

Flash Update: US RATE MARKETS – TUESDAY SEPTEMBER 9, 2025

- US Treasury yields and SOFR swap rates edged higher as the market awaits important economic data
- First-quarter 2025 Benchmark Payroll Revisions are due for release this morning at 10:00 AM
- The payroll revisions are expected to reinforce the view of a US jobs slowdown
- A significant downward revision to payrolls would increase the odds for a 50 basis point rate cut in September
- Tariffs and trade related developments will continue to weigh on the market for the foreseeable future
- *Next up for key data:* August PPI is released tomorrow, 9/10 at 8:30 AM; August CPI is released on Thursday 9/11 at 8:30 AM
- Short-end SOFR swap rates are trading up ~2-3 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~2-3 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 ticked slightly higher this morning as the market prepares for the release of key jobs and inflation data. Focus for the remainder of the week will shift to the BLS Benchmark Payroll Revisions due at 10:00 AM and the inflation data we will see beginning tomorrow.

This morning at 10:00 AM will see payroll revisions from the Bureau of Labor Statistics for the year through March 2025. The revisions are anticipated to reinforce the view of a US jobs slowdown. Should we see a significant downward revision to payrolls and stable inflation, odds for a 50 bp September rate cut are likely to increase significantly. I believe traders are waiting to see if inflation remains static (or even declines) before committing to a 50 bp September rate cut. There are still many market participants who fear a stagflation outcome.

PPI prints on Wednesday 9/10 and CPI prints on Thursday 9/11 – both releases are scheduled for 8:30 AM. Expectations for August PPI are as follows: Headline PPI MoM, 0.3% (vs. 0.9% the prior month); Headline PPI YoY, 3.3% (vs. 3.3% prior); Core PPI MoM, 0.3% (vs. 0.9% prior); Core PPI YoY, 3.5% (vs. 3.7% prior). I think that an “as expected” PPI print will be enough to secure a 25 bp September rate cut and keep hopes alive for a 50 bp cut.

Odds for a 25 bp September rate cut are now ~92.1%. Odds for a 50 bp rate cut in September have settled at ~7.9%. Should the inflation numbers show tepid inflation, odds for a 50 bp cut in September are likely to increase. However, should the data show an uptick in inflation, odds for a 50 bp cut will diminish. Traders have firmly priced in a 25 bp rate cut for September.

Please note Fed officials are in the pre-meeting quiet period. The next time we hear from a Fed official will be Chairman Powell’s post-meeting press conference. The FOMC rate decision is due Wednesday, 9/17 at 2:00 PM.

SOFR Swap Rate Summary: The 1Y SOFR swap rate is trading up ~2-3 bps this morning. 2Y and 3Y SOFR swap rates are up ~2-3 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 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)***

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UST YIELDS | SWAP SPREADS | SOFR SWAP

RATES

2Y	3.513	+0.027	-24.2500	-0.0400	3.2724	+0.0267
3Y	3.477	+0.026	-29.3087	+0.1913	3.1860	+0.0261
4Y	3.529	+0.021	-34.8730	+0.1065	3.1824	+0.0242
5Y	3.583	+0.023	-36.8633	+0.0981	3.2141	+0.0225
7Y	3.787	+0.020	-45.6769	+0.1711	3.3324	+0.0224
10Y	4.061	+0.022	-53.2500	+0.1250	3.5283	+0.0213
20Y	4.661	+0.015	-76.9015	+0.7339	3.8930	+0.0205
30Y	4.711	+0.019	-82.7675	+0.2205	3.8843	+0.0209

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

CHART 2 & 2A: SOFR SWAP RATES EDGE HIGHER AS MARKET AWAITS KEY DATA

SOFR swap rates edged higher this morning as the market prepares for another round of key jobs and inflation data. Currently, forward market pricing implies ~69.3 bps of cumulative rate cuts for 2025. That number was ~71.4 bps at yesterday’s close. Odds for a 25 bp September have stabilized at ~92.1%. Traders have firmly priced in a 25 bp rate cut for September. Cumulative rate cut pricing now suggests we may see more than two, 25 bp rate cuts this year, or one jumbo 50 bp rate cut. Odds for a 50 bp rate cut in September are sitting at ~7.9%.

