



**Flash Update: US RATE MARKETS – WEDNESDAY FEBRUARY 18, 2026**

- UST yields and SOFR swap rates edged higher this morning, as traders prepare for the release of key economic and inflation data
- The January FOMC meeting minutes will be released today at 2:00 PM
- Market participants expect the January Fed meeting minutes to show broad support for an extended “hold” on rate cuts
- Traders continue to monitor geopolitical developments, though tensions have 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:* Q4 GDP and December PCE inflation data are released on Friday 2/20 at 8:30 AM
- Personal Income and Personal Spending data for December will also be released on 2/20 at 8:30 AM
- Short-end SOFR swap rates are trading up ~1-3 bps this morning, depending on tenor
- Long-end SOFR swap rates are currently up ~1-2 bps, depending on tenor

US Treasury yields and SOFR swap rates drifted higher this morning as the market braces for the next series of key economic data and the release of the January Fed meeting minutes. Currently, rates are ~1-3 bps higher across the curve.

This afternoon we will see the release of the January FOMC meeting minutes. They are anticipated to reveal a growing support for an extended rate 'hold'. The minutes are also anticipated to show that there was broad consensus to hold rates steady in January, with the obvious exception of the two dissenting voters, Miran and Waller. Traders and investors are keen to see if the door remains open for a rate cut before Chair Powell departs. The insight the minutes will provide, coupled with the key economic data we will see later this week, may go a long way towards answering that important question! Odds for a third rate cut in 2026 ticked slightly higher this week, but nothing dramatic.

Market participants will continue to track a number of potential market catalysts, but I think the primary focus for traders *right now* is seeing *current economic and inflation data*. Traders will get a timely look at some key economic data later this week. Market participants will see the release of Q4 GDP, December Personal Income, December Personal Spending and December PCE inflation data on Friday 2/20 – all four numbers will be released at 8:30 AM.

## News the market is tracking includes:

- Geopolitical developments continue to weigh on market sentiment. 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.
- Market participants 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. 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. 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.
- Market continue to monitor US political developments, specifically with respect to budget negotiations. Traders are watching for signs of another potential government shutdown. As we have witnessed recently, government shutdowns can impact the timely release of economic data, which makes it difficult for traders to position.

**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 ~2-3 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading up ~2-3 bps. **5Y** and **10Y** SOFR swap rates are currently trading up ~1-3 bps on the day. The very back-end of the swap curve is currently trading up ~1-2 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	3.457 +0.026	-17.8355	+0.0290	3.2800	+0.0226
3Y	3.492 +0.027	-21.8958	+0.0492	3.2742	+0.0262
4Y	3.576 +0.027	-25.5000	+0.2205	3.3160	+0.0284
5Y	3.647 +0.026	-27.6250	+0.3590	3.3720	+0.0295
7Y	3.845 +0.020	-34.7316	+0.6384	3.5001	+0.0281
10Y	4.077 +0.018	-40.3117	+0.5578	3.6751	+0.0248
20Y	4.648 +0.013	-63.9492	+0.7808	4.0089	+0.0202
30Y	4.701 +0.012	-69.2096	+0.6654	4.0093	+0.0183

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

## CHART 2, 2A & 2B: SWAP RATES EDGE HIGHER AS MARKET AWAITS KEY ECONOMIC DATA; FED RATE CUT EXPECTATIONS TICK HIGHER

SOFR swap rates edged higher this morning as traders await the release of key economic and inflation data later this week. The recent positive economic data has tempered expectations for a third Fed rate cut this year, leading to *slightly* higher short-term swap rates this week. Better-than-expected inflation data has calmed inflation fears for the time being, and a slightly calmer geopolitical landscape has reduced risk premiums. The combination of all those factors had led to a slightly flatter yield curve. Overall, SOFR swap rates remain range bound – the 2Y swap rate was trading at 3.33% on 2/6 – it is currently trading a bit lower at 3.28%. Swap rates are, however, bouncing off the range-lows we saw earlier this week.

## 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 2B: Traders See “Between” Two & Three Fed Rate Cuts This Year**



## Markets See Between Two and Three Fed Rate Cuts This Year

✓ Federal funds rate    ⚡ Market implied (last FOMC, Jan 28)    ⚡ Market implied (FOMC March 15)



Source: BECO MODELS FORECASTS <GO>

Source: Bloomberg, LLP | MARKET IMPLIED FED RATE CUTS FOR 2026 (AS OF 2/17/2026)

## 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 2/18/2026**



- Cap premiums have been somewhat volatile intraday, but generally remain range bound
- Volatility remains *relatively* subdued; potential catalysts remain on the horizon
- Current 1-Month Term SOFR = 3.66603% (Prior day: 3.66406%)

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

Notional Amount	Tenor	Strike Rate	~Premium 2/11/26	~Premium 2/18/26*
\$25,000,000	1-Year	3.50%	~\$58k	~\$57k
\$25,000,000	1-Year	4.50%	~\$18k	~\$17k
\$25,000,000	2-Year	3.50%	~\$122k	~\$117k
\$25,000,000	2-year	4.50%	~\$24k	~\$22k
\$25,000,000	3-Year	3.50%	~\$228k	~\$219k
\$25,000,000	3-Year	4.50%	~\$75k	~\$71k

**\*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!**

**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.

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**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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