RateCap Advisors

Flash Update: **US RATE MARKETS – FRIDAY MARCH 13, 2026**

- **UST yields and SOFR swap rates ticked lower this morning, particularly on the Fed-sensitive short-end of the curve, after Q4 GDP was revised significantly lower (0.7% second revision, down from 1.4% advanced)**
- **Additionally, The GDP Price Index was revised higher, and PCE printed "at expectations", signaling consumer inflation remains "sticky"**
- ***The market reaction, however, was relatively muted as traders remain laser focused on the war in the Middle East***
- ***The data released this morning does keep the door open for a Fed rate cut in the second half of the year, contingent on the timely resolution of the war***
- **The market reaction to the SCOTUS "tariff ruling" has been largely muted as traders await more details and information**
- **Traders will 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 at 2:00 PM**
- **Fed officials will be in the pre-meeting communications "quiet period" until March 19th**
- ***Next up for key data:*** **February PPI data is due for release on Wednesday, March 18 at 8:30 AM**
- **Short-end SOFR swap rates are trading down ~3-5 bps this morning, depending on tenor**
- **Long-end SOFR swap rates are currently down ~1-4 bps, depending on tenor**

US Treasury yields and SOFR swap rates are dropping this morning, particularly on the Fed-sensitive short-end of the yield curve. Data released this morning revealed a significant downward revision to Q4 GDP, sticky consumer inflation, sluggish consumer spending and declining personal income. I think the biggest news this morning was the revision to GDP – Q4 GDP was revised to 0.7% from 1.4% - that is a significant revision. PCE printed largely at expectations, but the monthly and yearly gains are still running too hot for the Fed, signaling consumer inflation was somewhat anchored prior to the war. Given the current spotlight on inflation, the "as expected" PCE data helped offset the GDP revision, which helped to keep rates contained (for the most part). I believe the market reaction would have been much more pronounced were we not currently embroiled in a war.

Bottom line, rates dropped this morning on hopes the Fed will be able to cut rates in the second half of the year. Since the war began, traders have been scaling back rate cut expectations – prior to the war pricing implied a solid chance for a June rate cut. Yesterday, rates moved materially higher – war-related inflation fears basically forced traders to remove the possibility of a *September* rate cut. Well, after the data this morning, a September rate cut is back on the table.

Market participants will continue to nervously monitor the latest war developments. The underlying market fear is that the conflict in the Middle East will lead to a full-blown "energy crisis", where global production is severely impacted and oil prices *surge* for a sustained amount of time. So far, the outlook is not encouraging. There is also a growing threat of stagflation – the war could impact global economic growth and lead to higher inflation. The revision to GDP and sticky inflation figures we saw this morning certainly whisper "stagflation", and we have yet to see the real inflation/economic growth impact of the war. Stagflation would make the Fed's job even more challenging.

There is definitely the possibility for whip-saw movements in rates this week, and I anticipate volatility will remain at elevated levels. Rates are likely to be biased higher until the oil market stabilizes.

News the market is tracking includes:

- Geopolitical developments continue to weigh on market sentiment. The US/Iran "war" will likely dominate market sentiment this week. The end result of the US attack on Iran is difficult to forecast at this time. Currently, the major impacts thus far have been higher oil prices, higher rates, and a surge in geopolitical tensions.

- 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 continue to closely track developments in the US equities markets. 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 down ~4-5 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading down ~4-5 bps. **5Y** and **10Y** SOFR swap rates are trading down ~2-4 bps on the day. The very back-end of the swap curve is currently trading flat to down ~1 bp from yesterday's closing levels. ***Expect increased levels of rate volatility today.***

***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: 9:45 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	3.694	-0.046	-18.1500	-0.1500	3.5136	-0.0498
3Y	3.711	-0.047	-23.8850	+0.1090	3.4741	-0.0464
4Y	3.779	-0.038	-28.7025	+0.5475	3.4853	-0.0350
5Y	3.830	-0.036	-30.9200	+1.1757	3.5218	-0.0246
7Y	4.022	-0.028	-39.9850	+1.1330	3.6250	-0.0161
10Y	4.241	-0.020	-46.5788	+1.1712	3.7768	-0.0092
20Y	4.855	-0.010	-77.4290	+1.3150	4.0828	+0.0022
30Y	4.879	-0.002	-81.2150	+1.0792	4.0672	+0.0060

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

CHART 2 & 2A: SWAP RATES DROP ON MIXED ECONOMIC DATA; FED RATE CUT HOPES BOLSTERED

SOFR swap rates are ticking lower this morning, particularly on the short-end of the swap curve. Renewed hope for a September rate cut is the primary catalyst for lower rates this morning. However, sticky US consumer inflation and escalating global inflation worries surrounding the Middle East war kept traders from overreacting to the data and held rates largely in check.

Short-end SOFR swap rates have broken out of the recent trading range to the upside due to reduced Fed rate cut expectations and war-related inflation fears. Longer-term swap rates have also moved higher on inflation fears, and are trading a touch above the recent range. This morning's decline in rates may be short-lived if the war drags on indefinitely.

I expect rates to remain asymmetrically biased higher as long as "oil fears" dominate the market. The 2-year SOFR swap rate closed at 3.21% on Friday 2/27 – it is currently trading at **~3.51%** (+30 bps). The 10-year SOFR swap rates has experienced a similar move – it closed Friday 2/27 at 3.52% and is currently trading at **~3.78%** (+26 bps).

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 3: ECONOMIC DATA RECAP: Q4 GDP, JAN PCE, JAN PERSONAL INCOME & SPENDING; MIXED DATA CLOUDS RATE OUTLOOK

The economic data released this morning was mixed, but the revision to Q4 GDP is what captured the market's attention. Q4 GDP was revised down to 0.7% from 1.4%. That is a significant revision, and signals the economy slowed more than anticipated to close out 2025. However, the PCE figures came in largely as expected. Overall, it was encouraging that inflation did not miss expectations to the upside. However, the core MoM and YoY PCE inflation run rates (0.4% and 3.1%) are still too hot for the Fed. Sluggish personal spending and reduced personal income data released this morning signaled the US consumer may finally be heading to the sidelines.

The net "data impact" to the market this morning was lower rates, particularly on the Fed-sensitive shot-end of the curve. The GDP revision was enough to rekindle hopes for a September rate cut.

CHART 3: ***January PCE Recap – Sticky Inflation Will Concern The FOCM***

Metric	Actual	Estimate
PCE price index (MoM)	+0.3%	+0.3%
Core PCE price index (MoM)	+0.4%	+0.4%
PCE price index (YoY)	+2.8%	+2.9%
Core PCE price index (YoY)	+3.1%	+3.1%
Real consumer spending (MoM)	+0.1%	+0.0%

Source: Bloomberg, LLP | JANUARY PCE RECAP

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