

**Flash Update: US RATE MARKETS – TUESDAY MARCH 17, 2026**

- **UST yields and SOFR swap rates drifted lower this morning, as concerns about economic growth begin to outpace inflation concerns**
- **Traders and market participants also await tomorrow's FOMC rate decision and Chairman Powell's press conference**
- **We will also see a revised Fed dot-plot and economic projections released tomorrow afternoon**
- **The next FOMC rate decision is due tomorrow, March 18 at 2:00 PM; Chairman Powell's press conference will immediately follow the rate announcement at 2:30 PM**
- **Fed officials remain in the pre-meeting communications "quiet period" until March 19<sup>th</sup>**
- **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**
- ***Next up for key data:* February PPI data is due for release tomorrow, March 18 at 8:30 AM**
- **Short-end SOFR swap rates are trading flat to down ~1 bp this morning, depending on tenor**
- **Long-end SOFR swap rates are currently flat to down ~1 bp, depending on tenor**

US Treasury yields and SOFR swap rates are drifting lower this morning, as fear that the war will damage global economic growth, perhaps significantly, is beginning to outpace fear that the war will lead to dramatically higher inflation. The friction between potential higher inflation and potential damage to economic growth will continue to grow as long as the war rages on. If traders begin to believe that weaker economic growth is the likely outcome, that would make a strong case for Fed rate cuts, and we would see rates begin to drop further, perhaps materially.

Besides the ongoing Middle East conflict, the big market news this week is the FOMC rate announcement due tomorrow afternoon. Market participants *do not* expect the Fed to move rates (odds imply a 0.9% chance for a rate cut tomorrow), but they will be *very* interested to see the new SEP (economic projections), Dot-Plot and official statement. Traders will also be laser focused on Chairman Powell's comments at his post-meeting press conference. Yes, he is "on his way out", but he is the mouthpiece for the Fed, and he often refers to "committee thinking" when making his comments. A lot has changed since the last Fed meeting – market participants are eager to hear the Fed's perspective. Fed officials will emerge from the pre-meeting quiet period on 3/19, so we will see a deluge of Fed commentary in the days immediately following the meeting.

As you would expect, market participants will continue to nervously monitor the latest war developments. The main 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. *However, the longer the war drags on and oil prices remain elevated, the greater the threat to global economic growth, including the US.* That may actually wind up being a bigger threat than higher inflation. There is also a growing threat of stagflation – the war could damage global economic growth *and* lead to higher inflation. The revision to GDP and sticky inflation figures we saw last Friday certainly whisper "stagflation", and we have yet to experience the full inflation and economic growth impacts of the war. Stagflation would make the Fed's job *even more* challenging.

Tomorrow we will see the release of February PPI data. Given the proximity of the data release to the Fed meeting, I do not see PPI having a dramatic impact on rates. Yes, it is an inflation marker, so market participants will be interested. However, unless the results radically depart from expectations, traders are likely to hold off on any major rate moves until after the Fed rate announcement and press conference. PPI expectations are as follows: Headline MoM, 0.3% (vs. 0.5% the prior month); Core

MoM, 0.3% (vs. 0.8% prior); Headline YoY, 3.0% (vs. 2.9% prior); Core YoY, 3.4% (vs. 3.4% prior). Even “as expected” PPI results would likely be too hot for the Fed’s liking!

***I expect the market to continue to be “headline” driven for the near term. The conflict in the Middle East remains the market’s primary focus. There is definitely the possibility for whip-saw movements in rates this week, and I anticipate volatility will remain at elevated levels.***

**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. *US political developments will remain a major focus 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.
- Market participants are growing more and more concerned with the ongoing “partial” government shutdown. Traders are hoping the situation is resolved quickly – a full government shut-down would be *extremely challenging* to manage during a war.

**SOFR Swap Rate Summary:** The **1Y** SOFR swap rate is trading down ~1 bp this morning. **2Y** and **3Y** SOFR swap rates are currently trading down ~1 bp. **5Y** and **10Y** SOFR swap rates are trading down ~1 bp on the day. The very back-end of the swap curve is currently trading flat to down ~1 bp 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: 9:15 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	3.667	-0.005	-17.7900	+0.1650	3.4906	-0.0016
3Y	3.672	-0.005	-23.1000	+0.6360	3.4430	-0.0015
4Y	3.734	-0.009	-28.0105	+0.6145	3.4495	-0.0028
5Y	3.784	-0.013	-30.0189	+0.7311	3.4855	-0.0036
7Y	3.978	-0.012	-38.7745	+0.8335	3.5924	-0.0046
10Y	4.202	-0.014	-45.3780	+0.8720	3.7510	-0.0052
20Y	4.821	-0.018	-74.7330	+1.8220	4.0750	-0.0026
30Y	4.852	-0.015	-78.6692	+1.3308	4.0668	-0.0011

Source: Bloomberg, LLP | 9:15 AM NY Rates Snapshot

### **CHART 2 & 2A: SOFR SWAP RATES DRIFT LOWER AS MARKET AWAITS FOMC RATE DECISION, MONITORS WAR DEVELOPMENTS**

SOFR swap rates are ticking a touch lower this morning, as market participants await tomorrow's FOMC rate decision and Chairman Powell's press conference. Traders and market participants continue to anxiously monitor developments in the Middle East crisis.

Rates have (temporarily?) moved-off the war-spawned, inflation-fear-driven highs this week, thanks to weaker-than-expected economic data released this past Friday. The significant revision to Q4 GDP really captured the market's attention. If we actually started off 2026 in a weaker economic position than initially thought, that could require rate cuts sooner rather than later if the war damages economic growth. The 2-year SOFR swap rate closed at 3.21% on Friday 2/27 – it is currently trading at **~3.49%** (+28 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 **~3.75%** (+23 bps).

I still expect rates to remain asymmetrically biased higher as long as “oil fears” dominate the market – however, there is the very real possibility that we may see economic weakness before we see higher inflation, so we may see a gradual shift in market bias if that continues. At some point, if economic growth is cratering, that would likely trump inflation fears and call for additional Fed rate cuts. Should that transpire, those rate cuts may wind up coming a lot sooner than what is priced into the curve. We will find out what the Fed thinks tomorrow!

### **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

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