RateCap Advisors

Flash Update: **US RATE MARKETS – TUESDAY JANUARY 13, 2026**

- **UST yields and SOFR swap rates are mostly steady this morning, despite a slightly better-than-expected December CPI print**
- **YoY core CPI improved slightly to 2.6% – the December data signals consumer inflation is holding steady**
- **Traders continue to closely monitor geopolitical developments in multiple "hot spots"**
- **The US justice department announced a criminal investigation into Chairman Powell and the US Central Bank**
- **The market reaction to the Powell announcement has been somewhat minimal so far, but market jitters escalated**
- **The Supreme Court did not rule on "tariffs" last week – the decision was postponed; A ruling could come this week**
- **The tariff ruling could potentially create additional rate volatility as the market digests the Supreme Court's decision**
- **We are tracking developments with Fannie Mae and Freddie Mac, which could have ramifications for the rates market**
- **Next up for data: *November* PPI & *November* Retail Sales data print tomorrow, 1/14 at 8:30 AM**
- **The next FOMC rate decision is due Wednesday, January 28, 2026 at 2:00 PM**
- **Short-end SOFR swap rates are trading flat to down ~1-2 bps this morning, depending on tenor**
- **Long-end SOFR swap rates are currently trading flat to down ~1 bp, depending on tenor**

US Treasury yields and SOFR swap rates are holding mostly steady this morning after a slightly better-than-expected December CPI print. The MoM CPI gain of 0.2% was slightly better than expectations calling for an 0.3% increase, and YoY Core CPI was slightly lower-than-expected at 2.6%. The somewhat favorable CPI data kept hopes alive for two or more Fed rate cuts this year. The relatively "current" CPI data gives the market increased confidence that inflation is holding steady, albeit still relatively far away from the Fed's 2.0% target. That said, futures implied odds for a January rate cut remain at a paltry 5.1%.

Other news the market is tracking:

- Geopolitical developments. Geopolitical tensions are running high, and that is not likely to abate anytime soon. Markets are paying particular attention to the situations in Venezuela and Iran. So far, the market's reaction has been relatively muted.
- The Supreme Court ruling on tariffs was *not* released on Friday. The decision was postponed and is now expected to come at some point this week. The SCOTUS ruling could definitely have market implications. Currently, the market believes the Supreme Court will rule *against* the President. Economists are unsure about the market impact of the decision – either way, the ruling is likely to be a catalyst for elevated rate volatility.
- President Trump has "asked" Fannie Mae and Freddie Mac to purchase ~$200 billion in mortgage-backed securities in order to facilitate lower mortgage rates. The market impact is uncertain at the moment, but if this does happen, it could certainly impact rates and the shape of the yield curve, at least in the short-term. We will continue to track this developing story.
- The US Justice Department investigation into the US Central Bank and Chairman Powell could be a key market catalyst this week, and beyond. Chairman Powell has pushed back hard on the subpoenas, saying they are "political retribution" for not lowering rates and amount to "intimidation". He has stated he will not resign. Ultimately, we are in uncharted waters on this – at the least, it is likely to increase volatility and uncertainty while the situation plays out.

Bottom-line, there are *<u>many</u>* potential market catalysts for traders to monitor and manage at the moment.

RateCap Advisors

<u>SOFR Swap Rate Summary:</u> The **1Y** SOFR swap rate is trading down ~1 bp this morning. **2Y** and **3Y** SOFR swap rates are currently trading down ~1-2 bps. **5Y** and **10Y** SOFR swap rates are currently trading flat to down ~1 bp. The very back-end of the swap curve is currently trading flat to down ~1 bp from yesterday's closing levels. ***<u>Please note:</u> Market levels can change rapidly – rate cap premiums are subject to a dynamic market that can change frequently.***

