

Flash Update: US RATE MARKETS – FRIDAY APRIL 24, 2026

- UST yields and SOFR swap rates are *a touch* lower this morning as traders weigh the latest US/Iran war developments
- Breaking news this morning reports that Iran’s Foreign Minister may arrive in Pakistan tonight, signaling a second round of talks is expected
- Overall, market participants remain relatively optimistic that a “longer-term” peace plan can be achieved in the near-term
- 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
- 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 on 4/29 at 2:30 pm
- Short-term SOFR swap rates are trading down ~1 bp this morning, depending on tenor
- Medium-term SOFR swap rates are down ~1 bp currently, depending on tenor
- Long-end SOFR swap rates are flat to down ~1 bp this morning, depending on tenor

US Treasury yields and SOFR swap rates are edging a touch lower this morning on optimism that America and Iran are moving toward talks after days of deadlock. News outlets are reporting that an official familiar with the matter said Iran’s Foreign Minister was expected in Islamabad on Friday, with a second round of talks between Tehran and Washington anticipated. Overall, it is a positive headline and should boost market sentiment that a diplomatic solution may be reached in the near term. However, we have seen many head fakes, and the Iranian regime is clearly in disarray currently, so market participants appear, at best, cautiously optimistic. The somewhat muted reaction to the news headlines this morning is more evidence of a cautious, anxious market.

From my perspective, the market has already priced in much of what a deal would bring. Rates are down a decent amount since March 26, the peak of hostilities. The 2-year SOFR swap rate was trading at ~3.80% on 3/26 – it has declined to the current 3.64% level since. That is a decent move and underscores that the rate markets are expecting this conflict to come to an end soon. Volatility has also declined significantly since the mid-March “highs”, further evidence markets are pricing in an end to the conflict and a return to stability. That said, even with the slow decline in rates recently, they are still *well* above pre-war levels – rates have plenty of room to move lower should a resolution to the war come quickly.

Overall, traders are still being very 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. I think that is the primary reason we have seen rates bouncing around in a narrow range this week – from my perspective, traders await *concrete* developments.

Make no mistake, there is still a high level of uncertainty surrounding the ultimate outcome, and impact, of this conflict. In short, rate markets participants and investors are remaining patient (and ignoring the rhetoric) under the assumption that negotiations to end the conflict are in fact ongoing. **War developments and the associated “headlines” will continue to be the primary market catalysts for the near term.** *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.*

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

“Key News” the market is tracking includes:

2Y	3.827	-0.007	-17.8765	+0.1615	3.6503	-0.0055
3Y	3.844	-0.006	-23.0450	+0.1700	3.6149	-0.0028
4Y	3.906	-0.002	-28.0015	+0.1235	3.6203	-0.0032
5Y	3.955	-0.004	-30.6250	+0.1291	3.6487	-0.0030
7Y	4.129	-0.004	-39.0100	+0.2511	3.7394	-0.0009
10Y	4.322	-0.003	-44.5360	+0.3447	3.8769	+0.0001
20Y	4.900	-0.002	-73.9360	+0.3969	4.1621	+0.0007
30Y	4.911	-0.001	-77.7500	+0.1402	4.1347	+0.0002

Source: Bloomberg, LLP | 9:15 AM NY Rates Snapshot

CHART 2, 2A, 2B & 2C: SOFR SWAP RATES TICK LOWER ON NEWS SECOND ROUND OF US/IRAN TALKS EXPECTED; OIL PRICES DIP BUT REMAIN ELEVATED

SOFR swap rates are drifting *a touch* lower this morning, on optimism that a second-round of US/Iran talks will lead to a resolution of the conflict, or at the very least, a clear path forward for an end to the conflict. In the coming days I expect the primary market theme we have witnessed recently to continue: “confirmed” news that a long-term “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 waiting for concrete clarification and direction!*

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.*

This morning, Brent crude-oil futures slipped as much as 2% (to ~\$103 a barrel), paring the biggest weekly gain since an initial price surge triggered by the Middle East conflict in early March. Oil prices were still up 16% this week as a standoff between the US and Iran over the crucial Strait of Hormuz intensified. The slight drop in oil prices this morning is good news, but we need to see oil prices drop *significantly* before I expect rates to move materially lower.

