__Flash Update:__ US RATE MARKETS – TUESDAY MARCH 24, 2026

- **UST yields and SOFR swap rates are edging higher this morning, as the war in the Middle East drags on**
- **Market participants are receiving conflicting messages regarding the war – US officials claim negotiations to end the conflict are underway, but Iranian officials steadfastly deny that is the case**
- **Bottom-line, the conflict continues; Overnight, Iran carried out missile and drone attacks on Israeli cities and US bases in the Middle East**
- ***Traders continue to grapple with a range of possible outcomes for the war in the Middle East***
- **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 ~4-6 bps this morning, depending on tenor**
- **Medium-term SOFR swap rates are up ~4-6 bps currently, depending on tenor**
- **Long-end SOFR swap rates are up ~3-5 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 drags on. Rates dipped yesterday after US officials signaled that negotiations with Iran were underway to resolve the conflict. However, Iranian officials steadfastly denied those statements, and overnight they intensified their attacks on US and Israeli targets. The conflicting "war messaging" is confusing market participants and increasing uncertainty about the "real" status of the conflict. **I expect war developments and the associated "headlines" will continue to be the primary market catalysts for the near term.**

Basically, to get to lower rates, global markets need to see the conflict halted, oil prices retreat and energy production and supply lines reopened. We got a taste of that yesterday on the news that US/Iran negotiations were underway. Unfortunately, there is still tremendous uncertainty surrounding the veracity (and details) of that claim, so we are seeing rates drift higher again this morning. As long as the turbulence in the energy markets continues, the bias will be higher rates. That said, we did see rates drop quickly yesterday on the "negotiation" news, so in my opinion, that provided a glimpse of the rate move we could expect should the war be resolved in the next few days. However, we have also seen that traders are currently *hyper-sensitive* to the possible inflation implications of the war, so there is definitely the possibility that rates begin to march higher again should the negotiations fall apart and/or the conflict intensify once again.

I advise staying nimble if you have upcoming caps or swaps to execute. We will likely continue to see increased rate volatility as the market absorbs war news and headlines. For the time being, market participants will continue to anxiously monitor the latest war developments. It feels like the general market feeling is that "we are not out of the woods just yet", so I expect market anxiety and uncertainty to remain at elevated levels. Rate volatility is also likely to remain at elevated levels for the near term.

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 up ~3-4 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading up ~4-6 bps. **5Y** and **10Y** SOFR swap rates are trading up ~4-6 bps on the day. The very back-end of the swap curve is currently trading up ~3-5 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: 9:30 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	3.908	+0.056	-17.0915	-0.3283	3.7380	+0.0514
3Y	3.924	+0.059	-24.0800	-0.6890	3.6850	+0.0534
4Y	3.989	+0.061	-29.1500	-0.7010	3.6853	+0.0531
5Y	4.026	+0.062	-31.2641	-0.7901	3.7151	+0.0526
7Y	4.219	+0.067	-41.9920	-1.6170	3.8000	+0.0485
10Y	4.402	+0.060	-47.3750	-1.3958	3.9287	+0.0440
20Y	4.999	+0.064	-80.2340	-2.0500	4.1986	+0.0415
30Y	4.965	+0.050	-81.7812	-1.1212	4.1480	+0.0387

