

Flash Update: US RATE MARKETS – TUESDAY APRIL 21, 2026

- UST yields and SOFR swap rates are drifting a touch higher this morning, as traders anxiously monitor the latest US/Iran “war developments”
- 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**
- US Retail Sales for March beat expectations, signaling the US consumer remains resilient despite the threat of “war-related” higher inflation
- The next FOMC rate decision is due Wednesday, **April 29th at 2:00 PM**
- Fed officials will be subject to the pre-meeting communications blackout until April 30, 2026
- The next time we hear from a Fed official will be Chairman Powell’s post-meeting press conference
- Confirmation hearings for the next FOMC Chairman begin today; Nominee Kevin Warsh will appear today before the Senate Banking Committee
- Short-term SOFR swap rates are trading up ~3-4 bps this morning, depending on tenor
- Medium-term SOFR swap rates are up ~2-4 bps currently, depending on tenor
- Long-end SOFR swap rates are up ~1-2 bps this morning, depending on tenor

US Treasury yields and SOFR swap rates are drifting a touch higher this morning, particularly on the short-end of the curve, on the back of a strong March Retail Sales report. The report exceeded expectations and underscores the resilience of the US consumer. Traders are also actively monitoring progress in the US/Iran diplomatic efforts to end the war in the Middle East. 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.

However, there is still a high level of uncertainty surrounding the ultimate outcome, and impact, of this conflict. Right now, the extension of the ceasefire does not feel like a “certainty” to me, nor does a diplomatic solution, so the slightly higher rates this morning also reflect the fear that talks may collapse and the conflict may ramp up. *Rates are likely to remain biased higher for today.*

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.

Market participants will also be keeping a close eye on the confirmation hearings for the next Fed Chairman, Kevin Warsh. He will testify before the Senate Banking Committee today. Market participants expect a contentious hearing. I do not expect any immediate or significant market impact initially – that will depend on how the confirmation process unfolds. Stay tuned!

“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 up ~3-4 bps this morning. 2Y and 3Y SOFR swap rates are currently trading up ~3-4 bps. 5Y and 10Y SOFR swap rates are trading up ~2-4 bps on the day. The very back-end of the swap curve is currently trading up ~1-2 bps from yesterday’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	3.762	+0.042	-17.6350	-0.2600	3.5880	+0.0391
3Y	3.774	+0.040	-22.7945	-0.1077	3.5484	+0.0378
4Y	3.836	+0.037	-27.5275	-0.0590	3.5570	+0.0347
5Y	3.887	+0.031	-29.8903	-0.1363	3.5898	+0.0314
7Y	4.066	+0.025	-37.9745	-0.0876	3.6873	+0.0241
10Y	4.272	+0.022	-43.7555	-0.5025	3.8348	+0.0152
20Y	4.861	+0.011	-72.1295	-0.6195	4.1400	+0.0039
30Y	4.884	+0.005	-75.9955	-0.4894	4.1246	-0.0006

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

CHART 2, 2A, 2B & 2C: SOFR SWAP RATES TICK HIGHER ON STRONG MARCH RETAIL SALES RESULTS

SOFR swap rates are drifting a touch higher this morning on the back of a strong March Retail Sales report. The report exceeded expectations and underscored the resilience of the US consumer. In the coming days I expect the primary market theme we have witnessed recently to continue: “confirmed” news that a long-term ceasefire (or peace plan) is progressing will lead to a bias toward lower swap rates; conversely, factual news that diplomatic efforts are stalled, failing, or may drag on indefinitely, will likely shift the bias toward higher swap 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 **~3.59% (+38 bps)**.
 The 5-year SOFR swap rate closed at 3.22% on Friday 2/27 – it is currently trading at **~3.59% (+37 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 **~3.835% (+31.5 bps)**.

