

Flash Update: US RATE MARKETS – TUESDAY MARCH 3, 2026

- **UST yields and SOFR swap rates continue to march higher as global inflation fears surge**
- **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 ~5-8 bps this morning, depending on tenor**
- **Long-end SOFR swap rates are currently up ~4-8 bps, depending on tenor**

US Treasury yields and SOFR swap rates continue to march higher this morning, as global inflation fears sparked by the ongoing Middle East conflict are outpacing a flight-to-quality. The 2-year SOFR swap rate closed at 3.21% on Friday – it is currently trading at 3.37% (+16 bps). The 10-year SOFR swap rates has experienced a similar move – it closed Friday night at 3.52% and is currently trading at ~3.66% (+14 bps).

A surge in oil prices has led to fears inflation will rise, perhaps quickly and perhaps significantly. The renewed and sudden inflation threat is forcing traders to rethink Fed rate cut expectations, and it is pushing Treasury yields higher. Rates across the curve are likely to be biased higher until the oil market stabilizes. Right now, fear and uncertainty continue to dominate the rate markets. Market participants will continue to nervously monitor the latest developments. The growing market fear is that the conflict in the Middle East will lead to a full-blown “energy crisis”, where global production is severely impacted and prices *surge*.

A key focus for traders today is what happens in the Strait of Hormuz, a narrow waterway off the coast of Iran that carries about a fifth of global oil supply. Iran has vowed to disrupt passage through the Strait of Hormuz, which could further disrupt the global oil infrastructure. The conflict intensified overnight, so there is no end in sight for this conflict at the moment.

There is definitely the possibility for whip-saw movements in rates this week, and I anticipate volatility will remain at elevated levels. Rates are likely to be biased higher until the oil market stabilizes.

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. 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.*



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



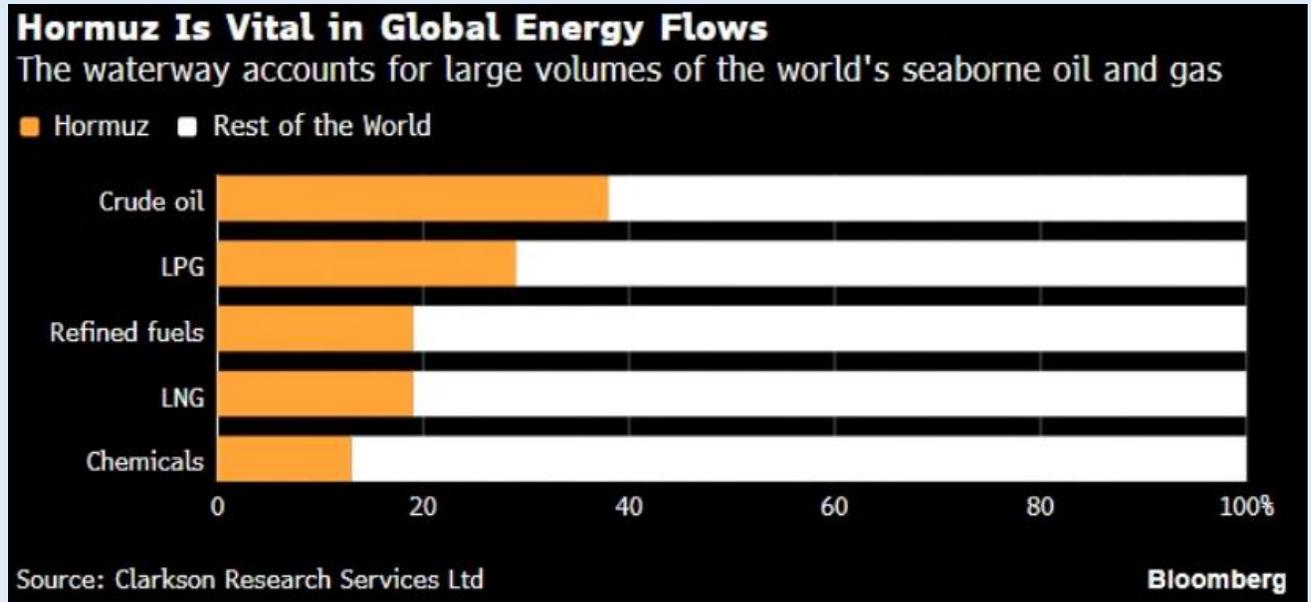
Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 10 DAYS

CHART 3, 3A & 3B: MARKET NERVOUSLY MONITORS ENERGY MARKETS

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 global central bankers.

