RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC. ***(781) 276-4966*** **August 3, 2015**

THE MARKETS

In a widely anticipated move, the FOMC on Wednesday kept its key funds rate near zero. The committee cited progress in the job market, a sign it remains on course to raise interest rates this year. The new statement included hints that officials see the economy getting closer to their goal. The committee is now looking for “some” rather than “additional” improvement on the jobs front, while adding that the risk to the outlook for economic activity is “nearly balanced.” Analysts believe these comments put the FOMC closer to the threshold for action, and possibly keeping September in play. The yield on the two-year Treasury note, the most sensitive to Fed’s policy, reached as high as 0.73%. Longer-dated Treasuries rallied, however, as the government said wages and salaries in the U.S. rose well below expectations. The 10-year note yield fell nine basis points to 2.18%, the lowest since May. West Texas crude oil slipped to $47.1 a barrel, compared to $61.3 as recently as June 23.

THE ECONOMY

GDP rose at a 2.3% annual rate in the second quarter, and a revised 0.6% advance in the first quarter erased a previously reported contraction. Durable goods orders increased 3.4% in June, boosted by non-defense aircraft orders. The S&P/Case-Shiller 20-City Home Price Index unexpectedly fell in May. Home prices were down 0.2%, leaving the year-over-year rate of appreciation broadly unchanged at 4.9%. According to the Employment Cost Index, wages rose only 0.2% in the second quarter.

The government will provide an update on the labor market for July. Look for 220,000 net new jobs with the unemployment rate holding steady at 5.3%. Hourly earnings are seen up 0.2% with the average work week staying at 34.5 hours. Personal income and spending are expected to increase 0.4% and 0.1%, respectively. The ISM should say its manufacturing gauge held at 53.5 and services index inched up to 56.2.

KEY RATES

Issue	*Value*	*Last Week*	*Issue*	*Value*	*Last Week*
Fed Funds	0.25%	0.25%	2-Year Agency	0.76%	0.72%
Prime	3.25%	3.25%	5-Year Agency	1.64%	1.72%
2-Year Treasury	0.67%	0.70%	15-Year MBS	2.24%	2.29%
5-Year Treasury	1.54%	1.64%	30-Year MBS	2.91%	3.01%
10-Year Treasury	2.18%	2.27%	3-Month LIBOR	0.30%	0.30%

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	0.54%	3.24%	0.19%	0.06%	0.04%	1.01%
2-Year	0.90%	3.70%	1.00%	0.18%	0.10%	1.77%
3-Year	1.21%	4.13%	2.27%	0.65%	0.20%	2.41%
5-Year	1.67%	4.59%	5.96%	2.05%	0.45%	3.38%

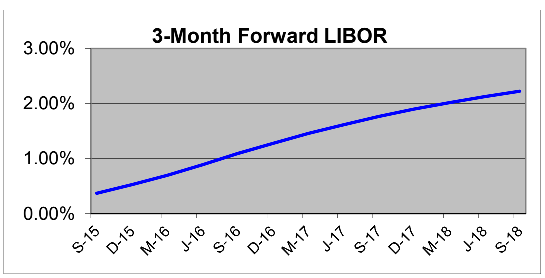
Source: Bloomberg, PNC

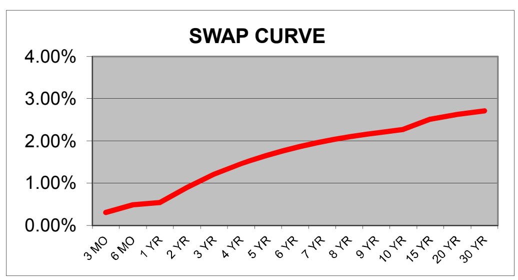
OTHER INDICATORS

	Value	*% Change YTD*		*Value*	*% Change YTD*
OIL (30 day futures)	$ 47.12	-11.54%	Dow Jones Ind Avg	17,689.86	-0.75%
Commodities (CRB Index)	$ 202.57	-11.91%	NASDAQ	5,128.28	8.28%
EURO (spot)	$ 1.099	-9.20%	S&P 500	2,103.84	2.18%

Source: Bloomberg

YIELD CURVES





Source: Bloomberg

IN THE NEWS

The Mortgage Bankers Association (MBA) released updated mortgage finance forecasts, which include a significant increase in the volume of purchase originations. MBA now projects that purchase originations will reach $801 billion in 2015 and $885 billion in 2016. That is an increase of $71 billion and $94 billion, respectively, over the association's previous forecast. According to Mike Fratantoni, MBA's Chief Economist, "The housing market recovery has shifted to a higher gear. We have revised upwards our estimates and forecasts for home sales and home prices, and the cash share of purchases has declined. Overall, we believe that pull-through rates have increased, reflecting incremental but important changes in borrower behavior and lender underwriting practices."