

RATE ENVIRONMENT

ATLANTIC CAPITAL STRATEGIES, INC.

(781) 276-4966

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THE MARKETS

Fed officials voted to leave interest rates unchanged while signaling they're on track to hike once more this year. Recent data indicate that "the labor market has continued to strengthen and that economic activity has been rising at a solid rate despite hurricane-related disruptions," the FOMC said in a statement. The Bank of England, meanwhile, raised its benchmark interest rate for the first time in a decade, representing the latest step by the central banks to withdraw crisis-era stimulus. The BOE suggested that further tightening would be gradual and limited. In other news, the president nominated Jerome Powell to chair the Federal Reserve. According to analysts, Powell is expected to stay the course on monetary policy if the economy continues its steady growth. Treasuries rallied as investors assessed the impact of the Republican plan to overhaul the U.S. tax code. The Dow reached another fresh high, supported by technology and financial companies.

THE ECONOMY

U.S. employers added 261,000 workers in October with the jobless rate falling one notch to 4.1% and wages were flat. Consumer confidence as measured by the Conference Board rose to 125.9, the highest in 17 years. The ISM manufacturing index slipped to 58.7 in October from 60.8 in the prior month; the services gauge inched up to 60.1.

In a quiet week, look for consumer credit to increase \$18.2 billion in September, compared to \$13.1 billion in the prior month. Wholesale inventories are expected to advance 0.3% for another month and the University of Michigan should say its confidence index edged up to 101.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	1.25%	1.25%	2-Year Agency	1.65%	1.65%
Prime	4.25%	4.25%	5-Year Agency	2.05%	2.10%
2-Year Treasury	1.63%	1.59%	15-Year MBS	2.39%	2.44%
5-Year Treasury	1.99%	2.03%	30-Year MBS	2.96%	3.03%
10-Year Treasury	2.34%	2.42%	3-Month LIBOR	1.39%	1.37%

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	1.66%	4.36%		0.16%	0.10%	0.30%	1.01%
2-Year	1.82%	4.62%		0.55%	0.31%	0.54%	1.78%
3-Year	1.93%	4.85%		1.05%	0.64%	0.84%	2.49%
5-Year	2.08%	5.00%		2.35%	1.49%	1.68%	4.05%

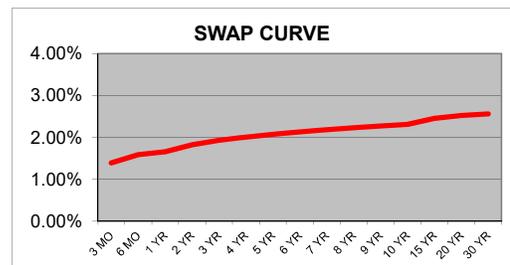
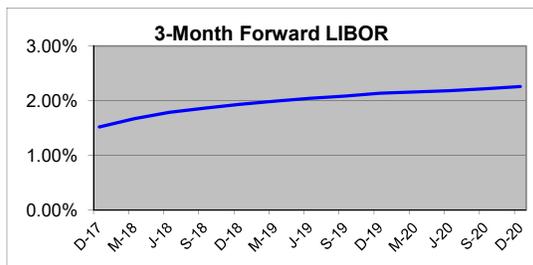
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 55.65	3.59%	Dow Jones Ind Avg	23,539.19	19.11%
Commodities (CRB Index)	\$ 189.38	-1.63%	NASDAQ	6,764.44	25.66%
EURO (spot)	\$ 1.161	10.39%	S&P 500	2,587.84	15.59%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

The Mortgage Bankers Association announced that it expects \$1.2 trillion in purchase mortgage originations during 2018, a 7.3 percent increase from 2017. In contrast, MBA anticipates refinance originations will decrease by 28.3 percent from 2017, to approximately \$430 billion. In total, mortgage originations will decrease to \$1.60 trillion in 2018 from \$1.69 trillion in 2017. "We are projecting that home purchase originations will increase at a faster clip in 2018, nearly double the rate that they increased in 2017. All the pieces are in place for stronger growth in 2018 and beyond," said Michael Fratantoni, MBA's Chief Economist.