

Flash Update: US RATE MARKETS – THURSDAY APRIL 30, 2026

- **UST yields and SOFR swap rates are ticking lower this morning due to a slight dip in crude oil prices**
- **Yesterday, the FOMC held the overnight rate steady; Chair Powell announced he would remain as Fed Governor**
- **Economic data released this morning showed solid Q1 economic growth, resilient consumer spending, increased personal income, and higher inflation**
- **The economic data released this morning is being digested against growing uncertainty surrounding the outlook for the conflict in the Middle East**
- **Fear of higher war-induced inflation continues, but there is a growing fear a prolonged conflict will materially damage global economic growth**
- ***The US/Iran war remains the primary focus for the rate markets***
- ***Traders continue to grapple with a range of possible outcomes for the war in the Middle East***
- **Overall, market participants are still clinging to hope that a “longer-term” peace plan can be achieved in the near-term**
- **Next up for Key Data: The April Employment Report will be released on Friday, 5/8 at 8:30 AM**
- **Short-term SOFR swap rates are trading down ~4-6 bps this morning, depending on tenor**
- **Medium-term SOFR swap rates are down ~3-5 bps currently, depending on tenor**
- **Long-end SOFR swap rates are down ~1-2 bps this morning, depending on tenor**

US Treasury yields and SOFR swap rates are ticking lower this morning, due primarily to the slight drop in oil prices overnight. From my perspective, rates are dropping this morning on fears a prolonged US/Iran conflict will negatively impact economic growth.

Here is a quick start-of-the-day recap: Data released this morning signaled the US economy remains resilient, and a batch of solid tech and corporate earnings fueled a rebound in stocks. The Q1 GDP report showed the US economy accelerated at the start of the year. Q1 GDP increased an annualized 2% in the first quarter, and consumer spending increased at a better-than-expected 1.6% rate, driven by demand for services. Crude oil prices retreated from a four-year high, dropping to ~\$114 this morning – crude oil prices had approached \$125 yesterday. The weekly jobs report showed initial jobless claims plunged to the lowest level in *decades*. PCE showed that consumer inflation continues to climb higher due to the war in the Middle East. The FOMC left interest rates unchanged but revealed a deepening division over the outlook for policy amid increased uncertainty caused by the conflict in the Middle East. Jerome Powell announced that he would remain on as Fed governor until the legal “pressure” against the Fed is “well and truly” stopped. By all accounts, Kevin Warsh will be confirmed as the next Fed Chairman.

As mentioned, rates dipped this morning as oil prices retreated. Prepare for continued rate volatility based on movements in oil prices. By all accounts, we are no closer to a resolution of the war, which is beginning to make market participants *very nervous*. Market uncertainty remains extremely elevated. From my perspective, the lack of progress is slowly removing the security blanket the market has counted on the past two weeks – the belief that a resolution to the conflict is “imminent”. Thus far, that is simply not the case. The longer this war drags on, the greater the possibility we see the “double whammy” – higher inflation *and* lower economic growth. Traders are grappling with that right now.

Overall, traders are still being very careful not to overreact to headlines and rumors. From my perspective, traders await concrete developments. The current war “limbo” is making markets nervous and uncertain, leading to slightly higher rates this week, overall. Bottom line, market participants are losing patience. It is important to remember that “energy market” turmoil and supply dislocations can do lasting damage to the economy and lead to dramatically higher inflation. *I advise staying nimble if you have upcoming caps or swaps to execute – market dynamics can and will change quickly.*

“Key News” the market is tracking includes:

- Geopolitical developments continue to weigh on markets. The US/Iran “war” continues to dominate market sentiment this week.
- **The US Justice Department has dropped the investigation into the US Central Bank and Chairman Powell, likely clearing the way for Kevin Warsh to be confirmed as the next FOMC Chairman.** From the market’s perspective, there are still *many* questions surrounding both Mr. Warsh’s monetary policy views, and what is next for Jay Powell.
- 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. Overall market sentiment, and perhaps even economic performance, could be impacted by “tech” earnings for the foreseeable future.
- Traders are growing increasingly concerned with the record-setting “partial” government shutdown currently underway. Traders are still hoping the situation is resolved quickly.
- SCOTUS is 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.

