FLORIDA PRIME

Weekly Commentary

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The low rate environment continued as overnight, one-month, three-month, six-month and 12-month London interbank offered rates (Libor) ended the week at 0.122%, 0.187%, 0.253%, 0.422% and 0.752%, respectively.

A range of employment, housing and manufacturing data reported during the week indicated that the U.S economy continues to struggle to find a firm footing.

Employment
The labor market continued to struggle as the Department of Labor reported that the number of Americans filing new unemployment claims rose 10,000 in the week of July 16 to total 418,000. This number was slightly greater than expected and an increase over the prior week's total of 408,000. It was also reported that continuing unemployment claims declined by 50,000 for the week of July 9, totaling 3.7 million.

Housing
The housing market attempted to move off its bottom as the Commerce Department reported that construction on new homes in June increased by 14.6% in June from the previous month. However, June's annualized 629,000 new housing starts is far from what constitutes a healthy housing market. June's new housing starts were led by a 30.4% increase in the multifamily units, after a 2.2% decline in May. Single-family new home construction rose 9.4% following a minimal 0.7% increase in May.

Turning to existing homes, although sales in June declined 0.8% to an annualized rate of 4.7 million, the average price rose 8.5% from the previous month to total $236,000. Year over year, the average price of existing homes increased 2.7%. The housing market continued to be impacted by oversupply as 508,000 homes came on the market in June, an 11% increase over May.

Manufacturing
An important manufacturing index, the Philadelphia Federal Reserve Bank's Business Outlook Survey, reported during the week that manufacturing activity in the mid-Atlantic region remained weak in July. The bank's broadest business measurement, the diffusion index of current activity, rose to a low positive 3.2 in July from a negative 7.7 in June. While the new orders index rose to 0.1, signifying minimal growth, it was an improvement over the negative 7.6 number for in June.

The Philadelphia Federal Reserve Bank also asked firms about recent trends in the demand for their manufactured goods and to characterize the reasons for slowing. Slightly more than half of the firms indicated that demand had increased recently, while 26% indicated that demand had slowed. Of those firms that experienced slowing, the most frequently cited reasons were increased uncertainty (82.4%) and higher prices for energy, commodities, and transportation (44.1%). Other reasons included seasonal factors (35.3%), and the end of fiscal stimulus spending (11.8%).