

Flash Update: US RATE MARKETS – FRIDAY MAY 1, 2026

- UST yields and SOFR swap rates are drifting a touch higher this morning as traders weigh the myriad forces at work in the rate markets
- SOFR swap rates have been quietly creeping back toward the “war highs”; (2Y SOFR swap rate “war-high” was 3.79%; Currently, 3.722%)
- April ISM Manufacturing & Prices Paid data will be released this morning at 10:00 AM
- *The US/Iran war remains the primary focus for the rate markets*
- Fear of higher war-induced inflation continues, but there is a growing fear a prolonged conflict will materially damage global economic growth
- *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 up ~1-2 bps this morning, depending on tenor
- Medium-term SOFR swap rates are up ~1-2 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, as traders catch their breath after a tumultuous April. The US/Iran war, economic data, direction of monetary policy and soaring equity markets continue to captivate market participants. The myriad forces at work in the market currently make it extremely challenging to chart the path forward for interest rates. Rates are edging higher this morning as traders digest the vast amount of data and information disclosed this week – traders may simply be catching their breath after a tumultuous April trading environment. I would point out that SOFR swap rates have been quietly creeping back up toward the “war highs” we witnessed at the end of March (*See Chart 2, 2A & 2B*).

This morning, we will see April ISM Manufacturing and Prices Paid data released at 10:00 AM. I do not expect this number to have a dramatic impact on rates, but given it is an inflation number, it could certainly help frame the “go forward” inflation narrative. As we know, three Fed officials dissented at the last meeting because they wanted *stronger* Fed language. They argued that, given the uncertainty surrounding the outlook for the war, the Fed’s next move could be a cut or a hike. Going forward, signs inflation continues to move higher will further erode the possibility of a Fed rate cut this year.

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. *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.

on – should have spooked the market more than it did. There is a very real possibility then Fed’s next policy move is a hike.

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 **~3.722% (+51.2 bps)**.
- The 5-year SOFR swap rate closed at **3.22%** on **Friday 2/27** – it is currently trading at **~3.722% (+50.2 bps)**.
- The 10-year SOFR swap rate closed at **3.52%** on **Friday 2/27** – it is currently trading at **~3.942% (+42.2 bps)**.

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



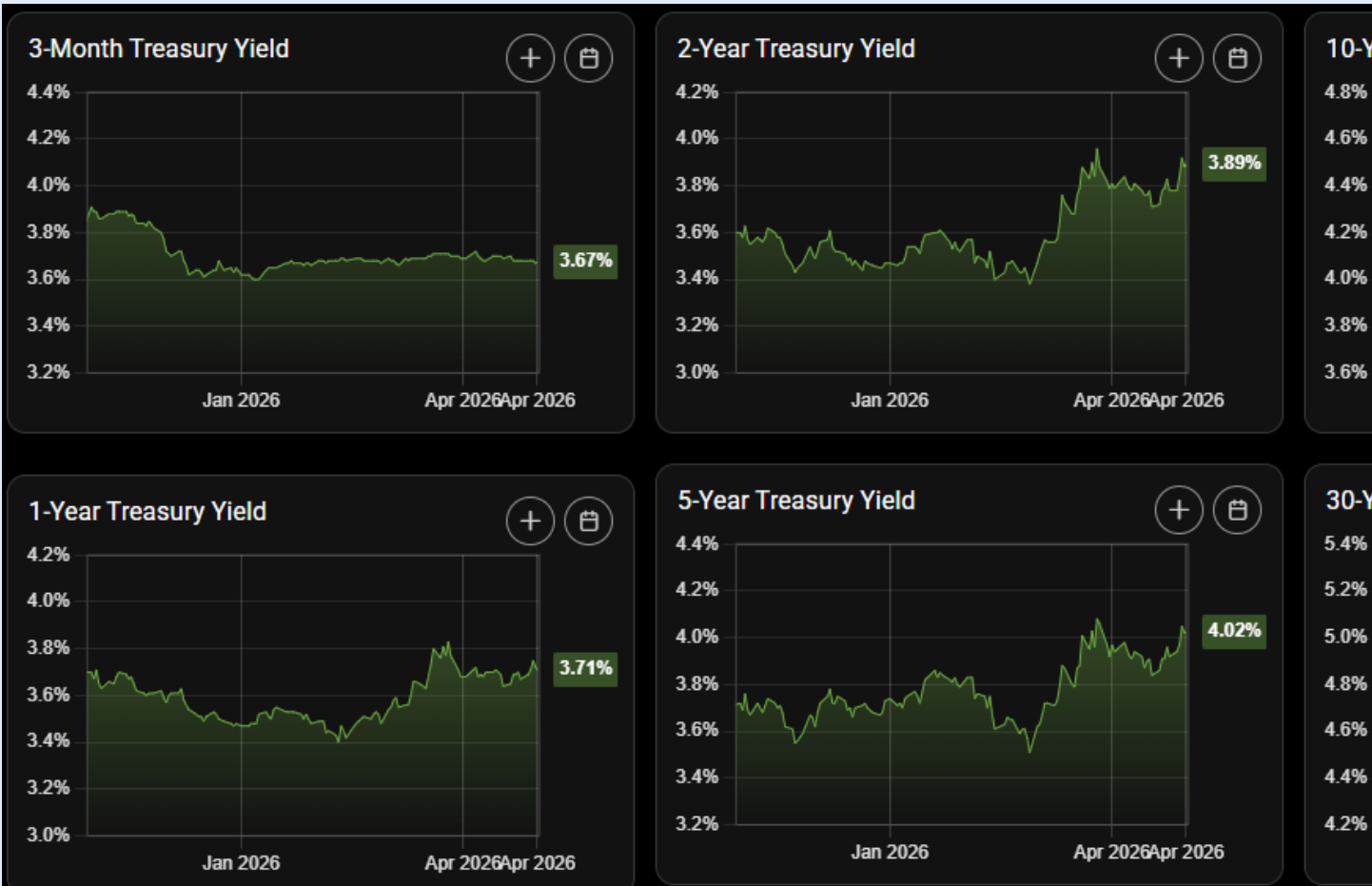
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES; PRIOR 30 TRADING SESSIONS

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

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