RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC. ***(781) 276-4966*** **June 1, 2015**

THE MARKETS

Fed Vice Chairman Fischer said the central bank will follow a "gradual and relatively slow" trajectory of rate hikes over the next three to four years. He expects the rate will reach from 3.25% to 4% from twenty-five basis points today. His comments echoed those of Fed Chair Yellen, who said the FOMC is on track to raise rates this year but will proceed cautiously because the job market hasn't fully healed, inflation is low and growth has disappointed. Fed St. Louis head Bullard, meanwhile, warned that keeping rates near zero risks inflating asset-price bubbles, agreeing that officials should raise borrowing costs this year. Bullard sees the jobless rate falling below 5% in the months ahead, which would cause wages and inflation to increase. Treasuries recorded the first weekly advance in more than a month, signaling the worst of the selloff may be over; the 10-year note yield fell to 2.12% from a high of 2.29% as recently as May 19. Stocks declined and oil was flat on the week.

THE ECONOMY

New home sales rose 6.8% to 517,000 in April, reversing most of the decline from the previous month. The S&P/Case-Shiller home price index reported a 1.0% gain, bringing the year-over-year rate to 5.0%. Durable goods orders fell 0.5%, reflecting weakness in the aircraft segment. Core orders increased 1.0% for the month. The Conference Board's index of consumer confidence rose to 95.4 in May, in line with most forecasts. GDP shrank at a 0.7% annual rate, revised from a previously reported 0.2% gain, as an appreciating dollar caused net exports to fall.

Look for 218,000 new jobs for May when the government reports on labor market conditions on Friday. The unemployment rate is seen holding at 5.4%. Personal income and spending are expected to increase 0.3% and 0.1%. The ISM should 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	0.65%	0.68%
Prime	3.25%	3.25%	5-Year Agency	1.60%	1.67%
2-Year Treasury	0.61%	0.64%	15-Year MBS	2.03%	2.12%
5-Year Treasury	1.49%	1.57%	30-Year MBS	2.83%	2.89%
10-Year Treasury	2.12%	2.21%	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	0.49%	3.19%	0.15%	0.05%	0.07%	1.09%
2-Year	0.85%	3.65%	0.87%	0.23%	0.14%	1.97%
3-Year	1.17%	4.09%	2.08%	0.67%	0.25%	2.60%
5-Year	1.63%	4.55%	5.36%	2.06%	0.53%	3.78%

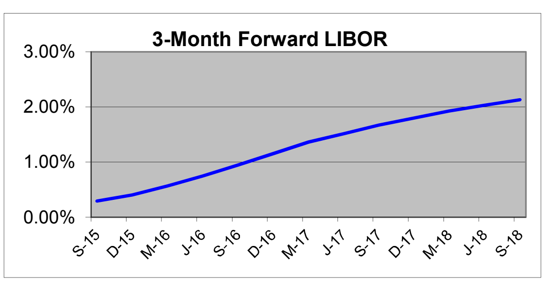
Source: Bloomberg, PNC

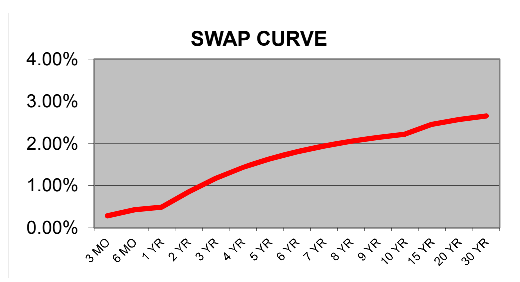
OTHER INDICATORS

	Value	*% Change YTD*		*Value*	*% Change YTD*
OIL (30 day futures)	$ 60.19	12.99%	Dow Jones Ind Avg	18,010.68	1.05%
Commodities (CRB Index)	$ 223.17	-2.95%	NASDAQ	5,070.03	7.05%
EURO (spot)	$ 1.098	-9.26%	S&P 500	2,107.39	2.35%

Source: Bloomberg

YIELD CURVES





Source: Bloomberg

IN THE NEWS

The FHFA announced that Fannie Mae and Freddie Mac are issuing new operational and financial eligibility requirements for all current and potential Seller/Servicers. The operational requirements become effective no later than September 1, 2015 and the financial requirements become effective December 31, 2015. In response to changes taking place in the servicing industry, FHFA directed Fannie Mae and Freddie Mac to update their counterparty standards. The requirements are intended to help ensure the safe and sound operation of the Enterprises and provide greater transparency, clarity and consistency to industry participants.

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