

Flash Update: US RATE MARKETS – WEDNESDAY JANUARY 28, 2026 **FOMC RATE DECISION AT 2:00 PM**

- UST yields and SOFR swap rates are holding mostly steady as traders brace for the FOMC rate decision due at 2:00 PM
- The FOMC is widely anticipated to leave rates unchanged today; *All ears* will be on Chair Powell's post-meeting press conference
- Traders continue to *closely* monitor geopolitical developments in multiple "hot spots" (Greenland, Europe, Venezuela, Iran)
- A SCOTUS ruling on tariffs is now anticipated to come "at some point in January" – the decision could come any day
- There are signs that another "government shutdown" may be looming on the horizon – we will track this developing story
- Fed officials remain subject to the pre-meeting "communications blackout" until 1/29
- The FOMC rate decision is due today, January 28, 2026 at 2:00 PM
- Chairman Powell's post-meeting press conference and Q&A will be held today at 2:30 PM
- *Next up for data:* December PPI is released on Friday, 1/30 at 8:30 AM
- Short-end SOFR swap rates are trading flat to up ~1 bp this morning, depending on tenor
- Long-end SOFR swap rates are currently trading flat to up ~1 bp, depending on tenor

US Treasury yields and SOFR swap rates are holding mostly steady this morning, as traders brace for this afternoon's FOMC rate announcement and Chair Powell's press conference. Yes, the Fed is expected to hold rates steady tomorrow, but the market will be very focused on what the FOMC, and Chairman Powell have to say. *Traders are seeking forward direction from the Fed* – that is what they will be looking for from the Fed today – we will see if the FOMC can provide it! Rates are likely to remain in a holding pattern ahead of the Fed announcement – geopolitical tensions have subsided over the past few days and economic data this week has been light.

News the market is tracking includes:

- Geopolitical developments continue to weigh on market sentiment. Geopolitical tensions continue to run high, and that is not likely to abate anytime soon. Markets will continue to closely monitor the situations in Venezuela, Europe, Iran and Greenland. Geopolitical tensions have cooled somewhat this week, which helped calm down global bond markets and hold rates relatively steady ahead of the FED meeting.
- The Supreme Court ruling on President Trump's 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.
- SCOTUS is also currently ruling on the legality of the President firing of the Fed's Lisa Cook. That ruling is also expected to come in the near term.
- 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. A sudden surge in purchases could 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 remain 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. *We will hear from Chairman Powell today!*

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 flat to up ~1 bp this morning. **2Y** and **3Y** SOFR swap rates are currently trading flat to up ~1 bp. **5Y** and **10Y** SOFR swap rates are currently trading flat to up ~1 bp. The very back-end of the swap curve is currently trading up ~1 bp 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	3.567	-0.003	-16.1295	+0.4330	3.4099	+0.0008
3Y	3.643	-0.002	-20.3270	+0.3807	3.4399	+0.0009
4Y	3.734	-0.002	-23.7500	+0.1610	3.4994	+0.0014
5Y	3.823	-0.005	-26.6625	-0.0375	3.5648	+0.0023
7Y	4.029	-0.003	-32.9145	+0.5237	3.7023	+0.0046
10Y	4.245	+0.003	-36.6250	+0.5250	3.8805	+0.0071
20Y	4.819	+0.003	-60.3500	+0.8580	4.2179	+0.0113
30Y	4.864	+0.005	-65.0000	+0.8750	4.2148	+0.0129

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

CHART 2 & 2A: SOFR SWAP RATES MOSTLY STEADY AS MARKET BRACES FOR FOMC RATE DECISION

SOFR swap rates are holding mostly steady this morning, as the market awaits the FOMC rate announcement. The recent positive economic data has decreased the odds for a Fed rate cut during the first few meetings of the year. An uptick in inflation still concerns market participants, which is another reason supporting patience on further rate cuts. Keep in mind that Fed rate cuts can take *months* to impact the monetary system, so we are just beginning to see the impact of the rate cuts the Fed has done in the past six months.

Here are the current odds for a Fed rate cut at the next four meetings: January, 2.8%; March, 15.9%; April, 29.8%; June, 62.1%. Right now, traders *do not* expect a rate cut in the first quarter of 2026, but they do suspect that the installment of a new Fed chief could green-light a rate cut in June. Currently, forward market pricing implies 46.9 bps of cumulative rate cuts in 2026 (~two, 25 bp rate cuts).

