

# RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC.

(781) 276-4966

July 6, 2015

## THE MARKETS

Treasuries rallied as a flat reading on wage inflation bolstered expectations that the Federal Reserve would remain patient in raising interest rates. Investors also reduced risk positions and placed funds into government debt heading into the long holiday weekend. Fed officials have been cautious in normalizing monetary policy especially as inflation indicators have been running below their 2% target. According to analysts, the odds are rising for the Fed to wait until Q4 or later to raise rates. Fed-funds futures showed that investors see a 12% likelihood of a rate increase at the September meeting, compared to 49% for the December meeting. Stocks ended lower as a week-end rally ran out of steam, even after the jobs report bolstered investors' belief that a rate hike is not imminent. Pulling ahead of the broader market was the utilities sector, which gained 1.2%. The dollar made small gains over the course of the week while oil was off three dollars.

## THE ECONOMY

The unemployment rate fell to 5.3% in June, a seven-year low, as 223,000 new jobs were created. Average hourly earnings, however, were unchanged from the prior month. The Conference Board's index of consumer confidence rose to 101.4 in June, the highest level since January. The S&P/Case-Shiller home price index slowed to an annual pace of 4.9%. The ISM manufacturing index rose to 53.5 in June, led by improvements in new orders and employment.

In a quiet week, look for a slight improvement in the ISM's services index to 56.0. Wholesale inventories are expected to increase 0.2% in May from a 0.4% advance the month before. The trade balance is seen widening to \$42 billion.

## KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	0.25%	0.25%	2-Year Agency	0.71%	0.79%
Prime	3.25%	3.25%	5-Year Agency	1.73%	1.87%
2-Year Treasury	0.64%	0.72%	15-Year MBS	2.31%	2.38%
5-Year Treasury	1.64%	1.75%	30-Year MBS	3.12%	3.19%
10-Year Treasury	2.40%	2.49%	3-Month LIBOR	0.28%	0.28%

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 (2.50%)	90-Day LIBOR (0.50%)	90-Day LIBOR (2.00%)
1-Year	0.50%	3.20%	0.17%	0.05%	0.07%	1.09%
2-Year	0.90%	3.70%	0.98%	0.27%	0.14%	1.97%
3-Year	1.25%	4.17%	2.40%	0.80%	0.23%	2.55%
5-Year	1.78%	4.70%	6.03%	2.16%	0.43%	3.45%

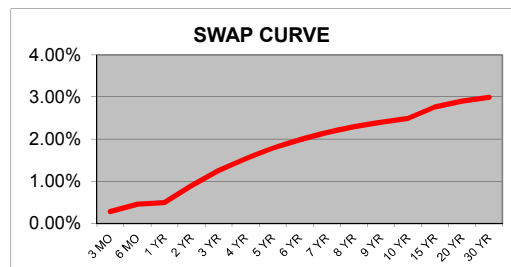
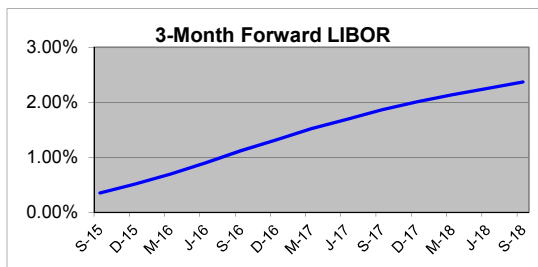
Source: Bloomberg, PNC

## OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 56.75	6.53%	Dow Jones Ind Avg	17,730.11	-0.52%
Commodities (CRB Index)	\$ 224.55	-2.35%	NASDAQ	5,009.21	5.77%
EURO (spot)	\$ 1.110	-8.31%	S&P 500	2,076.78	0.86%

Source: Bloomberg

## YIELD CURVES



Source: Bloomberg

## IN THE NEWS

The performance of first-lien mortgages improved during the first quarter of 2015, according to the OCC's quarterly report on mortgage delinquency. The OCC Mortgage Metrics Report, First Quarter 2015, showed 94.2 percent of mortgages included in the report were current at the end of the quarter, compared with 93.1 percent a year earlier. The percentage of mortgages that were 30 to 59 days past due was 1.9 percent of the portfolio, a 7.0 percent decrease from a year earlier. Seriously delinquent mortgages made up 2.6 percent of the portfolio, a 16.4 percent decrease from a year earlier.

The information contained herein is based on sources we believe are reliable but is not guaranteed by us and is not to be considered all inclusive. No express or implied representation or warranty as to the accuracy or completeness of such information is made by Atlantic Capital Strategies, Inc. This is not an offer or a solicitation of an offer to sell or buy any securities herein mentioned.