

Flash Update: US RATE MARKETS – WEDNESDAY FEBRUARY 4, 2026

- **UST yields and SOFR swap rates are holding mostly steady this morning; Traders await economic data and monitor several “hot spots”**
- **Traders continue to *closely* monitor geopolitical developments**
- **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 this month (Feb.) – 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:* Economic Data delayed due to shut down – new release dates TBA as soon as possible**
- **Short-end SOFR swap rates are trading flat to up ~1 bp this morning, depending on tenor**
- **Long-end SOFR swap rates are currently trading up ~1-3 bps, depending on tenor**

US Treasury yields and SOFR swap rates are holding mostly steady this morning, as traders monitor a number of market “hot spots” and await economic data. The lull in geopolitical tensions and economic data blackout have caused traders to pause and regroup.

Please note that although the government shutdown has “ended”, economic data releases will be delayed due to the shutdown. Hopefully it is only a couple of days until they sort out the new release schedule. The market was looking forward to fresh employment data on Friday. I think that is the primary reason rates are holding steady – traders are waiting for current data.

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), but I think the primary focus for traders *right now* is seeing some current economic data. Market participants and economists are eager to see if Chair Powell’s recent upbeat assessment of the economy and monetary policy is accurate.

Traders are also digesting the quarterly refunding announcement released this morning. There has been an outsized demand for shorter-term US T-Notes and US T-Bills, which is helping to keep longer term yields elevated. The refunding announcement did not address that imbalance nor did it refer to any plans to take measures to rebalance market demand. We will be keeping an eye on this developing story.

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”.
- 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.
- 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!
- President Trump has “asked” Fannie Mae and Freddie Mac to purchase ~\$200 billion in mortgage-backed securities in order to facilitate lower mortgage rates. The market impact is

uncertain at the moment. A sudden surge in purchases could impact rates and the shape of the yield curve, at least in the short-term. We will continue to track this developing story.

- 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 ~1 bp this morning. **2Y** and **3Y** SOFR swap rates are currently trading up ~1 bp. **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 ~1-3 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: 11:00 AM Eastern