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 **~3.650%** (+44.0 bps).
- The 5-year SOFR swap rate closed at **3.22%** on **Friday 2/27** – it is currently trading at **~3.648** (+42.8 bps).
- The 10-year SOFR swap rate closed at **3.52%** on **Friday 2/27** – it is currently trading at **~3.876%** (+35.6 bps).

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



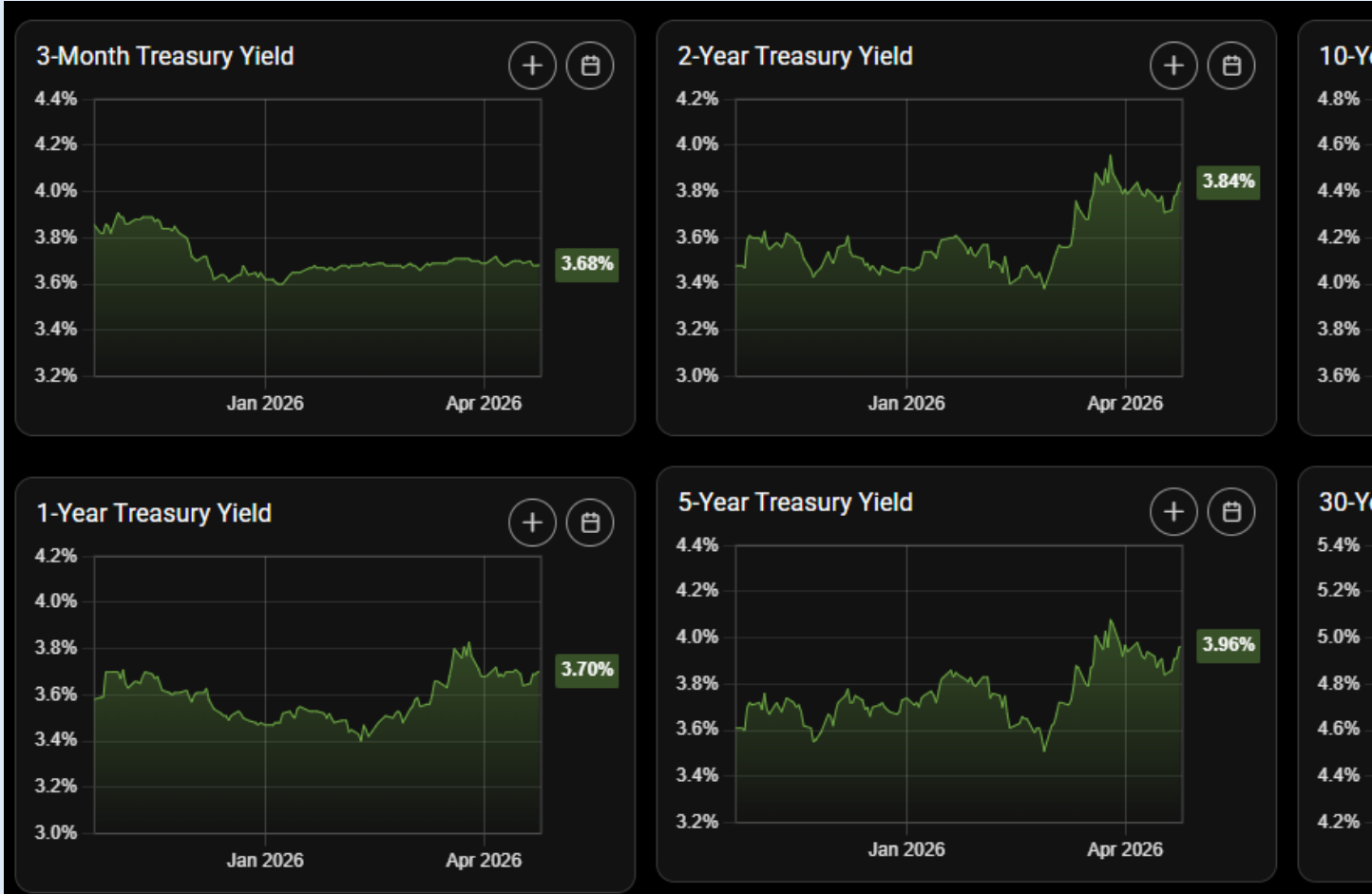
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES, SINCE FEBRUARY 27, 2026

