

Flash Update: US RATE MARKETS – MONDAY MARCH 2, 2026

- **UST yields and SOFR swap rates are rising this morning as inflation fears eclipse a flight-to-quality**
- **Fears that the Iran “situation” will lead to production disruptions, higher oil prices and higher inflation are dominating the market**
- **The US/Iran conflict is likely to dominate market sentiment for the near term – this is a developing story with global implications**
- **The market reaction to the SCOTUS “tariff ruling” has been largely muted as traders await more details and information**
- **Traders 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, 2026 at 2:00 PM**
- ***Next up for key data:* January Retail Sales data is released on Friday, 3/6 at 8:30 AM**
- **Short-end SOFR swap rates are trading up ~4-7 bps this morning, depending on tenor**
- **Long-end SOFR swap rates are currently up ~4-6 bps, depending on tenor**

US Treasury yields and SOFR swap rates are moving higher this morning, due to inflation fears sparked by the ongoing Middle East conflict. This is a developing story that is only days old, so it is extremely challenging to predict the outcome with any certainty. Right now, it is difficult to separate the signal from the noise.

What we know is that the conflict has caused disruptions across the Middle East, with “blasts” heard in Israel, Saudi Arabia, Qatar, and the United Arab Emirates. Oil prices are surging due to the impact on energy flows. Oil prices are now at the highest level in four years. Right now rates are up 5-7 bps across the yield curve as the market nervously monitors the latest developments.

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 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 up ~4-5 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading up ~4-6 bps. **5Y** and **10Y** SOFR swap rates are currently trading up ~5-7 bps on the day. The very back-end of the swap curve is currently trading up ~4-6 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: 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	3.436	+0.061	-17.9950	-0.9670	3.2580	+0.0494
3Y	3.441	+0.064	-22.5400	-1.0940	3.2157	+0.0534
4Y	3.508	+0.073	-26.6460	-0.7710	3.2395	+0.0580
5Y	3.569	+0.067	-28.4350	-0.5270	3.2863	+0.0623
7Y	3.764	+0.075	-37.1010	-1.0385	3.4020	+0.0608
10Y	4.008	+0.070	-43.4614	-0.9614	3.5736	+0.0564
20Y	4.607	+0.056	-69.2460	-0.7409	3.9151	+0.0478
30Y	4.666	+0.055	-74.3973	-0.9873	3.9234	+0.0439

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

CHART 2 & 2A: SOFR SWAP RATES MOVE HIGHER AS PERSIAN GULF CRISIS FANS INFLATION FEARS

SOFR swap rates are moving higher this morning on fears that the Middle East conflict could dramatically increase oil prices and lead to a spike in global inflation. The uptick in rates is somewhat surprising – I would have expected rates to drop as traders sought safe-haven. However, as is usually the case, when the Middle East is in conflict, all eyes shift to the impact on oil production and oil prices. That said, if stability returns to the region quickly, and oil production and prices pressures abate, we may still see a flight-to-quality led drop in rates. It is simply too early in the conflict to predict a likely outcome. I do expect rates to be biased higher as long as “oil fears” dominate the market.

