RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC. ***(781) 276-4966*** **December 7, 2015**

THE MARKETS

Fed Chair Yellen said she's confident in the outlook for growth and warned that delaying the first rate hike could force the central bank to tighten too quickly, disrupting the expansion. "Were the FOMC to delay the start of policy normalization for too long, we would likely end up having to tighten policy relatively abruptly to keep the economy from significantly overshooting both of our goals," Yellen told an economics forum, adding a sudden tightening could push the economy into recession. Across the pond, the ECB unveiled measures to combat too-low inflation, including a 0.10% cut in the deposit rate and $360 billion expansion of its QE program. Treasuries recouped losses on Friday, as economic data bolstered expectations that rate increases will be gradual. The benchmark 10-year Treasury closed at 2.28% after reaching 2.33% on Thursday. Stocks were higher even as markets were mostly disappointed with the ECB stimulus program, and oil fell for another week.

THE ECONOMY

Payrolls added more jobs than forecast in November; the 211,000 increase followed a 298,000 gain in October that was larger than previously estimated. The jobless rate held at a seven-year low of 5.0%. The ISM manufacturing index dropped to 48.6 in November, the lowest since June 2009, as elevated inventories led to cutbacks in orders and production. The services gauge declined to 55.9; new orders ticked down five points. Construction spending rose 1.0%, however, and durable goods orders surged 2.9%.

Retail sales are expected to advance 0.3% in November, up from 0.1% the prior month. Look for a flat reading in producer prices; the index fell 0.4% in October. The University of Michigan's sentiment index is seen holding steady at 91 while wholesale inventories edge up 0.1%.

KEY RATES

Issue	*Value*	*Last Week*	*Issue*	*Value*	*Last Week*
Fed Funds	0.25%	0.25%	2-Year Agency	1.02%	0.97%
Prime	3.25%	3.25%	5-Year Agency	1.86%	1.84%
2-Year Treasury	0.96%	0.92%	15-Year MBS	2.28%	2.22%
5-Year Treasury	1.71%	1.64%	30-Year MBS	2.99%	2.96%
10-Year Treasury	2.28%	2.22%	3-Month LIBOR	0.45%	0.41%

Source: Bloomberg

INTEREST RATE SWAPS / CAPS / FLOORS

Buyer Pays Fixed- Indications only based on quarterly settlements

	SWAP		*CAP*		*FLOOR*	
Term	*90-Day LIBOR*	*PRIME*	*90-Day LIBOR (0.50%)*	*90-Day LIBOR (2.50%)*	*90-Day LIBOR (0.50%)*	*90-Day LIBOR (2.00%)*
1-Year	0.73%	3.43%	0.26%	0.06%	0.03%	1.12%
2-Year	1.03%	3.83%	1.04%	0.24%	0.09%	1.83%
3-Year	1.29%	4.21%	2.16%	0.61%	0.21%	2.43%
5-Year	1.64%	4.56%	5.07%	1.60%	0.55%	3.65%

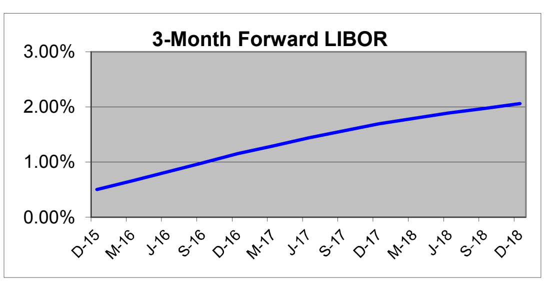
Source: Bloomberg, PNC

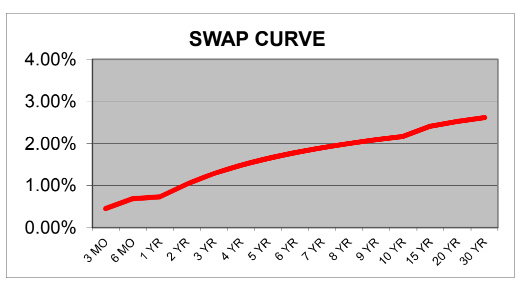
OTHER INDICATORS

	Value	*% Change YTD*		*Value*	*% Change YTD*
OIL (30 day futures)	$ 41.71	-21.70%	Dow Jones Ind Avg	17,847.63	0.14%
Commodities (CRB Index)	$ 183.24	-20.32%	NASDAQ	5,142.27	8.58%
EURO (spot)	$ 1.059	-12.50%	S&P 500	2,091.69	1.59%

Source: Bloomberg

YIELD CURVES





Source: Bloomberg

IN THE NEWS

In its Mortgage Monitor Report, Black Knight Financial Services reported that total home equity in the U.S. has increased by nearly $1 trillion in the past year to the highest level since 2007. The company also noted that cash-out refinancing volumes rose by almost 70 percent in the second quarter compared with the same period last year. Black Knight Senior Vice President Ben Graboske explained, "While this is the highest volume in cash-out refinances we've seen in five years, it's still nearly 80 percent below the peak in Q3 2005. Even so, it's clear that borrowers have been capitalizing on the increased equity available to them."