

**Flash Update: US RATE MARKETS – THURSDAY MARCH 19, 2026**

- UST yields and SOFR swap rates are *materially* higher this morning, as traders adjust rate cut expectations
- Yesterday, the FOMC held the benchmark rate steady and signaled they would move forward on a “meeting-by-meeting” basis
- The jump in rates began during Chairman Powell’s comments yesterday afternoon, as he signaled the Fed could be on the sidelines for the foreseeable future
- The new consensus Fed dot-plot and mostly upbeat SEP also contributed to higher interest rates
- The new consensus dot-plot shows only *one* 25 bp rate cut this year, and one next year
- 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 war in the Middle East remains the primary focus for the rate markets*
- The next FOMC rate decision is due Wednesday, April 29th at 2:00 PM
- Short-term SOFR swap rates are trading up ~2-6 bps this morning, depending on tenor
- Medium-term SOFR swap rates are up ~1-4 bps currently, depending on tenor
- Long-end SOFR swap rates are *down* ~1-2 bps this morning, depending on tenor

US Treasury yields and SOFR swap rates are materially higher this morning, as market participants face the reality that we may not see another rate cut this year. As such, SOFR swap rates are surging as traders remove rate cut expectations from the forward curve. Short-end rates are particularly vulnerable to changes in the Fed-outlook. Rates initially moved higher during Powell’s press conference, as it became clear that the Fed is in no hurry to cut rates – in fact, they may be done. The new consensus dot-plot also helped push rates higher. The new consensus dot-plot shows *one* possible 25 bp rate cut this year, and one next year. Traders had been holding out hope that we would see at least two 25 bp rate cuts this year.

***I would note that rates have come down off of the highs of the day, which does tell me that the market is settling down some.***

The market friction between potential higher inflation and potential damage to economic growth will continue to grow as long as the war rages on. A spike in energy prices continues to weigh on markets and drive short-term inflation forecasts higher. At the moment, inflation concerns are outpacing growth concerns, hence the higher rates. Yesterday, Powell said that rate hikes had been discussed at the meeting, but a rate “hike” was not anyone’s “base case” for the FOMC’s next rate move. Still, the mere *mention* of a rate hike was enough to spook the market and push Treasury yields higher.

Market participants will continue to nervously monitor the latest war developments. **War developments and “headlines” will continue to be the primary market catalysts for the near term.** *The longer the war drags on and oil prices remain elevated, the greater the threat to global economic growth and inflation.*

**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.



Traders and market participants continue to anxiously monitor developments in the Middle East crisis – ***still expect rates to remain asymmetrically biased higher as long as “oil fears” dominate the market.***

***Key Swap Rate Movement Since The War Began:*** The 2-year SOFR swap rate closed at 3.21% on Friday 2/27 – it is currently trading at **~3.65%** (+44 bps). The 5-year SOFR swap rate closed at 3.22% on Friday 2/27 – it is currently trading at **~3.59%** (+37 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 **~3.795%** (+27.5 bps).

**CHART 2: Short-End SOFR Swap Rates – Prior 10 Days**



Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 10 DAYS

**CHART 2A: Long-End SOFR Swap Rates – Prior 10 Days**



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

### **CHART 3 & 3A: FOMC RECAP: FOMC HOLDS; SIGNALS, “NO PRESET COURSE”, “MEETING-BY-MEETING” POLICY BIAS**

Yesterday, the FOMC held the overnight benchmark rate steady at 3.50% / 3.75% - the vote was 11-1 to hold. The Fed cited inflation concerns, but also pointed out that economic growth remains “solid” and consumer spending remains “resilient”. Chair Powell also noted that while “job gains remain low, the unemployment rate has been little changed”. The Chairman mentioned that the committee feels current monetary policy is “appropriate” and that they are currently “attentive” to both sides of the Fed’s dual mandate. Chair Powell also made it clear that if inflation continues to rise, or even sticks at these levels, *we will not see a rate cut*. The Fed is determined to bring inflation down to their 2.00% target level.

Powell signaled that the Fed will move forward with a “meeting-by-meeting” bias going forward, and he reiterated there is “no preset course” for monetary policy. Powell also said that many on the committee feel the current Fed Funds level is “on the high end of neutral”. That tells me the Fed generally believes the benchmark rate is close to neutral, which hints that they will be *very careful* before cutting rates again.