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

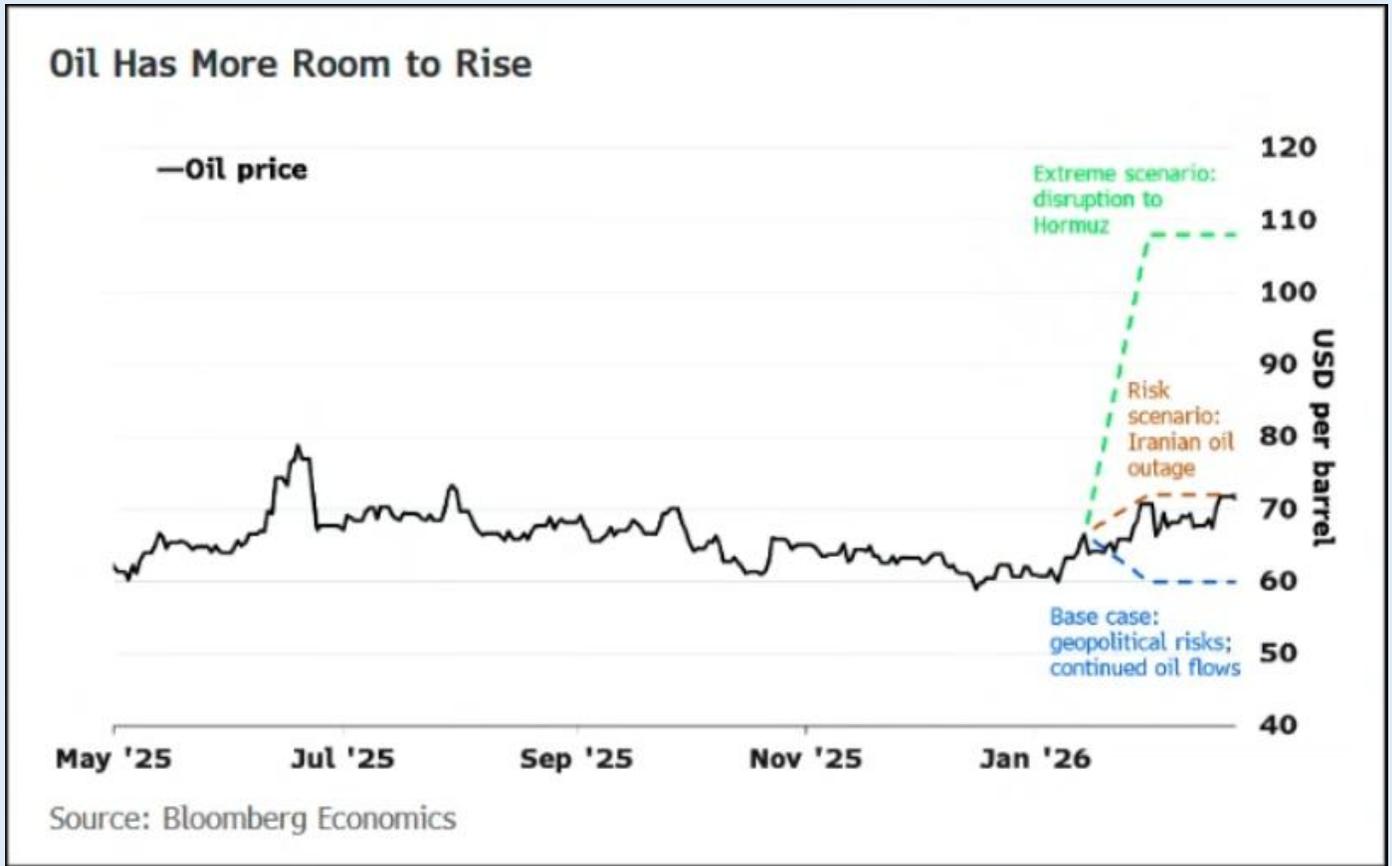


Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 10 DAYS

CHART 3, 3A, 3B & 3C: A JITTERY MARKET NERVOUSLY MONITORS OIL PRICES; CRUDE OIL PRICES SURGE

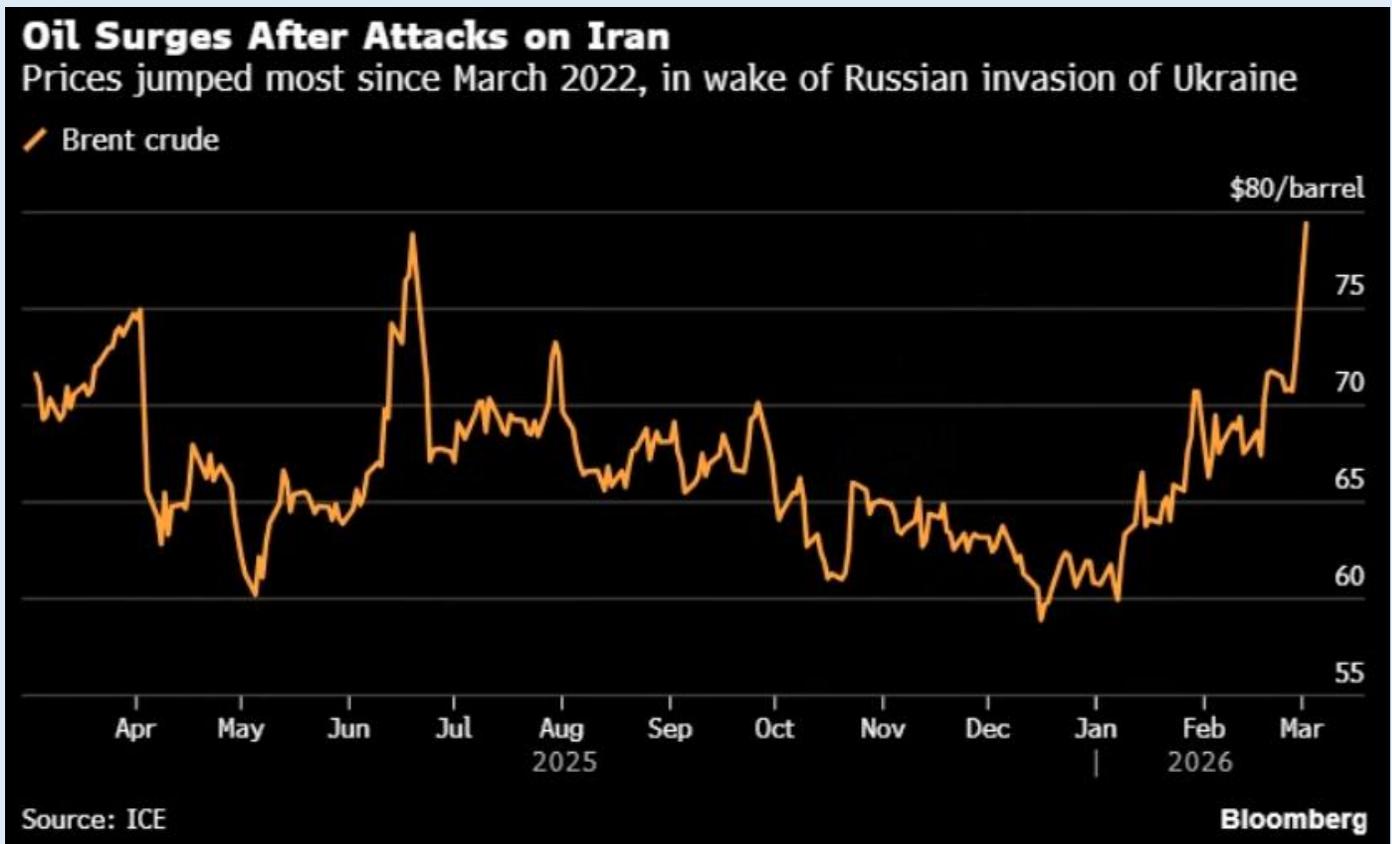
Crude oil prices surged as tanker traffic all but halted through the Strait of Hormuz and a big refinery in Saudi Arabia halted production due to the escalating conflict in the Middle East. The conflict is threatening supplies in one of the world’s key producing regions, with the Strait of Hormuz handling a fifth of the world’s oil and a similar portion of liquefied natural gas (LNG). The surge in energy costs risks boosting inflationary pressures globally, complicating the task facing central bankers. We will continue to track this developing story.

