Q3 2026 Quarterly Update

Too High for Too Long

TYPES OF TRANSACTIONS

Commodity Hedge: Managing Input Cost Volatility for a Manufacturing Client

The Scenario:
A long-standing Wintrust client in the manufacturing sector faced meaningful exposure to fluctuating commodity input costs. The borrower had previously relied on supplier-based pricing agreements to manage a portion of that risk, but those arrangements were limited in both term and flexibility—leaving a portion of the company's cost structure exposed beyond what the supplier could cover.

The Win:
Wintrust structured a custom commodity hedge tailored to the client's specific volume and tenor requirements, providing protection on aluminum input costs that extended beyond the duration of existing supplier agreements. The solution gave the borrower greater certainty over its cost of goods while preserving the ability to layer on additional coverage over time. This transaction marked the client's first step beyond supplier guarantees and into a formal, rolling hedge program—a foundation the team looks forward to building on.

Interest Rate Swap: Landmark Retail Acquisition on Michigan Avenue

The Scenario:
An existing Wintrust client sought financing for the acquisition of a prominent retail condominium occupying the base four floors of the Palmolive Building—one of Chicago's most architecturally significant landmarks. The property spans approximately across Michigan Avenue's most visible corridor and is anchored by globally recognized luxury brands. With a significant loan in place and a stabilized, income-producing asset, the borrower needed a rate strategy that aligned with the long-term nature of the investment.

The Win:
Wintrust structured and executed an interest rate swap, converting the borrower's variable-rate debt into a fixed obligation. The hedge provided immediate payment certainty and locked in a favorable rate environment for the life of the loan—allowing the client to focus on asset management rather than rate risk. The transaction reflects Wintrust's ability to support sophisticated real estate clients on high-profile, complex acquisitions from financing through execution.

Interest Rate Swap: Protecting Cash Flow for a National Franchise Operator

The Scenario:
A multi-unit franchise operator with locations across several markets sought financing to support the acquisition and renovation of additional restaurants. Franchise businesses operate on tightly managed margins—with significant fixed costs tied to real estate, equipment, and labor—making predictable debt service a critical component of the financial model. The borrower's existing variable-rate loan structure introduced uncertainty that was difficult to absorb within the unit economics of the business.

The Win:
Wintrust executed an interest rate swap, converting the borrower's floating-rate exposure to a fixed rate and locking in a known cost of debt for the duration of the loan. The structure aligned the borrower's financing costs with the long-term, contractual nature of the franchise model—providing the same predictability that franchisors build into their royalty and operations frameworks. For franchise operators, where unit-level profitability determines growth capacity, eliminating rate uncertainty is not just a treasury decision—it's a strategic one. Wintrust's derivatives team is experienced in helping franchise borrowers across a range of concepts structure hedges that fit the specific cash flow profile of their business.

Current swap offer rates as of 9/21

TERM	10-YEAR AMORT.	BULLET
3-Year	4.89%	4.90%
5-Year	4.86%	4.86%
7-Year	4.86%	4.85%

UPCOMING ECONOMIC EVENTS

Federal Reserve Meetings: October 27 – 28 and December 8 – 9

Initial Jobless Claims: Every Thursday at 8:30 a.m.

CPI Data: October 14, November 10, December 10

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MARKET UPDATE

From the 9/15/2026 FOMC Meeting

The Federal Open Market Committee raised its target range for the federal funds rate by 0.25 percentage points to 3.75% to 4%, marking its first rate hike since 2023. The move was widely anticipated following Federal Reserve Chair Kevin Warsh's remarks at the Jackson Hole symposium in August.

Key takeaways from the announcement include:

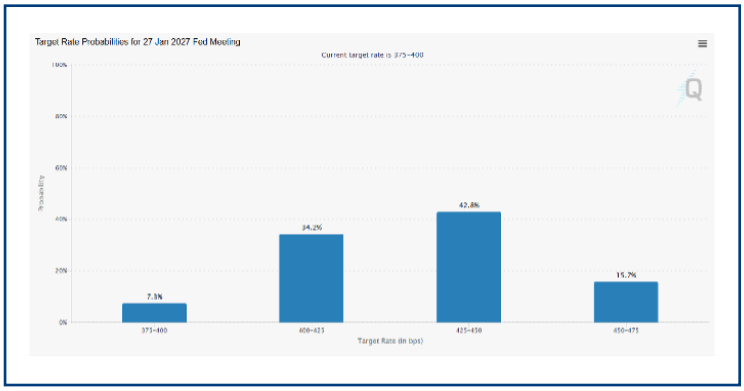
Inflation concerns: Warsh stated that inflation has been "too high for too long." He added that the FOMC needs to be confident that underlying inflation is moving toward its objective "clearly and at sufficient speed" before any easing can be considered.

Direct statement: The committee's post-meeting statement remained brief and direct: "Inflation remains elevated. Today's policy action will support a timelier return to the Committee's 2% goal. The Committee will deliver price stability." The no-forward-guidance posture established in June remains firmly in place.

Market reaction: The initial bond market reaction was modestly positive, with longer-term rates moving slightly lower after the announcement. The bond market continues to assess the Fed's willingness to raise rates further to meet its 2% inflation objective. This was an important step in maintaining the Fed's credibility in meeting that objective.

Interest Rate Insights

The chart below, sourced from the CME FedWatch Tool, reflects market-implied probabilities for the federal funds rate target at the June 2027 Fed meeting as of June 18, 2026. Markets are pricing the most likely outcome as 1 – 2 rate hikes from the current 3.50 – 3.75% target range, with the 375 – 400 and 400 – 425 bps buckets each capturing roughly 31% probability.



OUR COMMITMENT

We appreciate the opportunity to partner with relationship teams and borrowers alike to deliver thoughtful interest rate solutions. Whether supporting first-time hedgers, syndicated transactions, construction financing, or long-term fixed-rate strategies, our team remains focused on helping clients manage interest rate risk with clarity and confidence.