FLORIDA PRIME

Weekly Commentary

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Rates at the short end of the curve have basically remained unchanged since May 18th, with London Interbank Offered Rates (Libor) three- and six-month steady at 0.47% and 0.74% respectively, and one-year Libor remaining at 1.07%. Treasuries moved only slightly, and overnight repo rates remained firm.

The week saw economic releases including a look at the housing market, with existing homes up 3.40% and new home sales up 3.30%. Both measures were near the two-year highs in each index. Some of the underlying data, however, such as the percentage of sales that were distressed and the amount of supply in the market, were not so positive. Still, year-over-year prices are now rising at their fastest pace since late 2006. Durable goods orders also ticked up, but only by 0.20%, an indication that the manufacturing sector might to be showing some additional loss of momentum from April to May.

Markets are increasingly keeping an eye on the possible "fiscal cliff" facing the U.S. economy at the end of this year, when tax cuts are set to expire and government spending could be cut if a deal cannot be reached. The Congressional Budget Office released a report during the week indicating that without action to avoid the cliff, the U.S. economy would contract in the first half of 2013 and the jobless rate could rise as high as 9.20%.

While economic indicators in the U.S. have held up fairly well, it appears Europe is weakening, and at a fairly significant pace. A report on European business activity released last week showed a contraction of activity in May at the steepest rate in nearly three years. And yet another Euro summit failed to deliver new policies to boost economic growth or contain the Greek debt crisis. The prospect of a potential Greek exit from the euro-zone, however, remained the top concern.

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Views are as of May 29, 2012, and are subject to change based on market conditions and other factors.