

RATE ENVIRONMENT

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THE MARKETS

Stocks set new records, pushing the Nasdaq above 9,000 for the first time, fueled by a post-holiday rally in shares of benchmark technology companies and retailers. According to analysts, the strong holiday shopping season caused investors to continue buying stocks in a big year-end "melt-up." For the month so far, the best performing sectors are energy (6.0%), technology (4.8%) and health care (3.8%). Treasury yields were slightly lower in a quiet week of trading. The 10-year note closed at 1.88%, down four basis points for the week, though up from 1.47% as recently as August 28. In other news, investors are flocking to Agency mortgage bonds (MBS) after a summer slump pushed spreads to the highest level in several years relative to Treasuries. The extra spread for MBS was 0.81%, according to the Wall Street Journal. That was down from 1.09% in August, the widest since 2013, though still above the 0.51% spread on comparably rated corporate bonds.

THE ECONOMY

November durable goods orders fell 2.0%, compared to consensus forecast of a 1.5% gain. Not including the volatile transportation sector, orders were flat. New home sales increased 1.3% to 719,000, and are 17% higher than one year ago. Mortgage applications declined 5.3% in the week ending Dec. 20.

The S&P CoreLogic price index is reported on Tuesday; economists see a gain of 3.2%. The ISM is expected to say its manufacturing index edged up to 49 in December with construction spending up 0.3%. Look for the trade deficit to rise about \$2 billion to \$48.9 billion.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	1.75%	1.75%	2-Year Agency	1.61%	1.65%
Prime	4.75%	4.75%	5-Year Agency	1.71%	1.76%
2-Year Treasury	1.59%	1.63%	15-Year MBS	2.28%	2.32%
5-Year Treasury	1.68%	1.73%	30-Year MBS	2.70%	2.75%
10-Year Treasury	1.88%	1.92%	3-Month LIBOR	1.96%	1.93%

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 (1.75%)	90-Day LIBOR (2.50%)	90-Day LIBOR (1.75%)	90-Day LIBOR (2.50%)
1-Year	1.78%	4.48%		0.07%	0.06%	0.14%	0.81%
2-Year	1.69%	4.49%		0.38%	0.15%	0.48%	1.71%
3-Year	1.66%	4.58%		0.71%	0.27%	0.93%	2.65%
5-Year	1.69%	4.61%		1.69%	0.75%	1.92%	4.51%

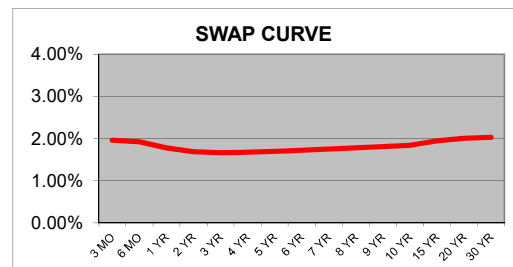
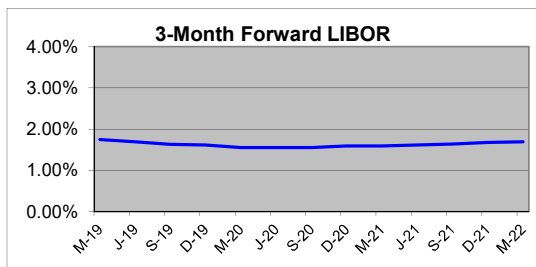
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 61.72	35.92%	Dow Jones Ind Avg	28,645.26	22.80%
Commodities (CRB Index)	\$ 187.18	10.24%	NASDAQ	9,006.62	35.74%
EURO (spot)	\$ 1.118	-2.53%	S&P 500	3,240.02	29.24%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

The FDIC issued a notice of proposed rulemaking (NPR) to modernize its brokered deposit regulations. The proposal would establish a new framework for analyzing whether deposits placed through deposit placement arrangements qualify as brokered deposits. These include arrangements between insured depository institutions (IDIs) and third parties, such as financial technology companies, for a variety of business purposes, including access to deposits, as well as IDIs' increasing reliance on new technologies to engage and interact with their customers.

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