FLORIDA PRIME

Weekly Commentary

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London interbank offered rates remained largely unchanged during the week. Short-term Treasuries were down slightly, as were repo rates.

The latest Labor Department report showed the U.S. economy adding fewer jobs in April than had been expected. Nonfarm payrolls rose by only 115,000, much below consensus estimates. The unemployment rate moved down one tenth of a percentage point to 8.1%, but the fall was attributed to job-seekers dropping out of the hunt for new employment rather than to new positions being filled. The labor participation rate declined 0.2% to 63.6%, and the number of discouraged workers rose by 103,000, the first increase in three months. The weaker-than-hoped-for numbers brought increased speculation that additional Federal Reserve intervention could be back on the table should the trend continue.

According to the Institute for Supply Management (ISM), manufacturing rose in April to its highest level since June 2011. All components were solid, with new orders jumping to the highest level since last year. At 54.8%, the reading was consistent with 3.5% to 4.0% real GDP growth in the second quarter. Also, both the manufacturing and non-manufacturing ISM reports showed an increase in export relative to import measures, suggesting external demand has not eased significantly despite softer growth in Europe and China. April's gauge of services disappointed, however, as declines in business activity, new orders and employment caused the overall gauge to come in well below consensus (though still firmly in expansion territory). Several gauges suggested consumers are still in a shopping mood, but there were other slight disappointments—a plunge in durable goods caused March factory orders to fall the most in three years, putting the year-over-year increase at 6.5%, its slowest pace since December 2009. Also in March, construction spending only rose 0.1%, well below expectations, and February was revised downward as public projects fell off.

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Views are as of May 7, 2012, and are subject to change based on market conditions and other factors.