<u>CHART 1:</u> ***US RATES SNAPSHOT: 9:30 AM Eastern***

****For SOFR Swap Rates & Change-On-Day (In Bps): <u>Refer Two Far Right Columns (SOFR Swap Rates)</u>***

UST YIELDS | SWAP SPREADS | SOFR SWAP RATES

2Y	3.524	-0.011	-16.0000	+0.2465	3.3659	-0.0079
3Y	3.573	-0.017	-20.4750	-0.7450	3.3817	-0.0121
4Y	3.667	-0.010	-23.4285	-0.4285	3.4305	-0.0132
5Y	3.743	-0.013	-25.4000	-0.0250	3.4897	-0.0129
7Y	3.945	-0.010	-31.7535	+0.4472	3.6274	-0.0080
10Y	4.167	-0.008	-35.3840	+0.4910	3.8158	-0.0031
20Y	4.767	-0.005	-59.5113	+0.6907	4.1741	+0.0042
30Y	4.826	-0.002	-65.4850	+0.7650	4.1726	+0.0067

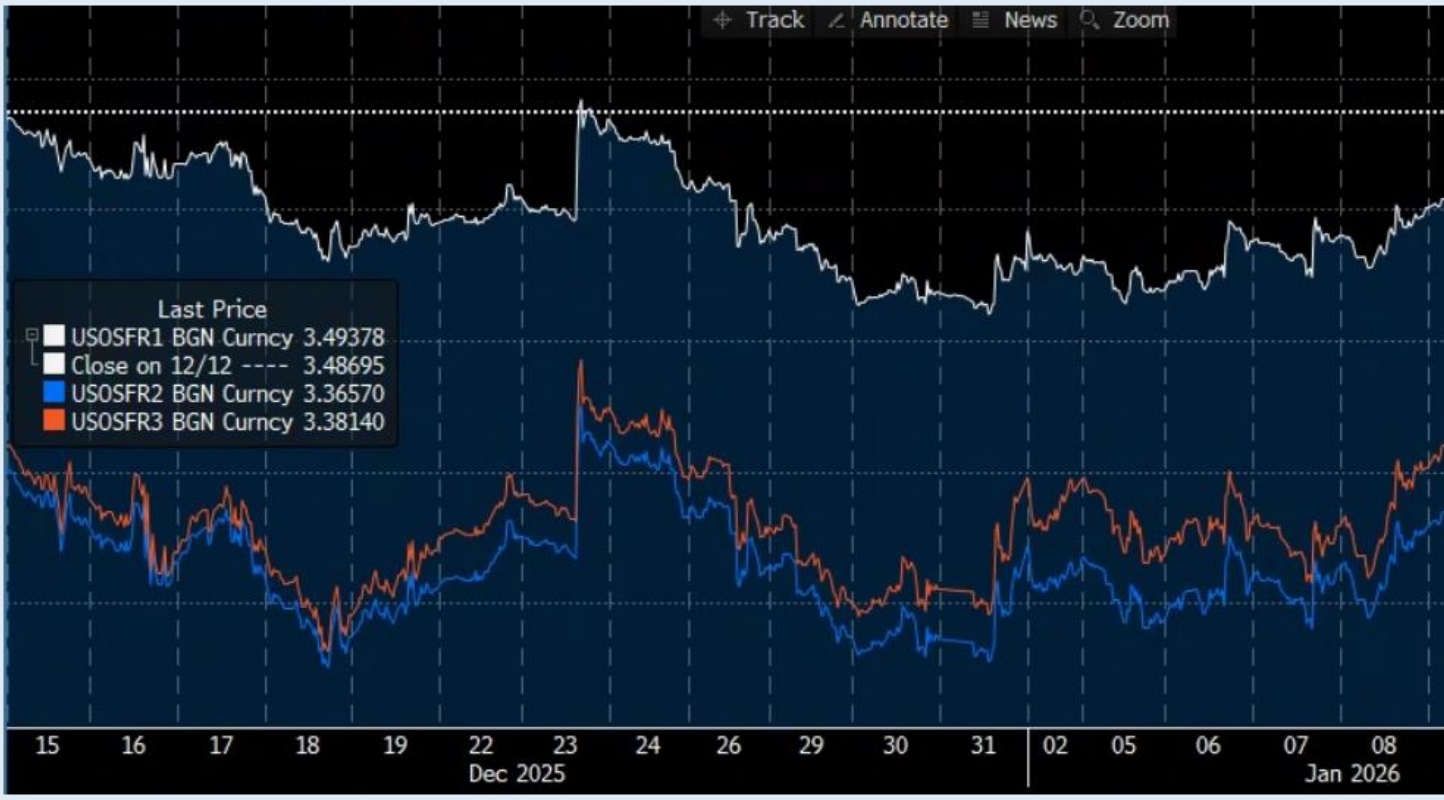
Source: Bloomberg, LLP | 9:30 AM NY Rates Snapshot