The Fed’s new economic projections were, in my opinion, fairly upbeat – that is another factor that is contributing to higher rates. Upbeat economic projections do not generally translate to a need for rate cuts. That said, Powell acknowledged that the war in the middle east is a huge wildcard for the market. ***I am not going to draw any firm conclusions yet about the path forward for monetary policy – there are simply too many wildcards at the moment and far too much uncertainty.***

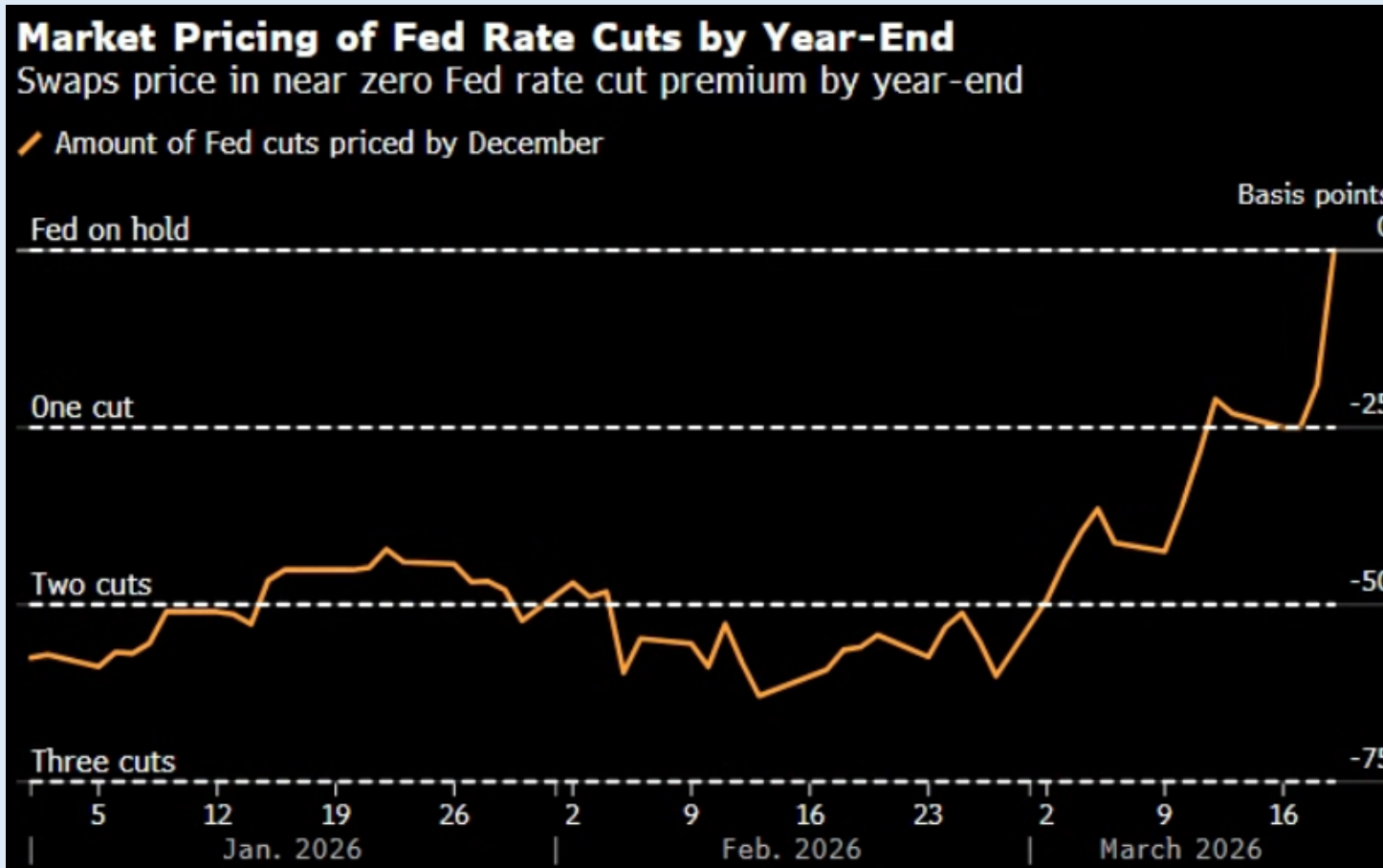
I do know this – the Fed is going to need a *definitive* reason to cut rates again. Market implied forward Fed Funds and forward SOFR rates have flattened out – right now, markets do not see much change the remainder of this year!

**CHART 3: Current Market Implied SOFR and Fed Funds Futures – FOMC Dates**

FOMC Forward SOFR		FOMC Forward FF	
03/18/26	3.71270	03/18/26	3.6662
04/29/26	3.68970	04/29/26	3.6446
06/17/26	3.68650	06/17/26	3.6396
07/29/26	3.68000	07/29/26	3.6310
09/16/26	3.67780	09/16/26	3.6270
10/28/26	3.65940	10/28/26	3.5936
12/09/26	3.64750	12/09/26	3.5900
01/27/27	3.63800	01/27/27	3.5934

Source: Bloomberg, LLP | Market Implied SOFR and Fed Funds Futures – FOMC Dates

**CHART 3A: Market Hopes Dim For A Fed Rate Cut This Year**



Source: Bloomberg, LLP | SWAP IMPLIED FED RATE CUTS FOR 2026

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