

Flash Update: US RATE MARKETS – WEDNESDAY MARCH 25, 2026

- **UST yields and SOFR swap rates are edging lower this morning, as market participants assess the war outlook**
- ***Traders continue to grapple with a range of possible outcomes for the war in the Middle East***
- **US officials are ramping up diplomatic efforts to end the war**
- **According to news reports, the US drafted a 15-point plan to help bring the conflict to a close; Sources say that proposal was delivered to Iran via Pakistan**
- **Iran continues to rebuff US attempts to negotiate a settlement to the conflict; Iranian attacks in the region continue and they have apparently rejected a US ceasefire proposal**
- **Crude oil prices moved a touch lower overnight (~5.0%), leading to *slightly* lower rates this morning**
- **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 down ~1-3 bps this morning, depending on tenor**
- **Medium-term SOFR swap rates are down ~1-3 bps currently, depending on tenor**
- **Long-end SOFR swap rates are down ~1-3 bps this morning, depending on tenor**

US Treasury yields and SOFR swap rates are moving slightly lower this morning, as market participants hold out hope that US diplomatic efforts aimed at negotiating a resolution to the conflict will come to fruition. News source are reporting that the US reached out to Iran via Pakistan with a 15-point plan aimed at ending the conflict. However, Iranian officials continue to steadfastly deny that any diplomatic contact between the US and Iran has occurred. Overnight Iran continued attacks on Israeli targets and its Gulf neighbors. The conflicting “war messaging” is confusing market participants and increasing uncertainty about the “real” status of the conflict. That said, the market is latching on to the “negotiations” rumor, hence slightly lower oil prices and slightly lower rates this morning. I anticipate that the direction of rates will be closely correlated to the direction of oil prices in the near term. **Until we get a concrete, verifiable resolution, war developments and the associated “headlines” will continue to be the primary market catalysts for the near term.**

I advise staying nimble if you have upcoming caps or swaps to execute – market dynamics may change quickly as developments unfold. Rates will likely remain biased higher as long as the dislocation in the energy markets continues to fan inflation fears. That said, it feels like we are approaching a turning point in the conflict – if the war is favorably resolved in the next few days (or week) we could see rates drop, and drop dramatically. Regardless of which way the conflict outcome leans, we are likely to continue to see elevated levels of rate volatility as the market absorbs war developments and news 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.

News the market is tracking includes:

- **Geopolitical developments continue to weigh on market sentiment. The US/Iran “war” continues to dominate market sentiment this week. The end result of the US attack on Iran is difficult to forecast at this time.**
- **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 ~1-2 bps this morning. 2Y and 3Y SOFR swap rates are currently trading down ~1-3 bps. 5Y and 10Y SOFR swap rates are trading down ~1-3 bps on the day. The very back-end of the swap curve is currently trading down ~1-3 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: 9:00 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	3.866	-0.023	-17.9280	-1.1230	3.6951	-0.0285
3Y	3.868	-0.031	-23.9250	+0.0125	3.6318	-0.0282
4Y	3.932	-0.025	-29.2500	+0.2500	3.6265	-0.0254
5Y	3.966	-0.024	-31.3449	+0.2851	3.6533	-0.0233
7Y	4.147	-0.026	-41.4150	+0.2334	3.7363	-0.0273
10Y	4.328	-0.031	-46.4682	+0.2718	3.8656	-0.0308
20Y	4.912	-0.031	-77.2540	+0.6221	4.1398	-0.0307
30Y	4.896	-0.032	-80.2415	+0.6335	4.0938	-0.0276

Source: Bloomberg, LLP | 9:00 AM NY Rates Snapshot

CHART 2, 2A & 2B: SOFR SWAP RATES TICK LOWER AS MARKET PARTICIPANTS ASSESS WAR OUTLOOK; CRUDE OIL PRICES DIP

Diplomatic efforts by the US pushing for negotiations with Iran are sending rates a touch lower this morning. Optimism that negotiations between Iran and the US will lead to a quicker-than-expected resolution of the war is slowly growing, leading to slightly lower oil prices, and slightly lower rates. However, market participants seem unwilling to go too far – the hope of a diplomatic solution is at best, a fragile hope, and at worst, a pipedream. We are likely to be subject to elevated levels of rate volatility as the diplomatic process unfolds. Should a resolution be reached quickly, we could see rates drop dramatically as the market corrects. However, make no mistake – should negotiations collapse, or lead nowhere, the conflict could reach a new level of intensity. In that case, there is plenty of room for rates to move higher from here.