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

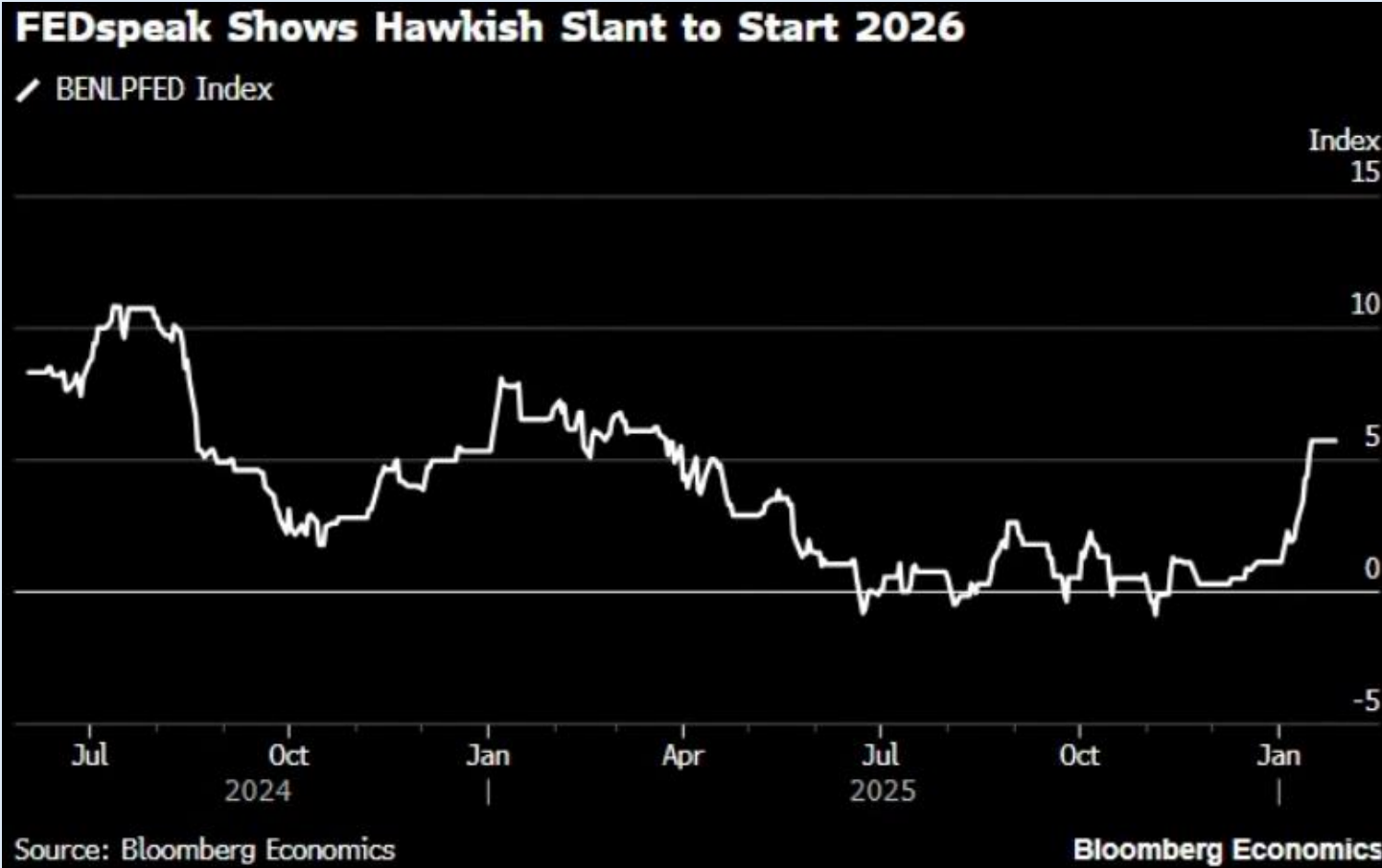
CHART 3, 3A & 3B: FOMC PREVIEW: FED WILL HOLD, ALL EARS WILL BE ON CHAIRMAN POWELL'S COMMENTS THIS AFTERNOON

The FOMC is widely anticipated to hold the benchmark rate steady today. I will be most interested in what Chair Powell has to say this afternoon – that is *the* big event. I will also be looking at who dissents, and how the new voting members actually vote. Two of the new voting members, Hammack and Logan, are hawks, so how they vote could help set the tone for the Fed going forward. I will also be listening carefully for any mention of a “neutral rate”. One of the big questions for me is: *What are FOMC members thinking regarding the “neutral rate”?* If FOMC members think we are “there”, or even “close”,

we may not see another rate cut for some time. If they don't, another rate cut could come as early as April.

Finally, I read an interesting observation yesterday and want to highlight it again today: Pay particular attention today for the phrase “*in considering the extent and timing*” of future rate moves – in the past, when the Fed has included that phrase in the official statement, it has preceded *extended* FOMC “pauses”. Regarding the DOJ criminal probe, I fully expect Chair Powell to address questions about Fed independence and White House meddling head on. Fasten your seatbelts!