****For SOFR Swap Rates & Change-On-Day (In Bps): Refer Two Far Right Columns (SOFR Swap Rates)***

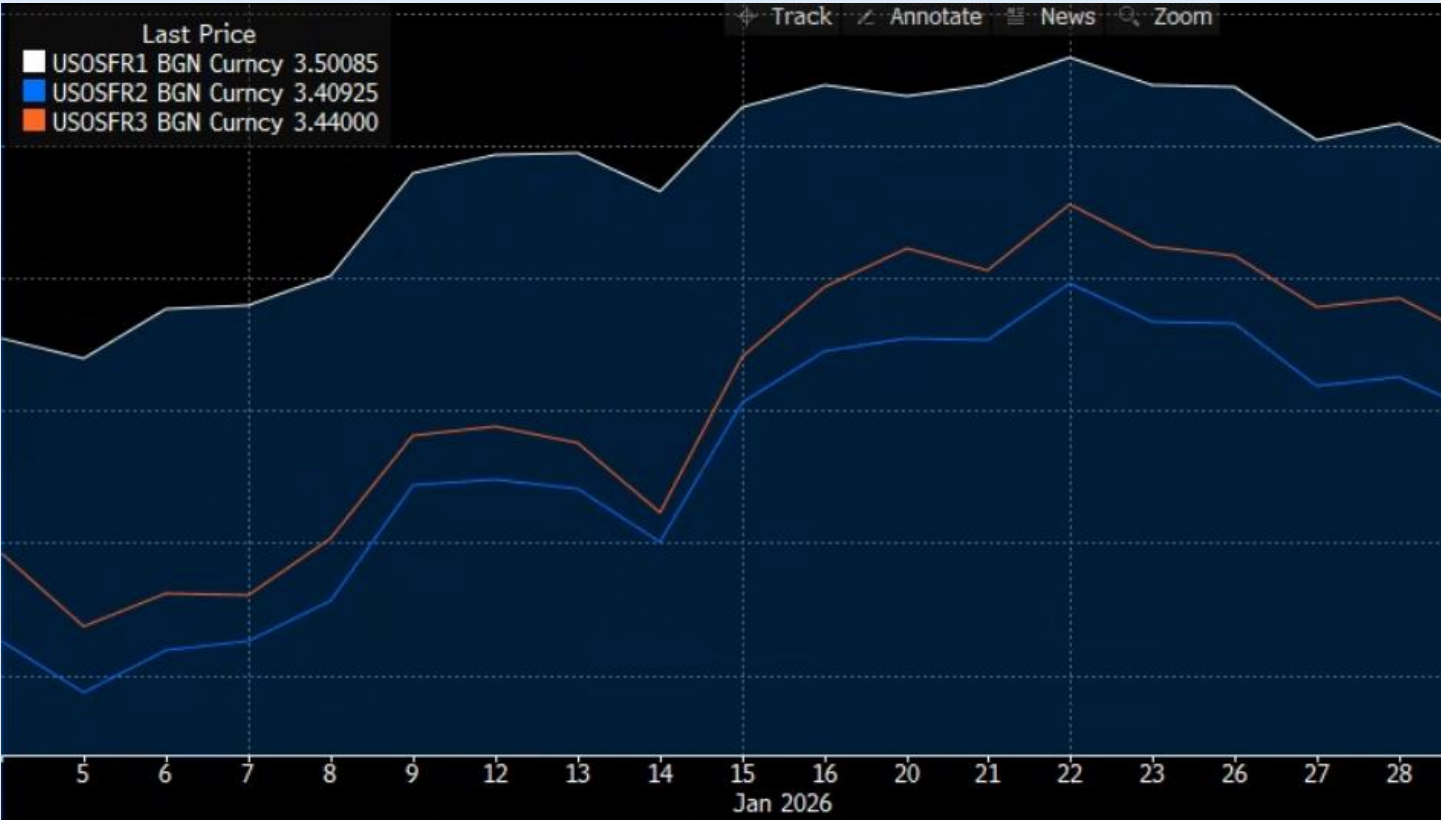
UST YIELDS			SWAP SPREADS		SOFR SWAP	
RATES						
2Y	3.570	-0.001	-16.2312	+0.1638	3.4084	+0.0012
3Y	3.646	+0.004	-20.8835	-0.0162	3.4391	+0.0032
4Y	3.752	+0.004	-24.5965	+0.1535	3.4977	+0.0054
5Y	3.838	+0.006	-27.7116	+0.0384	3.5629	+0.0072
7Y	4.050	+0.011	-35.5000	-0.1900	3.7012	+0.0096
10Y	4.282	+0.016	-39.9800	-0.2300	3.8819	+0.0131
20Y	4.865	+0.021	-64.0184	-0.2524	4.2260	+0.0186
30Y	4.916	+0.021	-68.9765	+0.0235	4.2268	+0.0216