Today's charts detail the movement in swap rates since the beginning of the war in the Middle East. You can see the massive rate move we have experienced since the conflict began. Yes, we have seen some very slight relief this week as the negotiation rumors swirl, but we are still significantly above pre-war swap levels.

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 **~3.695%** (+48.5 bps). The 5-year SOFR swap rate closed at 3.22% on Friday 2/27 – it is currently trading at **~3.65%** (+43 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 **~3.865%** (+34.5 bps).

CHART 2: Short-End SOFR Swap Rates – Prior 30 Days



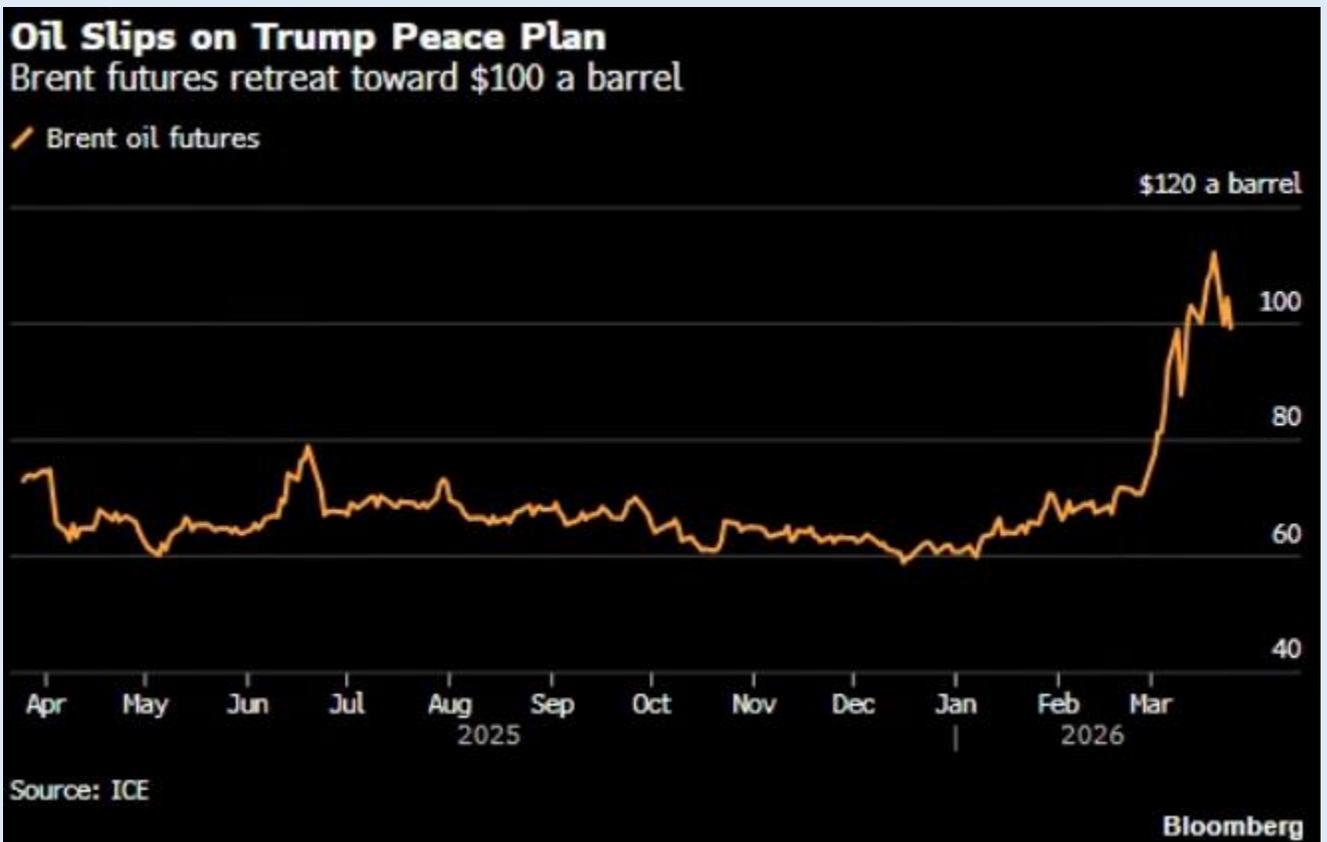
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 30 DAYS

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

CHART 2B: Oil Prices Dip As US Ramps Up Diplomatic Efforts To End Conflict



Source: Bloomberg, LLP | BRENT CRUDE OIL FUTURES SINCE APRIL 2025

Disclaimer: 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.
