

RATE ENVIRONMENT

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THE MARKETS

Treasuries sold off amid further signs that major central banks are winding down ultra-loose monetary policies. The yield on the benchmark 10-year note settled at 2.58%, its highest close since Dec. 16. Yields have climbed recently as Fed officials signaled they plan to raise interest rates at their March 14-15 meeting. On Thursday, ECB President Draghi suggested the central bank was becoming more optimistic about the Eurozone economy and less inclined to provide additional stimulus. While Mr. Draghi conceded that risks to the outlook have receded, analysts believe political uncertainty and still-low core inflation will continue to argue for caution. Fed funds futures contracts currently place a 100% probability of a rate hike in March, with the next move projected for the September 20 gathering. Stocks fell as investors took profits after sharp gains so far in 2017. Supply pressures pushed oil prices to three-month lows and the dollar was unchanged.

THE ECONOMY

Employers added 235,000 new jobs in February as the unemployment rate fell to 4.7% and wages grew 2.8%. Durable goods orders climbed 2.0% while productivity advanced 1.3%. Import prices, meanwhile, edged up 0.2%.

Look for no change in consumer prices for February while prices at the producer level inch up 0.1%. Housing starts are expected to increase 1.2% to 1.26 million and retail sales are seen 0.1% higher.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	0.75%	0.75%	2-Year Agency	1.47%	1.34%
Prime	3.75%	3.75%	5-Year Agency	2.14%	2.05%
2-Year Treasury	1.36%	1.32%	15-Year MBS	2.59%	2.42%
5-Year Treasury	2.11%	2.02%	30-Year MBS	3.32%	3.06%
10-Year Treasury	2.58%	2.49%	3-Month LIBOR	1.12%	1.10%

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	1.41%	4.11%		0.72%	0.08%	0.02%	0.50%
2-Year	1.70%	4.50%		2.00%	0.36%	0.03%	0.77%
3-Year	1.92%	4.84%		3.65%	0.87%	0.09%	1.09%
5-Year	2.20%	5.12%		7.39%	2.18%	0.32%	1.89%

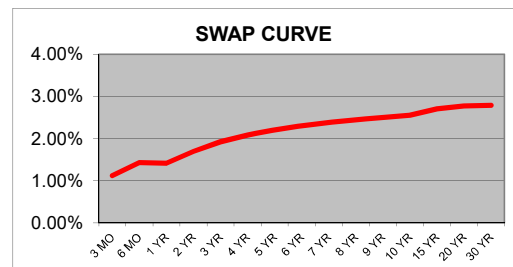
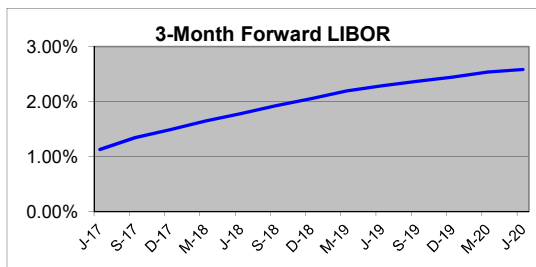
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 48.40	-9.90%	Dow Jones Ind Avg	20,902.98	5.77%
Commodities (CRB Index)	\$ 182.65	-5.12%	NASDAQ	5,861.73	8.89%
EURO (spot)	\$ 1.067	1.49%	S&P 500	2,372.60	5.97%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

The Fannie Mae Home Purchase Sentiment Index increased 5.6 points to a new all-time high of 88.3 in February, with three of the six components also reaching all-time highs. The share saying it is a good time to sell increased 7 points to 22%; Americans who are not concerned about losing their job increased 9 points to 78%; and the share who say their household income is significantly higher than it was 12 months ago increased to 19%. The net share of Americans who reported that now is a good time to buy rose to 40%, and the net share of Americans who say that home prices will go up increased 3 points to 45%. *Fannie Mae*

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