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



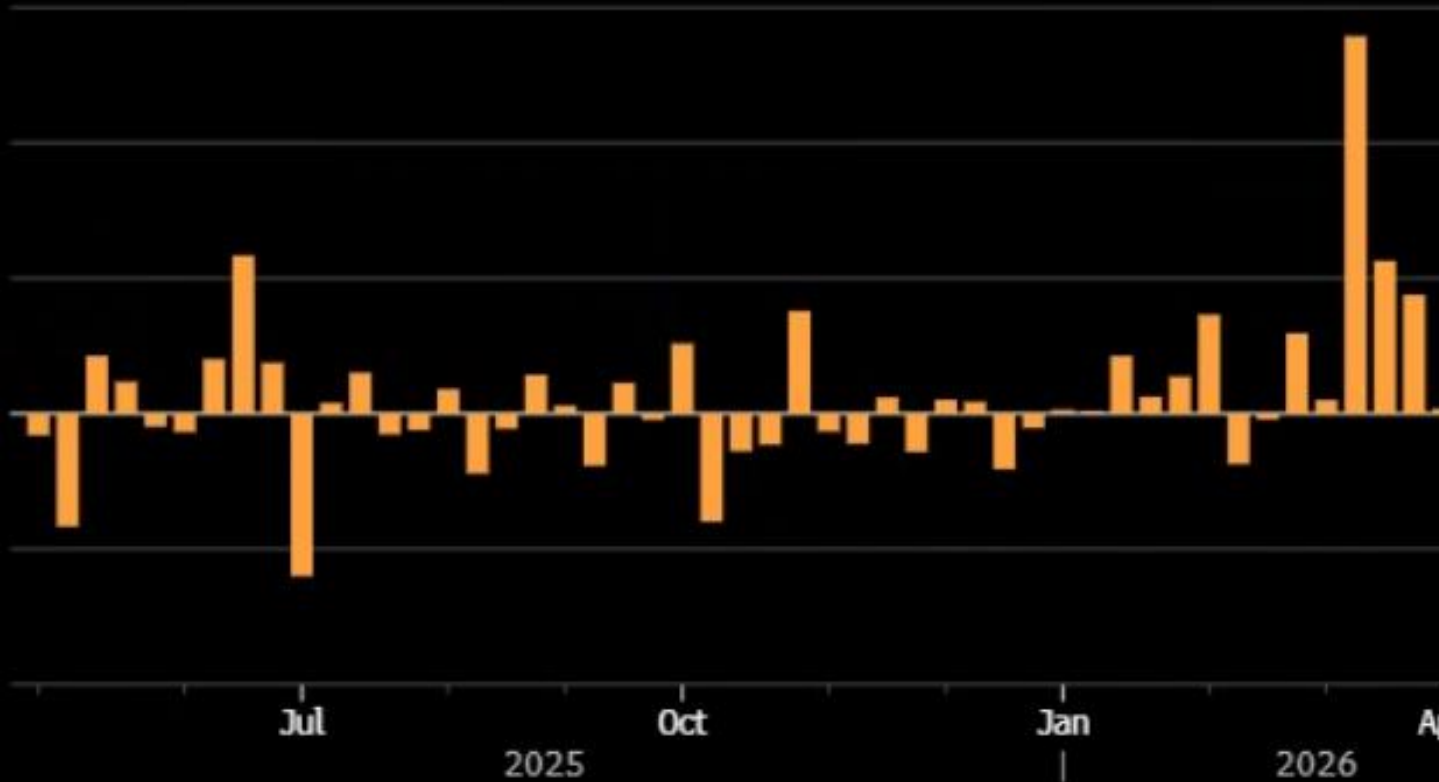
Source: StreetStats | US Treasury Bill, Note & Bond Yields; Prior 6-Months

CHART 2C: Oil Prices Dip On US/Iran Diplomatic News But Remain Elevated

Oil Heads for a Weekly Gain

US and Iran tensions grow over the Strait of Hormuz

■ Brent's weekly change



Source: ICE

Source: Bloomberg, LLP | WEEKLY PERCENTAGE CHANGE IN PRICE OF BRENT CRUDE OIL SINCE APRIL 2025

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