

**Flash Update: US RATE MARKETS – WEDNESDAY APRIL 1, 2026**

- UST yields and SOFR swap rates are holding mostly steady this morning as traders digest economic data and anxiously monitor war developments
- US officials continue to ramp up diplomatic efforts to end the war
- SOFR swap rates have dropped this week on optimism that a resolution to the conflict is within sight
- *Traders continue to grapple with a range of possible outcomes for the war in the Middle East*
- Retail Sales for February exceeded expectations in *all* categories, underscoring the resilience of the US consumer
- The March ADP Employment Change showed private payrolls increased more-than-expected (+62k vs. +40k expected)
- 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**
- *Next up for data:* The March Employment Report is due on Friday, 4/3 at 8:30 AM
- Short-term SOFR swap rates are trading up ~1 bp this morning, depending on tenor
- Medium-term SOFR swap rates are up ~1-2 bps currently, depending on tenor
- Long-end SOFR swap rates are up ~1 bp this morning, depending on tenor

US Treasury yields and SOFR swap rates are holding mostly steady this morning as traders digest economic data and anxiously monitor developments in the Iran War. Short-end rates are currently up less than a basis point; the medium and long sectors of the curve are a bp or two higher. The strong economic data we saw this morning and a lack of “real” progress on the diplomatic front of the War are causing traders to hold-off for now on taking rates any lower. Traders will need to see real progress toward a diplomatic resolution before pushing rates lower.

Overall, market sentiment indicates traders and investors believe there will be a diplomatic solution, and we have seen that play out this week via lower rates and higher equity prices. The 2-year SOFR swap rate was trading at 3.79% one week ago and poised to move higher – right now, the two year swap rate is trading at 3.63%, ~15 bps lower! Prepare for the possibility of whip-saw rate movements as the negotiations between the US and Iran unfold – or conversely, if they *do not* unfold. Either development is likely to increase rate volatility.

**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 can and will change quickly as war “developments” unfold.*

In short, there is mounting optimism that we are indeed approaching a turning point in the conflict – if the war is favorably resolved in the next few days (or week) we could see rates continue to 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.* It may take a few weeks for volatility to settle down and level-off. For the time being, market participants will continue to anxiously monitor the latest war developments.

**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.



We are likely to be subject to elevated levels of rate volatility as the diplomatic/negotiation process unfolds. That, of course, presumes that Iran will capitulate and sit down at the negotiating table. I still believe that, should a resolution be reached quickly, we could see rates drop, potentially *quickly and dramatically*, as the energy and rate markets correct. However, make no mistake – should negotiations collapse, or lead nowhere, the conflict could ramp up again and reach a new level of intensity. *In that case, there is plenty of room for rates to move higher from here.*

**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 **~3.63%** (+42 bps). The 5-year SOFR swap rate closed at 3.22% on Friday 2/27 – it is currently trading at **~3.64%** (+42 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 **~3.88%** (+36 bps).

