

# RATE ENVIRONMENT

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## THE MARKETS

Stocks fell Friday, though posted gains as lawmakers agreed on the largest economic relief package in U.S. history. The Dow Jones Industrial Average increased 13% for the week, its best showing since 1938. The S&P 500 and the Nasdaq Composite also recorded advances of at least 10%. Earlier in the week, the Federal Reserve signaled a wide-ranging effort to help the economy by extending loans and purchasing hundreds of billions of dollars in government debt. Treasuries rallied, reflecting bond investor caution about the economic outlook. The benchmark 10-year note closed at 0.68%, the lowest level since March 9. Municipal bonds extended their rally for the biggest weekly gain since 1982. State and local debt gained 7.3%, after losing 6.6% in the prior period. In an interview, Dallas Fed president Kaplan expressed confidence the economy can rebound after restrictions are lifted. "We were strong before we went into this, and we believe that we've got a great chance to come out of this very strong," he said.

## THE ECONOMY

Initial jobless claims surged to 3.28 million, up from 282,000 in the prior week. Consumer sentiment, meanwhile, plunged to a three-year low of 89.1. GDP rose 2.1% in the fourth quarter of 2019 as the price index edged up 1.3%. Personal income advanced 0.6% in February with spending 0.2% higher.

Economists see the labor market shedding 100,000 jobs in March with the unemployment rate rising to 3.8%. The ISM is expected to say its manufacturing index declined to 45.0 while the services gauge fell to 44.7. Look for another 3.0 million workers to file initial jobless claims.

## KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	0.25%	0.25%	2-Year Agency	0.38%	0.49%
Prime	3.25%	3.25%	5-Year Agency	0.52%	0.88%
2-Year Treasury	0.25%	0.31%	15-Year MBS	0.91%	1.89%
5-Year Treasury	0.41%	0.46%	30-Year MBS	1.47%	2.19%
10-Year Treasury	0.68%	0.84%	3-Month LIBOR	1.37%	1.20%

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 (0.75%)	90-Day LIBOR (1.50%)	90-Day LIBOR (0.75%)	90-Day LIBOR (1.50%)
1-Year	0.70%	3.40%	0.03%	0.02%	0.39%	1.13%
2-Year	0.50%	3.30%	0.15%	0.05%	0.82%	2.21%
3-Year	0.46%	3.38%	0.42%	0.13%	1.32%	3.29%
5-Year	0.51%	3.43%	1.39%	0.62%	2.36%	5.33%

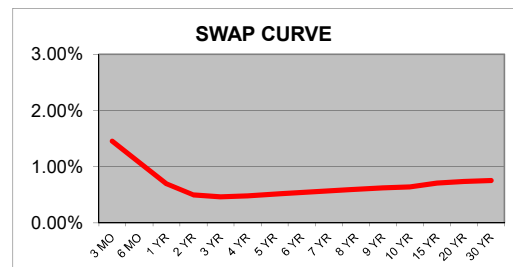
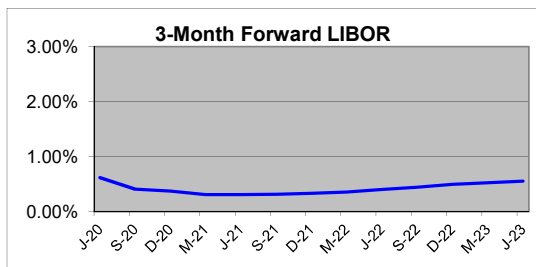
Source: Bloomberg, PNC

## OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 21.51	-64.77%	Dow Jones Ind Avg	21,636.78	-24.18%
Commodities (CRB Index)	\$ 123.88	-33.32%	NASDAQ	7,502.38	-16.38%
EURO (spot)	\$ 1.114	-0.65%	S&P 500	2,541.47	-21.32%

Source: Bloomberg

## YIELD CURVES



Source: Bloomberg

## IN THE NEWS

Fannie Mae announced flexibilities for lenders originating and closing loans which are effective immediately for all loans in process and will remain in place for loans with application dates on or before May 17, 2020. To ease possible disruptions in the loan underwriting and closing process, lenders may use designated alternative methods to verify borrower employment. To address concerns regarding interaction between appraisers and homeowners, Fannie Mae is offering flexibilities to appraisal inspection and report requirements. Fannie Mae also encourages lenders to accept appraisal waiver offers when presented by Desktop Underwriter®.