SOFR Swap Rate Summary: The **1Y** SOFR swap rate is trading down ~4-6 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading down ~4-6 bps. **5Y** and **10Y** SOFR swap rates are trading down ~3-5 bps on the day. The very back-end of the swap curve is currently trading down ~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: 10:30 AM Eastern

Chart 1 Key:

- **Far Left Columns:** US Treasury Yields & Change on Day (bps)
- **Center Columns:** SOFR OIS Swap Spreads (bps) & Change on Day (bps)
- **Far Right Columns:** SOFR OIS Swap Rates & Change on Day (bps)

	UST YIELDS		SWAP SPREADS		SOFR SWAP RATES	
2Y	3.889	-0.058	-16.7048	+0.7835	3.7230	-0.0529
3Y	3.914	-0.057	-22.3896	+0.4954	3.6908	-0.0515
4Y	3.977	-0.050	-27.5730	+0.5820	3.6955	-0.0487
5Y	4.026	-0.052	-30.5000	+0.7335	3.7227	-0.0454
7Y	4.210	-0.044	-39.8946	+0.6741	3.8106	-0.0389
10Y	4.391	-0.039	-44.6250	+0.8750	3.9445	-0.0317
20Y	4.974	-0.031	-75.0075	+1.3625	4.2255	-0.0190
30Y	4.979	-0.023	-78.5024	+0.8602	4.1951	-0.0136

Source: Bloomberg, LLP | 10:30 AM NY Rates Snapshot

CHART 2, 2A & 2B: SOFR SWAP RATES TICK LOWER AS TRADERS DIGEST ECONOMIC DATA, THE FOMC RATE DECISION AND THE OUTLOOK FOR THE WAR

SOFR swap rates are ticking lower this morning, due primarily to a dip in crude oil prices. As the price of oil goes, so go rates, at least for the time being. My view has not changed: I still feel that in the coming

days, the primary market theme we have witnessed recently will 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.

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 **~3.723% (+51.34 bps)**.
- The 5-year SOFR swap rate closed at **3.22%** on **Friday 2/27** – it is currently trading at **~3.722% (+50.28 bps)**.
- The 10-year SOFR swap rate closed at **3.52%** on **Friday 2/27** – it is currently trading at **~3.944% (+42.4 bps)**.

CHART 2: Short-End SOFR Swap Rates – Prior 30 Trading Sessions



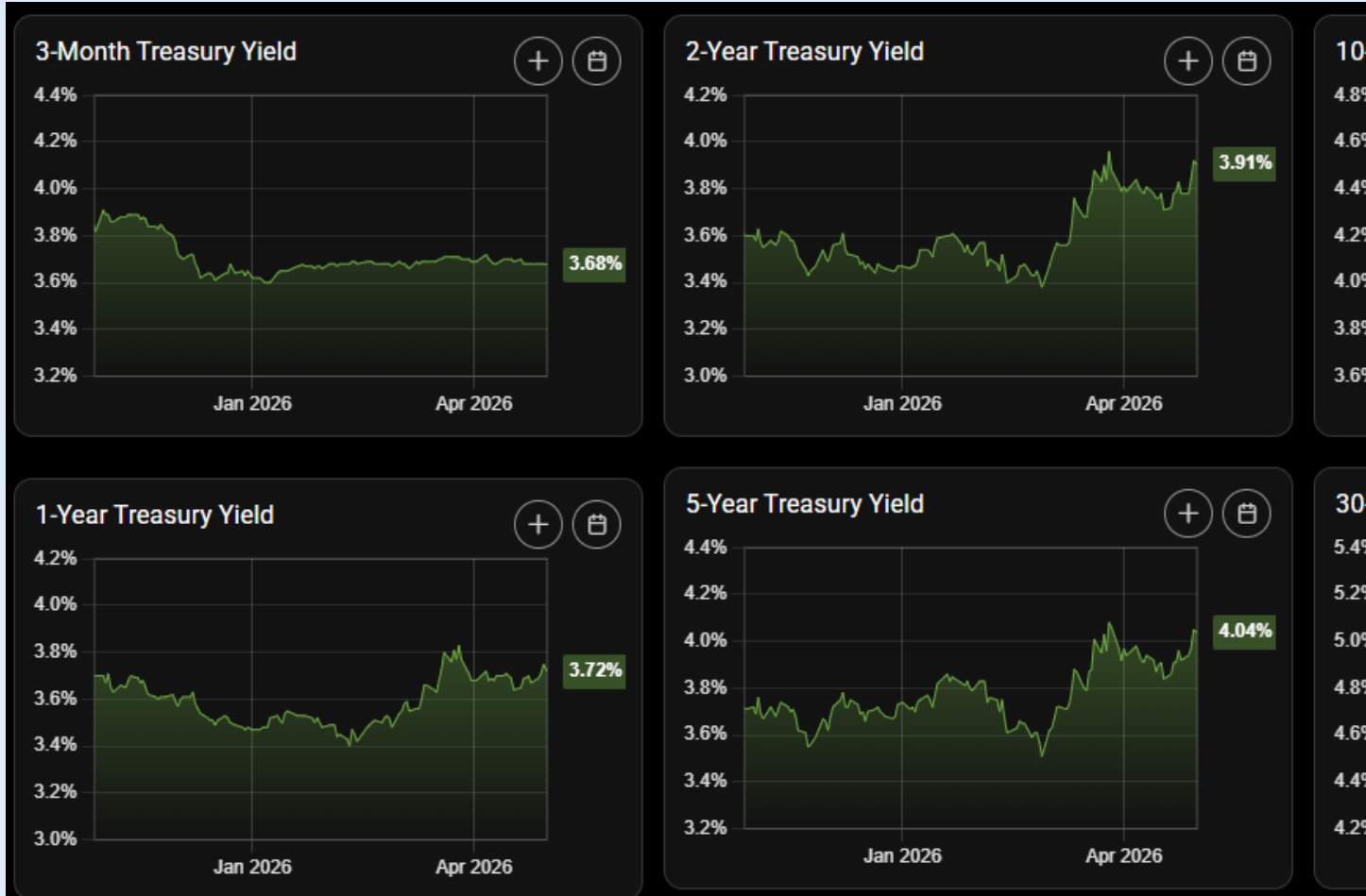
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES; PRIOR 30 TRADING SESSIONS

