RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC. (781) 276-4966 MARCH 11, 2019

THE MARKETS

Treasuries rallied after data showed that the U.S. added fewer jobs in February than predicted, spurring concerns that a long-forecast slowdown is arriving. Bond prices were also supported by a policy change in Europe. Responding to its faltering economy, the ECB said it would hold interest rates at their current levels through the end of this year, and announced a fresh batch of cheap long-term loans for banks. The benchmark 10-year Treasury note closed at 2.62%, down from 2.76% one week ago. Fed funds futures currently imply a 21% chance of a cut in the target rate by year-end, compared with 10% on February 28. Major stock indexes recorded their worst week since December on concerns about slowing global growth, with the S&P down 2.1% and the NASDAQ off 2.5%. In other news, investors placed more than $15 billion into municipal bond funds in the first eight weeks of the year, the most over that period in at least 13 years, according to the Wall Street Journal.

THE ECONOMY

The Labor Department reported 20,000 net new jobs in February, the fewest in more than a year, though wages rose a better-than-expected 3.4%. The ISM's services index rose 3 points to 59.7, the biggest gain in a year, driven by new orders. New home sales rose 3.7% in December to 621,000 and the U.S. trade deficit widened in 2018 to a 10-year high of $621 billion. Housing starts surged 18.6% to 1.23 million in January.

Retail sales are expected to bounce back from December's 1.8% drop, advancing 0.4%. Prices at both the consumer and wholesale levels are seen gaining 0.2% in February while durable goods orders slip 0.8%. At the same time, industrial production is projected to increase 0.6%, bringing capacity utilization up to 78.7%.

KEY RATES

Issue	*Value*	*Last Week*	*Issue*	*Value*	*Last Week*
Fed Funds	2.50%	2.50%	2-Year Agency	2.46%	2.56%
Prime	5.50%	5.50%	5-Year Agency	2.52%	2.63%
2-Year Treasury	2.46%	2.55%	15-Year MBS	2.96%	3.07%
5-Year Treasury	2.43%	2.56%	30-Year MBS	3.38%	3.53%
10-Year Treasury	2.62%	2.76%	3-Month LIBOR	2.59%	2.62%

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 (2.25%)*	*90-Day LIBOR (3.00%)*	*90-Day LIBOR (2.25%)*	*90-Day LIBOR (3.00%)*
1-Year	2.66%	5.36%	0.48%	0.19%	0.04%	0.40%
2-Year	2.59%	5.39%	1.17%	0.61%	0.23%	1.00%
3-Year	2.53%	5.45%	1.83%	0.96%	0.57%	1.74%
5-Year	2.51%	5.43%	3.13%	1.44%	1.44%	3.31%

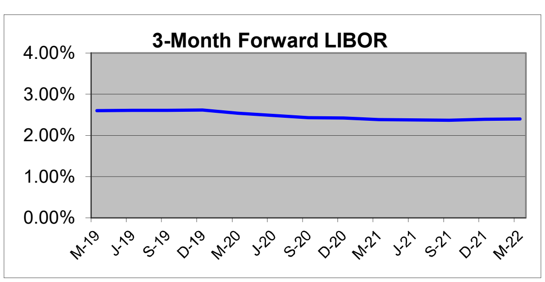
Source: Bloomberg, PNC

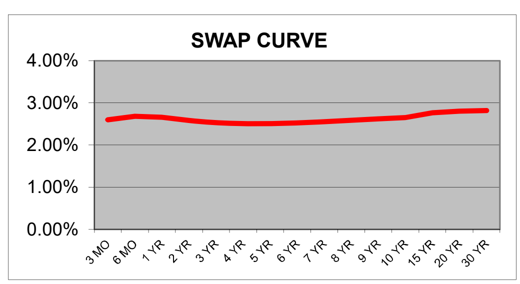
OTHER INDICATORS

	Value	*% Change YTD*		*Value*	*% Change YTD*
OIL (30 day futures)	$ 56.07	23.48%	Dow Jones Ind Avg	25,450.24	9.10%
Commodities (CRB Index)	$ 180.67	6.40%	NASDAQ	7,408.14	11.65%
EURO (spot)	$ 1.124	-2.02%	S&P 500	2,743.07	9.42%

Source: Bloomberg

YIELD CURVES





Source: Bloomberg

IN THE NEWS

Commercial banks and savings institutions insured by the FDIC reported net income of $59.1 billion in the fourth quarter of 2018, up $33.8 billion (133.4 percent) from a year ago. "The banking industry continued to report strong results," FDIC Chairman McWilliams said. "Growth in net income was attributable to higher net operating revenue and a lower effective tax rate. Loan balances expanded, net interest margins improved, and the number of ‘problem banks’ continued to decline. Community banks also had a strong quarter, with annual loan growth and a net interest margin that exceeded the overall industry."