RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC. *(781) 276-4966* AUGUST 27, 2018

THE MARKETS

The Fed is ready to raise rates again if the economy stays on track, according to minutes of the most recent policy meeting. “Many participants suggested that if incoming data continued to support their current economic outlook, it would likely soon be appropriate to take another step in removing policy accommodation,” minutes of the July 31-Aug. 1 FOMC meeting stated. The Fed said that “further gradual increases” in the target rate would be appropriate to avoid a buildup in inflationary pressures. “All participants pointed to ongoing trade disagreements as an important source of uncertainty and risks,” the minutes also noted. Treasury yields were weighed down by release of the minutes, as officials discussed their concerns over how prolonged trade disputes could disrupt economic growth. Global stocks were mostly mixed with U.S.-China trade talks appearing to make little progress, and oil prices gained on a drop in inventories.

THE ECONOMY

Sales of existing homes unexpectedly fell for a fourth month, easing 0.7% to a 5.34 million annual rate. New home sales, meanwhile, were off 1.7% to 627,000. Durable goods orders decreased 1.7% in July though gained 0.2% excluding the transportation segment.

In another estimate of 2Q GDP, growth may be revised down slightly to 4.0%. The S&P CoreLogic index is expected to show that house prices increased 6.5% as pending home sales were flat in July. Personal spending is seen up 0.4%.

KEY RATES

Issue	*Value*	*Last Week*	*Issue*	*Value*	*Last Week*
Fed Funds	2.00%	2.00%	2-Year Agency	2.61%	2.63%
Prime	5.00%	5.00%	5-Year Agency	2.79%	2.82%
2-Year Treasury	2.63%	2.61%	15-Year MBS	3.12%	3.15%
5-Year Treasury	2.72%	2.75%	30-Year MBS	3.57%	3.60%
10-Year Treasury	2.82%	2.87%	3-Month LIBOR	2.31%	2.31%

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 (2.00%)*	*90-Day LIBOR (2.75%)*	*90-Day LIBOR (2.00%)*	*90-Day LIBOR (2.75%)*
1-Year	2.64%	5.34%	0.64%	0.28%	0.03%	0.13%
2-Year	2.80%	5.60%	1.70%	0.94%	0.12%	0.36%
3-Year	2.84%	5.76%	2.76%	1.60%	0.28%	0.72%
5-Year	2.85%	5.77%	4.63%	2.62%	0.84%	1.69%

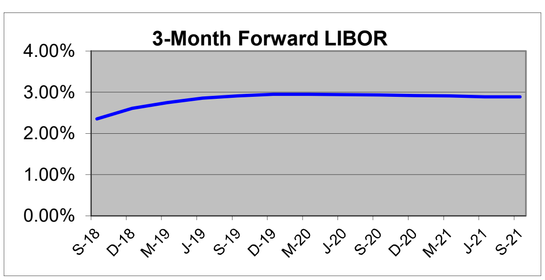
Source: Bloomberg, PNC

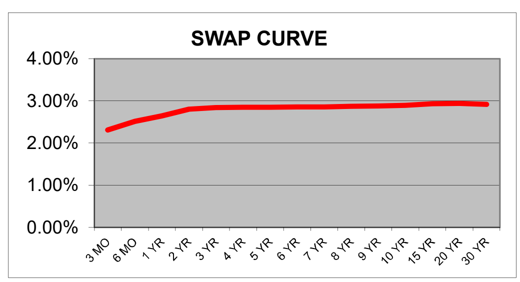
OTHER INDICATORS

	Value	*% Change YTD*		*Value*	*% Change YTD*
OIL (30 day futures)	$ 68.72	14.30%	Dow Jones Ind Avg	25,790.35	4.33%
Commodities (CRB Index)	$ 192.08	-0.92%	NASDAQ	7,945.98	15.10%
EURO (spot)	$ 1.162	-3.16%	S&P 500	2,874.69	7.52%

Source: Bloomberg

YIELD CURVES





Source: Bloomberg

IN THE NEWS

The delinquency rate on one-to-four-unit residential properties fell to a seasonally adjusted rate of 4.36% as of the end of the second quarter, down 27 basis points from the 4.63% previous quarter, but up 12 basis points from 4.24% in the second quarter of 2017, according to the Mortgage Bankers Association’s (MBA) National Delinquency Survey. “We continue to see improvement in the overall mortgage delinquency rate as the impact of the hurricanes from one year ago lessens, particularly for conventional loans,” says Marina Walsh, vice president of industry analysis at MBA, in a statement.