

RATE ENVIRONMENT

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THE MARKETS

Fed officials raised the benchmark rate a quarter-point and forecast a steeper path of hikes in 2019 and 2020, citing an improving economic outlook. Policy makers continued to project a total of three increases this year. "The economic outlook has strengthened in recent months," the FOMC said in a statement. Officials repeated previous language that they anticipate "further gradual adjustments in the stance of monetary policy." Central bankers projected a median federal funds rate of 2.9% by the end of 2019, implying three rate increases next year, compared with two 2019 moves as recently as December. They see rates reaching 3.4% at year-end 2020. According to Bloomberg, investors are placing a 62% chance of another move at the May 2 gathering, up from 17% just two weeks ago. Treasuries sold off initially on the news, with the benchmark 10-year note reaching 2.90%, and ended the week with a small gain. Stocks plunged, as the market continues to grapple with the trajectory for central bank policy and the prospect of trade friction.

THE ECONOMY

Existing home sales rose 3% to 5.54 million as the FHFA price index increased 0.8%. New home sales, meanwhile, were off 0.6% to 618,000; they fell 4.7% in January. Durable goods orders climbed 1.2% in February after falling 0.3% in the prior month.

Personal income is seen gaining 0.4% in February as spending gains 0.2%. In another estimate of Q4 GDP, economists see growth at 2.6% with the closely-watched price index edging up 1.6%. The University of Michigan is expected to say its confidence index held at 102.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	1.75%	1.50%	2-Year Agency	2.35%	2.38%
Prime	4.75%	4.50%	5-Year Agency	2.69%	2.75%
2-Year Treasury	2.28%	2.31%	15-Year MBS	3.07%	3.06%
5-Year Treasury	2.61%	2.65%	30-Year MBS	3.52%	3.58%
10-Year Treasury	2.82%	2.85%	3-Month LIBOR	2.29%	2.18%

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	2.41%	5.11%		0.43%	0.18%	0.05%	0.27%
2-Year	2.58%	5.38%		1.36%	0.74%	0.15%	0.50%
3-Year	2.68%	5.60%		2.40%	1.37%	0.32%	0.85%
5-Year	2.75%	5.67%		4.44%	2.58%	0.88%	1.83%

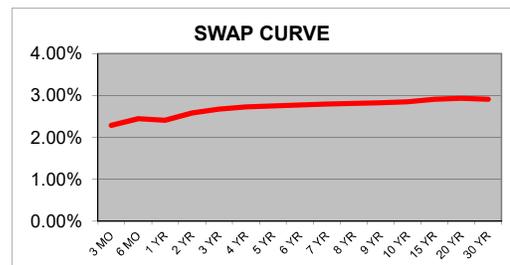
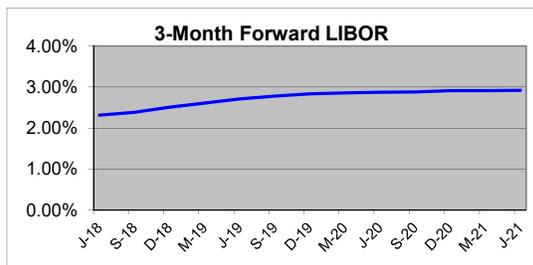
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 65.88	9.58%	Dow Jones Ind Avg	23,533.20	-4.80%
Commodities (CRB Index)	\$ 196.26	1.24%	NASDAQ	6,992.67	1.29%
EURO (spot)	\$ 1.235	2.93%	S&P 500	2,588.26	-3.19%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

The FDIC approved a final rule to raise the appraisal thresholds for commercial real estate transactions from \$250,000 to \$500,000 — an increase from the original proposal, which called for the appraisal threshold to be raised to \$400,000. The threshold for loans secured by 1-to-4 family residential properties will remain at \$250,000; however, residential construction loans secured by multiple 1-to-4 residential properties would be considered CRE transactions. The final rule must now be approved by the Federal Reserve and the OCC; once approved by the agencies, it will be effective 30 days after publication in the Federal Register.

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