RateCap Advisors

Flash Update: US RATE MARKETS – WEDNESDAY FEBRUARY 11, 2026

- **UST yields and SOFR swap rates gapped higher this morning after a *much* stronger-than-expected January Employment Report**
- **Non-farm payrolls increased by 130k (vs. 65k expected) and the Unemployment Rate fell to 4.3% (vs. 4.4% prior)**
- **The strong jobs report has traders backpedaling on FOMC rate cut expectations**
- **The January jobs data supports Fed Chair Powell's recent assertion that the labor market is steadying after a weak 2025**
- **Traders continue to *closely* monitor geopolitical developments, though tensions have somewhat eased recently**
- **Market participants will continue to monitor developments with the DOJ investigation into the US Central Bank**
- **A SCOTUS ruling on tariffs is now anticipated to come in February – the decision could come any day**
- **The next FOMC rate decision is due Wednesday, March 18, 2026 at 2:00 PM**
- ***Next up for data:* January CPI data prints Friday 2/13 at 8:30 AM**
- **Short-end SOFR swap rates are trading up ~5-7 bps this morning, depending on tenor**
- **Long-end SOFR swap rates are currently up ~2-5 bps, depending on tenor**

US Treasury yields and SOFR swap rates shot higher this morning after a *much* better-than-expected January Employment Report was released. I believe the market reaction to this morning's data would have been even more pronounced, but 2025 employment data was reduced significantly lower, providing evidence that the job market *did* in fact weaken last year. That said, market participants were encouraged by the strong January jobs data, and Fed rate cut expectations were scaled back. As a result, rates moved higher this morning, particularly on the Fed-sensitive short-end of the curve.

Market participants will continue to track a number of potential market catalysts (equity markets; commodity markets; the geopolitical landscape; the DOJ investigation into the Fed; the Warsh nomination; the SCOTUS tariff ruling; the shape of the yield curve; US Treasury risk premiums), but I think the primary focus for traders *right now* is seeing *current economic data*.

Next up for key economic data is the January CPI report, scheduled for release on Friday 2/13. We will see what the inflation data reveals on Friday.

Bottom line for me (right now): market participants and economists are eager to see if Chair Powell's recent upbeat assessments of the economy, labor market and inflation outlook are accurate. The numbers we saw this morning certainly provide evidence that the US Labor Market started 2026 on the right foot.

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 materially abate anytime soon. Markets will continue to closely monitor the situations in Venezuela, Europe, Iran and Greenland. The current lull in geopolitical tensions has forced traders into a "wait and see mode". Tensions have abated somewhat in recent days, but remain simmering just below the surface.
- Markets will be tracking developments in the US equities markets closely. There is still a sharp focus on the performance of the growing AI sector. Market sentiment is likely to be impacted by "tech" earnings for the foreseeable future.
- The Supreme Court ruling on President Trump's tariffs has not yet been released. The ruling is now expected to come this month. 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.

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- 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. Chair Powell said yesterday that this is "the most important legal case in the Fed's history". Stay tuned!
- The US Justice Department investigation into the US Central Bank and Chairman Powell is likely to remain a key market focus moving forward.
- Traders will continue to track developments with the US dollar – the recent weakness, and reaction of the US government, has baffled markets. Sustained currency weakness can be inflationary. A weak dollar can lead to "pricier" imports and a deterioration in investor confidence.

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 ~5-7 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading up ~5-7 bps. **5Y** and **10Y** SOFR swap rates are currently trading up ~3-5 bps on the day. The very back-end of the swap curve is currently trading up ~2-3 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: 9:45 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	3.518	+0.067	-16.9728	+0.0302	3.3490	+0.0642
3Y	3.573	+0.059	-21.4269	-0.2306	3.3638	+0.0601
4Y	3.673	+0.054	-25.0255	-0.1670	3.4151	+0.0550
5Y	3.751	+0.050	-27.7905	-0.1655	3.4750	+0.0493
7Y	3.958	+0.046	-35.7000	-0.5700	3.6041	+0.0404
10Y	4.178	+0.036	-40.2388	-0.2388	3.7768	+0.0323
20Y	4.755	+0.028	-64.1300	-0.3300	4.1141	+0.0241
30Y	4.807	+0.024	-69.3680	-0.1320	4.1140	+0.0213

Source: Bloomberg, LLP | 9:45 AM NY Rates Snapshot

CHART 2 & 2A: SWAP RATES SHOOT HIGHER ON BETTER-THAN-EXPECTED JOBS DATA

SOFR swap rates are moving higher this morning after a much better-than-expected January Employment Report (See far right of Chart 2 & 2A). The strong jobs report did seem to catch traders off-guard – there is still a lingering feeling in the market that the jobs market will continue to weaken. The solid labor report forced traders to once again rethink the timing and magnitude of future Fed rate cuts.

