

Flash Update: US RATE MARKETS – MONDAY APRIL 6, 2026

- **UST yields and SOFR swap rates are holding mostly steady this morning as traders anxiously monitor war developments**
- **Rates dipped a touch lower on rumors US allies are pressing for a last-minute deal with Iran**
- **Based on news reports, the negotiations could result in a 45-day ceasefire**
- **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: February PCE and Q4 GDP (2ND Revision) are released on Thursday, April 9 at 8:30 AM; February CPI is released on Friday, April 10 at 8:30 AM – this is a big week for inflation data!**
- **Short-term SOFR swap rates are trading flat to up ~1 bp this morning, depending on tenor**
- **Medium-term SOFR swap rates are flat to up ~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 holding mostly steady this morning as traders anxiously monitor developments in the Iran War. I still believe that traders will need to see real progress toward a diplomatic resolution before pushing rates lower. Rates had been drifting lower last week – lack of progress on the diplomatic front, coupled with a stronger-than-expected Employment Report halted the decline in rates, and rates ticked higher Friday afternoon. SOFR swap rates moved up ~5 bps on Friday.

Overall, market sentiment indicates traders and investors believe there is likely to be a diplomatic solution. The market will continue to be heavily “headline” driven this week – 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, Iran has rebuffed attempts to get them to the negotiating table. There are rumors this morning that US allies are making a last-minute press to negotiate a ceasefire. Stay tuned, the news and developments are likely to come fast and furious this week.

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.*

In short, there is mounting optimism that we are indeed approaching a turning point in the conflict – if the war is favorably resolved in the next few days (or week) we could see rates drop, and drop dramatically. My guess is that there will actually be a slow decline in rates as energy production ramps up and oil prices settle-down.

Regardless of which way the conflict outcome leans, we are likely to continue to see elevated levels of rate volatility as the market absorbs war developments and news headlines. 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.
- Market participants are growing more and more concerned with the ongoing “partial” government shutdown. Traders are hoping the situation is resolved quickly – a full government shut-down would be *extremely challenging* to manage during a war.

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 bps. **5Y** and **10Y** SOFR swap rates are trading flat to up ~1 bp on the day. The very back-end of the swap curve is currently trading flat to down ~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	3.854 +0.014	-17.7337 -1.0837	3.6771 +0.0007
3Y	3.877 +0.006	-24.2231 -0.5625	3.6362 +0.0012
4Y	3.942 +0.016	-29.4895 +0.1355	3.6385 +0.0042
5Y	3.988 +0.004	-31.9993 +0.1257	3.6683 +0.0033
7Y	4.164 +0.000	-40.7516 +0.5879	3.7580 +0.0039
10Y	4.339 -0.001	-44.8575 +0.4925	3.8902 -0.0018
20Y	4.905 -0.009	-74.6726 +0.9524	4.1598 -0.0051
30Y	4.899 -0.005	-78.1986 +0.4264	4.1177 -0.0063

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

CHART 2, 2A, 2B & 2C: SOFR SWAP RATES STEADY AS MARKET PARTICIPANTS MULL WAR OUTCOMES

Rates are holding steady this morning, as traders wait and ponder the possible outcomes to the Middle East conflict. There is growing optimism that US diplomatic efforts could lead to a ceasefire and a re-opening of the Strait of Hormuz. There is a palpable sentiment in the market that a diplomatic solution is close. As such, traders are pausing here and waiting for the next development. There is real optimism that a major breakthrough could occur in the next 48 hours. Traders are likely to wait-and-see for now.

We could be subject to elevated levels of rate volatility as the diplomatic/negotiation process unfolds. That, of course, presumes that Iran will capitulate and sit down at the negotiating table. I still believe that, should a resolution be reached quickly, we could see rates drop, 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 Movement Since The War Began: The 2-year SOFR swap rate closed at 3.21% on **Friday 2/27** – it is currently trading at **~3.68%** (+47 bps). The 5-year SOFR swap rate closed at 3.22% on Friday 2/27 – it is currently trading at **~3.67%** (+45 bps). The 10-year SOFR swap rates has experienced a similar move – it closed Friday 2/27 at 3.52% and is currently trading at **~3.89%** (+37 bps).

CHART 2: Short-End SOFR Swap Rates – Since 2/24/2026



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

CHART 2A: Long-End SOFR Swap Rates – Since 2/24/2026



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