CHART 2: Short-End SOFR Swap Rates Drift Higher Ahead Of Key Data Releases



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR (10) DAYS

CHART 2A: Long-End Swap Rates Tick Higher As Inflation Jitters Linger

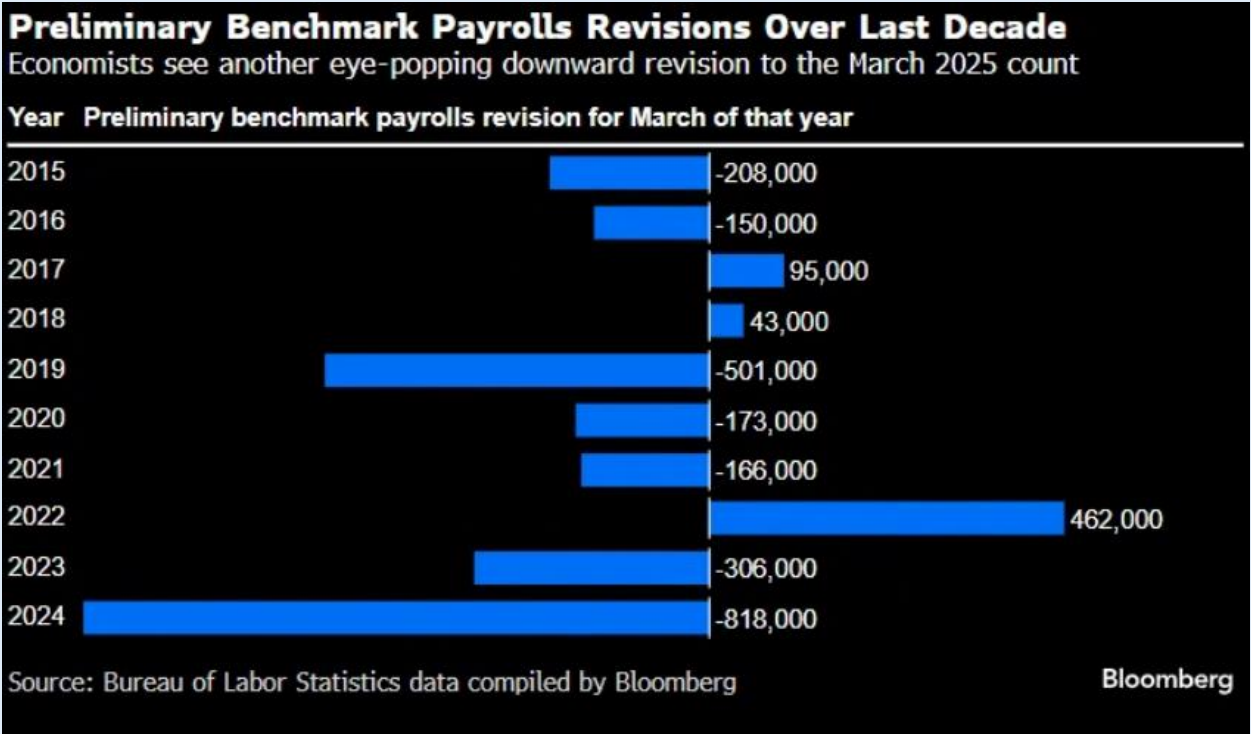


Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR (10) DAYS

CHART 3 & 3A: Market Awaits Key Payrolls And Inflation Data

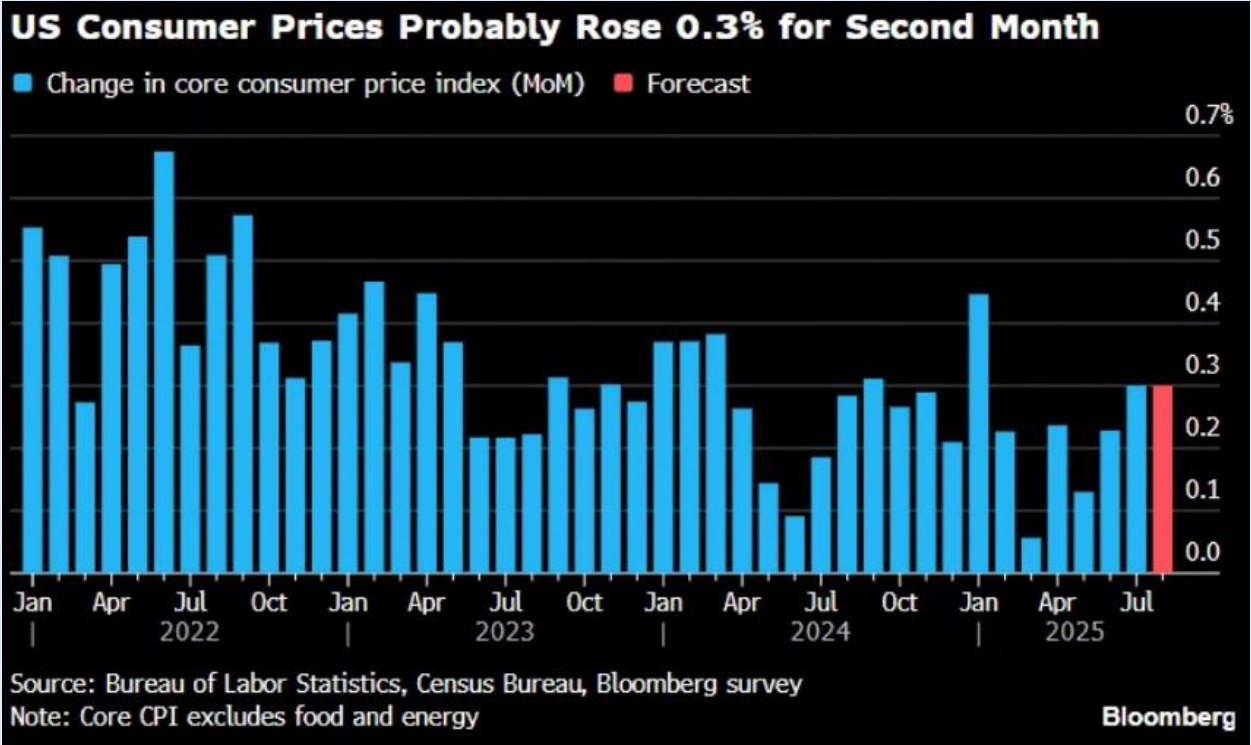
Market participants will see key economic data beginning this morning. At 10:00 AM, the BLS will release revisions to the benchmark payrolls data for the first quarter of 2025. Later this week, traders will see key producer and consumer inflation data. The data we see the next couple of days will set the tone for Fed rate cuts for the remainder of the year. A combination of downward payroll revisions and stable inflation likely provides the ammunition the Fed needs to potentially cut rates 50 bps in September. Right now, I think the likely outcome in September is a 25 bp rate cut – we will see what the data released this week has to say about that!

CHART 3: Market Expects Downward Revisions To Benchmark Payrolls



Source: Bloomberg, LLP | BENCHMARK PAYROLL REVISIONS SINCE 2015

CHART 3A: Inflation Expected To Remain Static, But Still Above Fed Target



Source: Bloomberg, LLP | HISTORICAL US CPI DATA SINCE JANUARY 2022

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