RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC. (781) 276-4966 SEPTEMBER 25, 2017

THE MARKETS

As widely expected, the Federal Reserve left rates unchanged at its meeting on Wednesday while suggesting it is prepared to hike one more time in 2017. The Committee said economic performance has been good even as low inflation has sparked concern among some members. The Fed also said it would begin shrinking its balance sheet in October, starting with $10 billion per month. In a press conference, Chair Yellen said there was a "high bar" to resume reinvestments and the Fed would only do so in the event of a significant shock. Bond yields moved higher after the announcement, with the benchmark 10-year Treasury note ending the week at 2.26%, compared with 2.03% as recently as Sept. 6. The 2-year note climbed seven basis points on the week to 1.46%. Stocks rose Wednesday based on the Fed's optimistic outlook and ended the week mostly flat. The dollar surged and oil held onto recent gains, as traders see supply coming back into balance.

THE ECONOMY

Housing starts fell 0.8% to a 1.18 million annualized rate; the single family component rose 5.7% to 851,000. Housing permits, meanwhile, surged 5.7% to 1.30 million. Import prices added 0.6%, the fastest pace since January. Existing home sales slipped to 5.35 million and leading indicators rose 0.4%.

New home sales are expected to increase 5.1% to 600,000 after plunging 9.4% in July. Durable goods orders are seen up 0.9% while personal spending advances 0.2%. The University of Michigan should say its sentiment index held at 95.

KEY RATES

Issue	*Value*	*Last Week*	*Issue*	*Value*	*Last Week*
Fed Funds	1.25%	1.25%	2-Year Agency	1.49%	1.44%
Prime	4.25%	4.25%	5-Year Agency	1.87%	1.84%
2-Year Treasury	1.46%	1.39%	15-Year MBS	2.32%	2.25%
5-Year Treasury	1.88%	1.81%	30-Year MBS	2.92%	2.89%
10-Year Treasury	2.26%	2.20%	3-Month LIBOR	1.33%	1.32%

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 (1.75%)*	*90-Day LIBOR (2.75%)*	*90-Day LIBOR (1.75%)*	*90-Day LIBOR (2.75%)*
1-Year	1.55%	4.25%	0.14%	0.08%	0.19%	1.11%
2-Year	1.70%	4.50%	0.58%	0.31%	0.36%	1.99%
3-Year	1.80%	4.72%	1.08%	0.62%	0.62%	2.83%
5-Year	1.95%	4.87%	2.50%	1.48%	1.35%	4.84%

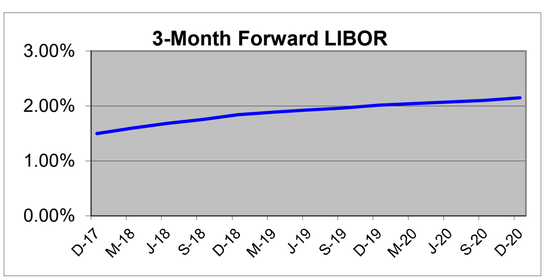
Source: Bloomberg, PNC

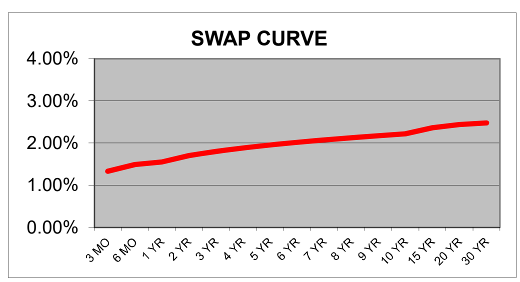
OTHER INDICATORS

	Value	*% Change YTD*		*Value*	*% Change YTD*
OIL (30 day futures)	$ 50.66	-5.70%	Dow Jones Ind Avg	22,349.59	13.09%
Commodities (CRB Index)	$ 183.57	-4.64%	NASDAQ	6,426.92	19.39%
EURO (spot)	$ 1.195	13.62%	S&P 500	2,502.22	11.76%

Source: Bloomberg

YIELD CURVES





Source: Bloomberg

IN THE NEWS

The OCC and FDIC issued a notice of proposed rulemaking to shorten the standard settlement cycle for securities purchased or sold by national banks, federal savings associations, and FDIC-supervised institutions. The three-day settlement cycle, which is the current standard for the securities industry is known as "T+3"—shorthand for "trade date plus three days." The OCC and FDIC are issuing the proposal in connection with an industry-wide shift to a T+2 settlement cycle. The new T+2 cycle is the culmination of a multi-year securities industry initiative and rule changes being implemented by other financial regulators and securities self-regulatory organizations. The change applies to trades placed on or after September 5, 2017.