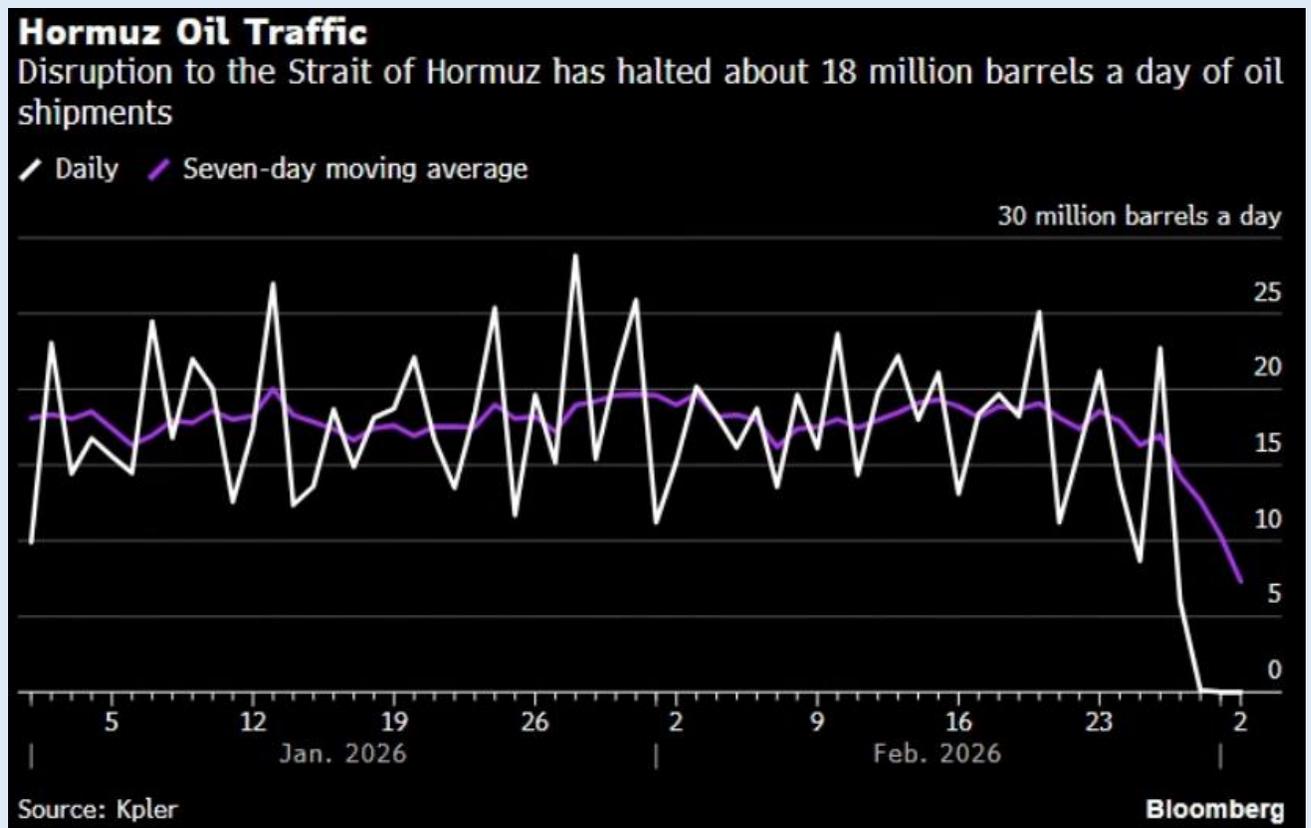
Oil prices surged for a second day as the conflict intensified throughout the region. The conflict's impact on energy assets in the Persian Gulf continues to grow. This morning, Brent crude oil prices surge above \$85.00 a barrel for the first time since July 2024. Rising energy prices are already casting a pall over global economic growth prospects and the ability of central banks to keep inflation in check.

CHART 3: All Eyes On Strait Of Hormuz



Source: Bloomberg, LLP | STRAIT OF HORMUZ OIL & LNG DATA

CHART 3A: Hormuz Vital To Global Oil Supply



Source: Bloomberg, LLP | HORMUZ OIL TRAFFIC DETAILS

CHART 3B: Oil Prices Surge As Middle East Conflict Intensifies

Oil Is Surging as Middle East War Continues
 Brent futures briefly topped \$85 a barrel



Source: Bloomberg, LLP | CRUDE OIL PRICES SINCE MARCH 2024

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