

RATE ENVIRONMENT

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THE MARKETS

Treasuries rallied as the latest string of economic data fell short of forecasts. Gains were limited, however, as investors await further insight about central bank policies. The European Central Bank postponed a decision on whether to boost its stimulus program, disappointing investors who had hoped for greater clarity from Frankfurt. At a press conference, ECB President Mario Draghi said policy makers did not discuss whether to extend the central bank's €80 billion-a-month bond-purchase program, which is due to end in five months. The Treasury yield curve flattened about five basis points over the week due to the likelihood of a near-term rate increase by the Fed, which pushed up the short-end. New York Fed President Dudley said Wednesday he expects the central bank will be able to hike interest rates before year-end. Stocks rose amid deal talks and as several bellwether companies beat earnings estimates. The S&P 500 Index increased 0.4% to 2141 while the Stoxx Europe 600 edged 1% higher to 344.

THE ECONOMY

Consumer prices were up 0.3% in September as expected; the core rate inched up 0.1%. Housing starts fell 9.0% to 1.05 million, driven by the multi-family segment. Single-family starts increased 8.1%. Existing home sales, meanwhile, advanced 3.2% to 5.5 million. Industrial production rose 0.1% after easing 0.5% in August, and capacity utilization was mostly flat at 75.4%.

The government should say that the economy grew at a 2.5% rate in Q3, paced by consumer spending. Look for new home sales to dip 1.5% to 600,000, while the S&P/Case Shiller home price index gains 5%. Durable goods orders should remain unchanged in September.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	0.50%	0.50%	2-Year Agency	0.88%	0.92%
Prime	3.50%	3.50%	5-Year Agency	1.39%	1.45%
2-Year Treasury	0.84%	0.84%	15-Year MBS	1.85%	1.83%
5-Year Treasury	1.25%	1.28%	30-Year MBS	2.46%	2.52%
10-Year Treasury	1.74%	1.80%	3-Month LIBOR	0.88%	0.88%

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	0.98%	3.68%	0.29%	0.05%	0.03%	1.01%
2-Year	1.06%	3.86%	0.81%	0.14%	0.07%	1.92%
3-Year	1.13%	4.05%	1.44%	0.27%	0.23%	2.81%
5-Year	1.26%	4.18%	3.28%	0.78%	0.66%	4.56%

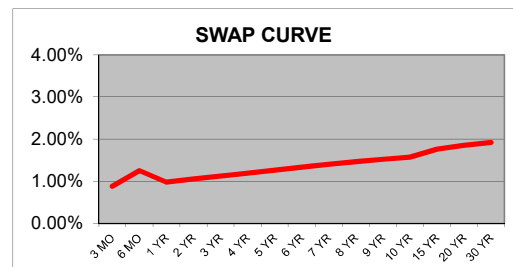
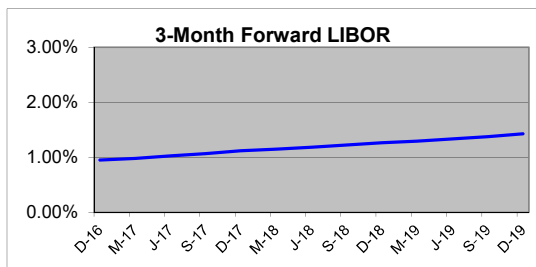
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 50.85	37.28%	Dow Jones Ind Avg	18,145.71	4.14%
Commodities (CRB Index)	\$ 189.40	7.53%	NASDAQ	5,257.40	5.00%
EURO (spot)	\$ 1.087	0.00%	S&P 500	2,141.16	4.75%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

According to Zillow, half (50 percent) of today's home buyers are under the age of 36, and 47 percent are first-time buyers. First-timers make up 52 percent of prospective buyers planning home purchases in 2017, according to the results of another survey, published by Realtor.com. When the group conducted the same survey last year, it found that only 33 percent of prospective buyers were first-timers. Most surveys find that home buyers wait longer to buy a first home than previous generations. The modern-day "starter home" is nearly as large as the median home for "move-up" buyers, and costs about 18 percent less. *Bloomberg*