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

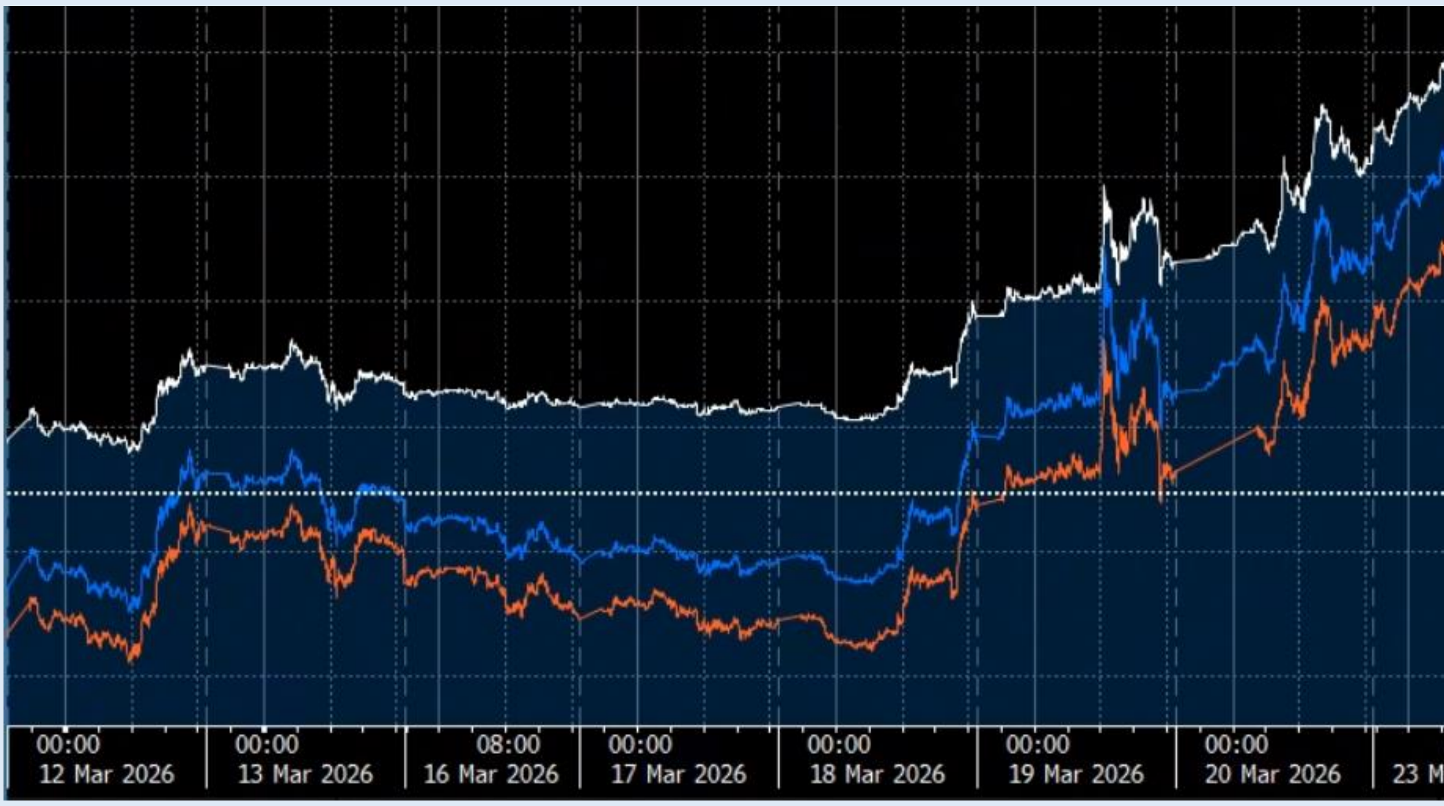
CHART 2 & 2A: SOFR SWAP RATES TICK HIGHER AS WAR DRAGS ON

SOFR swap rates are moving a touch higher this morning, as the ongoing war in the Middle East drags on. Optimism that negotiations between Iran and the US would lead to a quick resolution of the war are fading a bit this morning, as Iran renewed attacks on US military bases and Israeli cities overnight. As a result, the drop in swap rates we witnessed yesterday halted, and rates reversed. Rates are going to be biased higher as long as the war uncertainty remains and oil prices remain elevated.

As mentioned, we did get some rate relief yesterday, but not much, especially given the uptick in rates this morning. For cap purchasers, the slight drop in rates yesterday was partly offset by the increase in volatility – you can see the volatility in the two swap rate charts below. The 2-year SOFR swap rate closed at 3.74% on Friday – it is currently trading at ~3.738%, basically unchanged from Friday's close.

<u>Key Swap Rate Movement Since The War Began:</u> The 2-year SOFR swap rate closed at 3.21% on **Friday 2/27** – it is currently trading at **~3.74%** (+53 bps). The 5-year SOFR swap rate closed at 3.22% on Friday 2/27 – it is currently trading at **~3.71%** (+49 bps). The 10-year SOFR swap rate has experienced a similar move – it closed Friday 2/27 at 3.52% and is currently trading at **~3.93%** (+41 bps).

