

Flash Update: US RATE MARKETS – FRIDAY APRIL 10, 2026

- UST yields and SOFR swap rates are ticking a touch higher as traders anxiously monitor war developments
- Traders mostly ignored a hot March CPI print; Gasoline prices were the primary culprit behind the increase in CPI
- **Traders continue to grapple with a range of possible outcomes for the war in the Middle East**
- **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:** March PPI is released on Tuesday, 4/14 at 8:30 AM
- Short-term SOFR swap rates are trading up ~1-2 bps this morning, depending on tenor
- Medium-term SOFR swap rates are up ~1-3 bps currently, depending on tenor
- Long-end SOFR swap rates are up ~2-3 bps this morning, depending on tenor

US Treasury yields and SOFR swap rates are drifting higher this morning, despite a hotter-than-expected March CPI print. I initially thought rates would have increased materially after the hot CPI print this morning, but that was not the case. My suspicion is that market pricing has already accounted for the war-related inflation risk – basically, higher inflation is already priced into the curve. There is also a lingering market sentiment that the pop in inflation may be temporary, and should begin to soften as the war is resolved and energy markets stabilize.

The market will continue to be heavily “headline” driven – there are many, many rumors swirling around the market regarding how much progress is being made with diplomatic efforts to end the war. Thus far, the fragile ceasefire is holding, which is generally keeping the rate markets fairly subdued for the moment. This feels like a key crossroads for traders, so it is likely they are simply pausing to monitor developments before adjusting rates again. Continued progress on the diplomatic front will likely push rates lower – conversely, should diplomatic efforts prove fruitless, rates are likely to continue to push higher.

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. 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.
- 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.



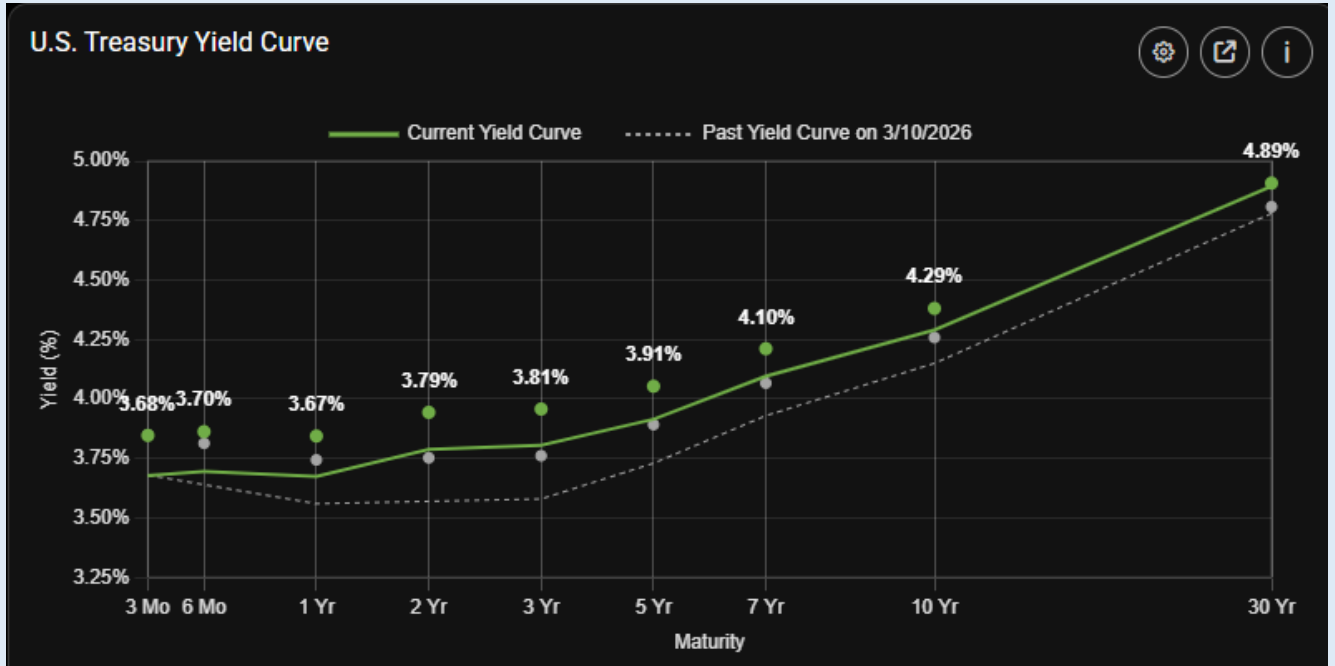
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, PRIOR 30 TRADING SESSIONS

