

RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC.

(781) 276-4966

FEBRUARY 25, 2019

THE MARKETS

Treasuries edged higher as investors focused on weaker-than-expected economic data reported for Europe and China. Bond prices were also supported as the Federal Reserve indicated its plan for reducing the holdings of securities would wrap up this year. "Almost all participants thought that it would be desirable to announce before too long a plan to stop reducing the Federal Reserve's asset holdings later this year," according to minutes of the most recent FOMC meeting. In an interview, New York Fed President Williams said he sees no need to raise rates this year unless growth or inflation shift to an unexpectedly higher gear. The president of the Cleveland Fed, however, said that interest rates will likely rise slightly this year. "If the economy performs along the lines that I've outlined as most likely, the fed-funds rate may need to move a bit higher," said Loretta Mester. The Dow notched its ninth straight weekly advance, for a cumulative gain of 16% over the span, the longest winning streak since May 1995, according to Dow Jones Market Data.

THE ECONOMY

Existing home sales moved down 0.1% in January to 4.94 million as the NAHB housing market index rose 4 points to 62. Durable goods orders, meanwhile, increased 1.7% and by 0.3% without including the transportation sector. Leading indicators slipped 0.1%.

GDP for the fourth quarter is seen growing at a 2.5% pace, down from 3.4% in the prior period. Housing starts are expected to be mostly flat in December at 1.25 million as the S&P CoreLogic price index gains 4.7%. The ISM should say its manufacturing index eased slightly to 56.4.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	2.50%	2.50%	2-Year Agency	2.49%	2.52%
Prime	5.50%	5.50%	5-Year Agency	2.58%	2.61%
2-Year Treasury	2.49%	2.51%	15-Year MBS	2.97%	3.00%
5-Year Treasury	2.47%	2.49%	30-Year MBS	3.40%	3.45%
10-Year Treasury	2.65%	2.66%	3-Month LIBOR	2.65%	2.68%

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 (2.25%)	90-Day LIBOR (3.00%)	90-Day LIBOR (2.25%)	90-Day LIBOR (3.00%)
1-Year	2.66%	5.36%	0.47%	0.18%	0.03%	0.41%
2-Year	2.60%	5.40%	1.23%	0.66%	0.23%	0.99%
3-Year	2.54%	5.46%	1.89%	0.96%	0.55%	1.69%
5-Year	2.53%	5.45%	3.15%	1.47%	1.44%	3.28%

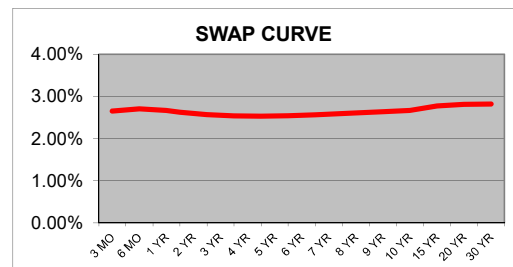
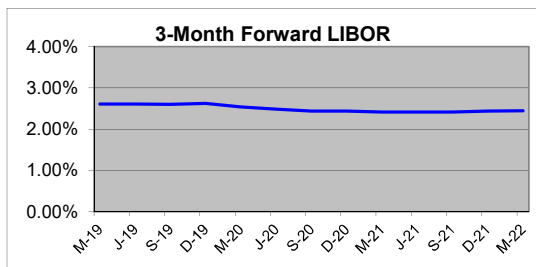
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 57.26	26.10%	Dow Jones Ind Avg	26,031.81	11.60%
Commodities (CRB Index)	\$ 184.06	8.40%	NASDAQ	7,527.55	13.45%
EURO (spot)	\$ 1.134	-1.15%	S&P 500	2,792.67	11.39%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

The delinquency rate for 1-4 unit residential properties decreased to 4.06% at the end of 2018, according to the Mortgage Bankers Association's (MBA) National Delinquency Survey. The delinquency rate was down 41 basis points from the third quarter of 2018 and 111 basis points from one year ago. "The overall national mortgage delinquency rate in the fourth quarter was at its lowest level since the first quarter of 2000," said Marina Walsh, MBA's VP of Industry Analysis. "What's even more noteworthy, the delinquency rate dropped from the previous quarter and on a year-over-year basis across all loan types and stages of delinquency."

The information contained herein is based on sources we believe are reliable but is not guaranteed by us and is not to be considered all inclusive. No express or implied representation or warranty as to the accuracy or completeness of such information is made by Atlantic Capital Strategies, Inc. This is not an offer or a solicitation of an offer to sell or buy any securities herein mentioned.