supporting* a September rate cut is likely to have a minimal impact on swap rates – the 50 bps of rate cuts for this year is already priced into the forward curve. In addition, I think the market is mostly convinced that the Fed is not going to cut rates "multiple" times in 2025 – traders seem to have heard the Fed's message. I think that is the primary reason rates have not dropped on the data we have seen recently – traders are reluctant to price in more than two, 25 bp rate cuts this year. *The risk to cap purchasers and borrowers is that the Fed holds off on a September rate cut and signals they may wait until December to cut rates.* Signaling only *one* rate cut this year would definitely drive swap rates higher, leading to an increase in cap premiums.

__**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 ~3-5 bps this morning. **5Y** and **10Y** SOFR swap rates are currently trading up ~4-5 bps. The very back-end of the swap curve is currently trading up ~3-5 bps.

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

__CHART 1:__ *US RATES SNAPSHOT: 9:30 AM Eastern*

***For SOFR Swap Rates & Change-On-Day (In Bps) – Refer Two Far Right Columns (SOFR Swap Rates)*

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UST YIELDS | SWAP SPREADS | SOFR SWAP RATES

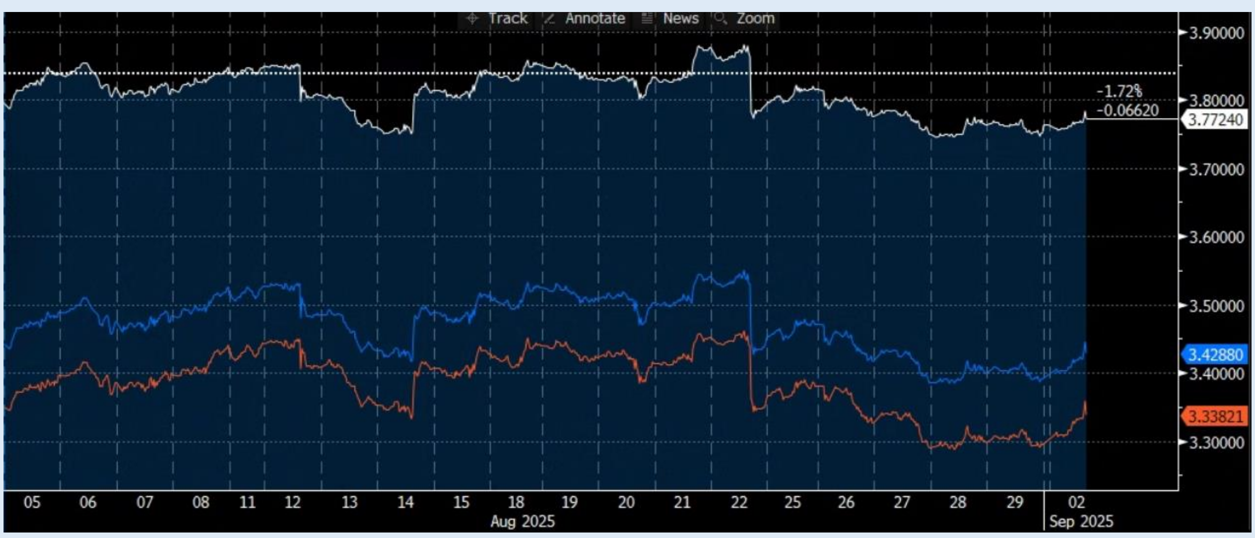
2Y	3.658	+0.040	-22.9941	-0.3396	3.4302	+0.0393
3Y	3.627	+0.051	-28.8258	-0.2853	3.3393	+0.0453
4Y	3.677	+0.048	-34.6975	-0.3365	3.3395	+0.0450
5Y	3.743	+0.049	-36.6125	-0.4505	3.3791	+0.0442
7Y	3.973	+0.050	-46.0500	-0.5900	3.5182	+0.0432
10Y	4.277	+0.048	-54.5000	-0.5666	3.7322	+0.0412
20Y	4.914	+0.043	-79.4100	-0.4300	4.1213	+0.0381
30Y	4.966	+0.038	-84.6441	-0.2691	4.1200	+0.0356

Source: Bloomberg, LLP | 9:30 AM NY Rates Snapshot

<u>CHART 2 & 2A:</u> SOFR SWAP RATES MOVE HIGHER AS MARKET BRACES FOR KEY JOBS DATA

SOFR swap rates moved higher this morning as market participants prepare for the release of key economic data this week. Despite pockets of volatility, short-end swap rates are trading close to where they were trading one month ago. Long-end swap rates, however, continue to trend higher on lingering inflation jitters. Currently, forward market pricing implies **~54.1 bps** of cumulative rate cuts for 2025. That number was ~55.9 at Friday's close. Odds for a 25 bp September are sitting at ~89.8%.