Source: Bloomberg, LLP | 11:00 AM NY Rates Snapshot

CHART 2 & 2A: SOFR SWAP RATES STEADY AS MARKET AWAITS ECONOMIC DATA

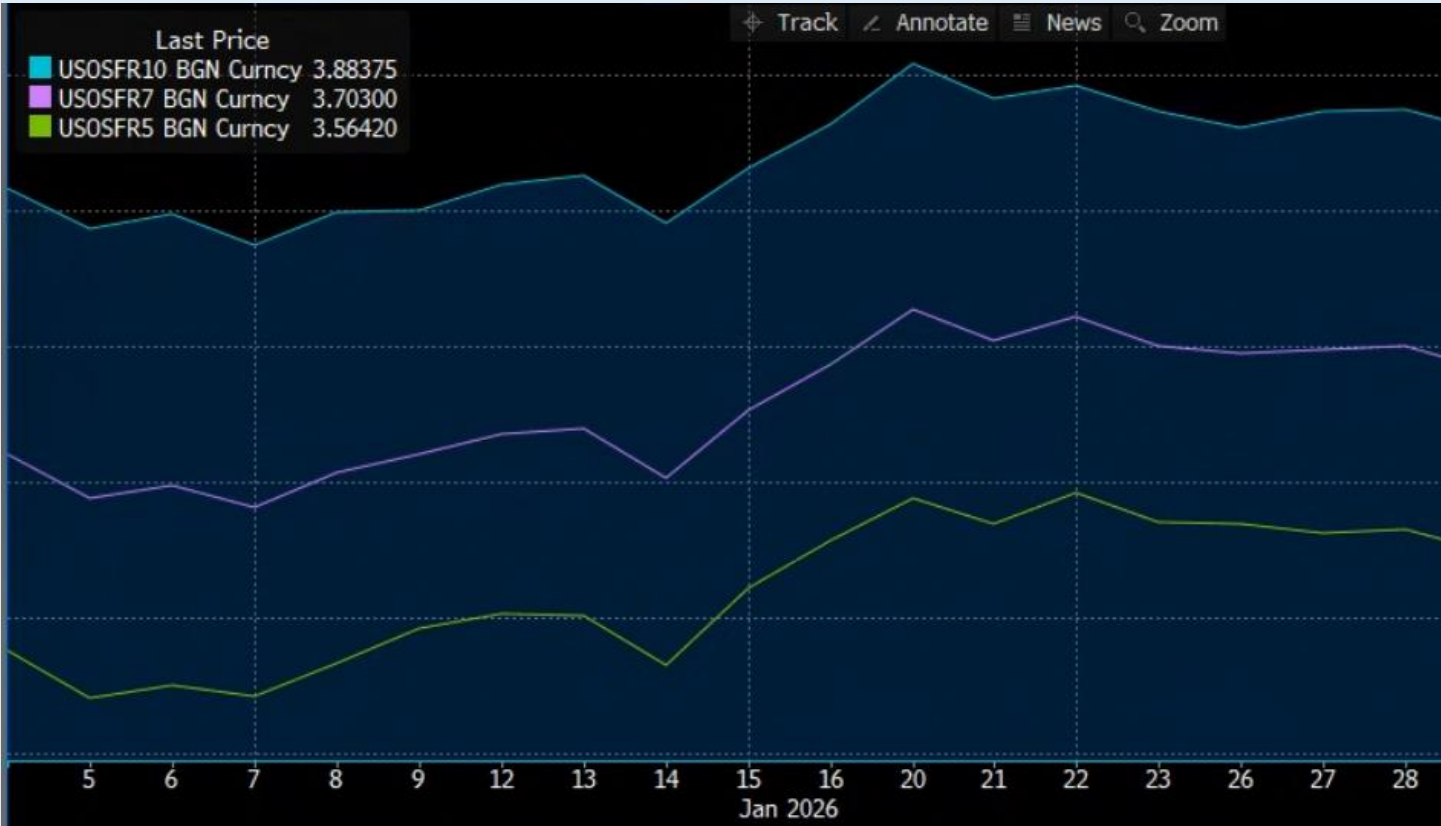
SOFR swap rates are holding mostly steady this morning as traders await the now delayed “next series” of economic data. Market participants also continue to monitor a number of market ‘hot spots’. Overall, swap rates remain range bound. Short-term swap rates have traded in a 10-15 basis point range since the start of the year. Longer dated swaps have also been trading in a similar 10-15 basis point range since the start of 2026. In my opinion, the market is still seeking direction. The relatively tight trading range we are in tells me uncertainty still dominates the market. There are many potential market catalysts that have yet to be “resolved” – that’s keeping traders nervous and uncertain. The yield curve continues to gradually steepen, mostly driven by increased risk premiums for longer dated US Treasuries.

CHART 2: Short-End SOFR Swap Rates – Year To Date 2026



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, YTD 2026

CHART 2A: Long-End SOFR Swap Rates – Year To Date 2026



Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, YTD 2026

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