

Flash Update: US RATE MARKETS – THURSDAY FEBRUARY 19, 2026

- UST yields and SOFR swap rates drifted a touch higher this morning, as traders prepare for the release of key economic data
- This morning, weekly jobless beat expectations, printing at the lowest level since November 2025
- Market participants largely ignored the jobs data, given the key economic and inflation data we will see tomorrow morning
- Traders continue to monitor geopolitical developments; US/Iran tension is once again a focus for markets
- Escalating tensions between the US and Iran are pushing crude oil prices higher and adding to market fear and uncertainty
- 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 key data:** Q4 GDP and December PCE inflation data are released tomorrow, 2/20 at 8:30 AM
- Personal Income and Personal Spending data for December will also be released tomorrow, 2/20 at 8:30 AM
- Short-end SOFR swap rates are trading up ~1-2 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 are drifting a touch higher this morning as the market braces for the next series of key economic and inflation data. Currently, rates are ~1-2 bps higher across the curve. Traders are also once again monitoring escalating geopolitical tensions between the US and Iran. Crude oil prices are moving higher, which is fanning inflation fears and partly contributing to slightly higher rates this morning.

Yesterday, the Fed's January meeting minutes were released. The minutes did not provide any major surprises, but two things jumped out at me: 1. The Fed is still *totally* committed to the 2.00% inflation target and 2. The majority of the FOMC is in *no hurry whatsoever* to lower rates again anytime soon. Furthermore, the minutes revealed that "several participants" would have supported "two-sided language" in the official statement, to indicate that it *could* be appropriate to *hike* rates if inflation remains above target. That was a bit of a revelation, but not surprising given Chair Powell's comments after the last meeting. The market is still holding out for two, or potentially *three*, rate cuts this year, but I think that has more to do with the new incoming Chairman than it does with the data "validating" rate cuts.

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 tomorrow (2/20), when we see the release of Q4 GDP, December Personal Income, December Personal Spending and December PCE inflation data – all four numbers will be released at 8:30 AM.

Here's a preview of tomorrow's key economic and inflation data: Q4 GDP, 3.0%; Q4 Core GDP Price Index, 2.6% (vs. 2.9% prior); Personal Income, 0.3% (vs. 0.3% prior); Personal Spending, 0.3% (vs. 0.5% prior); Headline PCE MoM, 0.3% (vs. 0.2% prior); Core PCE MoM, 0.3% (vs. 0.2% prior); Headline PCE YoY, 2.8% (vs. 2.8% prior); Core PCE MoM, 2.9% (vs. 2.8% prior).

News the market is tracking includes:

- Geopolitical developments continue to weigh on market sentiment. Tensions between Iran and the US are once again escalating, pushing oil prices higher and adding to the market’s fear and uncertainty.
- 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.
- The market continues 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.

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 ~1-2 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: 9:30 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	3.470	+0.011	-17.8800	-0.0910	3.2930	+0.0089
3Y	3.505	+0.011	-22.0555	+0.0135	3.2867	+0.0101
4Y	3.588	+0.012	-25.7700	-0.0165	3.3251	+0.0085
5Y	3.657	+0.007	-28.0198	-0.0198	3.3787	+0.0070
7Y	3.857	+0.008	-35.2295	-0.0995	3.5062	+0.0062
10Y	4.088	+0.006	-40.7100	+0.0400	3.6828	+0.0064
20Y	4.665	+0.010	-64.7590	-0.0715	4.0186	+0.0086
30Y	4.717	+0.012	-69.7750	-0.0250	4.0203	+0.0099

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

CHART 2, 2A & 2B: SWAP RATES DRIFT HIGHER AS MARKET AWAIT'S KEY ECONOMIC AND INFLATION DATA

SOFR swap rates edged higher this morning as traders await the release of key economic and inflation data tomorrow morning. 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 3.29%. Swap rates are, however, bouncing off the range-lows we saw late last week. We see *a ton* of data tomorrow, so there is the possibility for elevated intraday rate volatility as the market parses and digests the economic and inflation data real-time.

