

RATE ENVIRONMENT

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THE MARKETS

Stocks pared losses on Friday, though still posted the worst week of the year as trade talks between the U.S. and China dragged on. After optimism about a deal helped push the S&P 500 to a record close last month, worries about new tariffs slowing global growth have hurt major indexes. Shares of companies reliant on global trade flows came under the most pressure. The worst performing sectors last week were technology, industrials and materials. Treasuries rallied as investors assessed trade developments and reacted to reports showing inflation remains muted. Fed New York President Williams, meanwhile, said the outlook remains bright and interest rate policy is in the right place. "The economy remains on a path of healthy growth, with a very strong labor market and without the emergence of inflationary pressures," Mr. Williams said. He added, however, that whatever the Fed does will be driven by the economy, saying "when the facts change, we'll change our minds."

THE ECONOMY

Producer prices rose 0.2% in April for a 2.2% annual pace. Consumer prices, meanwhile, were up 0.3%, or 2.0% higher than one year ago. The trade deficit edged up to \$50 billion and mortgage applications increased 2.7%.

Retail sales are seen gaining 0.7% in April and by 0.4% when food and energy are excluded. Economists are calling for housing starts to advance 6.9% to 1.22 million with permits up 2.1% to 1.3 million. Look for a flat reading on industrial production.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	2.50%	2.50%	2-Year Agency	2.27%	2.34%
Prime	5.50%	5.50%	5-Year Agency	2.32%	2.35%
2-Year Treasury	2.26%	2.33%	15-Year MBS	2.78%	2.80%
5-Year Treasury	2.26%	2.32%	30-Year MBS	3.23%	3.26%
10-Year Treasury	2.46%	2.53%	3-Month LIBOR	2.55%	2.57%

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 (2.25%)	90-Day LIBOR (3.00%)	90-Day LIBOR (2.25%)	90-Day LIBOR (3.00%)
1-Year	2.50%	5.20%	0.35%	0.06%	0.10%	0.64%
2-Year	2.37%	5.17%	0.74%	0.11%	0.45%	1.55%
3-Year	2.31%	5.23%	1.01%	0.26%	0.92%	2.53%
5-Year	2.30%	5.22%	2.09%	0.85%	1.96%	4.41%

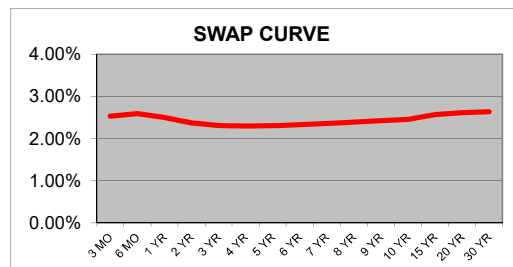
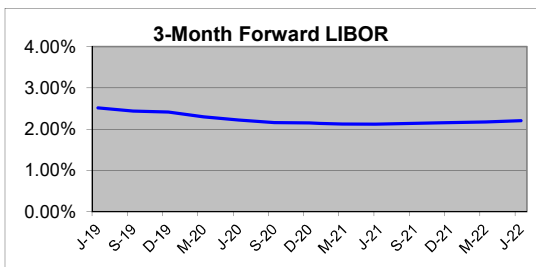
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 61.66	35.79%	Dow Jones Ind Avg	25,942.37	11.21%
Commodities (CRB Index)	\$ 178.95	5.39%	NASDAQ	7,916.94	19.32%
EURO (spot)	\$ 1.123	-2.04%	S&P 500	2,881.40	14.93%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

Stock prices are "elevated" and business debt is at historic levels, but the financial system overall "appears resilient" with low levels of leverage and less of a destabilizing run in key markets, the Federal Reserve said in its latest report on financial stability. "Investor appetite for risk appears elevated by several measures, and the debt loads of businesses are historically high," the Fed said. "With financial volatility easing since the end of last year, the report suggests stretched asset valuations, continued vigilance against a backdrop of low-to- moderate vulnerabilities in the household and banking sectors," Fed Governor Brainard said.