

Flash Update: US RATE MARKETS – WEDNESDAY FEBRUARY 25, 2026

- **UST yields and SOFR swap rates are drifting a touch higher this morning – traders are seeking direction amidst growing uncertainty**
- **Traders continue to monitor geopolitical developments; US/Iran tensions are once again a focus for the market**
- **Escalating tensions between the US and Iran are putting pressure on crude oil prices and adding to market fear and uncertainty**
- **The Market reaction to the SCOTUS tariff ruling has been largely muted as traders await more details and information**
- **Traders continue to track volatile equity markets, specifically the technology and AI sectors**
- **Market participants will continue to monitor developments with the DOJ investigation into the US Central Bank**
- **The next FOMC rate decision is due Wednesday, March 18, 2026 at 2:00 PM**
- ***Next up for key data:* January PPI data prints on Friday, 2/27 at 8:30 AM**
- **Short-end SOFR swap rates are trading up ~2-3 bps this morning, depending on tenor**
- **Long-end SOFR swap rates are currently down ~2-3 bps, depending on tenor**

US Treasury yields and SOFR swap rates are a touch higher again this morning across the yield curve. Market participants are monitoring many potential market catalysts, but thus far none have been able to materially impact rates. We did see rates dip down earlier this week due to equity market jitters, but that “safe-haven” trade has been slowly unwound over the last couple of days. That is the primary reason we have seen rates tick higher the past two days. Rates are likely to be biased higher for the very near term. Next up for key economic data is January PPI, which will be released on Friday, 2/27 at 8:30 AM. Traders are keen to see the latest wholesale inflation data.

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 crude oil prices higher and adding to the market’s fear and uncertainty. Crude oil edged above \$71 as traders weighed the odds of a nuclear deal between the US and Iran ahead of talks on Thursday. A huge deployment of American forces in the Middle East is also keeping the market on edge.
- SCOTUS is also currently ruling on the legality of the President firing of the Fed’s Lisa Cook. There are some reports stating that SCOTUS is nearing a final decision on that case, which could have *far reaching* implications for the US Central Bank.
- The US Justice Department investigation into the US Central Bank and Chairman Powell will remain a key market focus moving forward.
- 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 market continues to monitor US political developments. Traders are watching for signs of another potential government shutdown. *US political developments will remain front-and-center for the market for the foreseeable future.*
- Traders and investors continue to assess the market implications of the recent SCOTUS ruling on President Trump’s tariffs. Market participants await more data and information.

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 ~2-3 bps. **5Y** and **10Y** SOFR swap rates are currently trading up ~2-3 bps on the day. The very back-end of the swap curve is currently trading down ~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: 9:30 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	3.480	+0.019	-17.2650	+1.0541	3.3051	+0.0246
3Y	3.489	+0.028	-21.8750	+0.4300	3.2704	+0.0296
4Y	3.560	+0.034	-26.4525	+0.4810	3.2917	+0.0317
5Y	3.622	+0.028	-28.7845	+0.4426	3.3357	+0.0327
7Y	3.816	+0.025	-36.2469	+0.6781	3.4553	+0.0322
10Y	4.054	+0.024	-42.4965	+0.7535	3.6305	+0.0313
20Y	4.648	+0.025	-67.4137	+0.5163	3.9746	+0.0286
30Y	4.704	+0.022	-72.2350	+0.6828	3.9820	+0.0275

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

CHART 2, 2A & 2B: SOFR SWAP RATES TICK SLIGHTLY HIGHER AS MARKET SEEKS DIRECTION

SOFR swap rates are drifting a touch higher again today – nothing dramatic, but we have certainly bounced off the recent range-lows. Overall, swaps continue to trade in a broad range. That’s mainly due to positive economic data and lingering inflation fears.

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 basically at the “right levels”, although a heightened degree of uncertainty is still very palpable in the market. That growing uncertainty is also preventing any major rate moves, as there are a *number* of unresolved “potential” market catalysts that are making it challenging for traders to position with any certainty. Right now, we are seeing the equity market spurred safe haven trade unwinding, hence the slight uptick in rates yesterday and today.

Some good news: 30-year fixed mortgage rates are at the lowest level since 2022. The recent “safe-haven” pullback in long term Treasury yields has benefitted mortgage rates, leading to increased refinancing activity.