CHART 2: Short-End SOFR Swap Rates – Prior 30 Days



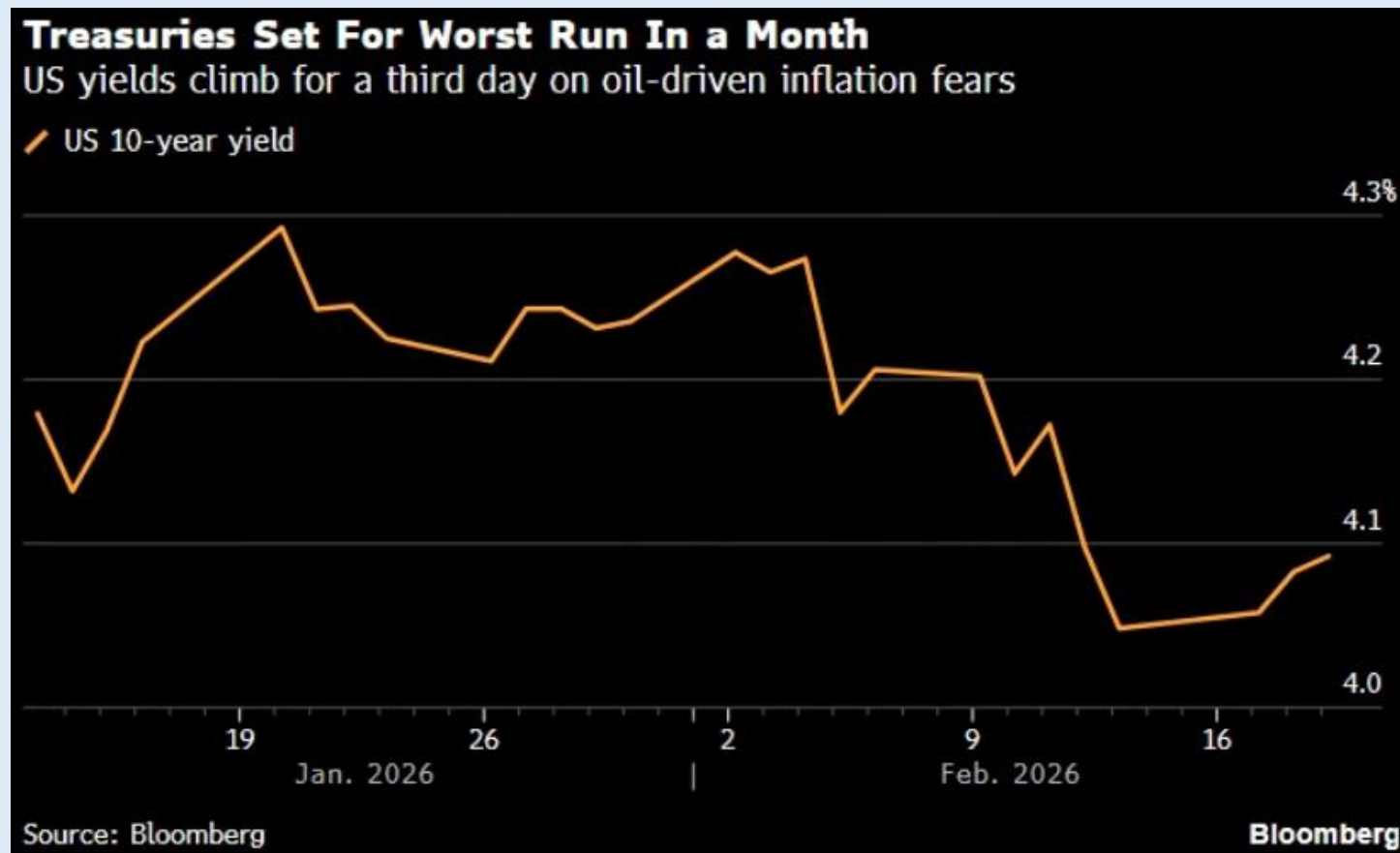
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 30 DAYS

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: 10-Year UST Yields Tick Higher As “Geopolitical” Inflation Fears Linger



Source: Bloomberg, LLP | 10Y UST NOTE YIELD SINCE JANUARY 18, 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 2/19/2026

- 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 = 3.66724% (Prior day: 3.66603%)

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

Notional Amount	Tenor	Strike Rate	~Premium 2/12/26	~Premium 2/19/26*
\$25,000,000	1-Year	3.50%	~\$58k	~\$58k
\$25,000,000	1-Year	4.50%	~\$18k	~\$17k
\$25,000,000	2-Year	3.50%	~\$121k	~\$117k
\$25,000,000	2-year	4.50%	~\$24k	~\$22k
\$25,000,000	3-Year	3.50%	~\$226k	~\$217k
\$25,000,000	3-Year	4.50%	~\$79k	~\$70k

****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.
