

# RATE ENVIRONMENT

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## THE MARKETS

Federal Reserve officials viewed their current monetary policy as appropriate “for a time” while they remained on guard against global risks that could slow the expansion. “Officials saw the distribution of risks to the outlook for economic activity as more favorable than at the previous meeting, although a number of downside risks remained prominent,” according to minutes of the Jan. 28-29 FOMC meeting. Futures traders maintained expectations for the central bank to lower interest rates at least once this year, pricing in around 40 basis points of easing by the end of December. The benchmark 10-year Treasury yield slid lower on the week to 1.46%. Stocks fell as investors took a defensive stance amid renewed concern about the coronavirus outbreak. The Dow Jones Industrial Average lost 1.4%, the S&P 500 fell 1.3% and the Nasdaq Composite gave back 1.6%. Oil prices climbed as investors assessed potential sanctions imposed on foreign energy companies.

## THE ECONOMY

Prices at the wholesale level surged 0.5% in January and are 2.1% higher than one year ago. Building permits rose 9.2% to 1.55 million for the highest since 2007. Existing home sales, meanwhile, were off 1.3% to 5.46 million. Leading indicators surged 0.8% in January.

Look for new home sales to gain 2.2% for a 709,000 annual rate while the S&P CoreLogic home price index increases 3.5%. Personal income and spending are both seen up 0.3% in January. The closely watched PCE core deflator is expected to advance 1.7%.

## KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	1.75%	1.75%	2-Year Agency	1.36%	1.44%
Prime	4.75%	4.75%	5-Year Agency	1.34%	1.47%
2-Year Treasury	1.34%	1.42%	15-Year MBS	1.96%	2.05%
5-Year Treasury	1.30%	1.42%	30-Year MBS	2.38%	2.45%
10-Year Treasury	1.46%	1.59%	3-Month LIBOR	1.68%	1.69%

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 (1.75%)	90-Day LIBOR (2.50%)	90-Day LIBOR (1.75%)	90-Day LIBOR (2.50%)
1-Year	1.51%	4.21%		0.08%	0.05%	0.29%	1.03%
2-Year	1.37%	4.17%		0.21%	0.08%	0.83%	2.19%
3-Year	1.32%	4.24%		0.40%	0.16%	1.46%	3.39%
5-Year	1.31%	4.23%		1.03%	0.47%	2.88%	5.94%

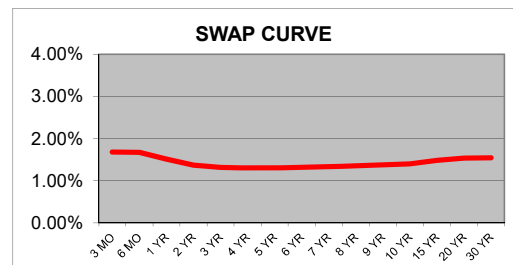
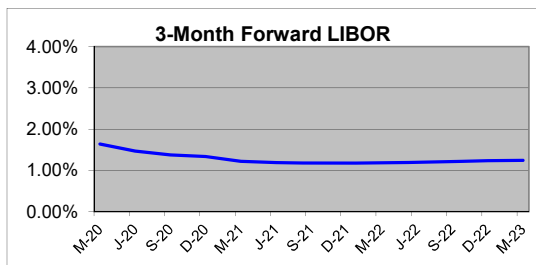
Source: Bloomberg, PNC

## OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 53.38	-12.58%	Dow Jones Ind Avg	28,992.41	1.59%
Commodities (CRB Index)	\$ 174.64	-6.00%	NASDAQ	9,576.59	6.74%
EURO (spot)	\$ 1.083	-3.42%	S&P 500	3,337.75	3.34%

Source: Bloomberg

## YIELD CURVES



Source: Bloomberg

## IN THE NEWS

The FDIC and OCC extended the public comment period for proposed changes to CRA regulations until April 8, 2020. The proposed regulations are intended to increase bank activity in low- and moderate-income communities where there is significant need for credit, more responsible lending, and greater access to banking services. The proposal will clarify what qualifies for credit under the CRA, enabling banks to better activities that can benefit communities. The agencies will also create an additional definition of "assessment areas" tied to where deposits are located.