



- 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. *US political developments will remain front-and-center for the market for the foreseeable future.*

**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 bp on the day. The very back-end of the swap curve is currently trading flat to up ~1 bp from yesterday's closing levels. Rates have barely moved this morning.

**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: 10:00 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	3.474	+0.017	-18.0285	-0.0535	3.2949	+0.0144
3Y	3.500	+0.013	-22.0550	+0.0080	3.2795	+0.0114
4Y	3.572	+0.007	-26.0075	-0.1070	3.3137	+0.0091
5Y	3.647	+0.008	-28.4195	-0.1695	3.3640	+0.0075
7Y	3.842	+0.008	-35.7400	-0.2505	3.4864	+0.0046
10Y	4.071	+0.005	-41.4140	-0.1544	3.6585	+0.0023
20Y	4.649	+0.004	-65.8450	-0.3118	3.9927	+0.0007
30Y	4.701	+0.004	-70.9510	-0.3490	3.9937	+0.0003

Source: Bloomberg, LLP | 10:00 AM NY Rates Snapshot

**CHART 2, 2A & 2B: SWAP RATES STEADY AS MARKET HAS MUTED REACTION TO ECONOMIC DATA**

SOFR swap rates are holding mostly steady this morning – they are trading very close to unchanged across the curve – maybe a bp or two higher on the short-end. I think the inflation data is “sinking in” a bit, and traders are probably going to rethink that third rate cut this year – at least for the time being. Overall, SOFR swap rates remain range bound.

Swap traders will continue to monitor economic and inflation data as the market seeks direction. At the moment, it feels like traders think we are at the “right levels”, although a heightened degree of uncertainty is still palpable in the market.

Keep an eye on crude oil prices – they are at six-month highs, which is getting increased attention from the market. That “attention” is likely to remain as long as US/Iran tensions remain escalated.

