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Rates remained relatively stable as overnight, one-month, three-month, six-month and 12-month London interbank offered rates (Libor) ended the week at 0.127%, 0.188%, 0.248%, 0.396% and 0.722%, respectively.

In a speech at the International Monetary Conference in Atlanta, Georgia during the past week, Federal Reserve Chairman Ben Bernanke indicated that U.S. economic conditions are likely to warrant no change in the Federal Reserve's highly accommodative monetary policy--which has kept the target for the federal funds rate close to zero--for an extended period.

He noted that the economic recovery in the U.S. appears to be proceeding at a moderate, if uneven, pace with some recent signs of reduced momentum. He said growth has been slower than expected due to temporary factors--including higher gas prices and the disaster in Japan--and predicted that growth would increase in the second half of 2011. He emphasized that stronger job growth is critical to the recovery, and said that while the labor market has been gradually improving, the employment situation remains far from normal. With respect to inflation, he remarked that there was not much evidence that inflation is becoming broad-based or ingrained in the economy, as increases in the price of gasoline alone accounted for the bulk of the recent increase in consumer price inflation.

Bernanke singled out the business sector as generally presenting a more upbeat picture. He added that capital spending on equipment and software has continued to expand, reflecting an improving sales outlook and the need to replace aging capital. Many U.S. firms, notably in manufacturing but also in services, have benefited from the strong growth of demand in foreign markets.

In other economic news during the week, the U.S Commerce Department reported that U.S. trade deficit unexpectedly fell 6.7% in April to its lowest level of 2011, as exports hit a new high and purchases of oil declined sharply as prices rose. On the important employment front, while the U.S. Department of Labor said that U.S. workers filed 427,000 new jobless benefit claims during the week ending June 4—1,000 more than the previous week—the four-week moving average was 424,000, a decrease of 2,750 from the previous week's average of 426,750.

With respect to the housing market, in remarks at the 2011 Federal Reserve Bank of Cleveland Policy Summit in Cleveland, Ohio, Federal Reserve Vice Chair Janet Yellen indicated that “recovery in the housing market likely will be a long, drawn-out process.” Yellen pointed out that house prices have been falling for six years, with further declines expected before prices hit bottom. While the housing market continues to struggle, she noted a few bright spots: The share of homeowners missing a payment for the first time has started to decline. And low interest rates and lower house prices have made homeownership potentially more affordable, although tight credit standards have precluded many households from taking advantage of the affordable conditions.