

# RATE ENVIRONMENT

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## THE MARKETS

Treasuries recouped losses on Friday amid investor concerns about tensions in Spain and the prospect of a leadership change at the Fed. Investors fled to safe assets as the Catalan region declared independence from Spain, intensifying conflict with Madrid. Also driving yields lower were media reports that the president is leaning toward Fed Governor Powell to be the next chairman. Mr. Powell is less likely than other contenders to be aggressive in raising interest rates, according to analysts. The FOMC meets this week and is widely expected to keep rates unchanged; the probability is 84% for the December 13 meeting. Stocks rose, boosted by strong corporate results from a quartet of technology giants. The tech-heavy Nasdaq Composite gained 1.1% for the week to 6701 while the S&P 500 advanced 0.2% to 2581. Brent crude oil, the global benchmark, hit a two-year high, helped by declining inventories and optimism that OPEC will extend a deal to limit production.

## THE ECONOMY

The U.S. economy expanded at a 3% pace in Q3 as consumer spending grew 2.4%. New home sales were sharply higher in September, gaining 19% to 667,000. Durable goods orders were up 2.2% and the University of Michigan said its confidence index slid to 100.7.

Payrolls are expected to bounce back from September's decline, advancing 310,000. The unemployment rate is seen unchanged at 4.2% and wages should rise 0.2%. Look for the ISM to say its manufacturing index eased to 59.3 while the services gauge slipped to 58.3.

## KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	1.25%	1.25%	2-Year Agency	1.65%	1.65%
Prime	4.25%	4.25%	5-Year Agency	2.10%	2.08%
2-Year Treasury	1.59%	1.60%	15-Year MBS	2.45%	2.43%
5-Year Treasury	2.03%	2.03%	30-Year MBS	3.04%	3.02%
10-Year Treasury	2.42%	2.39%	3-Month LIBOR	1.37%	1.36%

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 (2.00%)	90-Day LIBOR (2.75%)	90-Day LIBOR (2.00%)	90-Day LIBOR (2.75%)
1-Year	1.64%	4.34%		0.16%	0.09%	0.29%	0.98%
2-Year	1.82%	4.62%		0.56%	0.32%	0.52%	1.74%
3-Year	1.94%	4.86%		1.08%	0.65%	0.82%	2.44%
5-Year	2.12%	5.04%		2.43%	1.51%	1.63%	3.97%

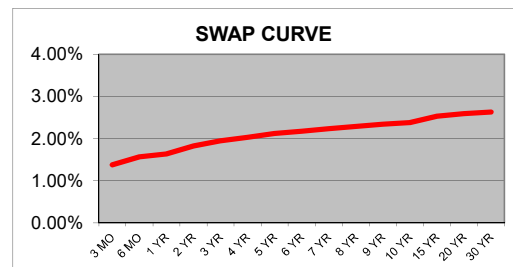
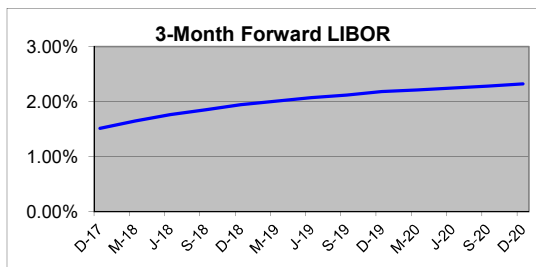
Source: Bloomberg, PNC

## OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 54.08	0.67%	Dow Jones Ind Avg	23,434.19	18.58%
Commodities (CRB Index)	\$ 186.89	-2.92%	NASDAQ	6,701.26	24.49%
EURO (spot)	\$ 1.161	10.39%	S&P 500	2,581.07	15.29%

Source: Bloomberg

## YIELD CURVES



Source: Bloomberg

## IN THE NEWS

Approximately 10 million consumers are expected to take out a home equity line of credit (HELOC) between 2018 and 2022, according to a TransUnion study. This would more than double the 4.8 million HELOCs originated in the previous five-year period (2012-2016). "With aggregate home equity surpassing that of the housing boom in the mid 2000s, TransUnion is projecting between nine and 11 million consumers will originate HELOCs over the next five years," said Joe Mellman, senior vice president and mortgage line of business leader at TransUnion. "We expect there will be approximately 10 million HELOCs originated between 2018 and 2022, driven primarily by continued home equity growth and a relatively robust economy."

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