



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



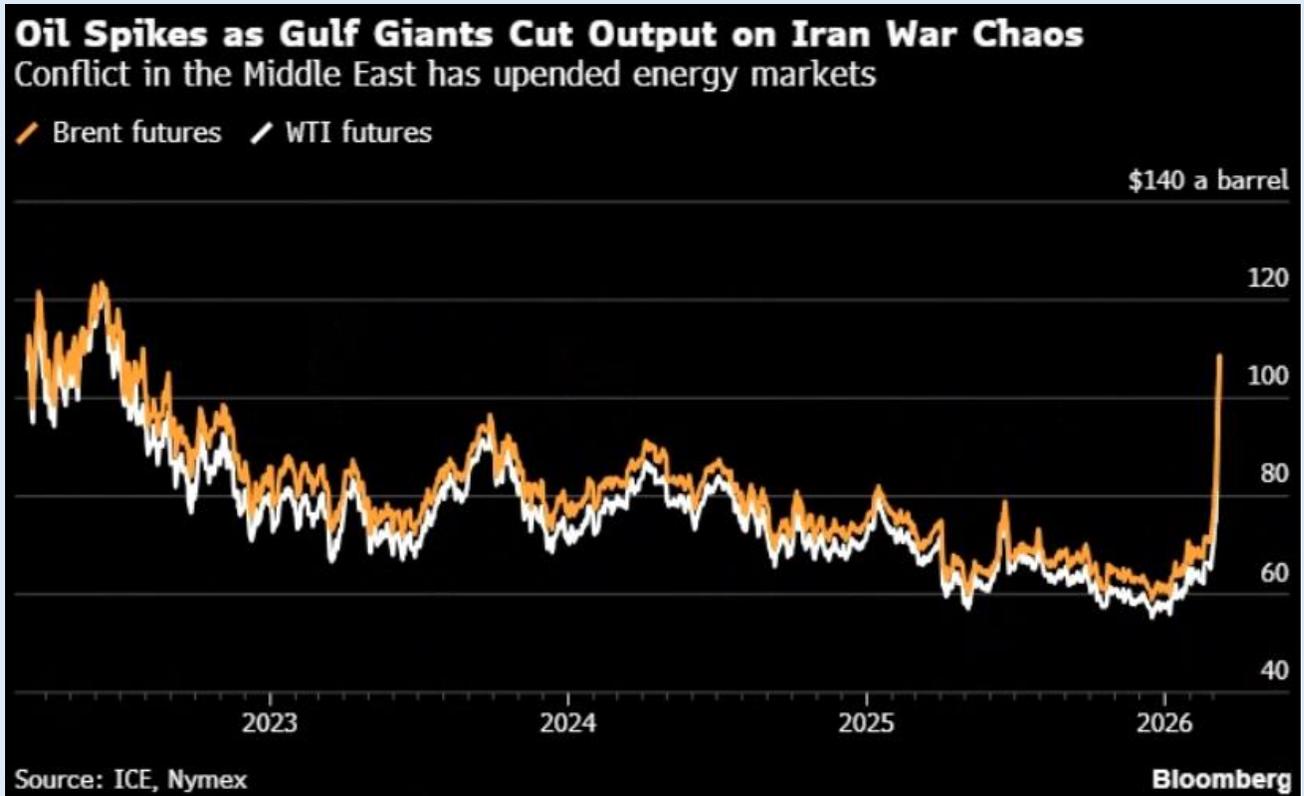
Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 10 DAYS

CHART 3, 3A & 3B: GLOBAL MARKETS ARE LASER-FOCUSED ON ENERGY MARKETS

Oil prices continue to rise as the deepening war in the Middle East sparked fresh turmoil in energy markets. Oil topped \$100 per barrel for the first time since 2022. The conflict has also upended the outlook for interest rates – given the turmoil it has been difficult for market participants to reach a consensus outlook. Investors appear to be bracing for a prolonged conflict, suggesting the oil “spike” may be sustained.

