

# RATE ENVIRONMENT

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## THE MARKETS

Federal Reserve Bank of Atlanta President Dennis Lockhart said he will not push for a rate increase this month in light of weakening growth and still-low inflation. "Based on what I have seen, I am not going to be advocating a move in April, I have changed my view," Lockhart said in an interview Thursday. "Consumer activity is slowing," and "it does, to some extent, cast some doubt on the forecast I began the year with," Lockhart said, adding that he predicts the U.S. economy will grow between 2 percent and 2.5 percent this year. Treasury yields ticked up last week despite softer-than-expected readings on inflation and March retail sales. Major stock indexes closed the week up more than 1.5% to reach a four-month high. Boosting the gains were shares of the biggest banks, which ended up more than 7% higher. Since the Feb. 11 lows, the Dow and S&P 500 have advanced about 14%. Oil prices rose despite concerns that major producers can't agree on production cuts.

## THE ECONOMY

Retail sales were down 0.3% in March after a flat reading the prior month. Core producer prices dipped 0.1% and are 0.9% higher than one year ago. Core inflation at the consumer level rose 0.1% on a monthly basis or 2.2% annually, a little softer than expected. Industrial production fell 0.6% in March, the sixth decline in the past seven months. Weekly jobless claims dropped to 253,000, the lowest since 1973.

Housing starts are expected to ease 0.9% in March to 1.15 million while building permits should advance 2.4% to 1.20 million. Look for existing home sales to increase 3.7% to 5.27 million as the FHFA house price index gains 0.5%. Leading indicators are seen up 0.4% in March.

## KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	0.50%	0.50%	2-Year Agency	0.82%	0.75%
Prime	3.50%	3.50%	5-Year Agency	1.32%	1.29%
2-Year Treasury	0.74%	0.70%	15-Year MBS	1.91%	1.83%
5-Year Treasury	1.22%	1.15%	30-Year MBS	2.54%	2.19%
10-Year Treasury	1.76%	1.72%	3-Month LIBOR	0.63%	0.63%

Source: Bloomberg

## INTEREST RATE SWAPS / CAPS / FLOORS

*Buyer Pays Fixed- Indications only based on quarterly settlements*

Term	SWAP		CAP		FLOOR	
	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	0.75%	3.45%	0.23%	0.05%	0.04%	1.19%
2-Year	0.86%	3.66%	0.73%	0.16%	0.15%	2.22%
3-Year	0.96%	3.88%	1.44%	0.39%	0.37%	3.21%
5-Year	1.17%	4.09%	3.72%	1.20%	1.01%	5.14%

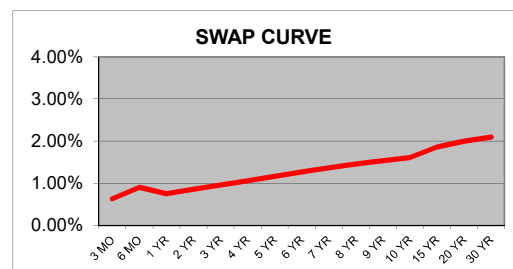
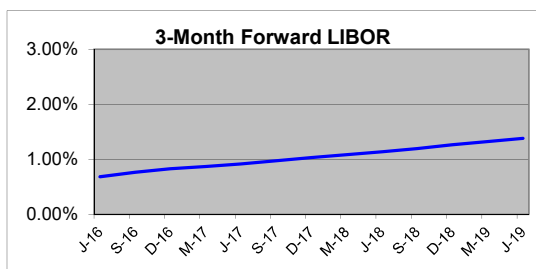
Source: Bloomberg, PNC

## OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 40.36	8.96%	Dow Jones Ind Avg	17,897.46	2.71%
Commodities (CRB Index)	\$ 173.64	-1.42%	NASDAQ	4,938.22	-1.37%
EURO (spot)	\$ 1.128	3.77%	S&P 500	2,080.73	1.80%

Source: Bloomberg

## YIELD CURVES



Source: Bloomberg

## IN THE NEWS

Mortgage applications increased 10 percent from one week earlier, according to data from the Mortgage Bankers Association's (MBA) Weekly Mortgage Applications Survey for the week ending April 8, 2016. "Helped by a persistently strong job market and low rates, applications for both conventional and government home purchase loans increased last week. The purchase index was at its second highest level since May 2010. Applications to refinance also increased as the 30 year contract rate decreased to its lowest level since January 2015," said Mike Fratantoni, MBA's Chief Economist.