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: 30-Year Mortgage Rates Dip To Lowest Level Since 2022

US Mortgage Rates Slide to Lowest Since 2022

Cheaper borrowing costs helped lift refinancing activity last week

Contract rate on 30-year fixed mortgage



Source: Bloomberg, LLP | 30Y FIXED MORTGAGE RATES SINCE 2022

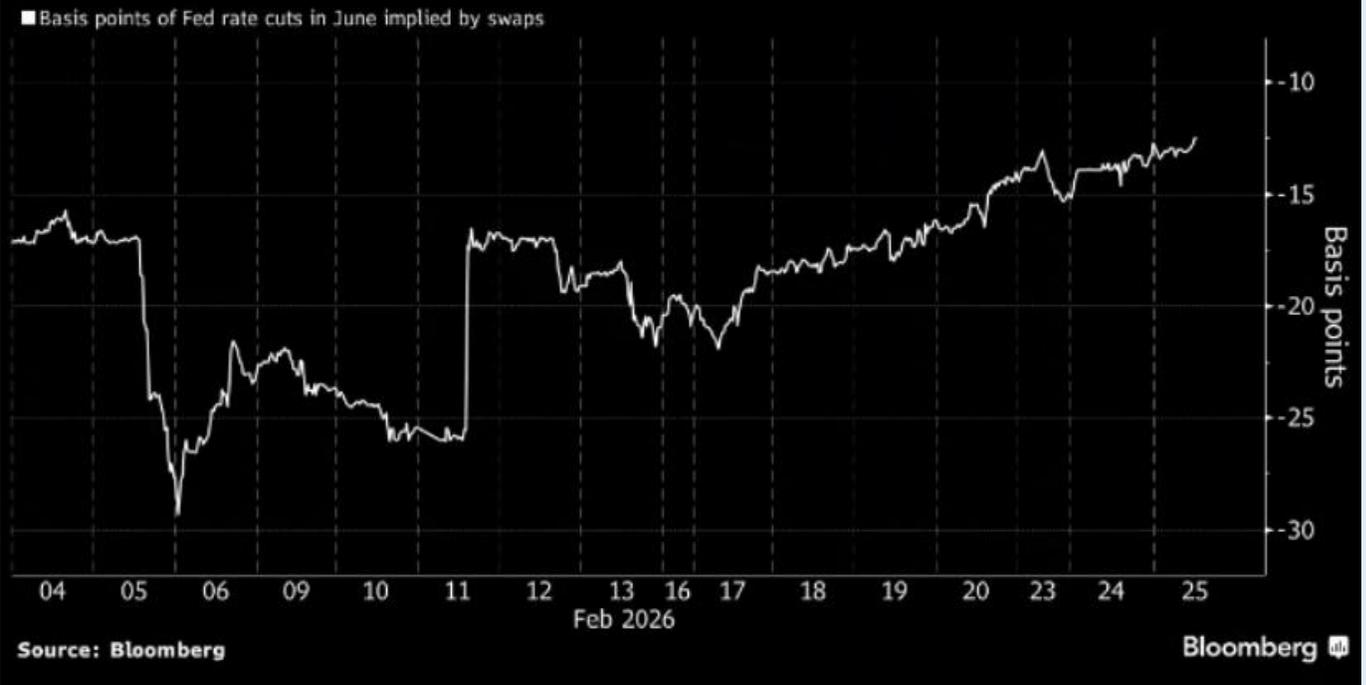
CHART 3: MARKET RATE CUT EXPECTATIONS SCALED BACK ON SOLID ECONOMIC DATA, LINGERING INFLATION FEARS

Rate cut expectations have been scaled back during the past week or two. Strong economic data and lingering fears inflation is rising are the primary culprits behind the reduced market rate cut expectations. The recent economic data, although generally positive, has also been “mixed”, which has made it challenging for traders to develop clear pictures of the state of the economy or the inflation outlook. As such, short-end rates have ticked higher as rate cut expectations have been trimmed, and long term rates have edged higher on lingering inflation fears.

Currently, market odds for a Fed rate cut at the next three FOMC meetings are as follows: March – ~2.1%; April – ~14.3%; June – 47.8%. The high level of uncertainty in the market is making it difficult for traders to “commit” to a clear path forward for the Fed.

CHART 3: Market Dials-Down Fed Rate Cut Expectations

Traders See 50% Chance of a Fed Rate Cut by June Money markets have trimmed easing bets as risk appetite increased



Source: Bloomberg, LLP | FED RATE CUT EXPECTATIONS THROUGH JUNE 2026 FOMC MEETING

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