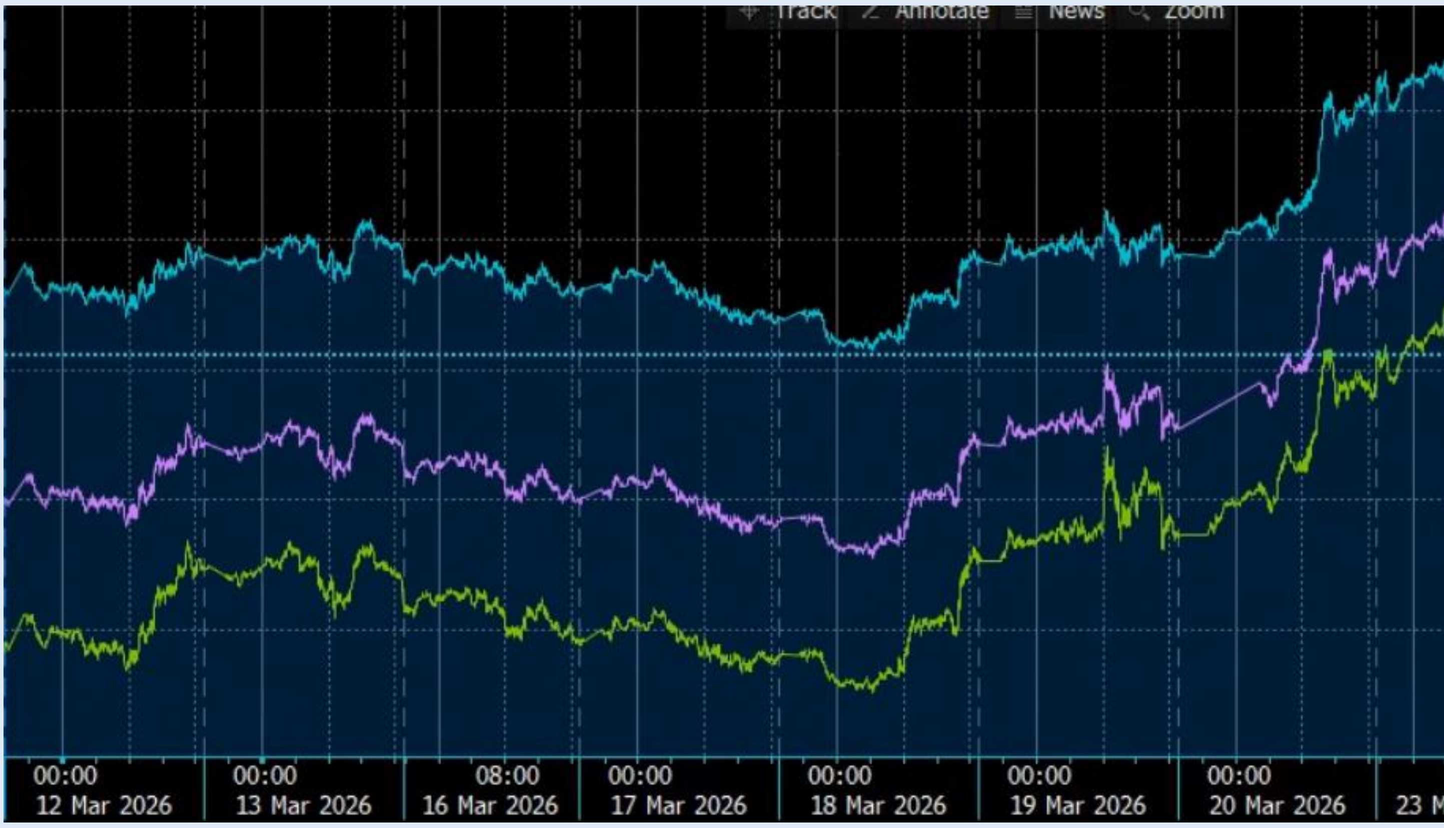
<u>CHART 2:</u> ***Short-End SOFR Swap Rates – Prior 10 Days***



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

<u>CHART 2A:</u> ***Long-End SOFR Swap Rates – Prior 10 Days***

LOS ANGELES, CA NEW YORK, NY BALTIMORE, MD
TELEPHONE 212.500.0922 FAX 310.856.9495



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

<u>Disclaimer:</u> *The information provided in this communication is intended for discussion purposes only. Nothing presented in this communication should be taken as a recommendation or forecast. All market data shown is indicative only and subject to change depending on current market conditions.*

***

AST Defeasance Consultants, one of the nation's leading commercial real estate consulting firms, was founded in 2007. We have extensive experience in commercial real estate defeasance, hedging, derivatives, and financial instruments. More than $50 billion worth of transactions have been executed by the AST team. Only AST can combine innovation, expertise, and exceptional customer service.

Rate Cap Advisors was established in 2015 that focus on providing commercial real estate interest rate cap solutions. Our innovation and desire to explore new possibilities that benefit our clients have allowed us to save our clients millions of dollars. No matter the service or product, we take great pride in our pursuit of perfection with a unparalleled closing track record.

***