Strong economic data is likely to continue to reduce Fed rate cut expectations and consequently, keep swap rates, particularly on the Fed-sensitive short-end of the curve, biased higher for the near term. Rates were up as much as 9 basis points this morning, then gradually settled down as traders digested the jobs data.

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: JANUARY EMPLOYMENT REPORT SIGNIFICANTLY BEATS EXPECTATIONS, DASHING FED RATE CUT HOPES

US payrolls rose in January by the most in more than a year and the unemployment rate unexpectedly fell, suggesting the labor market continued to stabilize at the start of 2026. Employers added 130,000 jobs last month, doubling expectations. The closely watched Unemployment Rate unexpectedly declined to 4.3%. The January report suggests the jobs market is finding its footing after a year marked by rising unemployment and reduced hiring. Economists widely expect the labor market to remain somewhat sluggish in 2026. However, more clarity around the impact of President Trump's economic and trade policies and lower borrowing costs could encourage some employers to boost headcount and/or hold-off on layoffs.

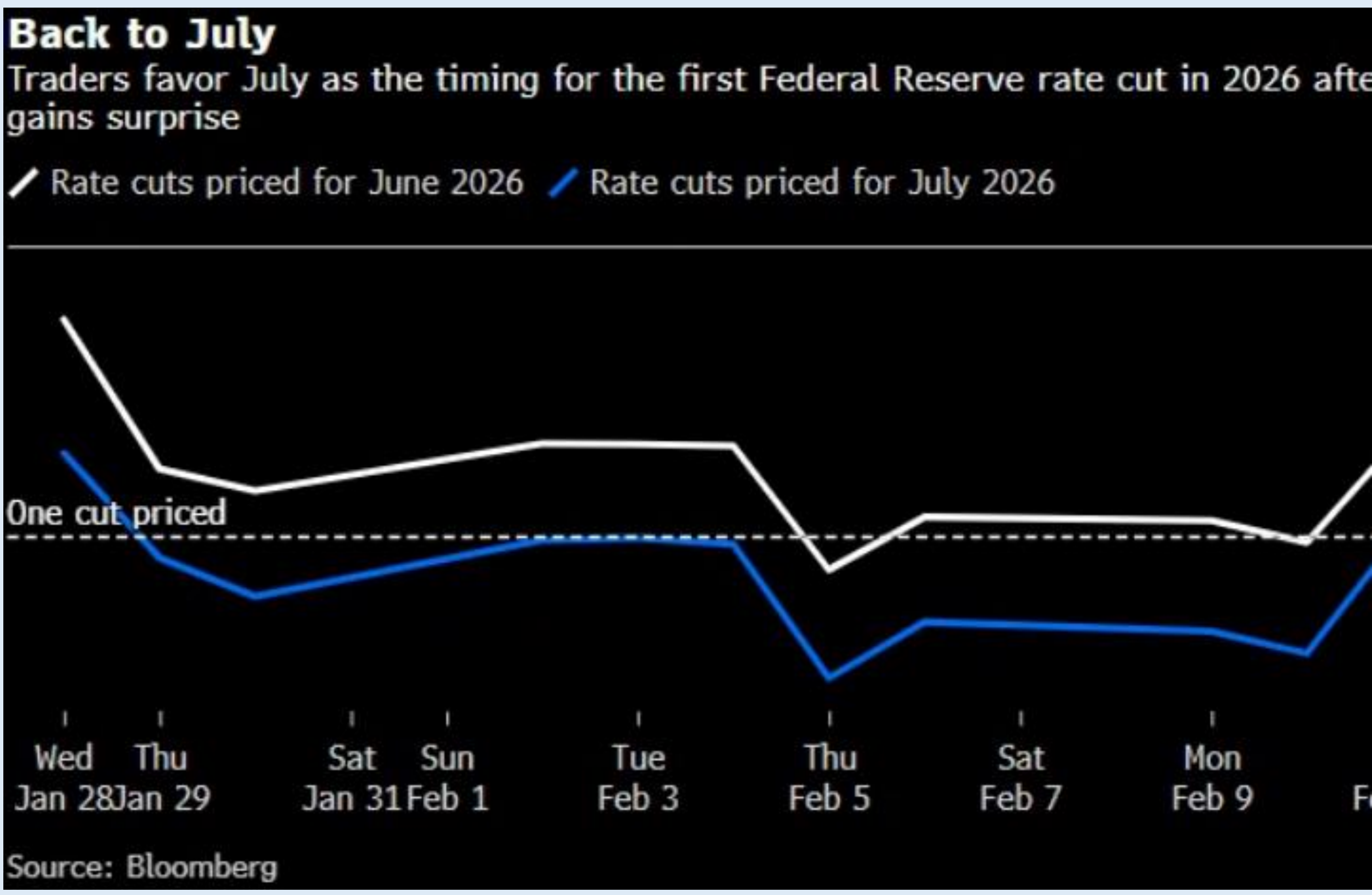
Today's data supports Fed Chair Powell's assertion that the job market is steadying. As a result, Fed expectations were scaled back – traders now see the next rate cut occurring in July vs. June yesterday.