**CHART 2: Short-End SOFR Swap Rates – Since 2/19/2026**



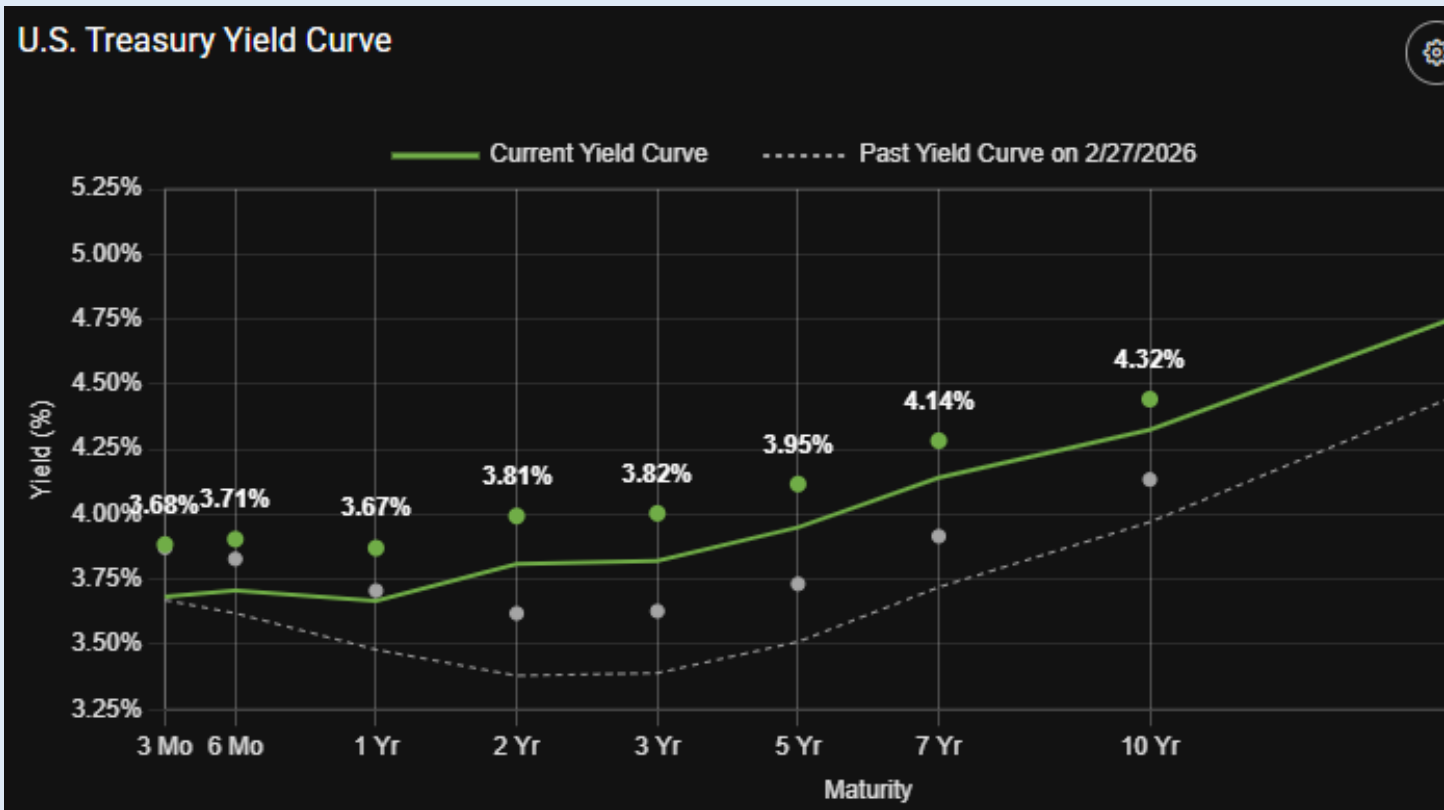
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 30 TRADING SESSIONS

**CHART 2A: Long-End SOFR Swap Rates – Since 2/19/2026**



Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 30 TRADING SESSIONS

**CHART 2B: US Treasury Yield Curve – Change Since The Iran War Began**



Source: StreetStats | US Treasury Yield Curve – Today vs. Feb 27, 2026

**CHART 2C: Interest Rate Volatility Dips, But Remains At Elevated Levels**



Source: Bloomberg, LLP | MOVE VOLATILITY INDEX – YEAR-TO-DATE

**CHART 3: STRONG FEBRUARY RETAIL SALES RESULT UNDERSCORES RESILIENCE OF US CONSUMERS**

US retail sales increased in February by more than forecast in a broad advance that included a rebound in auto purchases. Headline retail purchases increased 0.6% (vs. 0.5% estimated). Retail Sales less autos for February grew 0.4%, beating expectations calling for a gain of 0.3%.

The strong February Retail Sales figures indicates that US consumer demand was holding up ahead of the Iran war, helped by wage growth that is still outpacing inflation, and larger tax refunds. Overall, the data was well received by the market – however, the Retail Sales data is *backward* looking, so there is some market trepidation about how the war in the Middle East, and higher gasoline prices, may impact US consumer spending.

**CHART 3: February Retail Sales Beats Expectations; Prior Month’s Results Revised Higher**

| Metric                      | Actual | Estimate |
|-----------------------------|--------|----------|
| Retail sales (MoM)          | +0.6%  | +0.5%    |
| Sales ex. autos, gas (MoM)  | +0.4%  | +0.3%    |
| ‘Control group’ sales (MoM) | +0.5%  | +0.3%    |

Source: Bloomberg, LLP | FEBRUARY RETAIL SALES RESULTS

**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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