<u>CHART 2 & 2A:</u> SOFR SWAP RATES MOSTLY STEADY AFTER DECEMBER CPI RELEASED

SOFR swap rates are holding mostly steady this morning – a tick, or maybe two lower. Once again, despite being "starved" for fresh economic data, the market largely ignored it!

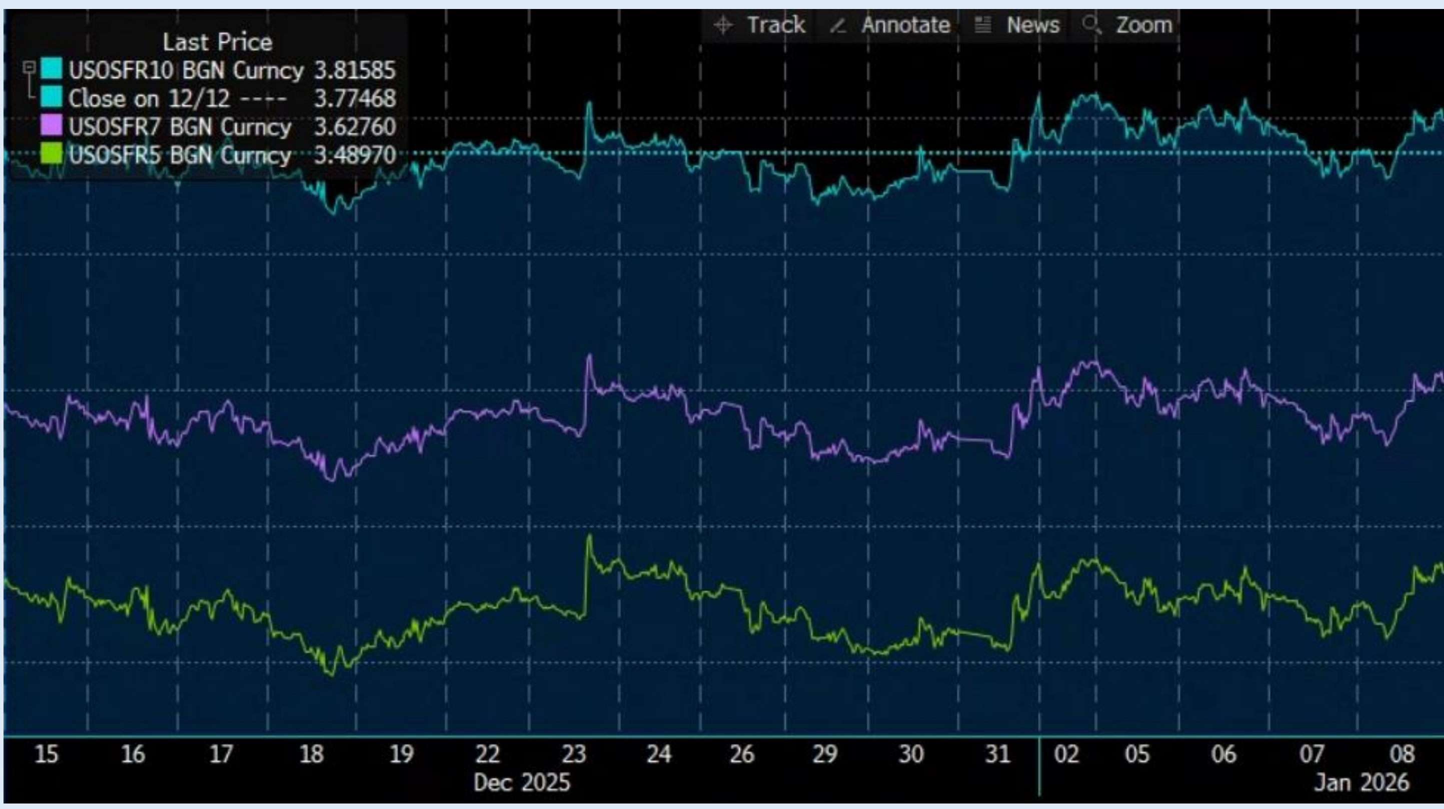
December CPI printed a bit better-than-expected this morning, but traders are simply yawning and moving on. My suspicion is that given the myriad forces at work in the market right now, traders have bigger fish to fry. From my perspective, part of the muted response to the recent data has been that it simply validates the current view: Economic growth is solid (but could slow), the jobs market is cooling-off, and inflation remains steady for the most part. The data has not provided any real "new" info, it just caught up to the market. The recent data validates the prevailing market sentiment that the Fed can cut rates to stave off economic weakness and prop up the jobs market without creating "out of control" inflation. I believe that is the primary reason swap rates have been stuck in a 10-15 bp range since early December.

