

RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC.

(781) 276-4966

JUNE 17, 2019

THE MARKETS

Yields on short-term Treasuries fell after another set of tame inflation data bolstered traders' expectations that the Federal Reserve will move soon to cut interest rates. Prices were further supported as fears of a military standoff in the Persian Gulf sent investors into safe assets. Market expectations for inflation, meanwhile, declined to the lowest levels of the year. The 10-year break-even rate, a measure of anticipated inflation over the next 10 years, fell to 1.7% from nearly 2% in late April. Fed funds futures currently suggest there is a 20% chance the Fed will reduce rates at its meeting this week. They also indicate an 84% chance of a rate cut by the end of the Fed's July 31 meeting. Stocks gained for a second week following a multi-week slide. According to analysts, optimism over easier monetary policy by the Federal Reserve has fueled the rebound. The Dow Jones Industrial Average advanced 0.4% to 26,089 while the NASDAQ gained 0.7% to close at 7,796.

THE ECONOMY

Core prices at the wholesale level were up 0.2% in May, or 2.3% higher than one year ago. Similar figures for consumer prices were 0.1% and 2.0%, respectively. Retail sales gained 0.5% after growing 0.3% in April, and industrial production increased 0.2%.

Housing starts are expected to edge up 0.4% in May to 1.24 million while existing sales advance 1.7% to 5.28 million. Look for a flat reading on leading indicators with consumer sentiment slightly higher.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	2.50%	2.50%	2-Year Agency	1.88%	1.86%
Prime	5.50%	5.50%	5-Year Agency	1.91%	1.90%
2-Year Treasury	1.84%	1.85%	15-Year MBS	2.37%	2.35%
5-Year Treasury	1.83%	1.85%	30-Year MBS	2.87%	2.76%
10-Year Treasury	2.08%	2.08%	3-Month LIBOR	2.40%	2.45%

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	2.08%	4.78%		0.31%	0.06%	0.42%	1.11%
2-Year	1.86%	4.66%		0.66%	0.10%	1.18%	2.49%
3-Year	1.79%	4.71%		0.89%	0.22%	1.98%	3.89%
5-Year	1.82%	4.74%		1.72%	0.70%	3.47%	6.39%

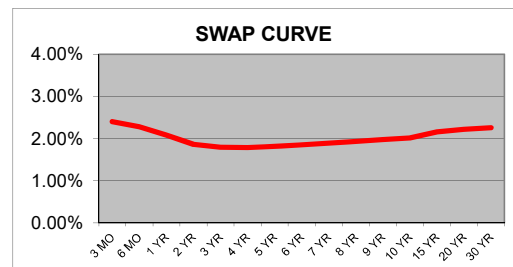
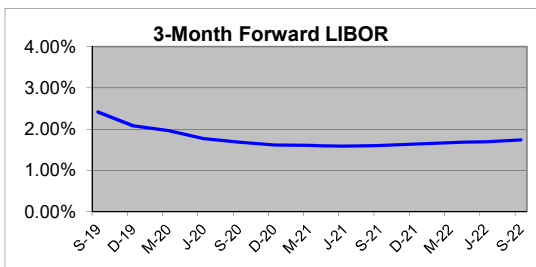
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 52.59	15.81%	Dow Jones Ind Avg	26,089.61	11.84%
Commodities (CRB Index)	\$ 174.81	2.95%	NASDAQ	7,796.66	17.50%
EURO (spot)	\$ 1.122	-2.20%	S&P 500	2,886.98	15.16%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

The Federal Reserve's rollback of Dodd-Frank Act requirements for small and regional banks that don't pose financial stability threats has opened up opportunities for them in the marketplace, Fed general counsel Mark Van Der Weide said. "I think one of the effects of the tailoring regime is to help the smaller firms, the medium-sized firms compete with larger firms," he told an industry conference this week. "I would hope as we tailor more and more of our regulatory framework, we'll see more and more smaller and medium-sized firms able to not have the same sort of regulatory headwinds to competition."

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.