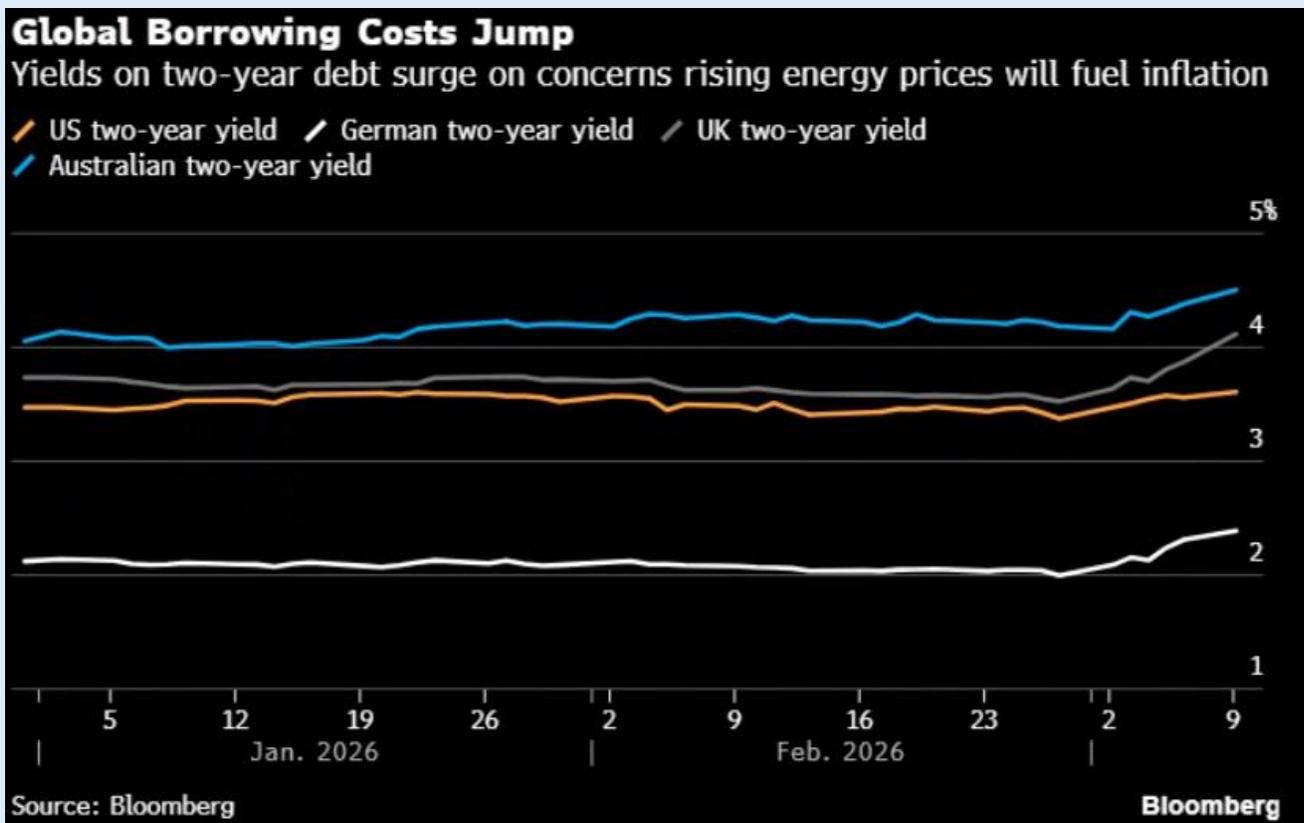
The oil-related surge in inflation expectations comes a time when there seems to be cracks appearing in the US labor market. Recent data showed an unexpected increase in layoffs and higher unemployment. Rising inflation and weaker economic conditions (including the labor market) points toward a “stagflationary” environment.

CHART 3: Spike In Crude Oil Prices Drives Rates Higher As Inflation Concerns Deepen



Source: Bloomberg, LLP | CRUDE OIL PRICES SINCE 2022

CHART 3A: Global Rates Rise On War-Induced Inflation Worries



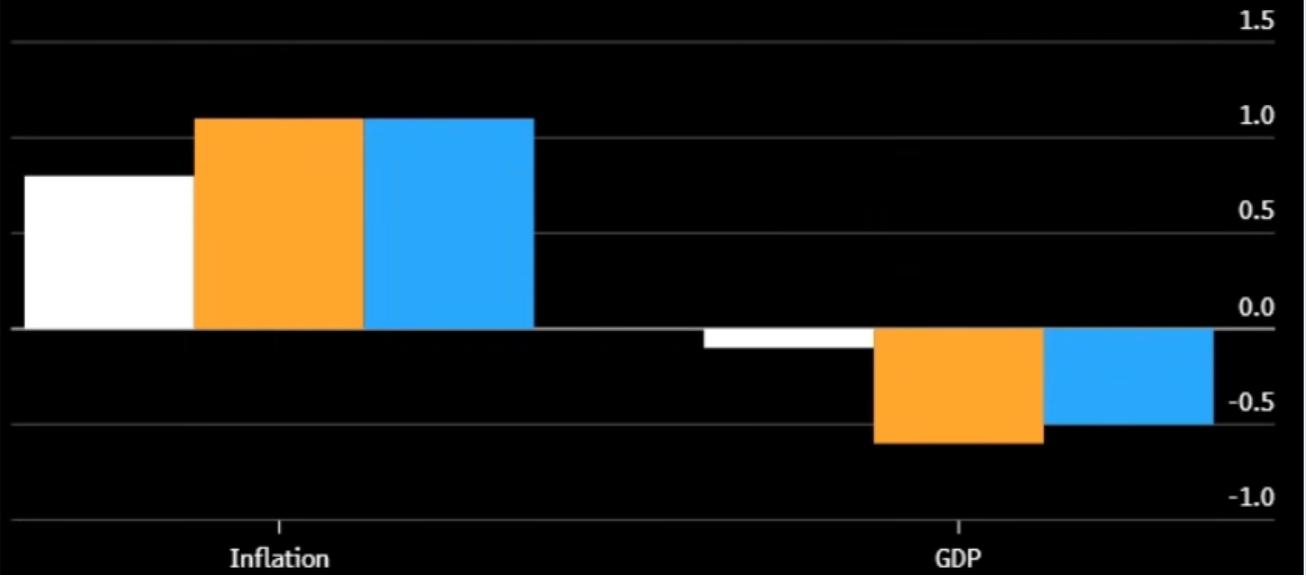
Source: Bloomberg, LLP | GLOBAL 2-YEAR BOND YIELDS SINCE 1/4/2026

CHART 3B: Oil Over \$100 A Barrel Can Materially Impact Inflation And Economic Growth

The Cost of Oil at \$108 a Barrel

Impact on inflation (ppt contribution) and GDP (%)

■ US ■ Euro area ■ UK



Sources: Bloomberg Economics, BECO MODELS SHOK

Note: Note: Oil shock is \$43 for US and \$57 for Europe, reflecting gas exposure. **Bloomberg Economics**

Source: Bloomberg, LLP | ESTIMATED IMPACT OF OIL AT \$108.00 PER BARREL – US, UK, EURO-AREA

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.

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