<u>CHART 2:</u> *Short-End SOFR Swap Rates Move Higher As Market Prepares For Jobs Data*



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

<u>CHART 2A:</u> *Long-End Swap Rates Increase As Inflation Fears Linger*

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

<u>CHART 3 & 3A:</u> SCHEDULE OF FED SPEECHES THROUGH SEPTEMBER 4TH…AND FOOD FOR THOUGHT ON THE FOMC

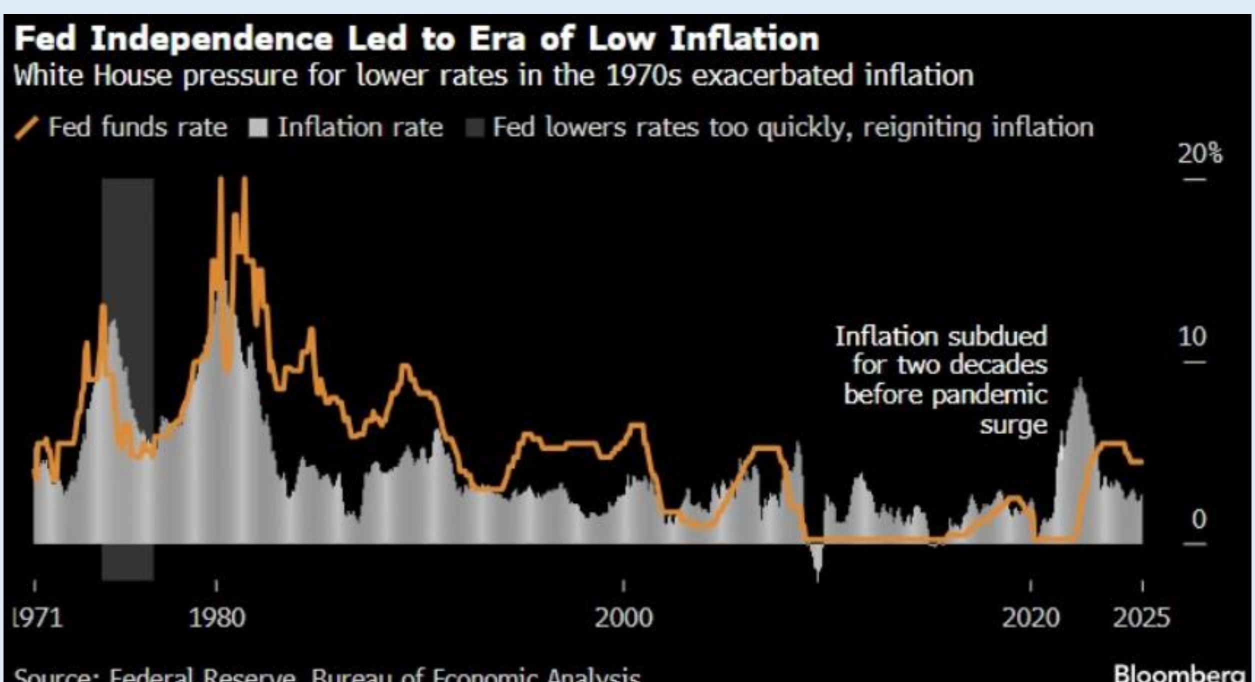
Fed officials will be wrapping up public comments this week as they prepare for the next FOMC rate decision. Fed officials will be entering their pre-meeting "quiet period" on September 4th. After that, the next time we will hear from a Fed official will be Chairman Powell's post-meeting press conference on September 17th at ~2:30 PM.

<u>**CHART 3:**</u> ***Fed Pre-Meeting "Quiet Period" Begins On September 4th***

	Date Time	A	M	R	Event
21)	09/03 09:00				Fed's Musalem Speaks on Economy and Policy at Peterson
22)	09/03 14:00				Fed Releases Beige Book
23)	09/04 12:05				Fed's Williams Speaks on Economic Outlook and Monetary Policy
24)	09/04 19:00				Fed's Goolsbee Appears in a Moderated Q&A
25)	09/06-09/18				Fed's External Communications Blackout

Source: Bloomberg, LLP | SCHEDULE OF FED SPEECHES UNTIL SEPTEMBER "QUIET PERIOD" BEGINS

<u>**CHART 3A:**</u> ***History Shows Fed Must Stay Independent…***



Source: Bloomberg, LLP | FOMC POLICY ANALYSIS SINCE 1971

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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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