

# RATE ENVIRONMENT

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## THE MARKETS

Treasuries recouped losses at week's end as buyers stepped in following a round of economic readings that were somewhat weaker than forecast. The releases bolstered expectations that the Federal Reserve would be patient in raising interest rates. The Fed's next meeting is due to take place April 28-29, and investors will carefully scrutinize the policy statement for clues about the rate outlook. Treasuries have traded in a narrow range recently; the yield on the 10-year note has remained between 1.85% and 2.00% since March 18. At the same time, uncertainty over the Fed's timing to hike rates could generate more volatility in the weeks ahead, some market participants believe. Stocks extended gains, with the Nasdaq reaching a record, as several large technology firms reported strong earnings. The Dow climbed 1.4% on the week to 18,080 while the S&P increased 1.8% to 2117.

## THE ECONOMY

Existing home sales rose 6.1% in March to an annual pace of 5.2 million units; supply declined to 4.6 months. New home sales fell 11.4% to 481,000, below consensus expectations of a 515,000 gain. The FHFA house price index advanced 0.7% in February, bringing the index up 5.4% on a year-over-year basis. Durable goods orders rose 4.0% in March, boosted by a surge in transportation and defense orders.

First quarter GDP is seen growing at a 1.0% annual rate, down from 2.2% in the prior quarter, driven by lower personal consumption. Personal income for March is expected to rise 0.2% while personal spending likely increased 0.5%. The ISM is expected to say its manufacturing index edged up to 52.

## KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	0.25%	0.25%	2-Year Agency	0.55%	0.57%
Prime	3.25%	3.25%	5-Year Agency	1.43%	1.41%
2-Year Treasury	0.54%	0.51%	15-Year MBS	1.88%	1.82%
5-Year Treasury	1.34%	1.31%	30-Year MBS	2.64%	2.59%
10-Year Treasury	1.93%	1.87%	3-Month LIBOR	0.28%	0.28%

Source: Bloomberg

## INTEREST RATE SWAPS / CAPS / FLOORS

Buyer Pays Fixed- Indications only based on quarterly settlements

SWAP			CAP		FLOOR	
Term	90-Day LIBOR	PRIME	90-Day LIBOR (0.50%)	90-Day LIBOR (2.50%)	90-Day LIBOR (0.50%)	90-Day LIBOR (2.00%)
1-Year	0.45%	3.15%	0.14%	0.05%	0.08%	1.12%
2-Year	0.77%	3.57%	0.79%	0.21%	0.16%	2.09%
3-Year	1.06%	3.98%	1.89%	0.64%	0.29%	2.81%
5-Year	1.47%	4.39%	4.87%	1.90%	0.62%	4.18%

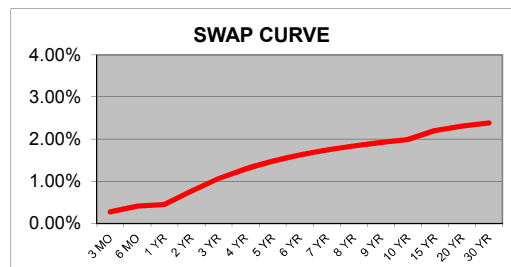
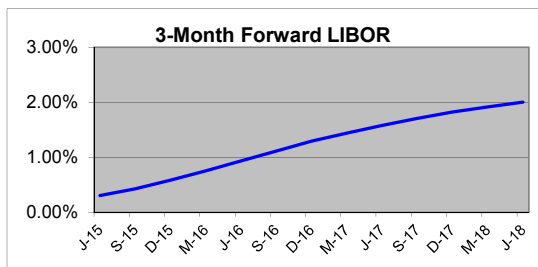
Source: Bloomberg, PNC

## OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 57.21	7.40%	Dow Jones Ind Avg	18,080.14	1.44%
Commodities (CRB Index)	\$ 224.05	-2.57%	NASDAQ	5,092.09	7.52%
EURO (spot)	\$ 1.086	-10.27%	S&P 500	2,117.69	2.85%

Source: Bloomberg

## YIELD CURVES



Source: Bloomberg

## IN THE NEWS

The FDIC is taking steps to improve its ability to handle the sudden failure of a large, complex bank. The regulator proposed requiring the largest banks to beef up internal record keeping and data systems that track the millions of deposit accounts they hold. The goal: to ensure FDIC officials can swiftly sort through those accounts and determine which customers are owed deposit insurance, and how much, so the FDIC can get people their money as soon as possible. "Timely access to insured deposits is critical to maintaining public confidence in the banking system," FDIC Chairman Martin Gruenberg said at a recent meeting. *Wall Street Journal*

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