RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC. ***(781) 276-4966*** **October 5, 2015**

THE MARKETS

A weak employment report sent investors rushing to buy Treasury bonds on Friday, with the yield on the benchmark 10-year note dipping below 2% for the first time since April. The September jobs report bolstered expectations that a rate increase at the Fed's Oct. 27-28 meeting is off the table, and the probability for December fell sharply. According to the CME Group, the odds are 29% for the Dec. 15-16 meeting, compared with 44% before the data. The yield on the two-year note, most sensitive to Fed policy, fell to 0.56%, compared to a four-year high of 0.81% reached last month. Speaking after the report, however, St. Louis Fed President Bullard said the central bank needs to begin raising rates now that its employment and inflation objectives have been "nearly obtained." He said the economy is almost back to normal yet the FOMC is keeping monetary policy in "emergency" mode. Stocks pared early losses even as investors reassessed the economic impact from the jobs reports. The dollar fell against major currencies and oil futures erased early gains.

THE ECONOMY

Nonfarm payrolls increased 142,000 in September, compared with economist surveys of a 200,000 gain. The unemployment rate remained at 5.1% last month after falling in August. Personal income rose 0.3% and spending grew 0.4%. The S&P/Case-Shiller home price index declined 0.2% on a month-over-month basis, leaving the annual pace at 5.0%. Consumer confidence unexpectedly rose to 103 in September though the ISM manufacturing index slid to 50.2.

In a quiet week, look for the Institute for Supply Management to say its services gauge eased one point to 58 in September. Import prices were likely off 0.5% after plunging 1.8% in August while the trade deficit remains at $42 billion. Wholesale inventories are seen flat.

KEY RATES

Issue	*Value*	*Last Week*	*Issue*	*Value*	*Last Week*
Fed Funds	0.25%	0.25%	2-Year Agency	0.60%	0.72%
Prime	3.25%	3.25%	5-Year Agency	1.40%	1.55%
2-Year Treasury	0.58%	0.70%	15-Year MBS	2.03%	2.20%
5-Year Treasury	1.29%	1.48%	30-Year MBS	2.75%	2.90%
10-Year Treasury	1.99%	2.17%	3-Month LIBOR	0.33%	0.33%

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	0.47%	3.17%	0.17%	0.06%	0.09%	1.40%
2-Year	0.71%	3.51%	0.70%	0.18%	0.21%	2.37%
3-Year	0.94%	3.86%	1.59%	0.51%	0.39%	3.19%
5-Year	1.35%	4.27%	4.31%	1.64%	0.76%	4.63%

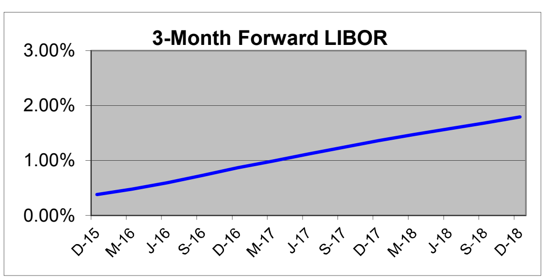
Source: Bloomberg, PNC

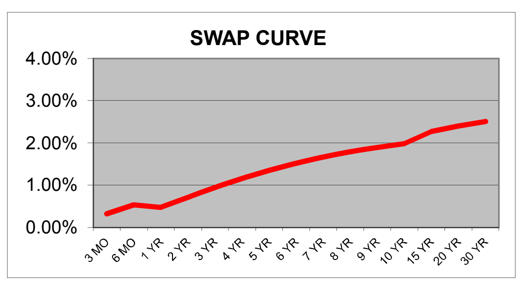
OTHER INDICATORS

	Value	*% Change YTD*		*Value*	*% Change YTD*
OIL (30 day futures)	$ 45.63	-14.34%	Dow Jones Ind Avg	16,472.37	-7.58%
Commodities (CRB Index)	$ 194.11	-15.59%	NASDAQ	4,707.78	-0.60%
EURO (spot)	$ 1.122	-7.33%	S&P 500	1,951.36	-5.23%

Source: Bloomberg

YIELD CURVES





Source: Bloomberg

IN THE NEWS

The level of commercial/multifamily mortgage debt outstanding increased by $38.5 billion in 2Q 2015, as most investor groups increased their holdings, according to the Mortgage Bankers Assoc. (MBA). Total outstandings stood at $2.72 trillion at the end of the second quarter. Multifamily mortgage debt outstanding rose to $1.0 trillion, an increase of $23.6 billion, or 2.4%, from the first quarter. "Rising property values are supporting increased levels of commercial and multifamily mortgage debt," said Jamie Woodwell, MBA Vice President. "The total amount of commercial and multifamily mortgage debt continues to grow at a strong pace."