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__Flash Update:__ US RATE MARKETS – FRIDAY FEBRUARY 6, 2026

- **UST yields and SOFR swap rates stabilized overnight and are trading a few ticks higher this morning**
- **Rates dipped yesterday after a series of weaker-than-expected employment data releases (Challenger, JOLTS, ADP)**
- **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 in February – the decision could come any day**
- **The next FOMC rate decision is due Wednesday, <u>March 18, 2026 at 2:00 PM</u>**
- ***Next up for data:* The January Employment Report will be released Wednesday, 2/11 at 10:00 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 ~2-3 bps, depending on tenor**

US Treasury yields and SOFR swap rates reversed course overnight and are drifting higher this morning. Rates across the curve are ~2-4 bps higher than last night's closing levels. No major catalyst for the move – I think traders may have come in this morning feeling they may have gone a bit too far yesterday – we have still yet to see the January Employment Report data. That report is due on Wednesday, 2/11 at 8:30 AM.

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; US Treasury risk premiums), but I think the primary focus for traders *right now* is seeing *current* economic *data*. Market participants and economists are eager to see if Chair Powell's recent upbeat assessment of the economy, labor market and monetary policy is accurate.

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". An announcement this morning that the US and Iran are in "indirect" talks helped to further dampen geopolitical tensions.
- 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.

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- 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.
- Ongoing volatile price fluctuations in the commodities markets are likely to continue to captivate the IR market for the near term. A reallocation of commodity assets could have implications for US Treasury yields.

Bottom-line, there are <u>many</u> potential market catalysts for traders to monitor and manage at the moment.

<u>**SOFR Swap Rate Summary:**</u> 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 up ~2-3 bps from yesterday's closing levels.

<u>Please note:</u> Market levels can change rapidly – rate cap premiums are subject to a dynamic market that can change frequently.

<u>CHART 1:</u> *US RATES SNAPSHOT: 9:00 AM Eastern*

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

UST YIELDS | SWAP SPREADS | SOFR SWAP RATES

2Y	3.469	+0.018	-16.5580	+0.2070	3.3044	+0.0192
3Y	3.539	+0.017	-20.9857	+0.2943	3.3314	+0.0215
4Y	3.647	+0.014	-24.5175	+0.5305	3.3923	+0.0214
5Y	3.732	+0.014	-27.3350	+0.6741	3.4613	+0.0218
7Y	3.956	+0.014	-35.1724	+0.8820	3.6060	+0.0250
10Y	4.196	+0.016	-40.2557	+1.2443	3.7938	+0.0279
20Y	4.792	+0.013	-64.4862	+1.6638	4.1482	+0.0289
30Y	4.852	+0.012	-70.0053	+1.7379	4.1528	+0.0288

Source: Bloomberg, LLP | 9:00 AM NY Rates Snapshot

<u>CHART 2, 2A & 2B:</u> SOFR SWAP RATES TICK HIGHER AS TRADERS LOOK AHEAD TO ECONOMIC DATA

SOFR swap rates are moving higher this morning after dropping yesterday on worse-than-expected employment data. It seems like traders feel that they went a bit too far yesterday and may have overreacted to the data, especially with the January Employment Report coming next week. Barring anything unforeseen, I do not see rates moving too dramatically ahead of next week's January Employment report release on 2/11.

Despite a small uptick in volatility this week, swap rates remain range bound. Short-term swap rates have traded in a 10-20 basis point range since the start of the year. Longer dated swaps have also been trading in a similar 10-20 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.

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The US Treasury yield curve continues to slowly steepen (See Chart 2B). The 2's/10's 'spread' is now at the widest level since 2022 – given the market uncertainty, growing US "risk premium", unpredictable US policy initiatives and possibility of additional rate cuts, the steeper curve is no surprise. I would expect the yield curve to continue to steepen. Yesterday, we saw a good example of this exact scenario - signs of weakness in the US job market spurred traders to increase bets on Fed rate cuts this year. As a result, yields on shorter-dated maturities, which are more sensitive to Fed policy expectations, tumbled the most since August. However, longer-dated Treasuries declined less, as investors continue to demand a higher risk premium given jitters around government spending and unpredictable US policymaking.

