

RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC.

(781) 276-4966

AUGUST 26, 2019

THE MARKETS

Speaking in Jackson Hole, Wyoming, Fed Chair Powell said the central bank was prepared to provide more stimulus if a global slowdown hurts the U.S. economy. He noted that the economy is in a favorable place but faces “significant risks” as growth slows abroad. St. Louis Fed President Bullard, meanwhile, supported the idea of an “insurance” rate cut to protect against the downside risks and because inverted yield curve is “not a good place to be.” Philadelphia Fed President Harker, however, said that while he went along with the central bank’s rate cut in July, he doesn’t see the case for additional stimulus. Traders have fully priced in a quarter-point cut at the Sept. 18 FOMC meeting, with a 50% chance of two more moves by year-end. Stocks plunged after the Administration responded to new Chinese tariffs on oil and agricultural goods. Bond prices surged on Friday, pushing the yield on the 10-year Treasury note to a multi-year low as investors flocked to safe assets in reaction to a further escalation of the trade conflict.

THE ECONOMY

Existing home sales advanced 1.5% in July to 5.35 million as new home sales eased 12.8% to 635,000. Leading indicators bounced back from June's 0.1% drop, gaining 0.5%. Consumer confidence dropped to a five-month low in August as stock market volatility weighed on sentiment.

In another revision to Q2 GDP, the government should lower growth slightly to 1.9%. Personal income is expected to increase 0.3% in July while spending gained 0.5%. The closely-watched core PCE index is seen up 0.6%.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	2.25%	2.25%	2-Year Agency	1.55%	1.49%
Prime	5.25%	5.25%	5-Year Agency	1.45%	1.44%
2-Year Treasury	1.53%	1.47%	15-Year MBS	2.08%	2.03%
5-Year Treasury	1.42%	1.42%	30-Year MBS	2.46%	2.43%
10-Year Treasury	1.53%	1.55%	3-Month LIBOR	2.13%	2.12%

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	1.77%	4.47%	0.08%	0.05%	0.74%	1.46%
2-Year	1.53%	4.33%	0.15%	0.07%	1.76%	3.16%
3-Year	1.43%	4.35%	0.27%	0.12%	2.87%	4.91%
5-Year	1.37%	4.29%	0.88%	0.50%	5.15%	8.38%

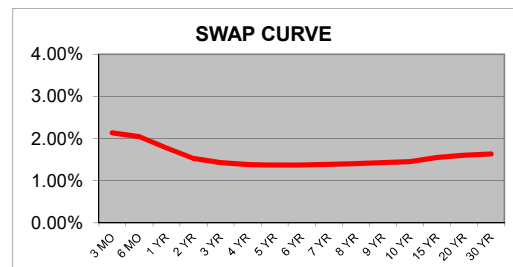
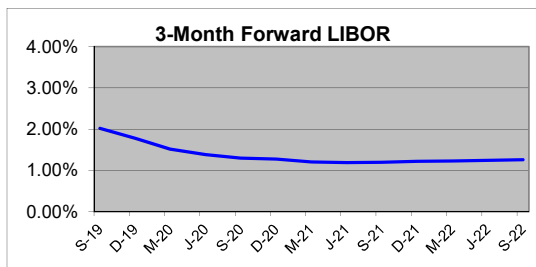
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 54.17	19.29%	Dow Jones Ind Avg	25,628.90	9.87%
Commodities (CRB Index)	\$ 168.61	-0.70%	NASDAQ	7,751.77	16.83%
EURO (spot)	\$ 1.114	-2.82%	S&P 500	2,847.11	13.57%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

The FDIC approved a notice of proposed rulemaking that would amend the deposit insurance assessment regulations that govern the use of small bank assessment credits and one-time assessment credits. The proposal would require the FDIC to automatically apply small bank credits to quarterly assessments when the reserve ratio is at least 1.35 percent, rather than 1.38 percent, as required under current regulation. After applying credits for eight quarters, the FDIC would remit to insured depository institutions the nominal value of any remaining small bank credits.