CHART 3: Crude Oil Prices Have Plenty Of Room To Move Higher



Source: Bloomberg, LLP | CRUDE OIL PRICES SINCE MAY 2025

CHART 3A: Oil Prices Surge On US/Iran Conflict



Source: Bloomberg, LLP | CRUDE OIL PRICES SINCE MARCH 2025

CHART 3B: 10-Year UST Yields Can Be Volatile During Times Of Gulf Unrest

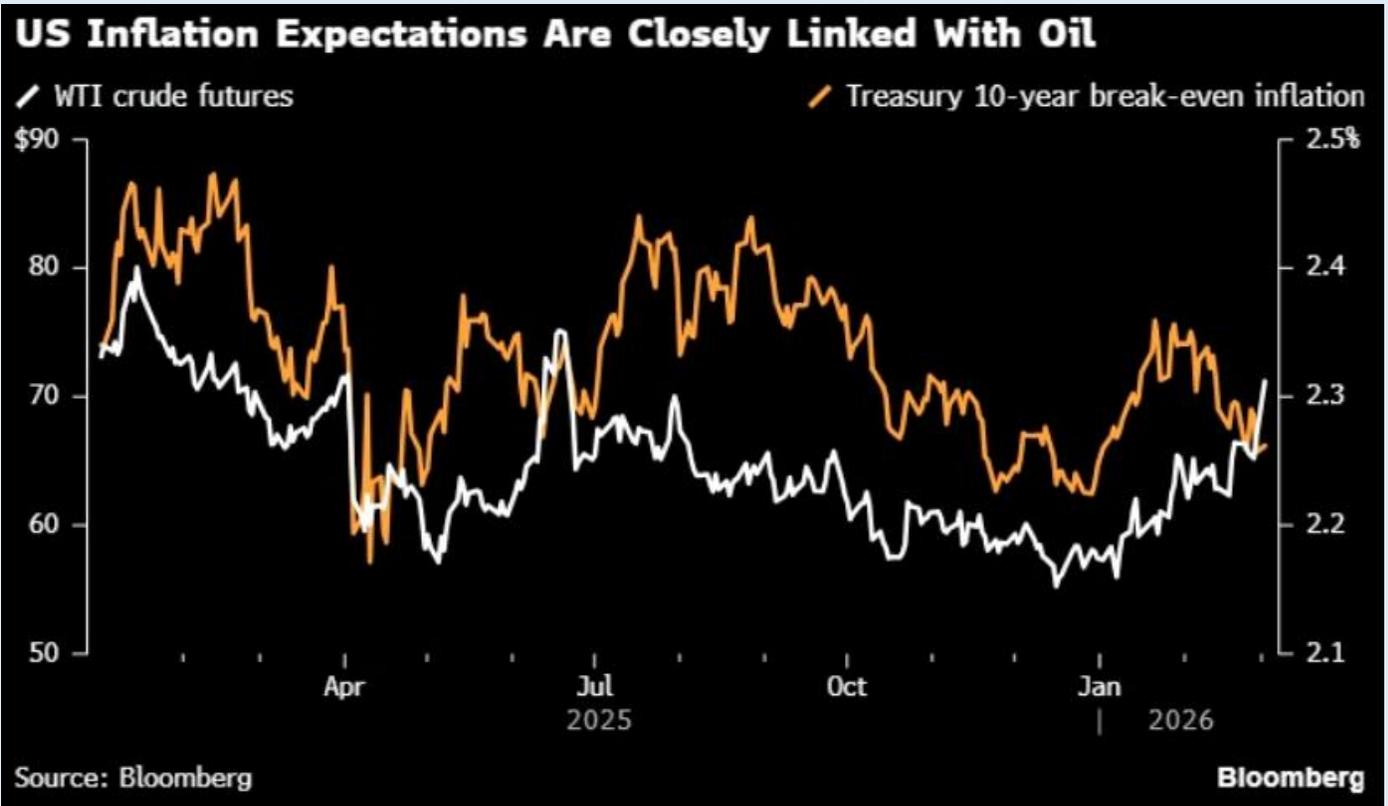
How US Treasuries Behaved Around 1990 Kuwait Invasion

Bond yields rose as Iraq's invasion drove up the oil price



Source: Bloomberg, LLP | 10Y UST NOTE HISTORICAL SNAPSHOT: JUNE 1990 THROUGH MARCH 1991

CHART 3C: Energy Prices Drive Inflation Expectations



Source: Bloomberg, LLP | CRUDE OIL FUTURES VS. 10Y INFLATION EXPECTATIONS SINCE FEB 2025

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