

Flash Update: US RATE MARKETS – FRIDAY MAY 8, 2026

- **UST yields and SOFR swap rates are drifting lower as traders digest stronger-than-expected jobs data and monitor developments in the Middle East**
- **The US and Iran clashed overnight near the Strait of Hormuz, an escalation that threatens to further fracture a fragile ceasefire**
- **President Trump said this morning that the overnight clashes would *not* jeopardize the ceasefire, or peace negotiations**
- **US officials said this morning that Iran could respond to the latest peace proposal as early as today**
- **The April Employment Report beat expectations, signaling the US labor market is stabilizing**
- **The jobs data likely keeps the Fed on the sidelines for the foreseeable future**
- ***The US/Iran war remains the primary focus for the rate markets***
- **Next up for Key Data: April CPI is due for release on Tuesday, 5/12 at 8:30 AM**
- **Short-term SOFR swap rates are trading down ~3-4 bps this morning, depending on tenor**
- **Medium-term SOFR swap rates are down ~2-4 bps currently, depending on tenor**
- **Long-end SOFR swap rates are down ~1-3 bps this morning, depending on tenor**

US Treasury yields and SOFR swap rates are drifting a touch lower this morning, after a stronger than expected Employment Report cemented the market's view that the FOMC will be reluctant to alter monetary policy for the foreseeable future. Fed funds futures pricing continued to imply the Fed will keep its key interest rate steady this year, with the possibility for a rate hike in 2027. The recent economic data stymies the argument that the Fed should cut rates to juice up the economy and bolster job growth. The war-induced inflation risk also argues against any additional rate cuts. However, the threat of "war" damage to economic growth means the Fed will be very reluctant to raise rates, unless inflation is clearly moving higher.

The US and Iran clashed overnight near the Strait of Hormuz, an escalation that threatens to further fracture a fragile ceasefire as the two sides discuss a permanent end to the war. President Trump said this morning that the overnight clashes would *not* jeopardize the ceasefire, soothing jittery markets. He added that the US is still awaiting a "peace proposal" response from Iran, which could come as early as today. 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.

"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 ~3-4 bps. **5Y** and **10Y** SOFR swap rates are trading down ~2-4 bps on the day. The very back-end of the swap curve is currently trading down ~1-3 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: 9:45 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	3.874	-0.038	-16.1000	-0.1154	3.7145	-0.0374
3Y	3.900	-0.038	-21.0865	+0.0265	3.6887	-0.0380
4Y	3.956	-0.038	-25.7540	+0.1360	3.6918	-0.0385
5Y	3.999	-0.042	-28.0520	+0.3945	3.7179	-0.0378
7Y	4.172	-0.041	-36.5625	+0.7375	3.8067	-0.0334
10Y	4.351	-0.036	-40.8410	+0.6429	3.9433	-0.0278
20Y	4.922	-0.027	-69.3800	+0.9950	4.2286	-0.0203
30Y	4.938	-0.023	-73.3390	+0.7660	4.2046	-0.0172

Source: Bloomberg, LLP | 9:45 AM NY Rates Snapshot

CHART 2, 2A & 2B: SOFR SWAP RATES TICK LOWER AS TRADERS DIGEST DATA AND MONITOR WAR DEVELOPMENTS

SOFR swap rates are drifting a touch lower this morning as traders digest the strong jobs report and anxiously monitor developments in the Middle East. Market participants had been growing increasingly optimistic that a peace plan would be reached between the US and Iran. However, an uncertain timetable and renewed clashes between the two sides are making traders pause and wait for concrete developments. *Traders remain cautious, so I expect the jittery market to continue, albeit with an improved outlook for an end to the conflict in the Middle East.*

Despite all the data, news, and information we received this week, SOFR swap rates are mostly unchanged. The **2-year swap** rate began the week at **3.717%** and is currently trading at **3.714%**; the **10-year swap** rate opened the week at **3.936%** and is currently trading at **3.943%**. Traders seem reluctant to carve out a new trading range and are content to wait for more information for now.

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 **~3.714% (+50.4 bps)**.
- The 5-year SOFR swap rate closed at **3.22%** on **Friday 2/27** – it is currently trading at **~3.718% (+49.8 bps)**.

- The 10-year SOFR swap rate closed at **3.52%** on **Friday 2/27** – it is currently trading at **~3.943%** (+42.3 bps).

