

Flash Update: US RATE MARKETS – MONDAY APRIL 20, 2026

- UST yields and SOFR swap rates are drifting a touch higher this morning, as traders anxiously monitor the latest US/Iran “war developments”
- Oil and natural gas prices rose after the US Navy seized an Iranian ship during a chaotic weekend
- Additionally, Iran fired at vessels and reimposed controls in the Strait of Hormuz, dampening hopes that a negotiated settlement was close
- As a result, Iran has hesitated on whether to send diplomats to Pakistan for the next round of talks with the US
- In contrast, US President Trump said that he saw a “chance for a deal”
- Market participants, overall, remain optimistic that a “longer-term” peace plan is in the works
- **However, traders continue to grapple with a range of possible outcomes for the war in the Middle East**
- **The US/Iran war 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 Retail Sales data will be released on Tuesday, 4/21 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 bp 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 drifting a touch lower this morning, as market participants pause to gauge progress in US/Iran diplomatic efforts. Rates are generally having a muted response to recent developments in the US/Iran war, despite a chaotic weekend that saw tensions elevated and traffic once again halted through the Strait of Hormuz. Traders and investors remain cautious, but optimistic. There is still a general sentiment in the market that a diplomatic resolution will be reached in the near term, so I think traders are being careful not to overreact to headlines and rumors. They have learned to ignore the ever-changing rhetoric from both sides and wait for the actual results. For the short-term, market participants ideally want to see the Strait of Hormuz re-opened as soon as possible. That would help to nudge rates lower as energy markets settle and stabilize. That said, there is still a ton of uncertainty surrounding the ultimate outcome, and impact, of this conflict.

War developments and the associated “headlines” will continue to be the primary market catalysts for the near term. That said, uncertainty surrounding the outcome of the war remains elevated. *For me it’s still the same bottom-line: progress on the diplomatic front will likely push interest rates lower and calm volatility – conversely, should diplomatic efforts prove fruitless or drag-on indefinitely, interest rates are likely to continue to push higher and volatility will rise. Right now, as the war goes, so go rates.*

I advise staying nimble if you have upcoming caps or swaps to execute – market dynamics can and will change quickly as war “developments” unfold.

Tomorrow, we will see March Retail Sales released at 8:30 AM. Expectations are calling for a monthly increase of 1.4%, vs. a gain of 0.6% in February. The number is not likely to have a dramatic impact on rates. However, as the consumer sales data will reflect a “war impact month”, traders and investors will be paying close attention to the results. A weak number could help nudge rates lower; conversely a stronger-than-expected result could help soothe markets and rates would likely remain static, or perhaps, drift a bp or two higher. The war is still the primary focus for market participants.

“Key News” the market is tracking includes:

- *The hearings to confirm the next FOMC Chairman, Kevin Warsh, are set to begin. Warsh will have the opportunity to map out his plans to “remold” the world’s most important central bank when he testifies Tuesday before the Senate Banking Committee. His testimony will come against the most politically charged backdrop for the central bank in decades. Stay tuned!*

- 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. President Trump has stepped-up his anti-Powell rhetoric and threats recently, leading to speculation Chairman Powell may not go quietly into the night when his term as Chairman ends in May. Expect the Fed “drama” to intensify in the coming weeks. The impact on markets is currently uncertain.*
- 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 increasingly concerned with the record-setting “partial” government shutdown currently underway. Traders are still hoping the situation is resolved quickly.

SOFR Swap Rate Summary: The 1Y SOFR swap rate is trading flat to up ~1 bp this morning. 2Y and 3Y SOFR swap rates are currently trading flat to up ~1 bp. 5Y and 10Y SOFR swap rates are trading up ~1 bp on the day. The very back-end of the swap curve is currently trading up ~1 bp from Friday’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: 9:30 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	3.714 +0.005	-17.0027 +0.0503	3.5450 +0.0081
3Y	3.730 +0.005	-22.4853 -0.0103	3.5072 +0.0077
4Y	3.793 +0.008	-27.1250 +0.1250	3.5201 +0.0067
5Y	3.850 +0.004	-29.2550 +0.3350	3.5575 +0.0056
7Y	4.039 +0.006	-37.3200 +0.3194	3.6652 +0.0052
10Y	4.251 +0.003	-42.7320 +0.2645	3.8241 +0.0045
20Y	4.853 +0.002	-71.0200 +0.2153	4.1440 +0.0026
30Y	4.884 +0.001	-74.9878 +0.2555	4.1347 +0.0012

Source: Bloomberg, LLP | 9:30 AM NY Rates Snapshot

CHART 2, 2A, 2B & 2C: SOFR SWAP RATES DRIFT A TOUCH HIGHER AS US/IRAN TENSIONS SIMMER

SOFR swap rates are drifting a touch higher this morning as diplomatic efforts to end the war stall and tensions simmer. What we are seeing today follows the primary market theme we have witnessed recently: “confirmed” news that a long-term ceasefire (or peace plan) is progressing will lead to a bias toward lower rates; conversely, factual news that diplomatic efforts are stalled, failing, or may drag on indefinitely, will likely shift the bias toward higher rates. *The market is definitely waiting for clarification and direction!*

We could be subject to elevated levels of rate volatility as the diplomatic/negotiation process unfolds. I still believe that, should a “real” resolution be reached relatively quickly, we could see rates drop to pre-war levels, 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 Movements Since The US/Iran War Began:

The 2-year SOFR swap rate closed at 3.21% on **Friday 2/27** – it is currently trading at **~3.55% (+34 bps)**.
 The 5-year SOFR swap rate closed at 3.22% on Friday 2/27 – it is currently trading at **~3.56% (+34 bps)**.
 The 10-year SOFR swap rate has experienced a similar move – it closed Friday 2/27 at 3.52% and is currently trading at **~3.82% (+30 bps)**.

