

RATE ENVIRONMENT

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THE MARKETS

U.S. stocks extended gains last week, rising in tandem with international markets, as investors looked past trade tensions and bet on a strengthening American economy. According to analysts, traders are focusing on a strong fundamental outlook, including improving corporate earnings and a U.S. economy that is growing at its fastest pace since 2014. The Federal Reserve meets this week, and officials are widely expected to raise interest rates for the third time this year and will release their estimates for the path of monetary policy for 2021 for the first time. The probability of a 25 basis point hike for the Sept. 28 gathering is 98%, compared with 73% for a similar move in December. Treasuries were hit by a fresh wave of selling, pushing the yield on the benchmark 10-year Treasury note to levels not touched since May; settling at 3.07%. Crude oil reversed an early rally after a report that OPEC and allied producers were discussing a possible output increase.

THE ECONOMY

New home construction rose more than forecast to a three-month high in August, jumping 9.2% to 1.28 million. Existing home sales were flat at 5.34 million as inventories grew 2.7%. Leading indicators advanced 0.4%, boosted by new orders for manufactured goods.

New home sales are seen up 1% to 632,000 while the S&P CoreLogic price index increases 6.2%. In another estimate of 2Q GDP, the government is expected to revise growth higher to 4.3%. Personal income likely rose 0.4% in August with the closely-watched core PCE index down slightly to 1.9%.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	2.00%	2.00%	2-Year Agency	2.83%	2.80%
Prime	5.00%	5.00%	5-Year Agency	3.01%	2.94%
2-Year Treasury	2.81%	2.78%	15-Year MBS	3.33%	3.30%
5-Year Treasury	2.95%	2.90%	30-Year MBS	3.82%	3.77%
10-Year Treasury	3.07%	2.99%	3-Month LIBOR	2.37%	2.34%

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	2.77%	5.47%		0.74%	0.34%	0.02%	0.09%
2-Year	2.98%	5.78%		2.02%	1.19%	0.10%	0.26%
3-Year	3.05%	5.97%		3.24%	1.94%	0.25%	0.54%
5-Year	3.08%	6.00%		5.50%	3.26%	0.77%	1.44%

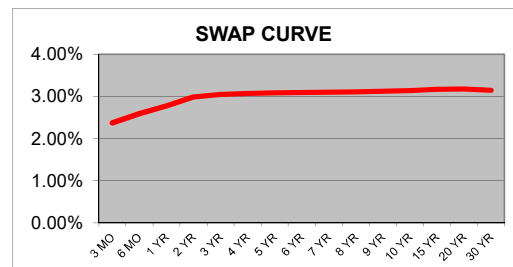
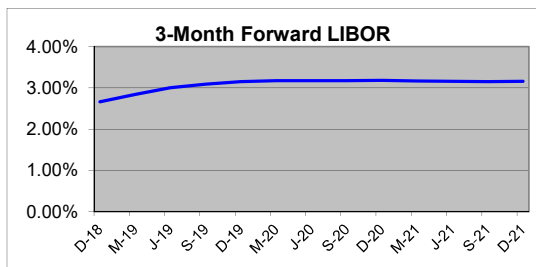
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 70.78	17.73%	Dow Jones Ind Avg	26,743.50	8.19%
Commodities (CRB Index)	\$ 193.98	0.06%	NASDAQ	7,986.96	15.70%
EURO (spot)	\$ 1.175	-2.08%	S&P 500	2,929.67	9.58%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

Federal banking regulators issued a joint statement explaining the role of supervisory guidance for regulated institutions. The statement from the agencies confirms that supervisory guidance does not have the force and effect of law, and the agencies do not take enforcement actions based on supervisory guidance. The joint statement explains that supervisory guidance can outline the agencies' supervisory expectations or priorities and articulate the agencies' general views regarding appropriate practices for a given subject area.

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