CHART 2A: Long-End SOFR Swap Rates – Prior 30 Trading Sessions



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

CHART 2B: US Treasuries: Yield Overview Since October 2025



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

CHART 3, 3A & 3B: FOMC RATE DECISION & ECONOMIC DATA RECAPS

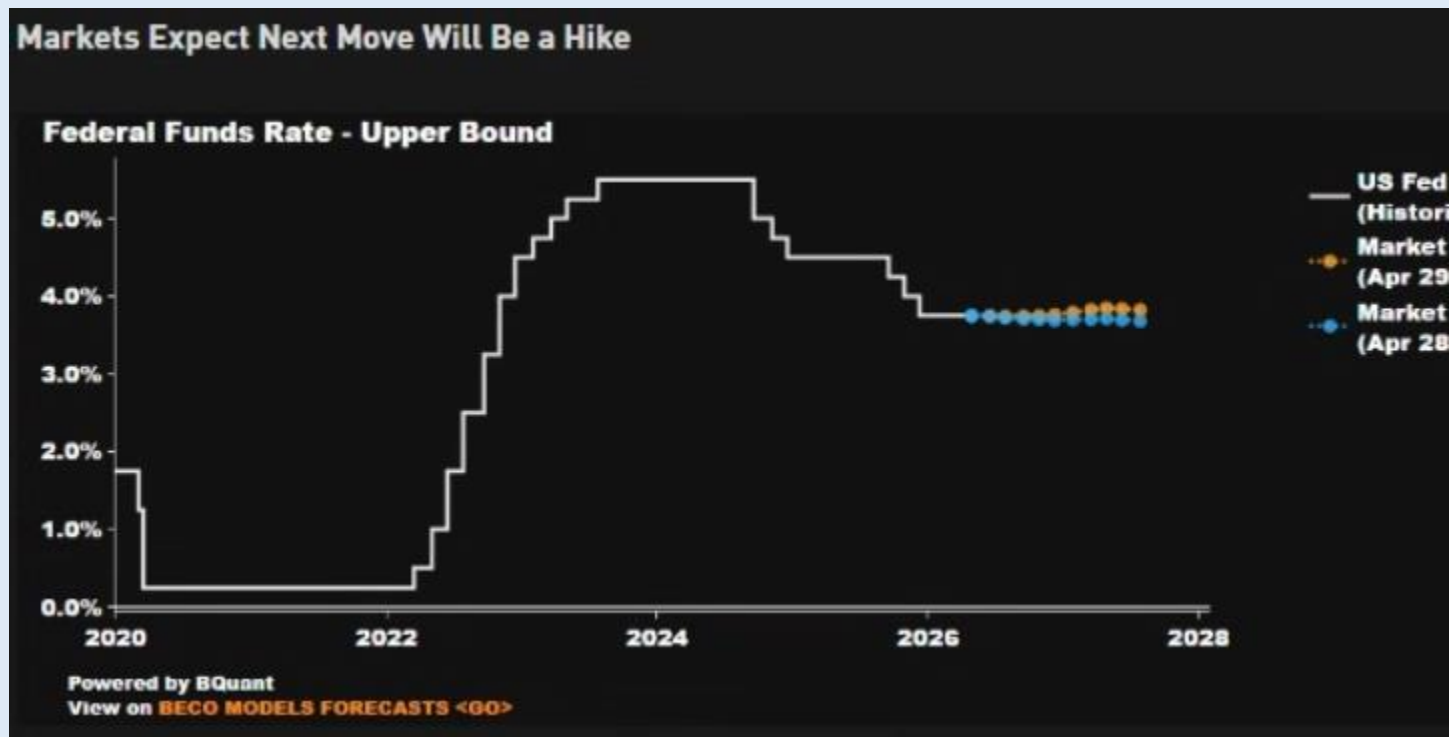
I believe that the data released this morning, the dissension in the Fed and the uncertain war outlook are all contributing to massive uncertainty in the rate markets. *It is extremely difficult to forecast the path forward for interest rates at this juncture.*