**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**

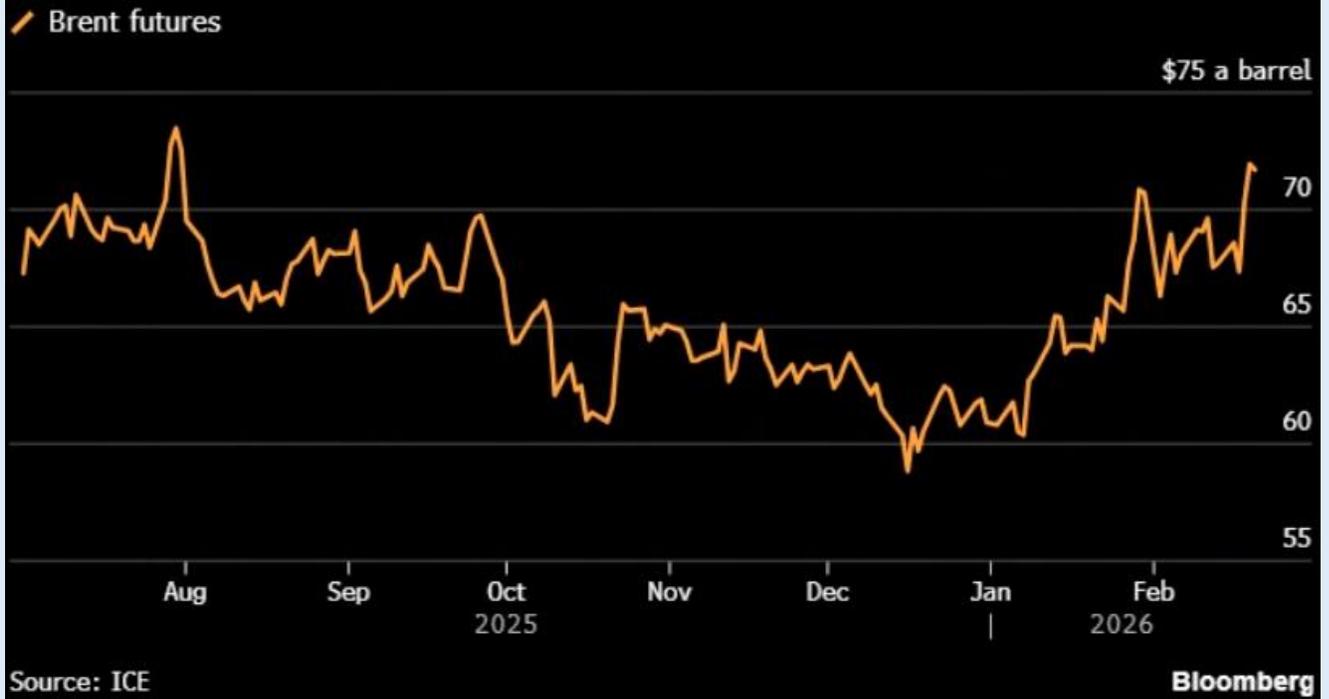


Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 30 DAYS

**CHART 2B: Traders Watch Crude Oil Prices As US/Iran Tensions Simmer**

## Oil Trades Near Six-Month High on US-Iran Tensions

US military buildup in the Middle East raises supply risks



Source: Bloomberg, LLP | US BRENT CRUDE OIL FUTURES PRICES SINCE JULY 2025

### CHART 3, 3A & 3B: ECONOMIC DATA RECAP – 2/20/2026

The US economy grew less-than-expected during Q4 2025, dragged down by a record-long government shutdown, sluggish consumer spending and trade. Q4 GDP increased an annualized 1.4% in the fourth quarter of 2025, and the US economy expanded 2.2% last year. The shutdown is estimated to have subtracted ~1.0% from GDP. That said, Q4 data still caps a solid year for the US economy, which had one of the strongest growth rates in years. The GDP Price Index did notch higher to 3.6%, vs. 2.9% expected. The Fed does track that data closely, and the “3” handle on the GDP price index will likely be a red flag for the FOMC.

The slight bump in rates following today’s data indicates that traders seem to be putting more weight on the hotter-than-expected inflation data over the shutdown-impacted GDP print. Core PCE YoY jumped to 3.00%, and the MoM core PCE was 0.4%, the fastest monthly acceleration since February 2025. Parsing through the latest PCE data, food and accommodation added the most to the print, while recreation services posted a record monthly advance. From my perspective, the PCE data definitively keeps the inflation narrative alive.

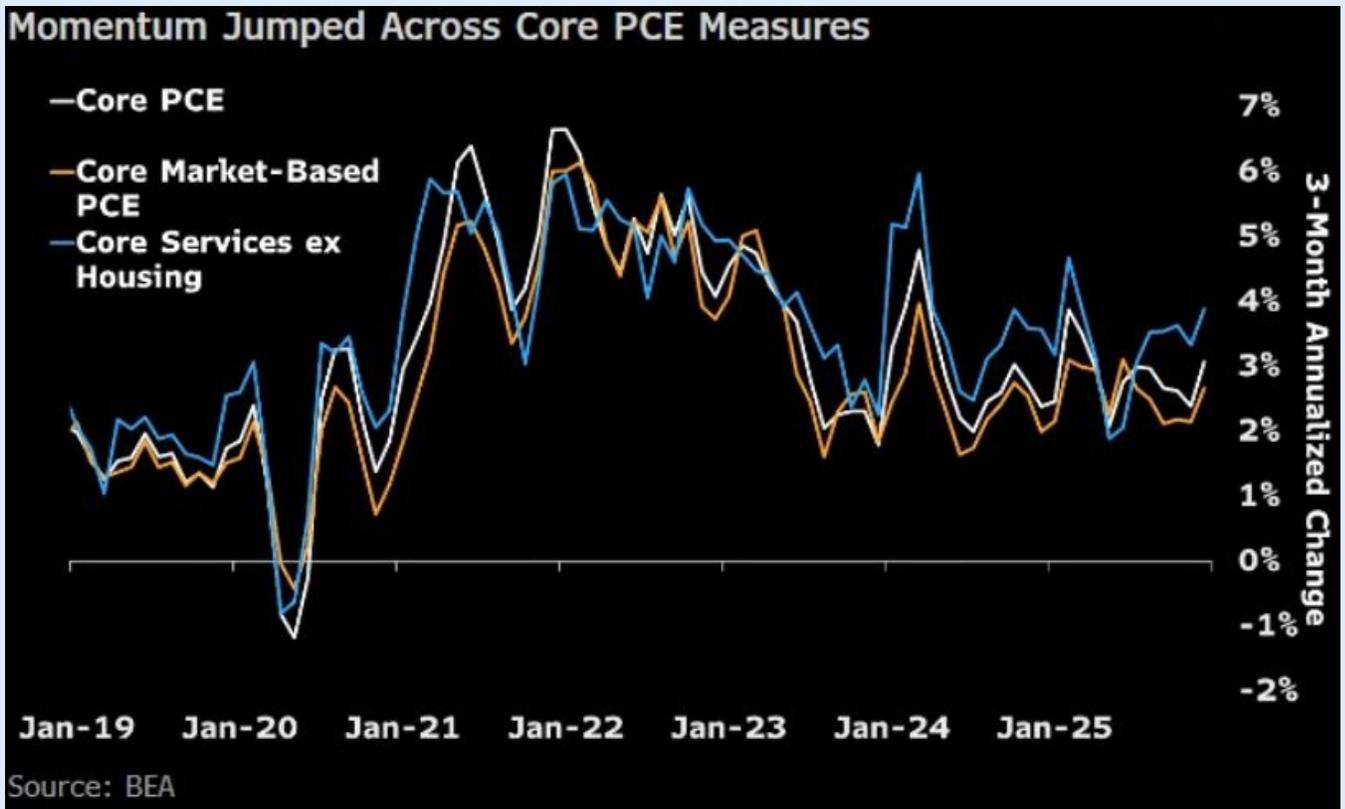
I think the current “mixed” data and confusing narrative supports the Fed’s current “wait-and-see” monetary policy. There are simply too many variables at work to draw any firm conclusions about the path forward for interest rates this year. Stay tuned!

