

**Flash Update: US RATE MARKETS – TUESDAY SEPTEMBER 30, 2025**

- US Treasury yields and SOFR swap rates drifted a touch lower this morning as the market awaits key economic data
- The JOLTS report, which tracks job openings, quit levels and layoffs data, is due this morning at 10:00 AM
- The looming government shutdown is being closely tracked by market participants and is adding to market uncertainty
- *A government shutdown would delay the release of economic data, including Friday's Employment Report*
- Tariffs and trade related developments will continue to captivate the market for the foreseeable future
- Economic, employment and inflation data will remain a key focus for traders going forward
- Ongoing political pressure on the Fed will also weigh on markets for the near term
- Short-end SOFR swap rates are trading down ~1-2 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading down ~1-2 bps, depending on tenor
- Next up for key data: The September Employment Report is released on Friday, 10/3 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 slightly lower this morning as the market prepares for what will be a busy week for economic data...if we can avoid a government shutdown! We will see a host of economic data released, but the market's focus will center on the jobs data we see this week. Things kick-off the week with the JOLTS report, which is released this morning at 10:00 AM. The JOLTS report tracks job openings, quit levels and layoffs. Tomorrow, we will see the ADP private payrolls report released at 8:15 AM. There has been growing concern that the private sector is weakening materially, so traders will be paying close attention to the ADP results. The "big" number this week, however, is the September Employment Report, due for release Friday, 10/3 at 8:30 AM. All eyes will be on that report. *Note: Should the government shutdown proceed, economic data will not be released. The government shutdown is a bit of a wildcard for the market at the moment. We could see an uptick in rate volatility as the data is released and the drama in Washington unfolds.*

Assuming the data is released, I believe that weak jobs data will increase Fed rate cut expectations and rates will decline, particularly on the Fed-sensitive short-end of the curve. Should the data show the labor market is "holding up", traders will likely become more skeptical that the Fed will cut rates two more times this year. In that case, rates likely drift slightly higher. There is also the possibility that traders simply "bump out" rate cut expectations. Meaning, traders don't see a rate cut at this meeting, but anticipate one soon, potentially at the next meeting. In that case, short term rates inside of 6-months could be impacted, but SOFR swap rates are likely to have a muted reaction. The Fed has a difficult job ahead – it is extremely challenging to manage rising inflation and a weakening labor market with monetary policy.

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

**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)

UST YIELDS			SWAP SPREADS		SOFR SWAP	
RATES						
2Y	3.604	-0.017	-21.3185	+0.1615	3.3931	-0.0142
3Y	3.611	-0.010	-27.0700	-0.0553	3.3398	-0.0150
4Y	3.672	-0.018	-31.9525	-0.0525	3.3459	-0.0155
5Y	3.718	-0.016	-34.3689	+0.0098	3.3762	-0.0154
7Y	3.906	-0.012	-42.6900	+0.0900	3.4803	-0.0127
10Y	4.127	-0.012	-48.3750	+0.1410	3.6438	-0.0103
20Y	4.682	-0.003	-73.5180	+0.0405	3.9482	-0.0026
30Y	4.702	-0.001	-79.0000	+0.2500	3.9123	+0.0004

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

CHART 2 & 2A: SOFR SWAP RATES DRIFT LOWER AS MARKET PREPARES FOR JOBS DATA

SOFR swap rates drifted slightly lower this morning - it feels like the market is pausing until they can see the jobs data scheduled for release this week. The looming government shutdown is also weighing on markets. Economic data will not be released if the government shuts down, which would only add to what is already a high level of uncertainty in the market. Traders need data and information in order to make the next trading decision. Traders will also be listening closely to Fed officials for clues about the direction of monetary policy – there are five Fed officials scheduled to speak today.

Earlier this morning, Boston Fed President Susan Collins said further interest-rate reductions may be appropriate in 2025 given a weaker labor market, but stressed that officials need to remain on guard against the possibility of persistent inflation. Collins said, “I continue to see a modestly restrictive policy stance as appropriate, as monetary policymakers work to restore price stability while limiting the risks of further labor market weakening.” She added, “it may be appropriate to ease the policy rate a bit further this year, but the data will have to show that.” Sounds like Fed officials are still grappling with a high level of uncertainty regarding the path forward for monetary policy.

Rates bounced around during September, as traders grappled with a host of market catalysts. However, despite pockets of intraday volatility, short-end SOFR swap rates are currently trading very close to where they opened the month. 2-year SOFR swaps were trading at 3.414% on 9/2, and are currently trading at 3.393%. Long-end rates were a bit more volatile during September, as market participants monitored the outlook for inflation. 10-year SOFR swap rates opened the month at 3.716%, and are currently trading at 3.644%.

Currently, forward market pricing implies ~42.3 bps of cumulative rate cuts for 2025. That number was ~42.1 bps at yesterday’s close. Odds for a 25 bp rate cut in October are holding relatively steady at ~90.3%. Implied odds that the Fed will skip a rate cut in October and hold off until December are ~9.7%. Cumulative rate cut pricing implies the market is having second thoughts regarding two additional rate cuts in 2025. Traders have basically removed the possibility of a 50 bp rate cut this year – at least for now!

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

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