

RATE ENVIRONMENT

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THE MARKETS

Stocks extended losses last week, with the S&P 500 falling 10 percent from its record set in September. According to analysts, the selloff was sparked by concerns about the impact of tariffs on earnings, as well as a slowdown in China and Europe. Fast-growing technology firms have been under particular pressure, with the Nasdaq Composite on track for its worst month since 2008. Cleveland Fed president Mester said in an interview that this month's market turmoil is a "risk" to the economic outlook, but it's not changing her mind on growth. Minneapolis Fed president Kashkari, meanwhile, wrote in an editorial that the Fed could pause at this time, since "monetary policy is now close to neutral." Fed funds futures currently place a 66% chance of a December rate hike, compared with 78% just 30 days ago. Bonds rallied in a flight to quality, with the yield on the benchmark 10-year Treasury note falling to 3.08%, after reaching a seven-year high of 3.23% on Oct. 5. Crude oil dropped 2.4% as traders assessed a potential slowdown in energy demand.

THE ECONOMY

New home sales plunged 5.5% in September to 585,000 for the weakest pace since December 2016. Durable goods orders, however, rose a better-than-expected 0.8%. The economy expanded at a 3.5% rate in Q3, boosted by a 4% increase in consumer spending. The University of Michigan's sentiment index eased slightly to 98.6.

Look for 180,000 net new jobs in October with the unemployment rate holding at 3.7%. Average hourly earnings are seen up 3.1% with the participation rate improving to 62.8%. The ISM is expected to say its manufacturing index edged up to 59.5 while the trade deficit shrinks to \$52 billion.

KEY RATES

Issue	Value	Last Week	Issue	Value	Last Week
Fed Funds	2.25%	2.25%	2-Year Agency	2.83%	2.89%
Prime	5.25%	5.25%	5-Year Agency	3.01%	3.13%
2-Year Treasury	2.81%	2.92%	15-Year MBS	3.43%	3.53%
5-Year Treasury	2.91%	3.05%	30-Year MBS	3.93%	4.01%
10-Year Treasury	3.08%	3.20%	3-Month LIBOR	2.51%	2.45%

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 (2.25%)	90-Day LIBOR (3.00%)	90-Day LIBOR (2.25%)	90-Day LIBOR (3.00%)
1-Year	2.87%	5.57%		0.66%	0.29%	0.03%	0.13%
2-Year	3.02%	5.82%		1.76%	0.96%	0.14%	0.35%
3-Year	3.05%	5.97%		2.82%	1.60%	0.34%	0.76%
5-Year	3.06%	5.98%		4.77%	2.65%	0.93%	1.81%

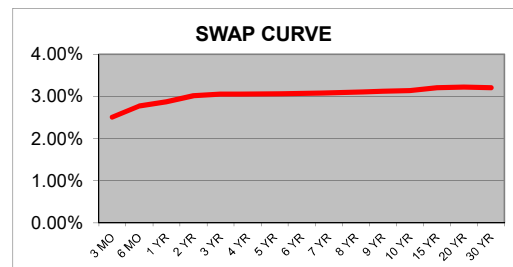
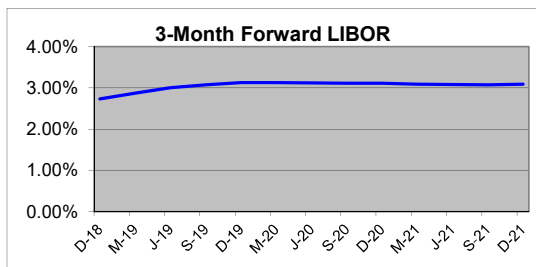
Source: Bloomberg, PNC

OTHER INDICATORS

	Value	% Change YTD		Value	% Change YTD
OIL (30 day futures)	\$ 67.59	12.43%	Dow Jones Ind Avg	24,688.31	-0.13%
Commodities (CRB Index)	\$ 195.51	0.85%	NASDAQ	7,167.21	3.82%
EURO (spot)	\$ 1.140	-4.99%	S&P 500	2,658.69	-0.56%

Source: Bloomberg

YIELD CURVES



Source: Bloomberg

IN THE NEWS

Fair Isaac Corp, creator of the FICO credit score, plans to roll out a new scoring system in 2019 that factors in how consumers manage their bank accounts. It is among the biggest shifts for credit reporting since the 1990s. The UltraFICO Score is designed to boost the number of approvals by taking into account a borrower's history of cash transactions, which could indicate how likely they are to repay. "As the consumer's bureau, our goal is to help empower consumers and to give better access to credit for more consumers, all while promoting fair lending," said Alex Lintner, president, Consumer Information Services, Experian. *Wall Street Journal*

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