FLORIDA PRIME

Weekly Commentary

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Moves by European Union leaders to shore up the euro and ease the union's debt crisis failed to bring a sense of finality, leaving credit markets little changed as they wrestled with the details and the unknowns following last week's meeting. Short credit rates in the United States continued to inch up, while their euro-denominated counterparts again pulled in a tad. One-month, three-month, six-month and one-year London interbank offered rates (Libor) last week rose a basis point each to 0.28%, 0.54%, 0.76% and 1.08%, respectively—all new 52-week highs. Overseas, euro Libor—Libor denominated in euros—fell fractionally.

The movement in the credit markets followed last week's agreement among most EU members—the U.K., which doesn't use the euro, opted out—to tighten the euro-zone's fiscal oversight in exchange for providing sufficient funding to its most troubled debtor countries. But the agreement lacked details, which are to be ironed out later, and questions remained about the adequacy of the emergency funding to be provided through the European Financial Stability Facility. Also, there was disappointment earlier in the week over the European Central Bank's rejection of calls for it to provide immediate quantitative easing by purchasing troubled EU countries' sovereign debt; its new president, Mario Draghi, remained noncommittal after the EU meeting late in the week. Moody's added to the uncertainty, saying it still intends to revisit the sovereign ratings of all EU countries because of the failure of the meeting to provide a clear resolution to the debt crisis.

Events overseas overshadowed what was another relatively good week for economic news on the domestic front. The University of Michigan's initial read of December consumer sentiment rose to a six-month high, the Discover U.S. spending monitor posted a record surge in November, and the tally of holiday sales so far this season continued to reflect relatively robust spending, both for everyday and discretionary items—as well as for autos, with November sales jumping to their fastest annual pace since August 2009. Elsewhere, weekly jobless claims declined again, marking their fourth straight week below the important 400,000 level. And October wholesale inventories recorded a much better-than-expected broad-based increase, indicating that the recent period of destocking has come to an end. The only negative on the week was the ISM gauge of service-sector activity, which while still expansionary, slipped in November to its lowest level since January 2010.

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Views are as of December 12, 2011, and are subject to change based on market conditions and other factors.