__CHART 3:__ ***Employment Report Recap – Job and Wage Growth Are Solid; Unemployment Rate Drops***

Metric	Actual	Median estimate
Change in payrolls (MoM)	+130k	+65k
Unemployment rate	4.3%	4.4%
Average hourly earnings (MoM)	+0.4%	+0.3%

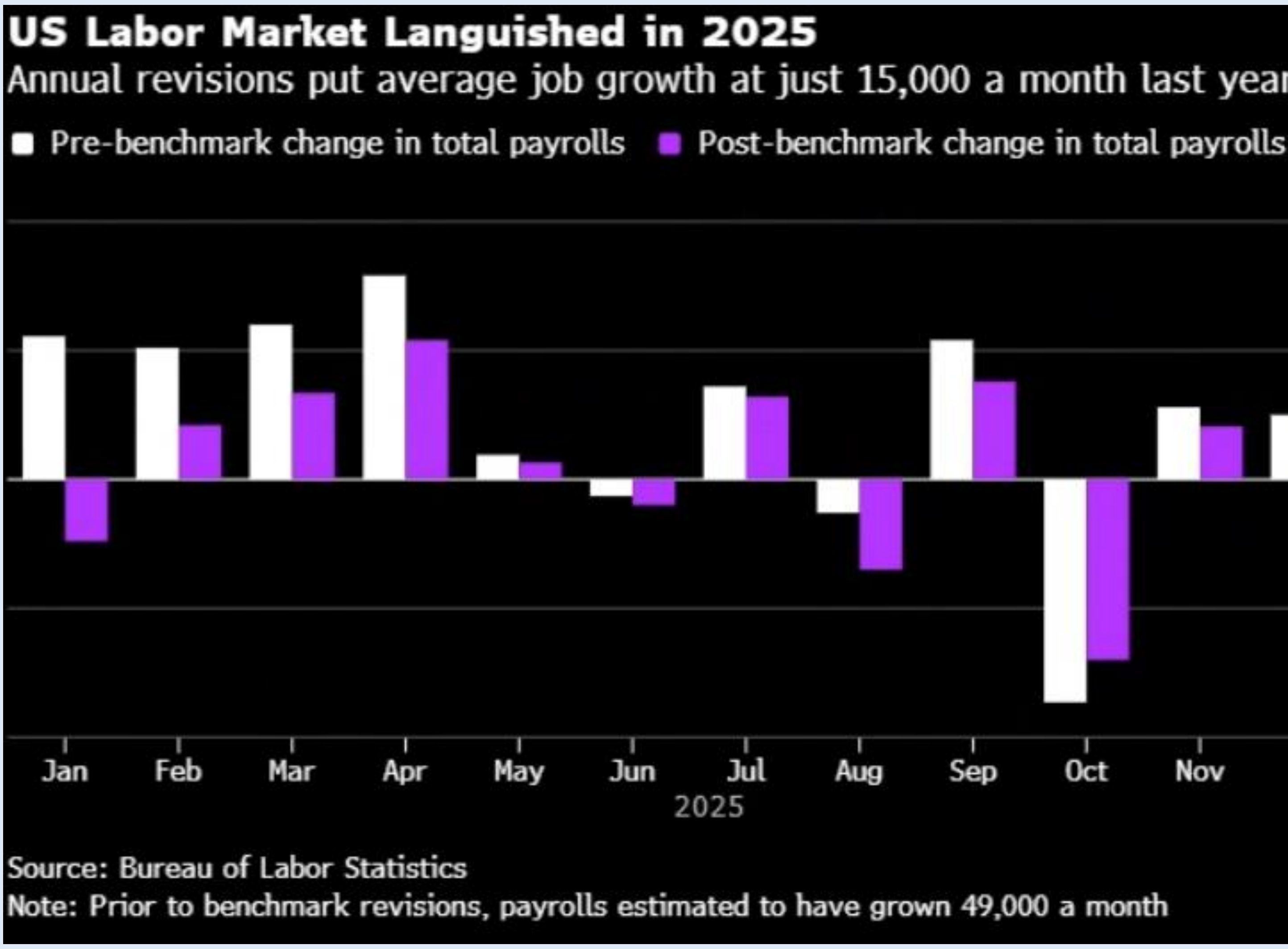
Source: Bloomberg, LLP | JANUARY EMPLOYMENT REPORT RECAP