CHART 2: Short-End SOFR Swap Rates – Since 2/27/2026



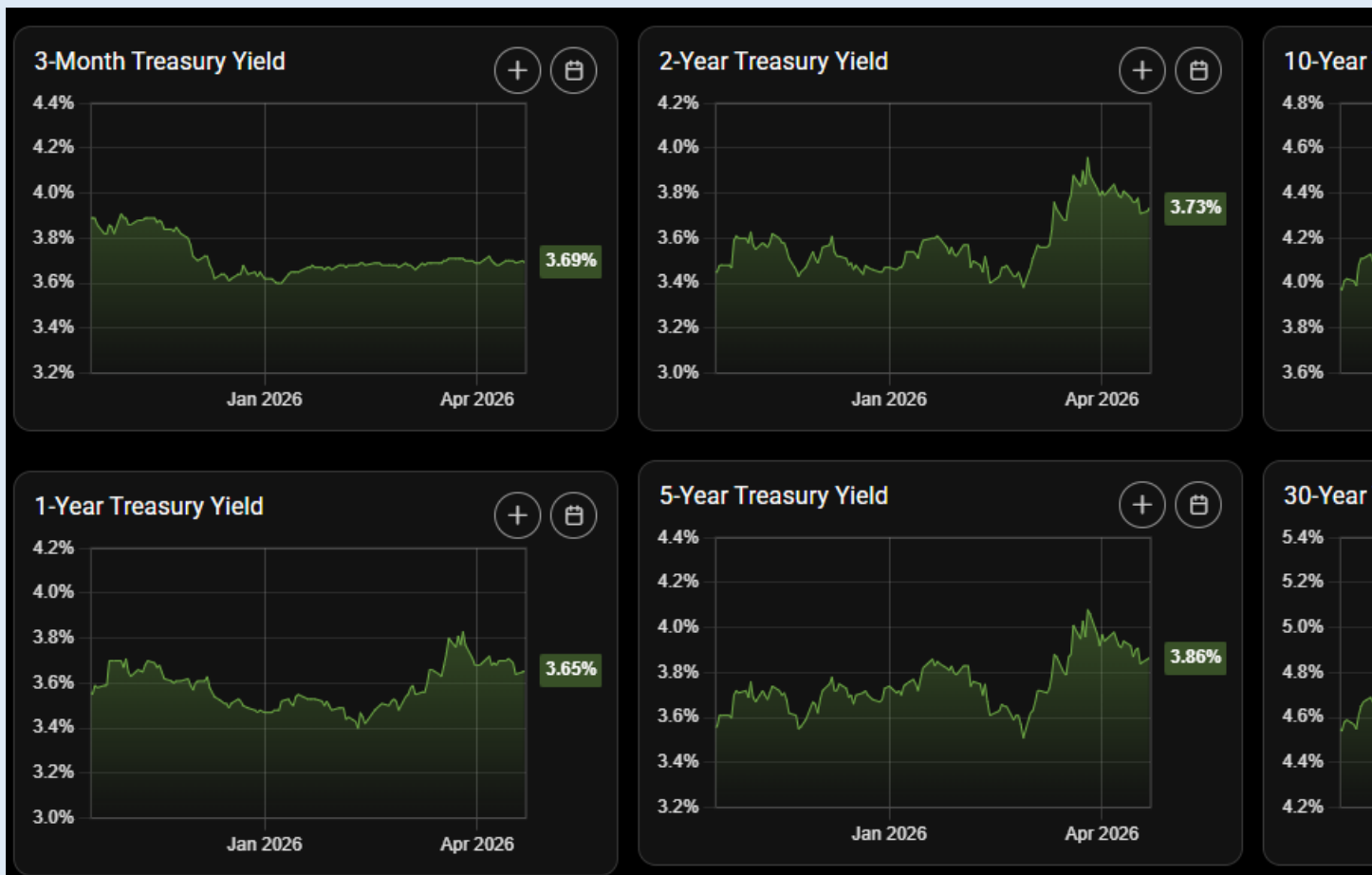
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, SINCE FEBRUARY 27, 2026

CHART 2A: Long-End SOFR Swap Rates – Since 2/27/2026



Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, SINCE FEBRUARY 27, 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

CHART 3 & 3A: MARCH RETAIL SALES RECAP

US Retail Sales soared in March by the most in a year, boosted by a surge in gasoline station receipts and better-than-expected spending in most other categories. Headline Retail Sales increased 1.7% in March (vs. 1.4% median expectation), following a revised 0.7% gain in February. The March increase was led by

a 15.5% jump in spending on gasoline as the Iran war pushed fuel prices to the highest levels since 2022. Excluding gas stations, Retail Sales rose 0.6% (vs. 0.3% expected).

