FLORIDA PRIME

Weekly Commentary

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London interbank offered rates (Libor) remained virtually unchanged for yet another week, with three- and six-month steady at 0.47% and 0.74% respectively, and one-year Libor remaining at 1.07%. Short-term Treasuries were largely unchanged, but overnight repo rates were up.

The week saw another string of disappointing consumer and manufacturing news. According to a Commerce Department report, retail sales slipped in May for a second consecutive month, influenced by lower gas prices and nervous consumer sentiment. April retail sales were also revised down into negative territory. The University of Michigan's initial tally of June consumer sentiment fell to its lowest since December on concerns about jobs and market volatility. The Federal Reserve Bank of New York's Empire State Manufacturing Survey showed a sharp drop to its lowest level since November.

Indications are that headline and core price inflation remain under wraps, providing room for the Fed to maintain its accommodative stance or even look to further easing. The Bank of England last week announced credit-easing measures, and there were widespread expectations that the Federal Reserve's Federal Open Market Committee would extend some form of "Operation Twist" when they meet later this week.

In some positive news, the Mortgage Bankers Association of America's (MBA) Refinance Index surged 19% in the latest week, the most in five months, to its highest level in more than three years as borrowers moved to lock in 30-year mortgage rates below 4% and 15-year rates below 3%. The MBA Purchase Index jumped 13%, the most since March 2011, to its highest level this year. And at the end of the week, the elections in Greece staved off immediate concerns that the country might melt down and leave the eurozone, providing relief, if only temporarily, from fears that European problems could spill over into U.S. markets.