CHART 2: Short-End SOFR Swap Rates – Since 3/10/2026



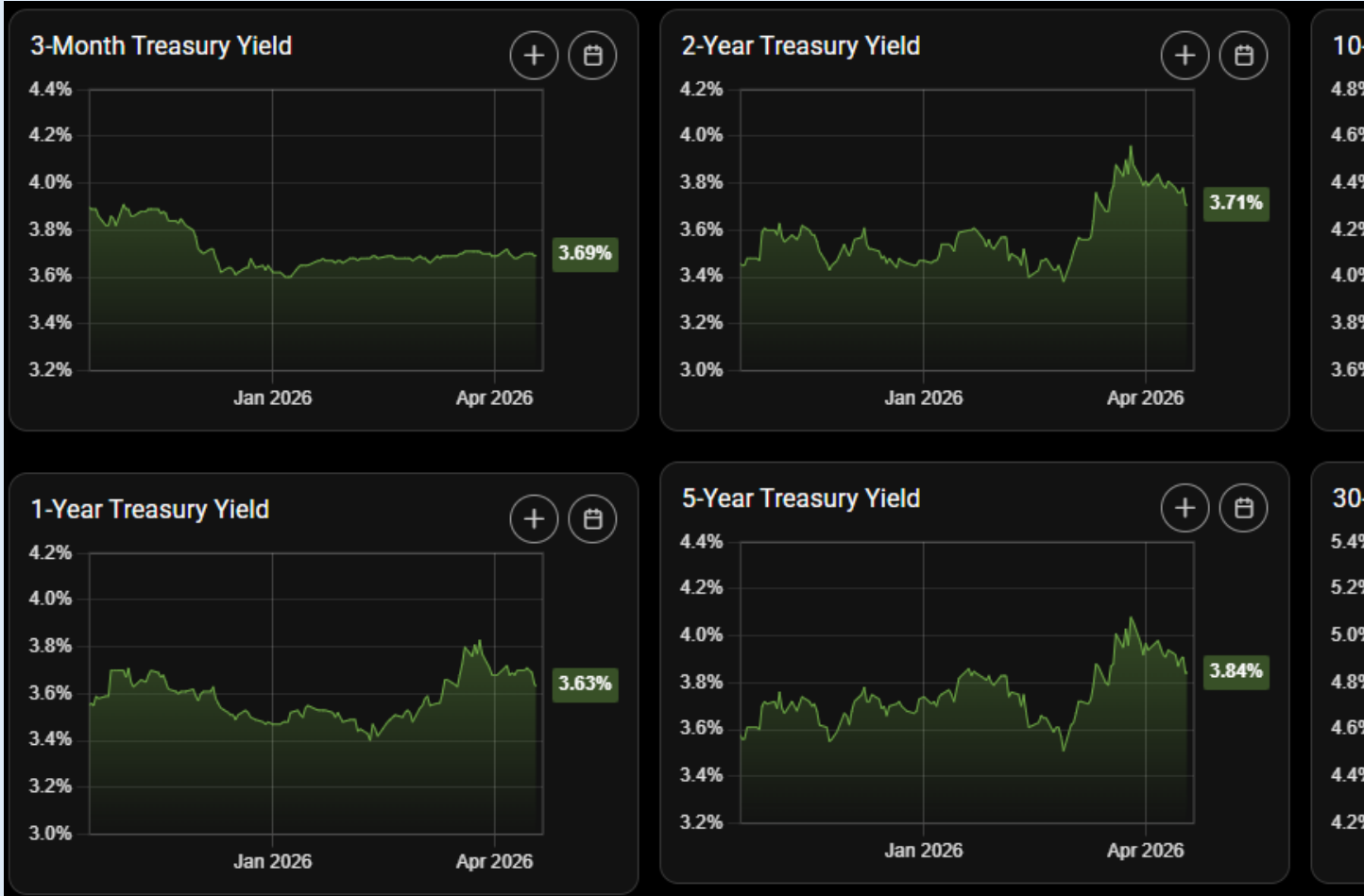
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, SINCE MARCH 10, 2026

CHART 2A: Long-End SOFR Swap Rates – Since 3/10/2026



Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, SINCE MARCH 10, 2026

CHART 2B: US Treasuries: Yield Overview Since October 2025 – Diplomatic Efforts Lead to Lower Rates



Source: StreetStats | US Treasury Bill, Note & Bond Yields; Prior 6-Months

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