

JULY 5, 2011



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Rates were relatively stable from the prior week as overnight, one-month, three-month, six-month and 12-month London interbank offered rates (Libor) ended the week at 0.125%, 0.185%, 0.245%, 0.397% and 0.734%, respectively.

Employment

The job market remained weak but stable as the U.S. Labor Department reported during the week that new jobless claims declined slightly by 1,000 lower in the week of June 25 to 428,000. Continuing jobless claims improved slightly from a month ago.

Manufacturing

Expansion in the manufacturing sector continued in June for the 23rd consecutive month, according to the Institute for Supply Management, which reported that its Purchasing Managers Index registered an increase of 1.8% from May. Of the 18 manufacturing industries, 12 reported growth in June. New orders and production were both modestly up from May, and employment showed continued strength. The rate of increase in prices slowed for the second consecutive month and is the lowest figure since August 2010. While the rate of price increases has slowed and the list of commodities up in price has shortened, commodity and input prices remain a concern across several industries.

Personal Income and Spending

During the week, the Department of Commerce reported that personal income grew moderately at 0.3% in May, the same rate as April. Personal spending was flat in May, following April's 0.3% increase. Year over year, personal income growth for May rose 4.2%, compared to 4.4% the month before, while personal spending rose 4.7%, down from 4.8% the prior month.

On the inflation front, the Department of Commerce also reported that its headline personal consumption expenditures price index (PCE) rose 0.2%, a decline from 0.3% rise in April. However, the core rate (less food and energy) rose slightly to 0.3% from 0.2% in April. On a 12-month basis, headline PCE inflation rose to 2.5% from 2.2% in April, while core PCE price inflation rose 1.2% in May from 1.1% in April.

Housing

Home prices in major U.S. cities rose 0.7% in April, the first increase in eight months, the Standard & Poor's/Case-Shiller home-price index reported during the week. Home prices rose in 13 of the 20 cities tracked by the index. Washington, D.C., saw the biggest price increases, followed by San Francisco, Atlanta and Seattle. However, six cities—Charlotte, Chicago, Detroit, Las Vegas, Miami and Tampa—were at their lowest levels in the nearly four years.

Other optimistic data came from the National Association of Realtors, which reported that sales agreements for previously occupied homes rose 8.2% in May. Increases were reported in every region of the country.

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Consumer Confidence

The Conference Board reported that its consumer confidence index dropped significantly in June for the second straight month. Consumer confidence was weak across the board, including the current jobs market as well as buying plans for cars, homes and appliances. Expectations for inflation were down.