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



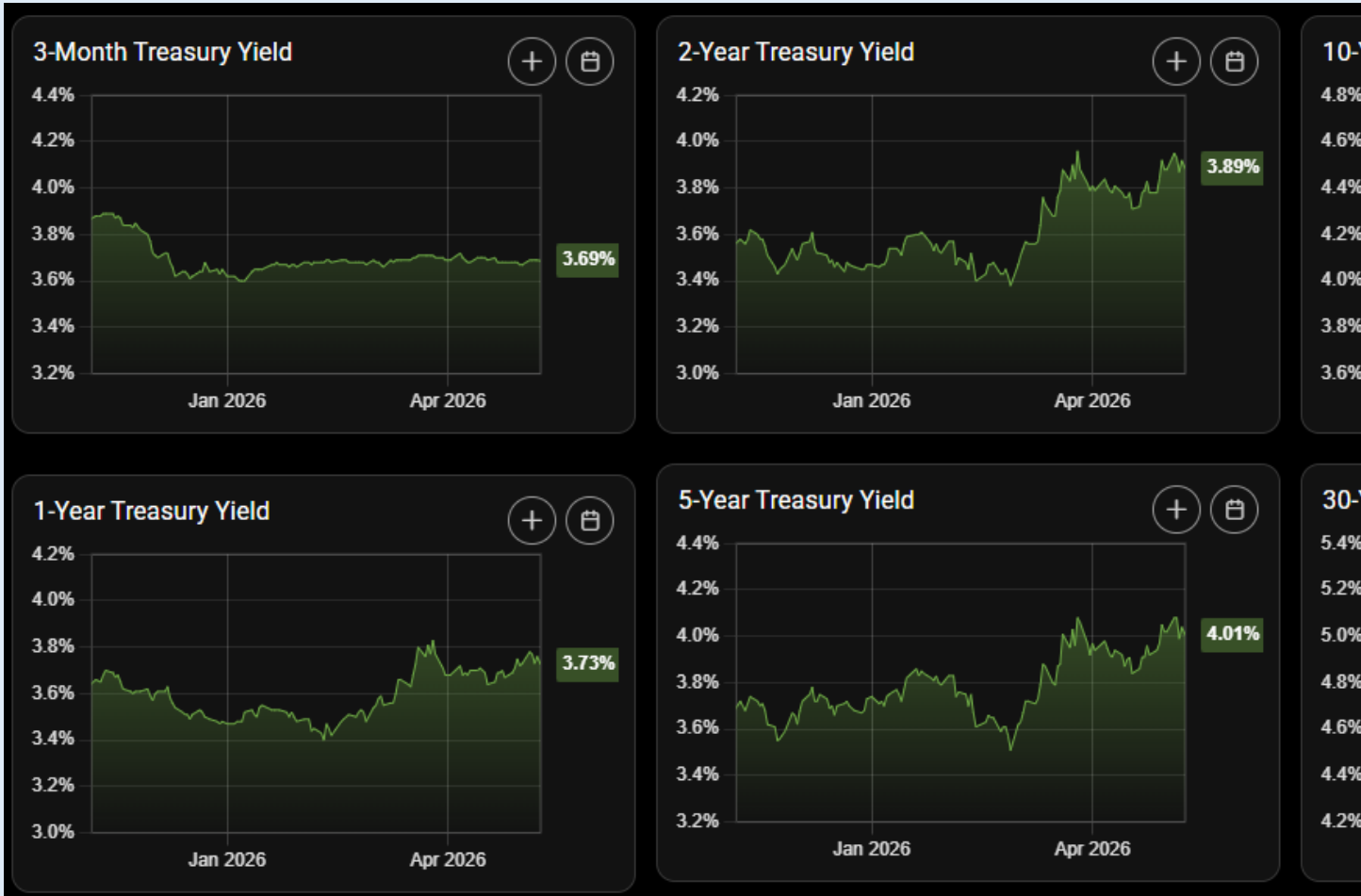
Source: Bloomberg, LLP | 1Y (white), 2Y (blue) & 3Y (orange) SOFR SWAP RATES; SINCE 2/27/2026

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

CHART 3 & 3A: APRIL EMPLOYMENT REPORT RECAP

US payrolls increased for a second consecutive month in April, marking the first back-to-back monthly advance in nearly a year. The closely watched Unemployment Rate was unchanged from the prior reading. Nonfarm payrolls rose 115,000 last month after a surge in March. Expectations had called for an addition to nonfarm payrolls of 65k. The unemployment rate was unchanged at 4.3%, signaling a stable labor market despite the impact of the ongoing US-Iran war.

The April jobs report showcases a labor market that is stabilizing after near-zero job growth last year. While demand for workers is still subdued, layoff activity has remained low. Additionally, tax cuts seem to be providing a catalyst for consumer spending and business investment, which is helping to prop up consumer spending and labor demand.

