

RATE ENVIRONMENT

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THE MARKETS

Optimism on trade and a strong batch of earnings pushed stocks close to record highs and a third straight week of gains. Shares of technology companies were among the biggest winners last week as several bellwether firms posted strong results. Treasury yields jumped higher after reports that the U.S. and China made progress in trade discussions, edging closer to part one of a deal. The benchmark 10-year Treasury note closed at 1.80%, compared with 1.51% as recently as October 4. The Federal Reserve meets this week and is widely expected to cut rates by 25 basis points, bringing the target to a range of 1.50 to 1.75 percent. According to futures trading, the next move will occur at the March 2020 gathering. Across the pond, the ECB left its policy rate unchanged at minus 0.5% and stuck to their plan to start buying €20 billion a month of mostly government bonds. Oil prices surged 5% after stockpiles of U.S. crude posted their first decline in six weeks.

THE ECONOMY

Existing home sales fell 2.2% in September to 5.38 million while new home sales were off 0.7% to 701,000. Durable goods orders fell for a second month by 0.5% and consumer sentiment as measured by the University of Michigan held steady at 95.5.

The Labor Department is expected to report 93,000 net new jobs in October, down from 136,000 in the prior month. The unemployment rate is seen ticking up to 3.6% with wages growing 3%. Look for the ISM to say its manufacturing index remained below the key 50 level (49.0) while personal spending rose 0.3%.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	2.00%	2.00%	2-Year Agency	1.63%	1.59%
Prime	5.00%	5.00%	5-Year Agency	1.64%	1.60%
2-Year Treasury	1.62%	1.57%	15-Year MBS	2.32%	2.28%
5-Year Treasury	1.62%	1.56%	30-Year MBS	2.78%	2.72%
10-Year Treasury	1.80%	1.75%	3-Month LIBOR	1.94%	1.97%

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 (2.00%)	90-Day LIBOR (2.75%)	90-Day LIBOR (2.00%)	90-Day LIBOR (2.75%)
1-Year	1.76%	4.46%	0.08%	0.05%	0.44%	1.15%
2-Year	1.65%	4.45%	0.16%	0.07%	1.11%	2.45%
3-Year	1.61%	4.53%	0.33%	0.13%	1.84%	3.77%
5-Year	1.59%	4.51%	0.83%	0.35%	3.37%	6.35%

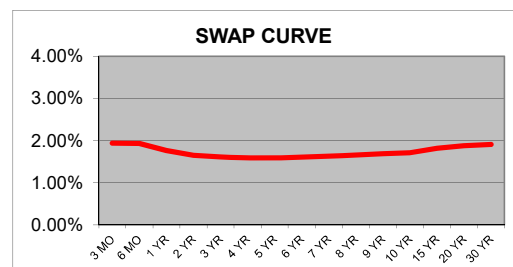
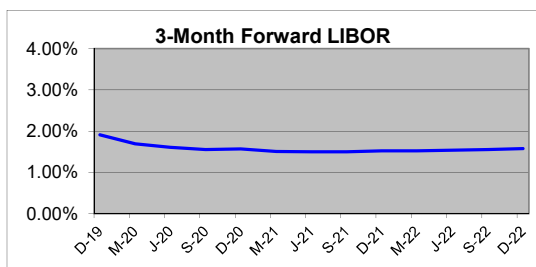
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 56.66	24.77%	Dow Jones Ind Avg	26,958.06	15.57%
Commodities (CRB Index)	\$ 178.37	5.05%	NASDAQ	8,243.12	24.23%
EURO (spot)	\$ 1.108	-3.37%	S&P 500	3,022.55	20.56%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

The Financial Accounting Standards Board extended the implementation deadline for CECL, giving many U.S. companies additional time to prepare. During the extended preparation period, the FASB intends to continue offering a series of workshops to educate smaller lenders across the U.S. on applying CECL, Chairman Russell Golden said. "What we discovered in revenue recognition and leases is that smaller companies have the opportunity to learn from larger companies," Mr. Golden said in an interview. *Wall Street Journal*