### CHART 3: Q4 GDP & December PCE Recap

Indicator	Actual	Estimate
GDP (4Q)	+1.4%	+2.8%
Personal consumption (4Q)	+2.4%	+2.4%
PCE price index, excl. food, energy (Dec.)	+3.0%	+2.9%

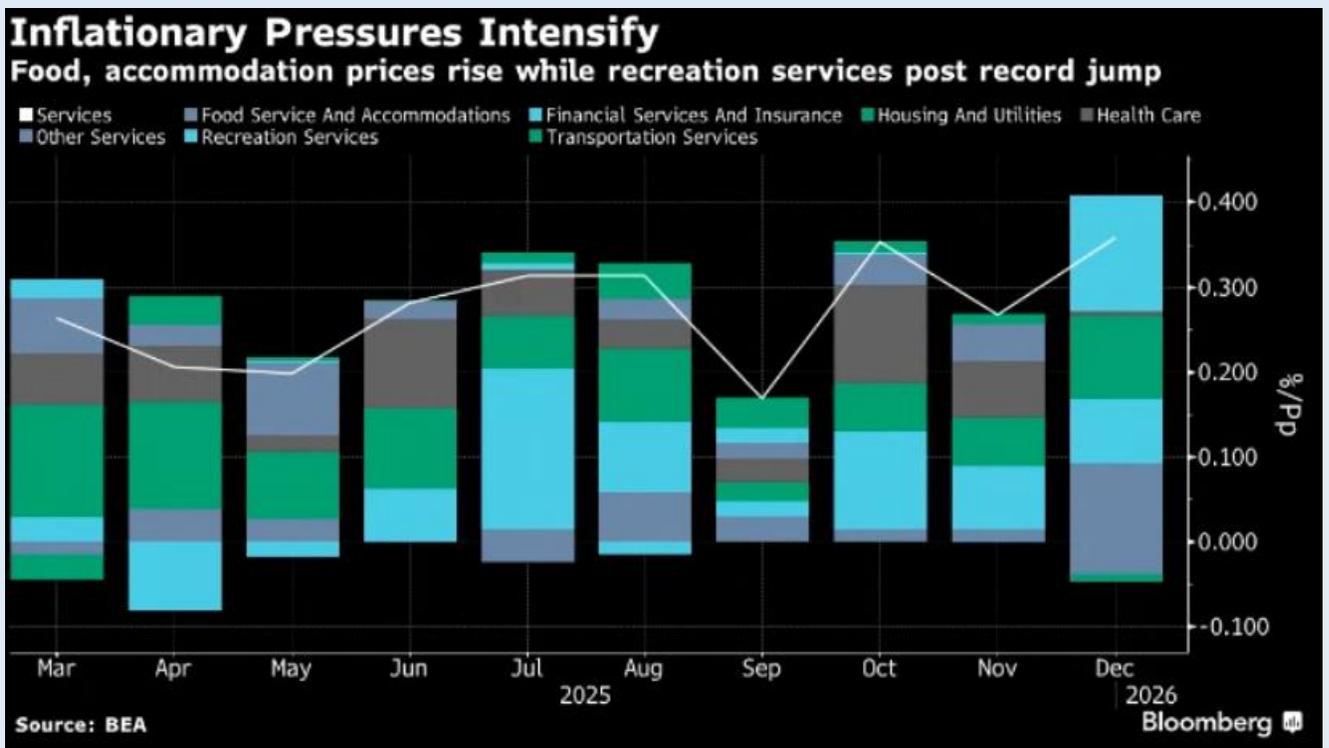
Source: Bloomberg, LLP | Q4 GDP & DECEMBER PCE RECAP

**CHART 3A: Core PCE Inflation Ticks Higher**



Source: Bloomberg, LLP | CORE PCE MEASUREMENTS SINCE JANUARY 2019

**CHART 3B: Inflation Pressures Linger; The Fed Will Take Notice**



Source: Bloomberg, LLP | INFLATION COMPONENTS SINCE MARCH 2025

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