

Flash Update: US RATE MARKETS – THURSDAY MAY 7, 2026

- **UST yields and SOFR swap rates are moving lower again this morning on optimism a peace plan between the US and Iran is close to being completed**
- **Iran is currently reviewing a US peace proposal and there is a growing feeling an accord can be reached between the two sides**
- **Oil prices continue to decline - Brent crude oil is now trading under \$100 a barrel**
- ***The US/Iran war remains the primary focus for the rate markets***
- **Next up for Key Data: The April Employment Report will be released tomorrow, 5/8 at 8:30 AM**
- **Short-term SOFR swap rates are trading down ~2-3 bps this morning, depending on tenor**
- **Medium-term SOFR swap rates are down ~1-3 bps 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 drifted lower this morning as traders waited for updates on a potential US-Iran peace deal that would reopen oil flows through the Strait of Hormuz. Brent crude oil is trading near \$97 a barrel, extending a decline on mounting confidence that an agreement in the Middle East is within reach. As a result, rates continue to tick lower, albeit cautiously.

Traders will continue to anxiously monitor developments as the “negotiation” news unfolds. Today’s rate move follows the market theme we have been tracking recently: progress towards a US/Iran peace deal and/or lower oil prices will likely lead to lower rates and more stable markets. Should the peace deal *not* happen, negotiations collapse or hostilities resume, we are likely to see higher oil prices and higher rates.

Tomorrow we will see the April Employment Report data released at 8:30 AM. Given the growing optimism that the US-Iran war may be ending soon, traders will be paying close attention to the jobs data. The market’s focus could quickly shift back to the labor market (and the Fed) if the war wraps up and the threat of higher inflation is curtailed. Right now, all signs point to a solid US labor market – last month’s jobs report was surprisingly strong. Currently, market participants do not expect a rate cut this year. Expectations for tomorrow’s release of the April Employment Report are as follows: Non-Farm Payroll Additions, 75k (vs. 186k the prior month); Average Hourly Earnings YoY, 3.8% (vs. 3.5% prior); Unemployment Rate, 4.3% (unchanged from the prior month).

“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 ~2-3 bps this morning. **2Y** and **3Y** SOFR swap rates are currently trading down ~2-3 bps. **5Y** and **10Y** SOFR swap rates are trading down ~1-



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

CHART 2A: Long-End SOFR Swap Rates – Since 2/27/2026 (Start of War)



Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES; SINCE 2/27/2026

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



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

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