FLORIDA PRIME

Weekly Commentary

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London interbank offered rates were largely unchanged during the week. One-month Treasuries fell 3 basis points to 0.04% as a large number of notes were set to mature. That, in turn, drove down repo rates during the week as investors sought repurchase agreements instead.

U.S. retail sales in March increased 0.8% to $411.1 billion, a larger jump than was expected, boosted by home improvement spending. Retail sales have now risen in 20 of the last 21 months, with year-over-year discretionary spending up by the most in nearly a year and clothing up the most since September 2006. The Conference Board's leading indicators rose for the sixth straight month in March to its highest level since June 2008. Additionally, the six-month diffusion index held at 70%, indicating a broad-based expansion. This, coupled with an acceleration of the six-month rate of change in the leading economic indicators, was consistent with above-trend economic expansion. There were some negatives: the mortgage bankers' purchase index and the builder's sentiment index both slipped in April for the first time in seven months; March existing home sales fell the most in six months; and March housing starts declined the most in nearly a year. But the underlying data was significantly better—the builder's index was at its highest level since 2007, with the housing backlog near a two-year high and contracting at the slowest pace since August 2006. Building permits rose a third straight month in March.

While all eyes are on this week's Federal Reserve's Federal Open Market Committee meeting, little in the way of news was actually expected, with Fed officials indicating continued commitment to the current low-rate policies. Movement toward a new round of bond buying or an extension of Operation Twist seemed unlikely. As has been the case for some time now, clouds continued to hover on the European horizon, with a focus on the Spanish banks and concerns over threats of credit-rating downgrades for euro-zone financial institutions.

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