FLORIDA PRIME

Weekly Commentary

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London interbank offered rates (Libor) remained largely unchanged for yet another week, with three-month down less than a basis point to 0.46%, six-month down less than a basis point to 0.73%, and one-year Libor remaining steady at 1.07%. Short-term Treasuries were largely unchanged, while overnight repo rates remained up.

As had been generally expected in light of the weak economic data we've been seeing, the Federal Reserve's Federal Open Market Committee (FOMC) last week announced an extension of the "Operation Twist" program through the end of the year. The FOMC's post-meeting statement differed from previous releases in that the Fed is now prepared to take further action not only to "promote a stronger recovery" but also to foster "sustained improvement in labor market conditions." With a forecast for a virtually unchanged unemployment rate by the end of the year, the Fed may be required to offer more in coming months should job creation continue to falter.

On the plus side, housing is now a positive force for growth. May single-family home starts increased a seventh straight month, permits have been gaining at a double-digit pace over the last 12 months, and the National Association of Home Builders Housing Market Index (HMI) rose to a five-year high, led by the single-family sales component. The Conference Board's Leading Economic Index rose more than expected in May, with building permits the largest driver of the increase. Labor market conditions continue to reflect improvement, with mass layoff events and associated initial claims falling to near their lowest levels in four years, and the number of job-seekers for each vacant position remaining on a sustained downward trend.

The outcome of the Greek elections was neither a disaster nor a big positive. While it did little to tackle long-term structural problems, it was enough to eliminate near-term event risk and temporarily calm global markets.

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