

RATE ENVIRONMENT

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THE MARKETS

Treasury prices fell last week amid mounting concerns that demand for the debt from overseas investors is poised to decline. Yields rose following similar moves in Japan, with investors speculating that a change in monetary policy from the Bank of Japan could lead to reduced support for that country's bond market. That speculation dovetails with developments in central bank policy in the U.S. and Europe. The Fed is trimming the size of its bond portfolio by \$40 billion per month, while the European Central Bank is scheduled to end its bond purchases in December. U.S. stock indexes slipped Friday, giving back gains from earlier in the week as selling across the technology sector accelerated. For the week, the S&P 500 advanced 0.6%, the Dow was higher by 1.6%, and the tech-heavy Nasdaq lost 1.1%. Elsewhere, European and Asian stocks remained higher as investors stayed upbeat about a trade truce between the U.S. and the European Union. Oil prices increased as heightened rhetoric between the U.S. and Iran added to uncertainty about crude exports.

THE ECONOMY

In the first estimate of Q2 GDP, growth was 4.1%, supported by a 4% advance in consumption. The core PCE index rose 2%. Existing home sales slipped 0.6% in June to a 5.38 million annual pace. New home sales, meanwhile, gave back 5.3% to 631,000. Durable goods orders increased 1.0% in June as the University of Michigan's confidence index edged up to 97.9.

The economy likely added 185,000 new jobs in July as the unemployment rate fell one notch to 3.9%. Look for 2.7% gains in wages. The ISM should say its manufacturing gauge remained at 59 while the services index eased to 58.8. Factory orders are seen up 1.9%.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	2.00%	2.00%	2-Year Agency	2.62%	2.62%
Prime	5.00%	5.00%	5-Year Agency	2.82%	2.82%
2-Year Treasury	2.67%	2.60%	15-Year MBS	3.24%	3.16%
5-Year Treasury	2.84%	2.77%	30-Year MBS	3.68%	3.61%
10-Year Treasury	2.96%	2.89%	3-Month LIBOR	2.34%	2.35%

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	2.67%	5.37%	0.63%	0.28%	0.03%	0.12%
2-Year	2.87%	5.67%	1.73%	0.95%	0.11%	0.32%
3-Year	2.94%	5.86%	2.66%	1.62%	0.26%	0.65%
5-Year	2.96%	5.88%	4.98%	2.81%	0.79%	1.58%

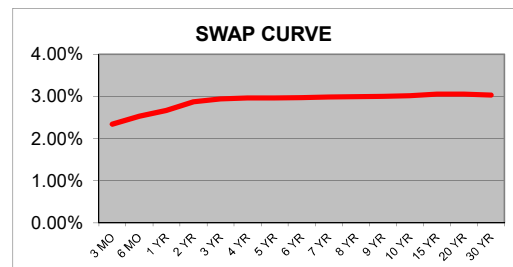
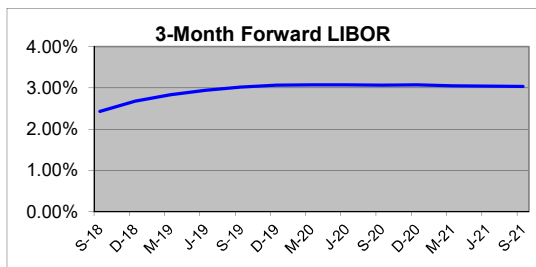
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 68.69	14.25%	Dow Jones Ind Avg	25,451.06	2.96%
Commodities (CRB Index)	\$ 194.16	0.15%	NASDAQ	7,737.42	12.08%
EURO (spot)	\$ 1.166	-2.83%	S&P 500	2,818.82	5.43%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

Homeowners in the U.S. are holding on to their houses longer than they have in at least 18 years, according to research firm Attom Data Solutions. Those who sold in the second quarter did so after owning their homes for an average of 8.09 years, the longest stretch since 2000. Second-quarter sellers recorded gains averaging \$58,000, the most since the third quarter of 2007. Seller gains reached their peak in the fourth quarter of 2005, when they averaged \$89,780. They bottomed out less than four years later, in the first quarter of 2009, when the average seller lost \$58,735. *Bloomberg*