<u>CHART 2:</u> ***Short-End SOFR Swap Rates – Prior 30 Days***



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

<u>CHART 2A:</u> *Long-End SOFR Swap Rates – Prior 30 Days*



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

<u>CHART 3 & 3A:</u> DECEMBER CPI RECAP – SLIGHLTY WEAKER-THAN-EXPECTED CPI PRINT BOLSTERS FED RATE CUT HOPES FOR 2026

Underlying consumer US inflation rose in December by less-than-expected, a more confident signal of cooling price growth after shutdown-related distortions complicated the previous report. The core consumer price index, excluding the often volatile food and energy categories, increased 0.2% from November. On an annual basis, it advanced 2.6%, matching a four-year low. The favorable CPI print also bolstered hopes for Fed rate cuts this year. Forward pricing now implies the market expects two, possibly three, rate cuts this year.

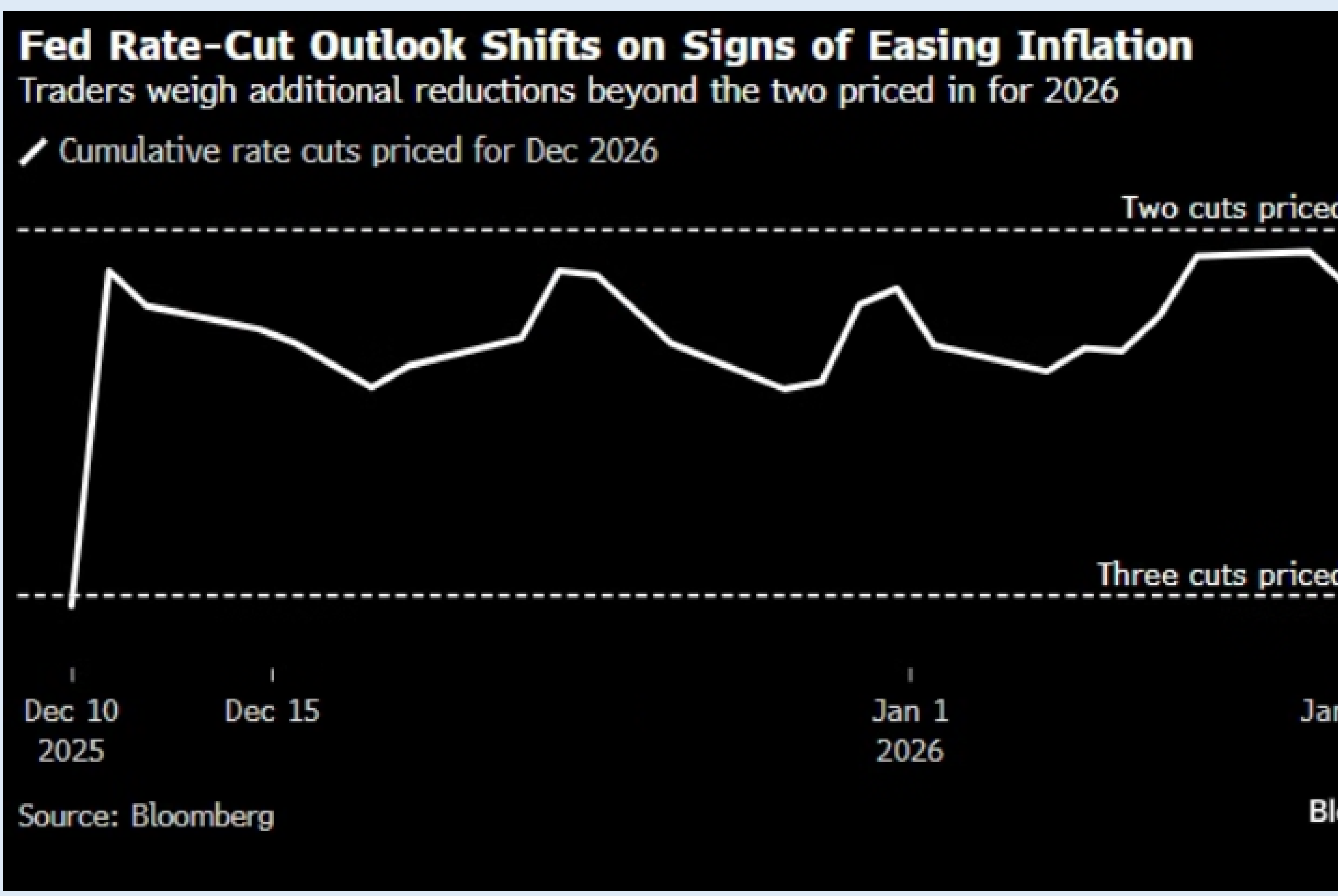
Next up for economic data will be the release of November PPI and November Retail Sales data tomorrow, 1/14 at 8:30 AM. PPI expectations are as follows: Headline MoM PPI, 0.2%; Core PPI MoM, 0.2%; Headline PPI YoY, 2.7%, Core PPI YoY, 2.7%. Note, PPI data was not published in October. November Retail Sales forecasts are as follows: Retail Sales Advance MoM 0.4%; Retail Sales less Autos MoM, 0.4% (vs. 0.0% the prior month). Given the recent market “responses” to more current data, I do not see tomorrow’s November numbers having a huge impact on the market, unless they significantly deviate from expectations. That is not anticipated to happen.

