

Flash Update: US RATE MARKETS – TUESDAY JANUARY 20, 2026

- UST yields and SOFR swap rates are ticking higher this morning, mainly on the long-end of the yield curve
- The US's clash with NATO allies over Greenland escalated geopolitical tensions and pushed US rates higher
- Traders continue to *closely* monitor geopolitical developments in multiple "hot spots"
- Traders will continue to closely monitor developments in the DOJ Criminal investigation into Chair Powell and the US Central Bank
- A SCOTUS ruling on tariffs is now anticipated to come "at some point in January" – the decision could come any day
- The tariff ruling could potentially create additional rate volatility as the market reacts to the Supreme Court's decision
- Next up for data: 3Q GDP revisions print on Thursday, 1/22 at 8:30 AM
- Fed officials have entered the pre-meeting "communications blackout" until 1/29
- The next FOMC rate decision is due Wednesday, January 28, 2026 at 2:00 PM
- Short-end SOFR swap rates are trading up ~1-2 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading up ~2-6 bps, depending on tenor

US Treasury yields and SOFR swap rates are ticking higher this morning, mainly on the back-end of the curve. Short-term rates are mostly unchanged this morning, but rates five years and out moved higher and the yield curve steepened. Long-end rates are moving higher and the curve is steepening primarily due to the US's role in rising geopolitical tensions. The latest "Greenland" developments and clash with NATO allies have seemingly caused investors to demand a "risk premium" for US Treasuries, hence the uptick in longer term rates this morning. SOFR swap rates drifted higher last week, mostly due to surprisingly hawkish Fed-speak and an elevated UST risk premium.

At the moment, the primary market focus is on geopolitical developments and how they possibly play out. The geopolitical "news" is likely to continue to come rapidly, which makes it challenging for traders to position. The renewed threats of onerous US tariffs in relation to the US standoff with Nato is also contributing to higher rates and a steeper yield curve – there is still fear that tariffs can/will lead to higher inflation. I think rates could be biased higher for the near term, or at least until the geopolitical landscape stabilizes.

Other news the market is tracking:

- Geopolitical developments continue to dominate market sentiment. Geopolitical tensions escalated over the weekend, as President Trump notched up the Greenland threats and rhetoric. Geopolitical tensions continue to run high, and that is not likely to abate anytime soon. Markets are paying particular attention to the situations in Venezuela, Iran and Greenland.
- The Supreme Court ruling on tariffs has not yet been released. The ruling was postponed and is now expected to come at "some point in January". The SCOTUS ruling could definitely have market implications. Currently, market participants and economists believe the Supreme Court will rule *against* the President. Economists are unsure about the market impact of the decision – either way, the ruling is a potential 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 is likely to be a key market focus moving forward. Chairman Powell has been defiant and 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. President Donald Trump said this morning that he does not plan to fire Federal

Reserve Chair Jerome Powell despite a Justice Department probe into the central bank's renovation.

- The Fed’s pre-meeting external “communications blackout” is now in effect until after the FOMC meeting wraps up on January 28th. Last week, surprisingly Hawkish Fed-speak slowly pushed yields higher. The next time we hear from a Fed officials will be Chairman Powell’s post-meeting press conference on 1/28.

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

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading up ~1-2 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading up ~1-2 bps. **5Y** and **10Y** SOFR swap rates are currently trading up ~2-4 bps. The very back-end of the swap curve is currently trading up ~4-6 bps from yesterday’s closing levels. **Please note: Market levels can change rapidly – rate cap premiums are subject to a dynamic market that can change frequently.**

CHART 1: US RATES SNAPSHOT: 9:15 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	3.584	-0.002	-16.8635	-0.2725	3.4170	-0.0054
3Y	3.659	+0.006	-21.3840	-0.5840	3.4475	+0.0013
4Y	3.752	+0.018	-24.7350	-0.9245	3.5051	+0.0076
5Y	3.842	+0.027	-27.2500	-1.2500	3.5704	+0.0139
7Y	4.054	+0.043	-34.4190	-1.7154	3.7120	+0.0253
10Y	4.279	+0.056	-38.2730	-2.1330	3.8978	+0.0345
20Y	4.870	+0.083	-62.5250	-3.5000	4.2456	+0.0461
30Y	4.916	+0.080	-67.6365	-2.8812	4.2397	+0.0495

Source: Bloomberg, LLP | 9:15 AM NY Rates Snapshot

CHART 2, 2A & 2B: SOFR SWAP RATES TICK HIGHER ON RISING GEOPOLITICAL TENSIONS; SWAP CURVE STEEPENS

SOFR swap rates are ticking higher this morning, mostly on the longer end of the curve. The uptick in rates *last* week was primarily due to hawkish Fed-Speak and jitters related to escalating geopolitical tensions. Rates are ticking higher as we begin the new week - the culprit appears to be an increase in UST risk premiums. Short-term SOFR swap rates are near the top of the recent range, and longer term rates are threatening to break out of the recent range to the upside.

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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