FLORIDA PRIME

Weekly Commentary

MAY 30, 2011

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Short-term rates remained 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 0.12%, 0.19%, 0.25%, 0.40% and 0.73%, respectively.

Economic data released during the week reflected the fitful nature of the U.S. recovery.

The Conference Board's Index of Leading Economic Indicators (LEI) fell 0.3% in April vs. consensus expectations for a 0.1% increase, marking the first negative monthly reading in 10 months and the largest drop in more than two years. Six of the LEI's 10 index components contributed to the decline, led by April's increase in weekly jobless claims. Notably, March's preliminary LEI increase of 0.4% was revised up to a stronger gain of 0.7%, which essentially offsets April's surprising miss. Year-over-year, the LEI is still rising at a 5.0% annualized rate. April's weakness appears to be consistent with the soft patch we're experiencing, as the economy copes with higher food and energy prices, the brutal flooding in April, Japan's quake-related supply disruptions, and the debt problems of the euro-zone's five PIIGS.

The U.S. housing market generated mixed data. April sales of new homes rose 7.3% over March's gains to reach a higher-than-expected annualized rate of 323,000. During the previous week, April sales of existing homes contracted. However, late in the week, it was announced that pending sales of existing U.S. homes dropped far more than expected in April.

The employment picture remained weak as the Labor Department reported that jobless claims rose 10,000 during the week of May 16, to reach a higher-than-expected 424,000. Claims were expected to dip to 400,000. The previous week's claims were revised upward slightly, to reach 414,000.

Overall economic growth slowed as the Commerce Department maintained its estimate of first-quarter GDP growth at 1.8%, which was lower than the consensus forecast for 2.1 % and below the 3.1% pace in the fourth quarter of 2010. The Commerce Department also reported that both personal income and spending both rose 0.4 percent in April, which was generally consistent with expectations. In March, personal income increased 0.4 percent, and spending increased 0.5 percent. However, inflation, driven by higher food and gasoline prices, has impacted both earnings and spending. Census Bureau data indicated that durable goods orders declined 3.6% in April, which was greater than expected.

G40461-18 (5/11)