__CHART 3A:__ ***Fed Rate Cut Expectations Fade On Strong Jobs Report***



Source: Bloomberg, LLP | EVOLUTION OF FED RATE CUT EXPECTATIONS SINCE JANUARY 28, 2026

__CHART 3A:__ ***Revisions To 2025 Labor Data Helped Mute Market's Response To The Strong January Jobs Data***



Source: Bloomberg, LLP | 2025 EMPLOYMENT DATA

RCA Product & Pricing Update:

Product Spotlight: ***What We Are Seeing In The Rates & Derivatives Markets***

The market is again facing tremendous uncertainty surrounding the path forward for interest rates. Borrowers should be as nimble as possible in this market environment. Cap purchasers should onboard as quickly as possible – *there is no cost to onboard*. It is important to be in a position to take advantage of market opportunities quickly and efficiently.

Given the uncertainty that still remains about forward rates, many clients are grappling with when or if to extend. This is a difficult question – our advice has been to monitor the market closely and be on-boarded and ready to trade, should the market move in your favor. We also advise borrowers to check the market pricing for extensions, similar to how you purchased the original cap. Market pricing discovery is a key component to any cap transaction – new caps, extensions or terminations.

There is an increasing interest in exploring *interest rate swaps* as a possible hedge alternative. IR Swaps lock in a synthetic fixed rate and do not require an upfront premium. Unlike an interest rate cap, swaps are secured derivatives, so the counterparty selection process is more challenging with a swap. There are also additional variables that factor into the decision to pursue an interest rate swap, or to unwind an existing swap. We are also seeing a dramatic increase in swap termination advisory requests recently, as clients contemplate refinancings. Lower rates have sparked refinancing activity, which in some cases necessitates unwinding an existing swap. *Please let us know if you would like to learn more about interest rate swaps, or swap terminations.*

We are still seeing some residual demand for interest rate floor indications – to offset high loan floors or simply to benefit from declining variable rates. Borrowers who have “floors” embedded in their loans have been considering purchasing a separate, stand-alone interest rate floor to *offset* the loan floor.

Interest Rate Cap Hub: ***Pricing & Volatility Update for 2/11/2026***

- **1-Month Term SOFR Cap prices had been trending lower the past week or so**
- **However, this morning's jobs data pushed cap premiums higher**
- **Volatility remains *relatively* subdued; potential catalysts remain on the horizon**
- **Current 1-Month Term SOFR = 3.65997% (Prior day: 3.66047%)**

Pricing Matrix: 1-Week Movement In 1-Month Term SOFR Cap Premiums

Notional Amount	Tenor	Strike Rate	*~Premium 2/4/26*	~Premium 2/11/26
$25,000,000	1-Year	3.50%	*~$54k*	~$58k
$25,000,000	1-Year	4.50%	*~$17k*	~$18k
$25,000,000	2-Year	3.50%	*~$116k*	~$122k
$25,000,000	2-year	4.50%	*~$23k*	~$24k
$25,000,000	3-Year	3.50%	*~$218k*	~$228k
$25,000,000	3-Year	4.50%	*~$72k*	~$75k

****Premium levels provided are indications only and subject to change.***

Please contact us if you would like to discuss an upcoming rate cap or rate cap extension, explore ways to reduce or eliminate escrow deposits for replacement caps or learn more about interest rate Caps, Floors, Swaps or Swaptions. RCA can also assist you with the voluntary early termination of your cap or swap. Hedge with an edge - The RCA Edge!

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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.

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