Overall, the data this morning was positive – Q1 GDP signaled solid economic growth, albeit slightly below expectations, consumer spending remains resilient and personal income beat expectations. However, March PCE results provided hard evidence that consumer inflation is *clearly* rising. Mix in the fear that the war will damage economic growth and consumer demand, and you are faced with *tremendous* uncertainty when considering the path forward for interest rates.

The FOMC held rates steady yesterday, as anticipated, but that was not the big news by any means. There were two big “reveals” from the Fed meeting: Powell is remaining on as a Fed Governor until legal actions against the Fed are “well and truly over” and there were the most Fed dissensions since 1992. Three of the dissensions were not about the rate decision – all but one voting member agreed with the decision to “hold”. No, the dissensions yesterday were about the Fed *language* – the dissenting officials wanted the “easing” bias language removed from the official statement due to the uncertainty created by the war. That tells me that we are *very* close to a neutral rate. Chair Powell said yesterday that he feels “we are pretty close to neutral – we are at the higher end of the range for a neutral rate”. The dissensions also tell me Fed officials are *seriously* thinking that a rate hike may be the Fed’s next move. Oh, I almost forgot, we will also have a new Fed Chairman!

Bottom line for the war: The uncertain path forward and ever-changing rhetoric from both sides is making the markets increasingly nervous. Yes, energy related market dislocation tends to resolve quickly if the *conflict* is resolved quickly. A prolonged energy sector dislocation can have far reaching and lasting impacts on the economy, inflation, and consumer spending. We may only be seeing the beginning of the war impact.

CHART 3: Fed Holds Benchmark Rate Steady; Signals Meeting-By-Meeting Bias; “Language Dissents” Cloud Fed Outlook; Traders Contemplate Rate Hikes?



