

Flash Update: US RATE MARKETS – WEDNESDAY JANUARY 7, 2026

- UST yields and SOFR swap rates are a touch lower this morning as traders assess a new risk landscape
- This morning, the December ADP employment data printed slightly lower-than expected: +41k vs. +50k expected
- SOFR swap rates remain range bound as the market awaits a fresh run of economic data
- Traders are also closely monitoring geopolitical developments in several “hot spots”
- December ISM Services & Prices Paid data and the November JOLTS jobs report are released this morning at 10:00 am
- Next up for data: December Employment Report is due Friday 1/9 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 down ~1-3 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently trading down ~3-5 bps, depending on tenor

US Treasury yields and SOFR swap rates are drifting lower as traders take stock of a shifting risk landscape. There is a lot going on geopolitically at the moment. Yields are down globally, which tells me geopolitical tensions are running high, and traders are seeking safe haven until more clarity is received. Additionally, the “normal” schedule of economic data releases has resumed, so the market will see plenty of fresh data in the coming days. Data released this morning from ADP Research showed hiring in December rose at a moderate pace, pointing to sluggish momentum heading into 2026. The ADP data was also a catalyst for lower rates this morning.

As we enter 2026, there is still a high level of uncertainty in the market regarding the path forward for interest rates. Thankfully, the data blackout is set to end - the market will start to see current economic data this week, which will definitely help frame the direction of interest rates this quarter. This morning, ISM Services & Prices Paid data and the November JOLTS jobs report will be released at 10:00 AM. Earlier this morning, the ADP Employment Report posted a bit weaker-than-forecasted, so if the JOLTS report is worse-than-expected, we could see rates slide lower today. The ISM data is also important – the prices paid component is an inflation indicator, so traders will be paying attention. Should the “10:00 am data” beat expectations, rates are likely to hold steady, as it would signal inflation remains steady and the jobs market remains relatively static (no significant new weakness). The first *big* data event of the year will be the release of the December Employment Report on Friday, 1/9 at 8:30 AM. All eyes will be on that report, as it will likely set the tone for monetary policy expectations.

The primary concerns facing the market in early 2026 are geopolitical, the upcoming FOMC “facelift” (new voting members, new Chairman as of June 2026) and questions surrounding inflation and the outlook for Fed rate cuts (more cuts? steeper yield curve?). There are many market participants who fear a curve steepener will occur in Q1 2026 due to strong economic growth and sticky inflation.

SOFR Swap Rate Summary: The 1Y SOFR swap rate is trading down ~1-2 bps this morning. 2Y and 3Y SOFR swap rates are currently trading down ~1-2 bps. 5Y and 10Y SOFR swap rates are currently trading down ~3-4 bps. The very back-end of the swap curve is currently trading down ~3-5 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: 9:30 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	3.453	-0.010	-15.8394	-0.3794	3.2949	-0.0144
3Y	3.511	-0.017	-19.8900	-0.1575	3.3124	-0.0188
4Y	3.603	-0.022	-23.5765	+0.0080	3.3633	-0.0224
5Y	3.685	-0.027	-26.2724	+0.1026	3.4244	-0.0259
7Y	3.898	-0.032	-33.1790	+0.0810	3.5670	-0.0307
10Y	4.136	-0.038	-37.5150	+0.1906	3.7626	-0.0343
20Y	4.762	-0.045	-62.7912	+0.3093	4.1351	-0.0409
30Y	4.820	-0.045	-68.3750	+0.1000	4.1375	-0.0429

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

CHART 2 & 2A: SOFR SWAP RATES DRIFT LOWER AS MARKET ASSESSES FRESH DATA, GLOBAL RISK LANDSCAPE

SOFR swap rates are a touch lower this morning, as traders assess the current risk landscape and the path forward for interest rates. Overall, swap rates remain range bound as the market seeks direction. Swap rates across the curve have been trading in an ~10-15 bp trading range since early December.

The first “big” number we see this year is the December Employment Report, which is due for release on Friday, January 9 at 8:30 AM. The next FOMC rate decision is due Wednesday, January 28 at 2:00 PM. At the moment, odds for a 25 bp rate cut are sitting at ~16.3%. Currently, market participants *do not* expect a rate cut at the January FOMC meeting.

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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