

RATE ENVIRONMENT

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THE MARKETS

The Federal Reserve began contemplating more stimulus for the economy, according to minutes of the April 29 FOMC meeting. Officials agreed the central bank would "use its full range of tools" to support the economy. The Fed expected to keep rates near zero until the economy is on track to achieve maximum employment and price stability. On Wednesday, St. Louis Fed president Bullard said he isn't worried about a resurgence of the virus, noting "we have every chance of a good recovery in the second half." Treasury yields were mostly unchanged while stocks recorded strong gains as states around the country eased restrictions. Advances were led by shares of industrial (7.1%) and energy companies (5.3%). In other news, municipal bonds are set for their biggest monthly gain since 2009, erasing the record-setting loss in March. According to analysts, the rally has been fueled by a flood of cash into municipal bond funds since the Fed moved to backstop the market.

THE ECONOMY

Housing starts dropped 30.2% in April to 900,000 while the NAHB housing market index surged 7 points to 37. Existing home sales fell 17.8% to 4.33 million and leading indicators declined 4.4%. Initial jobless claims eased to 2.5 million and the Markit manufacturing index rose slightly to 39.8.

New home sales are seen plunging 21% to 493,000 as the S&P CoreLogic home price index advances 3.4%. Look for durable goods orders to shrink 18% in April with personal spending off 12.8%. The closely-watched PCE core deflator is expected to rise at a 1.1% annual rate in April.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	0.25%	0.25%	2-Year Agency	0.21%	0.20%
Prime	3.25%	3.25%	5-Year Agency	0.52%	0.50%
2-Year Treasury	0.17%	0.16%	15-Year MBS	1.17%	1.16%
5-Year Treasury	0.34%	0.31%	30-Year MBS	1.58%	1.56%
10-Year Treasury	0.66%	0.64%	3-Month LIBOR	0.36%	0.39%

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 (1.50%)	90-Day LIBOR (0.50%)	90-Day LIBOR (1.50%)
1-Year	0.31%	3.01%		0.02%	0.02%	0.28%	1.27%
2-Year	0.26%	3.06%		0.09%	0.03%	0.61%	2.56%
3-Year	0.28%	3.20%		0.28%	0.05%	0.99%	3.79%
5-Year	0.37%	3.29%		1.20%	0.35%	1.82%	5.98%

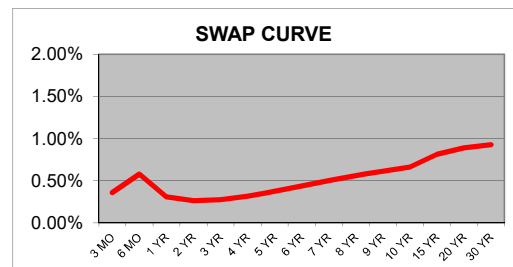
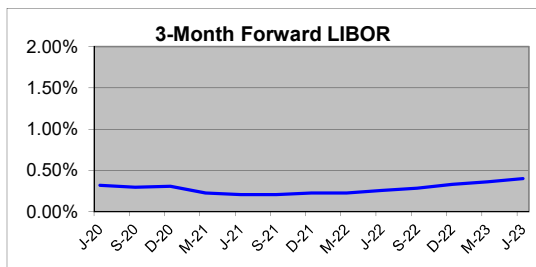
Source: Bloomberg

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 33.25	-45.55%	Dow Jones Ind Avg	24,465.16	-14.27%
Commodities (CRB Index)	\$ 129.53	-30.28%	NASDAQ	9,324.59	3.93%
EURO (spot)	\$ 1.090	-2.79%	S&P 500	2,955.45	-8.50%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

Fannie Mae announced flexibilities for homeowners who have taken forbearance due to a COVID-19 financial hardship. Additionally, the company announced a one-month extension to flexibilities that enable lenders to sell to Fannie Mae single-family loans currently in forbearance. Under the temporary eligibility guidelines, homeowners who missed payments and entered into a loss mitigation solution – such as a repayment plan, payment deferral, or loan modification – are eligible for a new mortgage after three timely payments. "We are listening to and prioritizing our customers' needs, helping them serve homeowners efficiently and responsibly," said Malloy Evans, Senior Vice President, Fannie Mae.

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