Source: Bloomberg, LLP | MARKET FED RATE EXPECTATIONS THROUGH 2028

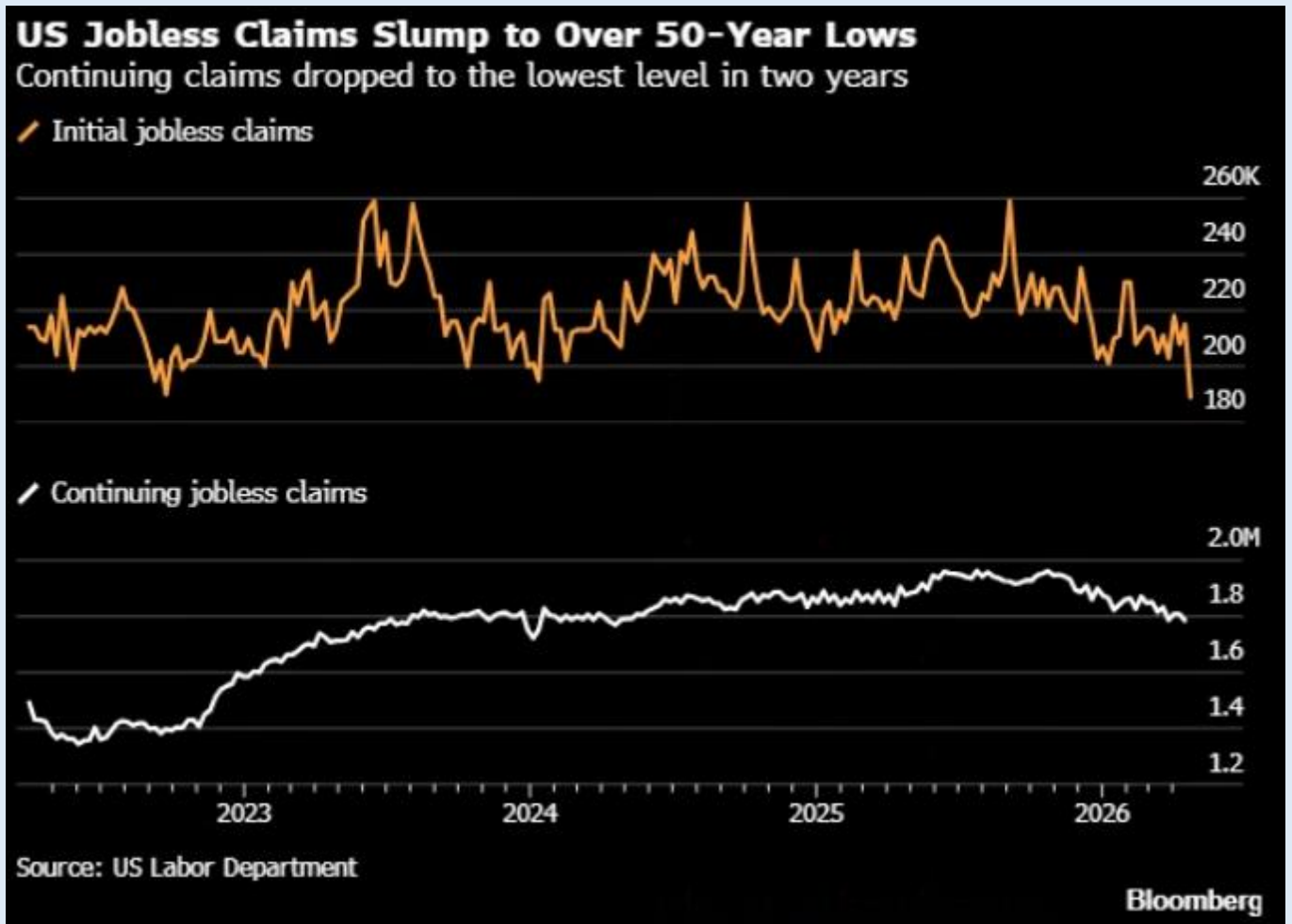
CHART 3A: Economic Data Recap: Growth Solid; Personal Income & Spending Resilient; Inflation Increases Noticeably

Q1 GDP & MARCH PCE RECAPS:

Indicator	Actual	Estimate
GDP (1Q)	+2.0%	+2.3%
Personal consumption (1Q)	+1.6%	+1.4%
PCE price index (March, MoM)	+0.7%	+0.7%
PCE price index, excl. food, energy (March, MoM)	+0.3%	+0.3%

Source: Bloomberg, LLP | Q1 US GDP & MARCH PCE HIGHLIGHTS

WEEKLY JOBLESS CLAIMS RECAP:



Source: Bloomberg, LLP | HISTORICAL WEEKLY JOBLESS CLAIMS

CHART 3B: Crude Oil Prices Retreat but Remain at Elevated Levels



Source: Bloomberg, LLP | BRENT CRUDE OIL PRICES SINCE APRIL 27TH

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.

AST Defeasance Consultants, one of the nation's leading commercial real estate consulting firms, was founded in 2007. We have extensive experience in commercial real estate defeasance, hedging, derivatives, and financial instruments. More than \$50 billion worth of transactions have been executed by the AST team. Only AST can combine innovation, expertise, and exceptional customer service.

Rate Cap Advisors was established in 2015 that focus on providing commercial real estate interest rate cap solutions. Our innovation and desire to explore new possibilities that benefit our clients have allowed us to save our clients millions of dollars. No matter the service or product, we take great pride in our pursuit of perfection with a unparalleled closing track record.