CHART 2A: Long-End SOFR Swap Rates – Since 3/2/2026



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 March 10, 2026



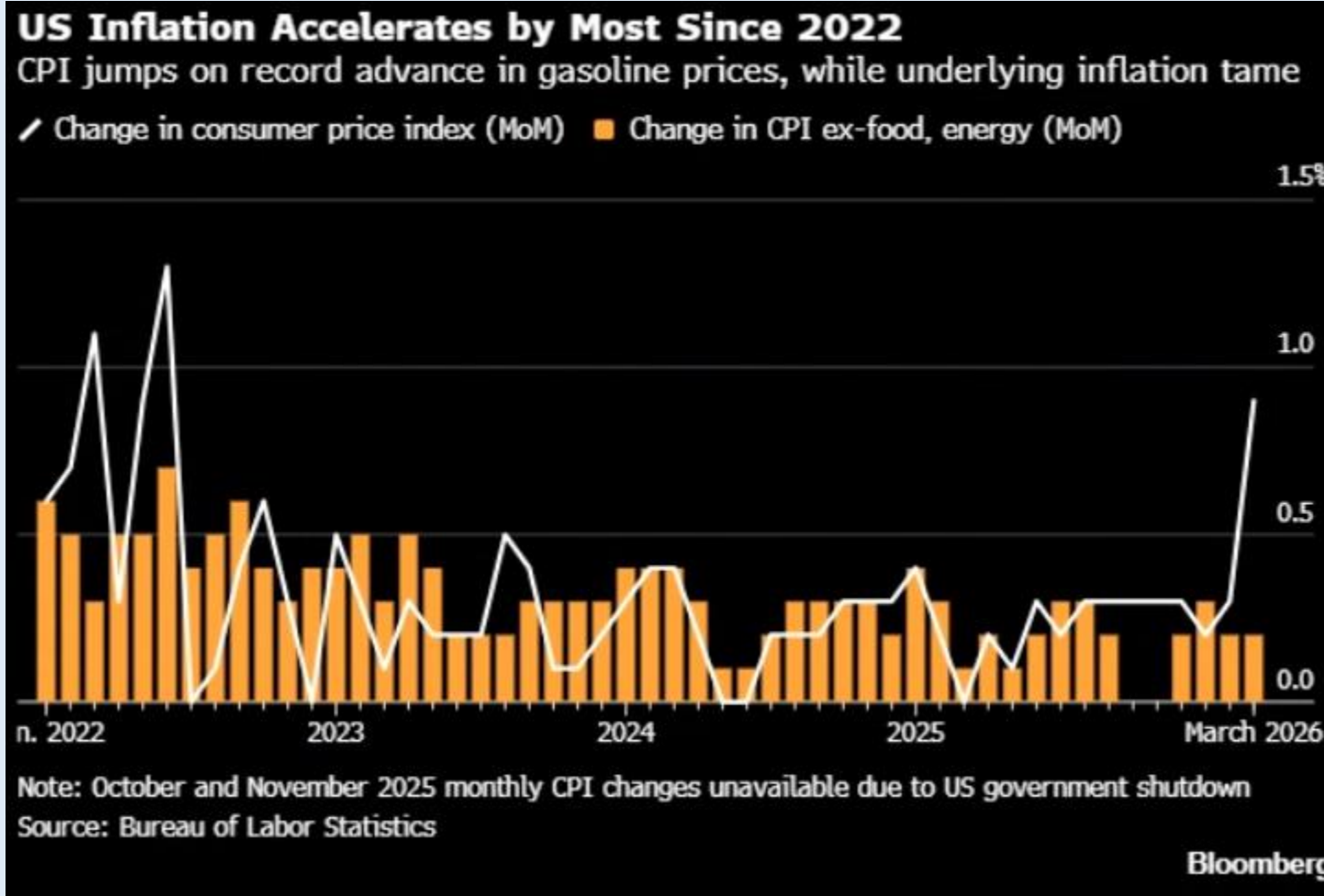
Source: StreetStats | US Treasury Yield Curve – Today vs. March 10, 2026

CHART 3: MARCH CPI RECAP

US consumer inflation surged in March by the most in nearly four years as the war with Iran sent gasoline prices skyrocketing. Headline CPI rose **0.9%** from February, according to the data released this morning. From a year ago, CPI picked up to **3.3%**, the strongest pace since 2024. A record increase in gas prices was responsible for nearly three-quarters of the monthly advance.

As I mentioned earlier in the update, I think traders have mostly priced in the “war” inflation risk. With the ceasefire currently underway, traders are likely to pause here before adjusting rates either way. That said, I do not think anyone is ready to price in a Fed rate hike as their next move – there is still the underlying hope a diplomatic solution is coming in the near future. Energy related market dislocations are typically transient and reverse quickly once things settle down. I sense that is still the underlying market sentiment.

CHART 3: *March CPI Recap – Traders Mostly Ignore Hot CPI Print*



Source: Bloomberg, LLP | MARCH CPI RECAP

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