

RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC.

(781) 276-4966

FEBRUARY 26, 2018

THE MARKETS

Federal Reserve officials forecast increased growth and an uptick in inflation at the last FOMC meeting on Jan. 31, concluding that "upside risks" to economic growth had grown due to tax cuts. "A majority of participants noted that a stronger outlook raised the likelihood that further gradual policy firming would be appropriate," the statement said. "Almost all participants" saw inflation moving up to the Fed's 2 percent inflation goal over the "medium term" as growth "remained above trend and the labor market stayed strong." The Treasury, meanwhile, sold \$260 billion of securities with yields at its auctions of three-month and six-month debt rising to levels not seen since 2008. The government auctioned \$51 billion of three-month bills at a yield of 1.64%, while \$45 billion of six-month debt yielded 1.82%. Stocks rallied Friday to end a bumpy week with slight gains. The S&P 500 gained 4.9% over the past two weeks, its largest two-week gain since February 2015.

THE ECONOMY

Existing homes sales rose 0.5% to 5.60 million after slipping 2.8% in December. Leading indicators advanced 1.0% in January, up from 0.6% in the prior month and mortgage applications fell 6.6%.

New home sales are seen up 2.9% to 643,000 in January while the S&P Case Shiller home price index gains 6.2%. Look for the ISM to say its manufacturing index eased to 58.6 with construction spending up 0.2%. Personal income is expected to increase 0.2% with spending growing 0.3%.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	1.50%	1.50%	2-Year Agency	2.29%	2.25%
Prime	4.50%	4.50%	5-Year Agency	2.67%	2.69%
2-Year Treasury	2.25%	2.21%	15-Year MBS	3.07%	3.09%
5-Year Treasury	2.62%	2.63%	30-Year MBS	3.53%	3.56%
10-Year Treasury	2.88%	2.87%	3-Month LIBOR	1.96%	1.87%

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	2.27%	4.97%		0.39%	0.15%	0.05%	0.40%
2-Year	2.49%	5.29%		1.23%	0.60%	0.14%	0.67%
3-Year	2.61%	5.53%		2.22%	1.30%	0.30%	1.02%
5-Year	2.73%	5.65%		4.29%	3.07%	0.85%	1.99%

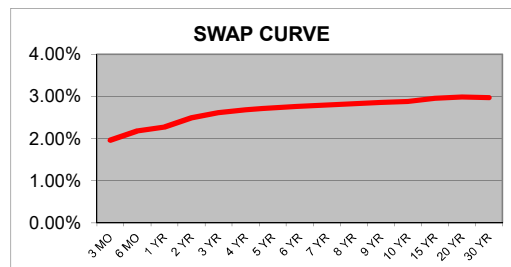
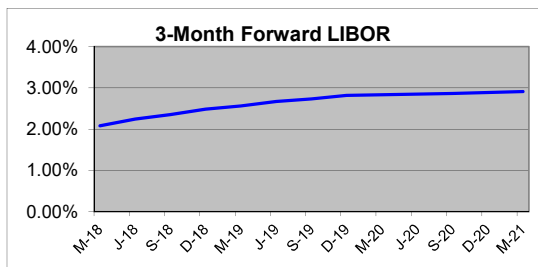
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 63.55	5.71%	Dow Jones Ind Avg	25,309.99	2.39%
Commodities (CRB Index)	\$ 195.99	1.10%	NASDAQ	7,337.39	6.29%
EURO (spot)	\$ 1.229	2.43%	S&P 500	2,747.30	2.76%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

The Mortgage Bankers Association (MBA) projects multi-family mortgage originations will decline slightly in 2018, ending the year at \$549 billion, down three percent from 2017. MBA forecasts mortgage banker originations of multi-family mortgages at \$248 billion in 2018, with total multi-family lending at \$271 billion. "There is a strong mix of both headwinds and tailwinds in the commercial real estate finance markets right now," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research. "Our sense is that for commercial and multi-family mortgage borrowing and lending, the net effect is likely to be close to a wash."

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.