FLORIDA PRIME

Weekly Commentary

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Short-term rates were relatively stable during the week, with overnight, one-month, three-month, six-month and 12-month London interbank offered rates (Libor) ending the week at 0.13%, 0.20%, 0.26%, 0.42% and 0.74%, respectively.

On the economic front, the major news for the week was Friday's report by the U.S. Labor Department that U.S. companies added more jobs than expected in April. Nonfarm payrolls soared by 244,000, the largest such gain since May 2010. In addition, March employment figures were revised upward to show an increase of 221,000 jobs, from a previous estimated gain of 216,000. However, the U.S. economy continues to feel the challenges of a high unemployment rate, which rose for the first time in five months as more people resumed their search for work. And Americans' incomes, which impact the spending needed to boost the economy, remained subdued due to rising food and gasoline costs.

While Federal Reserve monetary policy remained on hold in April and Chairman Ben Bernanke noted that the inflationary pressures were likely to be "transitory," the U.S. recovery appears to be on a self-sustaining path and by year-end should no longer require extraordinary monetary stimulus. The deceleration in economic growth in the first quarter of 2011 does not appear to be anything more than a temporary soft patch. It is also important to note that, aside from the Bank of Japan, the U.S. Federal Reserve could be the last major central bank to start the tightening process, resulting in yield differentials that have pushed the dollar lower and inflation higher through the weak dollar's inverse impact on commodity prices. Whenever the monetary stimulus is removed, however, some degree of interest-rate normalization should occur, a process that surely will be welcomed by cash investors.

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Views are as of May 9, 2011, and are subject to change based on market conditions and other factors.