FLORIDA PRIME

Weekly Commentary

APRIL 16, 2012

Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

In a week that saw mixed news on the economy, London Interbank Offered Rates (LIBOR) crept down marginally.

Despite some disappointing jobs news—unemployment claims increased 13,000 in the week ended April 7 to a seasonally adjusted 380,000, the highest since January—consumer confidence held near a four-year high, reflecting underlying strength in the recovery. All of the Fed's 12 bank districts reported steady growth from mid-February through April 2, with hiring stable or rising. Notably, full-time household employment rose 882,000 on top of February's 563,000 increase, and is up 4.8 million since its latest cyclical trough during December 2009. Growth in high-quality manufacturing jobs, which help create jobs in support industries and in the service sector, exceeded expectations. And early first-quarter earnings reports from some bellwether stocks also came in higher than expectations.

Still, members of the Federal Reserve's Federal Open Market Committee (FOMC) appeared unimpressed with economic growth so far this year. In comments last week, Vice Chair Janet Yellen voiced support for continuing the Fed's low-rate policy at least through the end of 2014, and New York Fed President William C. Dudley echoed that statement. The Fed seemed to be taking a wait-and-see attitude toward additional stimulus, with no movement expected unless or until the economy runs into a problem. Next week's FOMC meeting could provide more insight on policymakers' thinking, with FOMC members scheduled to give their rate forecasts.

Overseas, concerns rose again over Italian, Portuguese and Spanish debt, with the cost of insuring Spanish debt against default for five years closing above 500 basis points for the first time. While European debt issues might have repercussions for economic growth here at home, it's important to note that Federated's taxable money markets have no exposure to any of the PIIGS — Portugal, Italy, Ireland, Greece and Spain.

G40461-19 (4/12)