Weekly Commentary

FLORIDA PRIME

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London interbank offered rates remained largely unchanged during the week. One-month Treasuries were up 3 basis points to return to 0.07% after an anomalous week in which a large number of notes reached maturity. Repo rates were up slightly as well.

As expected, there were no great surprises in the statement that accompanied the conclusion of the Federal Reserve's Federal Open Market Committee (FOMC) April 24-25 meeting. There were very few changes from the previous statement released in March. In a slight revision, members said they expected growth to remain moderate over the coming quarters, then to pick up gradually. No material changes in monetary policy were announced, either, with no mention of another round of Quantitative Easing. Economic projections from some committee members, in fact, indicated that prospects for a tightening of monetary policy were moving forward, if only slightly.

The Fed's slightly more positive outlook came against a backdrop of mixed economic news, indicating the possibility of a slowing recovery. March pending home sales more than doubled forecasts, reaching a 23-month high. At +2.2%, last week's flash estimate on Q1 GDP came in below forecasts. But much of the underlying data was stronger than the headline; private consumption rose at its strongest pace since Q2 2010, as did residential investment. The big drawbacks were business fixed investment, and the sixth straight quarter of declining government spending. Durable goods orders plunged in March by the most in three years, contrary to expectations for an increase. While the decline was led by the volatile civilian aircraft sector, which saw a 48% drop in orders, and came on top of a significant upward revision to February, most major categories declined. The Conference Board's consumer confidence index, which fell in April and was short of the consensus, is significantly below its average during the previous expansion, suggesting consumer attitudes remain downbeat.

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