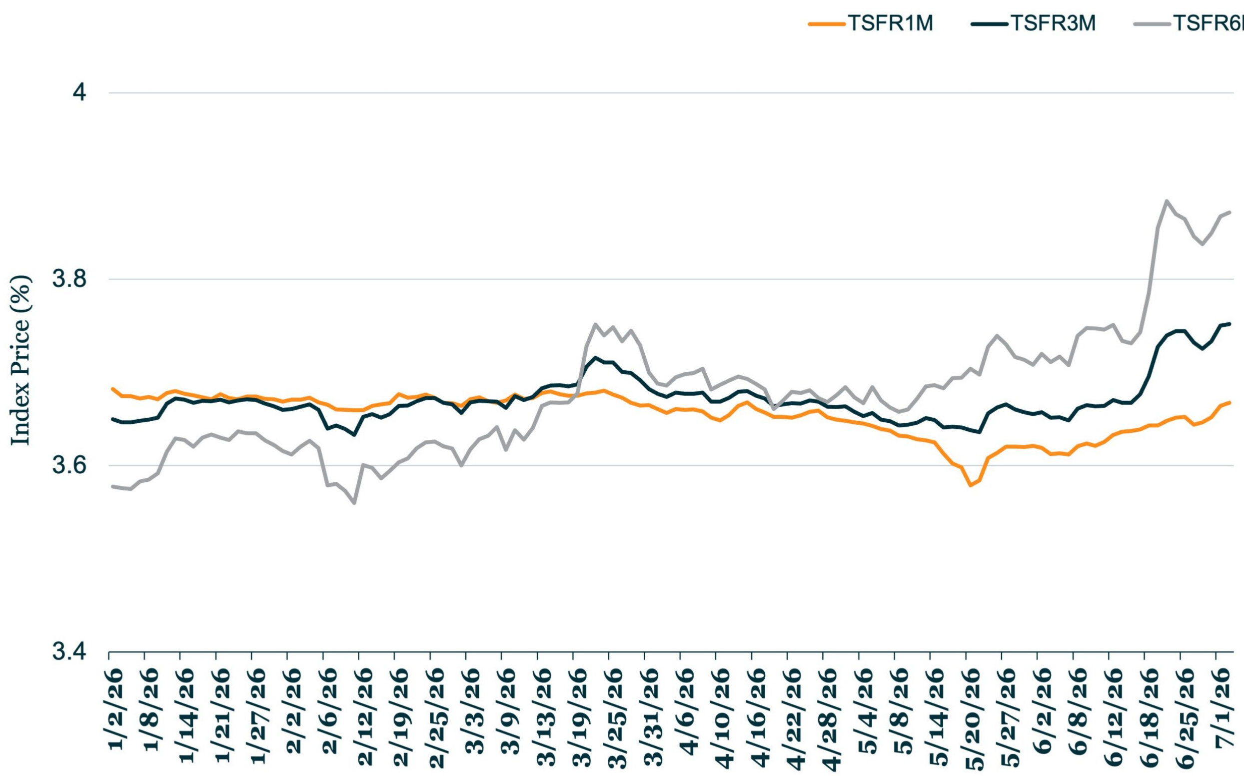
Investors Price in Expectations for Potential Future Rate Hikes

Bloomberg | July 8, 2026

Investors Price in Expectations for Potential Future Rate Hikes



The CME Term SOFR six-month rate reached a recent high of 3.884% on June 23, representing its widest premium over one-month Term SOFR this year at 23.5 basis points. The move suggests that investors have increasingly priced in the possibility of a Federal Funds Rate increase over the next six months.

The six-month rate has since retreated modestly, as investors assess the latest Employment Situation report, which came in well below expectations and complicates the case for near-term rate hikes.

At the start of the year, one-month Term SOFR traded at a 105 bps premium to the six-month benchmark, reflecting expectations that the Federal Reserve would continue cutting rates in the near term. That dynamic shifted on March 19, when the curve inverted and the six-month rate moved to a 2 bps premium—a sign that market expectations had changed meaningfully from the start of the year. The six-month premium has steadily widened since.