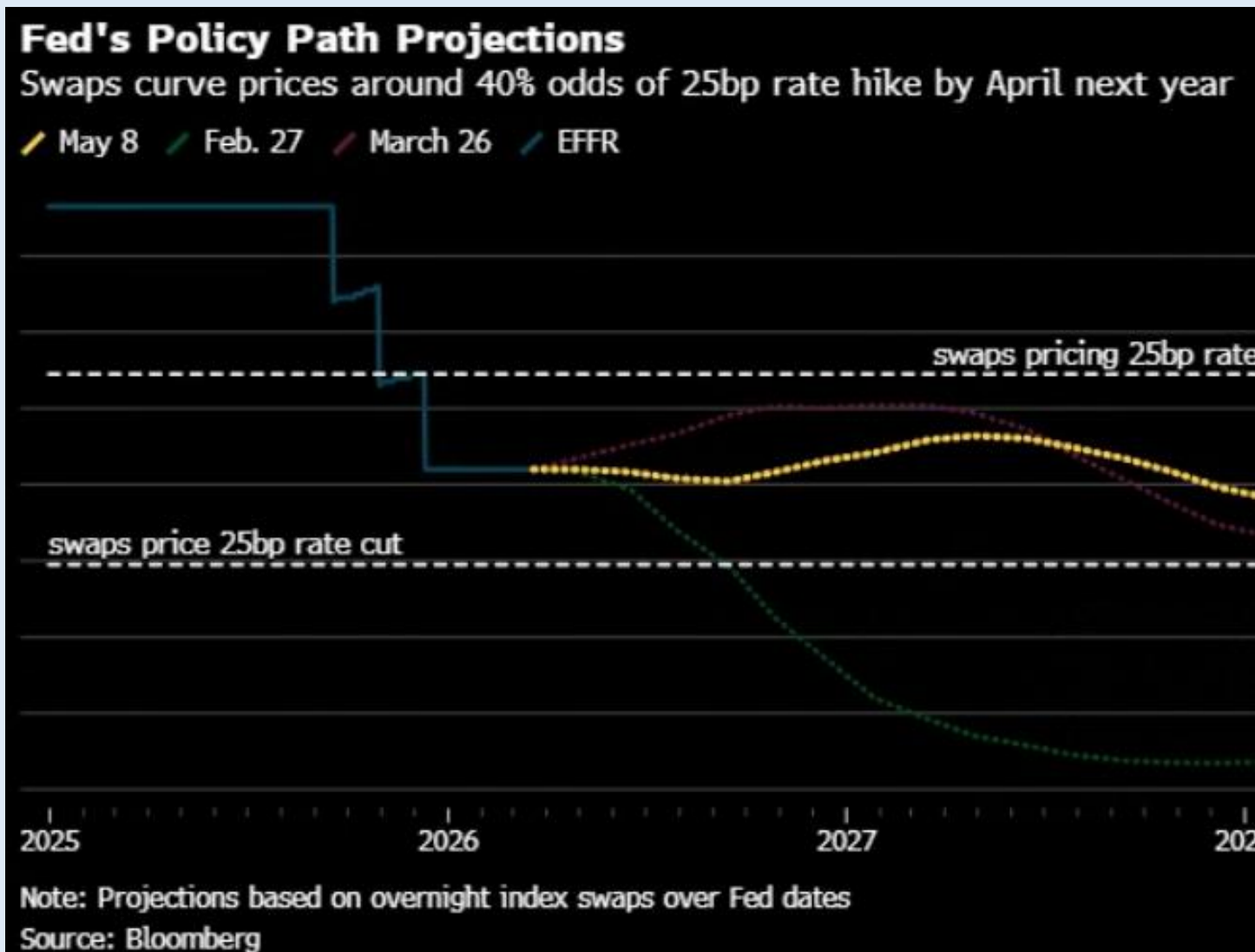
From a Fed standpoint, the jobs data provides Central Bank policymakers space to keep interest rates unchanged for the foreseeable future as they focus on fresh inflationary risks from the war with Iran. Last week, outgoing Fed Chair Jerome Powell said the job market has shown “more and more signs of stability.” The April jobs data did not refute that assessment.

CHART 3: April Employment Report – Jobs Data Beats Expectations; Labor Market Resilient in Wake of War; Rate Cut Hope Fades

Metric	Actual	Esti
Change in payrolls (MoM)	115,000	65
Unemployment rate	4.3%	
Change in avg. hourly earnings (MoM)	0.2%	

Source: Bloomberg, LLP | EMPLOYMENT REPORT RECAP

CHART 3A: Strong Jobs Report Stifles Hope for a Fed Rate Cut This Year



Source: Bloomberg, LLP | "SWAP" IMPLIED FED RATE DECISION EXPECTATIONS

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