CHART 3: FOMC Leans “Hawkish” As We Approach The First Rate Decision Of 2026



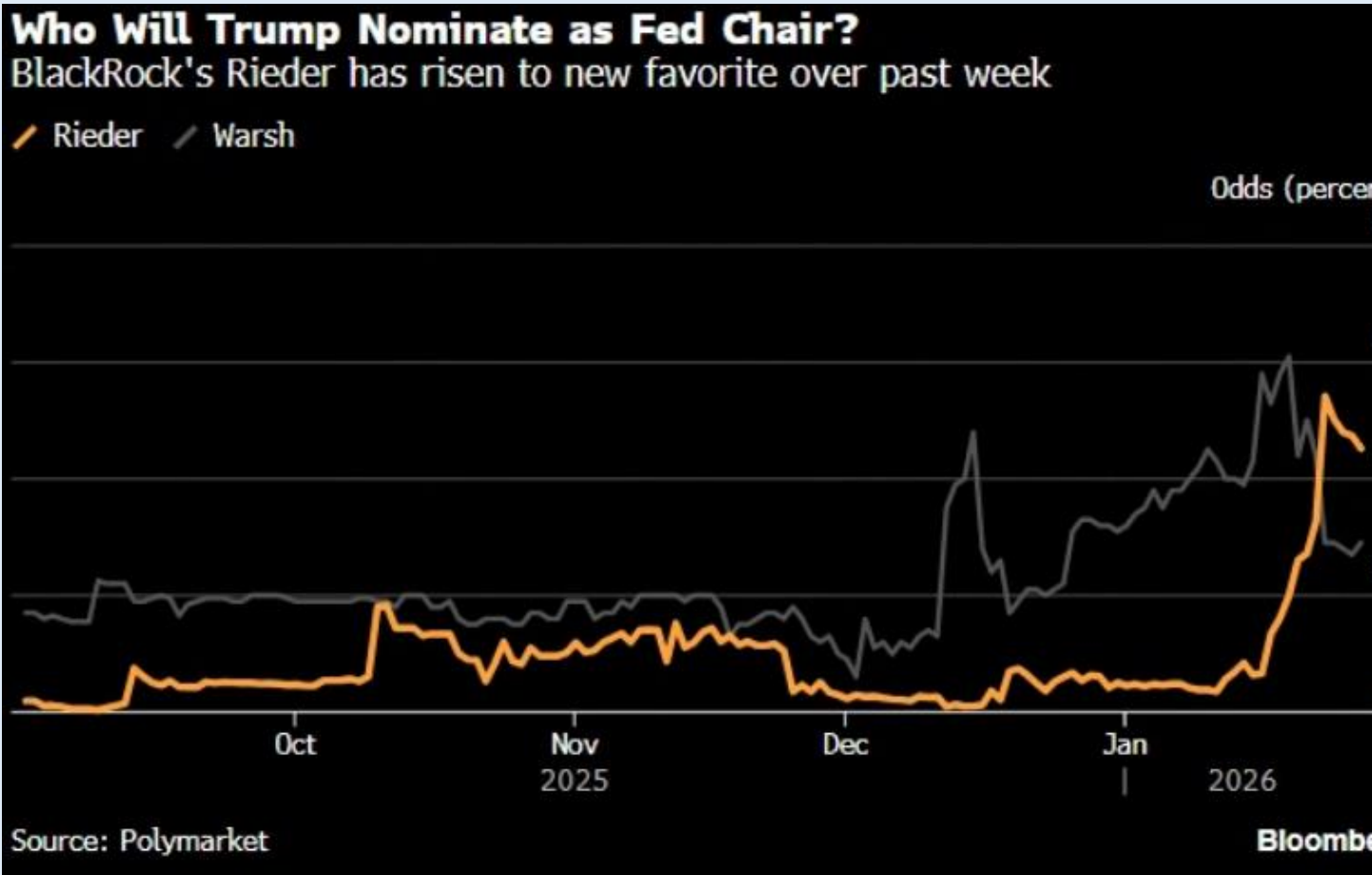
Source: Bloomberg, LLP | BLOOMBERG FED-SPEAK INDEX SINCE JULY 2024

CHART 3A: Current Forward Implied Fed Funds & 1-Month Term SOFR Rates

FOMC Forward SOFR		FOMC Forward FF	
01/28/26	3.67500	01/28/26	3.6399
03/18/26	3.63700	03/18/26	3.6063
04/29/26	3.59400	04/29/26	3.5674
06/17/26	3.48600	06/17/26	3.4488
07/29/26	3.41110	07/29/26	3.3723
09/16/26	3.31710	09/16/26	3.2718
10/28/26	3.23300	10/28/26	3.2035
12/09/26	3.24400	12/09/26	3.1730

Source: Bloomberg, LLP | CURRENT FWD IMPLIED FED FUNDS & 1M TERM SOFR RATES

CHART 3B: Traders Keen To Know Who Will Be The Next Fed Chairman...BlackRock’s Rieder Rises To New Market Favorite



Source: Bloomberg, LLP | POLYMARKET ODDS FOR NEXT FED CHAIRMAN

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