CHART 3: ***December CPI Recap***

Metric	Actual	Estimate
CPI MoM	+0.3%	+0.3%
Core CPI MoM	+0.2%	+0.3%
CPI YoY	+2.7%	+2.7%
Core CPI YoY	+2.6%	+2.7%

Source: Bloomberg, LLP | DECEMBER CPI RECAP

CHART 3: ***Fed Rate Cut Expectations Bolstered By Favorable December CPI Data***



Source: Bloomberg, LLP | MARKET IMPLIED 2026 CUMULATIVE FED RATE CUT EXPECTATIONS - SINCE DECEMBER, 2025

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.*

LOS ANGELES, CA NEW YORK, NY BALTIMORE, MD
TELEPHONE 212.500.0922 FAX 310.856.9495

***

AST Defeasance Consultants, one of the nation's leading commercial real estate consulting firms, was founded in 2007. We have extensive experience in commercial real estate defeasance, hedging, derivatives, and financial instruments. More than $50 billion worth of transactions have been executed by the AST team. Only AST can combine innovation, expertise, and exceptional customer service.

Rate Cap Advisors was established in 2015 that focus on providing commercial real estate interest rate cap solutions. Our innovation and desire to explore new possibilities that benefit our clients have allowed us to save our clients millions of dollars. No matter the service or product, we take great pride in our pursuit of perfection with a unparalleled closing track record.

***