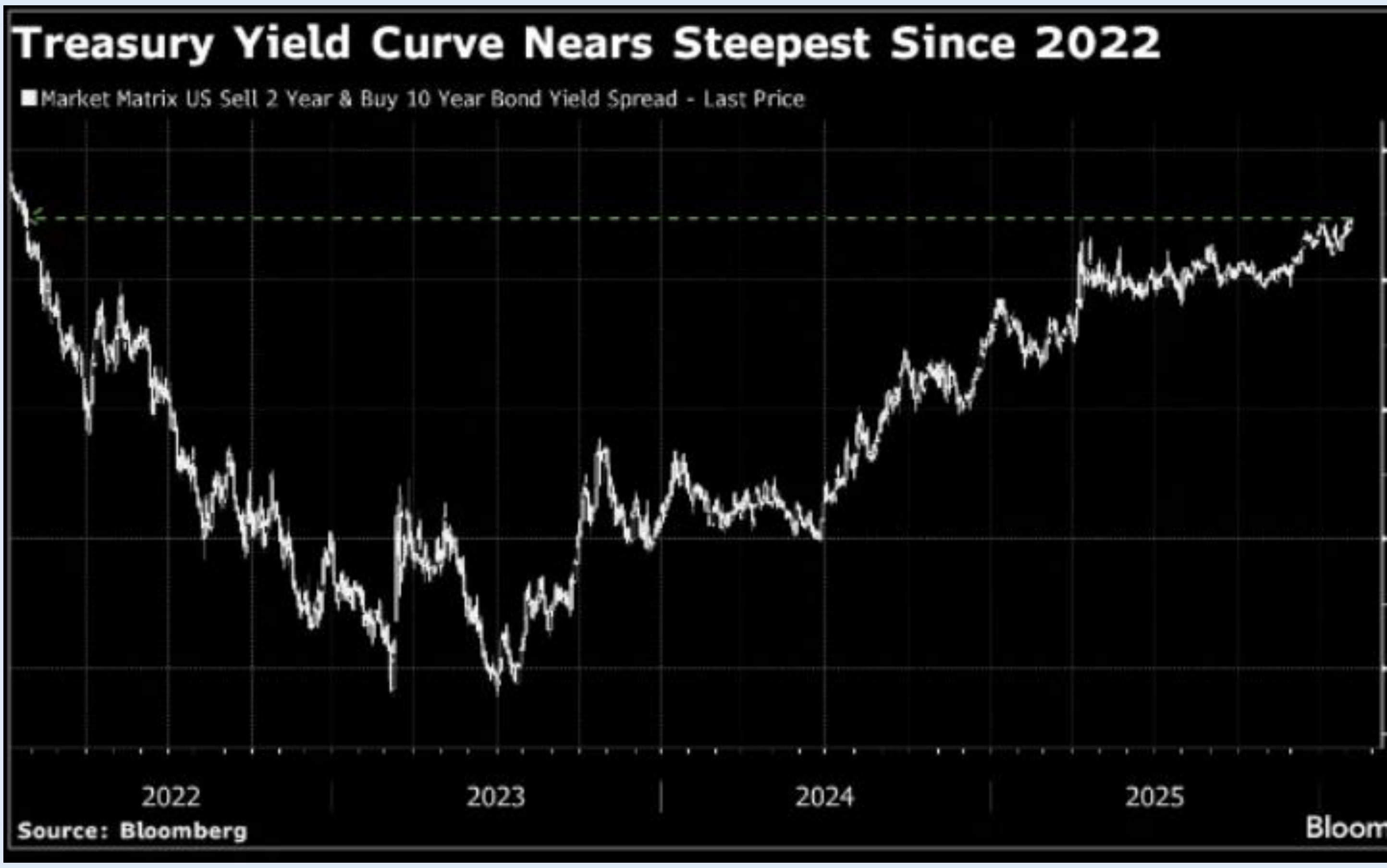
<u>CHART 2:</u> ***Short-End SOFR Swap Rates – Prior 30 Days***

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

<u>CHART 2A:</u> ***Long-End SOFR Swap Rates – Prior 30 Days***

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

<u>CHART 2B:</u> ***US Treasury Yield Curve Continues To Slowly Steepen***



Source: Bloomberg, LLP | US TREASURY 2Y/10Y YIELD SPREAD SINCE 2022

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 2/6/2026

- **1-Month Term SOFR Cap prices trending lower this week**
- **Volatility remains relatively subdued; potential catalysts remain on the horizon**
- **Current 1-Month Term SOFR = 3.66814% (Prior day: 3.67306%)**

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

Notional Amount	Tenor	Strike Rate	*Premium 1/31/26*	Premium 2/6/26
$25,000,000	1-Year	3.50%	*~$57k*	~$53k
$25,000,000	1-Year	4.50%	*~$17k*	~$16k
$25,000,000	2-Year	3.50%	*~$119k*	~$115k
$25,000,000	2-year	4.50%	*~$26k*	~$22k
$25,000,000	3-Year	3.50%	*~$221k*	~$217k
$25,000,000	3-Year	4.50%	*~$74k*	~$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!

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AST Defeasance Consultants, one of the nation's leading commercial real estate consulting firms, was founded in 2007. We have extensive experience in commercial real estate defeasance, hedging, derivatives, and financial instruments. More than $50 billion worth of transactions have been executed by the AST team. Only AST can combine innovation, expertise, and exceptional customer service.

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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