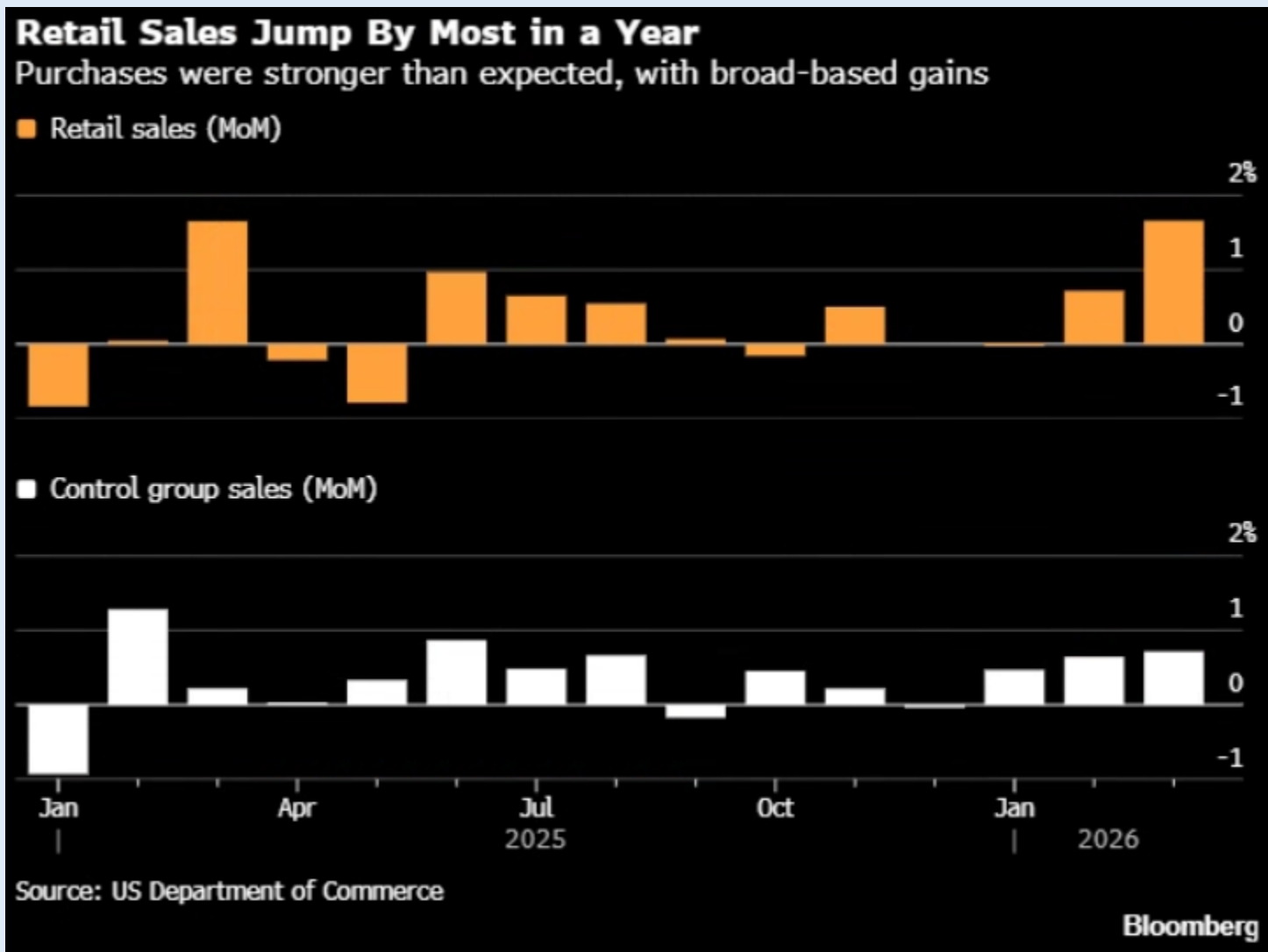
The March Retail Sales result suggests consumer spending remained resilient last month despite the surge in gas prices. That consumer “strength” in the face of higher inflation may reflect larger-than-usual tax refunds flowing into households in recent weeks. Economists caution the “tax refund” boost to consumer spending may prove temporary as tax season winds down, fuel costs remain elevated and hiring stays subdued.

CHART 3: March Retail Sales Recap – US Consumer Remains Resilient

	Actual	Median	Survey Range	Prior
Overall	1.7%	1.4%	0.7% to 2.2%	0.7%
Ex auto	1.9%	1.4%	0.2% to 2.2%	0.7%
Ex auto/gas	0.6%	0.3%	-0.2% to 0.7%	0.6%
Control group	0.7%	0.2%	-0.1% to 0.7%	0.6%

Source: Bloomberg, LLP | MARCH RETAIL SALES RECAP

CHART 3A: Historical Retail Sales Since January 2025



Source: Bloomberg, LLP | HISTORICAL RETAIL SALES SINCE JANUARY 2025



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