FLORIDA PRIME

Weekly Commentary

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Continuing the previous week's trend, London interbank offered rates (Libor) rate inched up throughout the week, as overnight, one-month, three-month, six-month and 12-month rates ended the week at 0.142%, 0.208%, 0.290%, 0.456% and 0.772%, respectively.

Federal Reserve policymakers during the week acknowledged that the market has taken a material downturn since their meeting in June. The language of the policy statement from the Federal Open Market Committee (FOMC) shifted its bias toward the weaker of the economic equation and noted that "downside risks to the economic outlook have increased" and temporary factors, such as higher commodity prices and supply chain disruptions from tragedies in Japan appear to account "for only some" of the recent weakness in economic activity.

The Fed more explicitly outlined the time frame for extending the exceptionally low levels for the federal funds rate through mid-2013. The statement also acknowledged that the Fed discussed the range of policy tools available to promote a stronger economic recovery, and said it will continue to assess the economic outlook, ready to "employ these tools as appropriate."

A range of data reported during the week showed continued improvement in employment data and continued spending by consumers, although consumer sentiment was extremely weak.

Employment
The job market appeared to be improving as initial jobless claims totaled 395,000 for the August 6 week--the first week since early April that claims were under the 400,000 level. The four-week average was 405,000, a decline of 3,250 compared to the previous week and the sixth straight decline. Continuing claims were also down by 60,000 for the July 30 week to total 3.6 million.

Retail Sales
Consumers continue to spend at a moderate pace. On Friday, the U.S. Department of Commerce reported that retail sales increased 0.5% in July. This followed the previous month's 0.3% increase. Auto sales led the way with a 0.4% rebound, following a 0.7% rise in June. Other sales were also healthy: miscellaneous store retailers, up 2.4%; electronics & appliance stores, up 1.4%; and nonstore retailers, up 0.9%. Increases were also reported in furniture & home furnishing, food & beverage, health & personal care, and clothing & accessories. The weaker areas, which experienced declines, were sporting goods, hobby & book stores, down 1.5%, and building materials & garden equipment, down 0.4%. Food services & drinking places declined 0.1%, while general merchandise sales were flat.

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Consumer Sentiment

Consumers appeared to lose faith in the economy as indicated by Friday's release of the Reuters/University of Michigan index, which showed a decline of nearly nine points to 54.9--nearly a record low. The expectations component, which is the leading component, dropped more than 10 points to 45.7, also near a record low. The current conditions component fell less severely, down more than six points to 69.3. Inflation expectations remained steady, which was the lone positive.