

Flash Update: US RATE MARKETS – FRIDAY MARCH 20, 2026

- UST yields and SOFR swap rates are moving higher this morning as the ongoing war in the Middle East continues to fan inflation fears
- Fed officials are back ‘on-the-tape’ today as they emerge from the “communications blackout”
- Market participants will be eager to hear what Fed officials have to say about the FOMC meeting, dot-plot, SEP and impact 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 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 ~6-8 bps this morning, depending on tenor
- Medium-term SOFR swap rates are up ~5-7 bps currently, depending on tenor
- Long-end SOFR swap rates are *down* ~2-4 bps this morning, depending on tenor

US Treasury yields and SOFR swap rates are moving higher this morning, as the conflict in the Middle East intensifies. More importantly for traders, the conflict shows few signs that a resolution is in sight. Market participants continue to grapple with a conflict that has upended energy supply chains and reignited fears over inflation. Overnight, Iran intensified attacks against its Gulf neighbors, and traffic through the energy market-critical Strait of Hormuz remains at a virtual standstill. It feels to me as though market participants are finally coming to grips with the fact that the conflict will not be resolved quickly.

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 higher rates.* The short-end of the curve remains particularly vulnerable to the upside, as a repricing of Fed rate cuts is also helping to nudge short-term rates 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.** Right now, it is clear that inflation fears are outpacing economic growth fears.

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.*

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

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