FLORIDA PRIME

Weekly Commentary

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London interbank offered rates (Libor) remained static for yet another week, with three-month holding at 0.46%, six-month at 0.73%, and one-year Libor steady at 1.07%. Short-term Treasuries were mixed, with one-month down one basis point to 0.04%, three-month steady at 0.09%, six-month up a basis point to 0.16%, and one-year up two basis points to 0.21%. Overnight repo rates were up for the week.

As housing continues to recover, the sector has increasingly been providing hope for the recovery and could provide a much-needed boost this year. Pending home sales have rebounded much more than expected, to the highest reading in two years; new home sales rose well above forecast for May, and both February and March saw upward revisions; prices rose in 19 of 20 markets; and the supply of existing homes for sale on the market are at early 2000s' levels. Durable goods orders also provided some good news. New orders rose in May for the first time in three months, and above consensus estimates. Nondefense capital goods ex-aircraft orders, a proxy for capital expenditures, also rebounded, and all indications are that the manufacturing slowdown might be temporary.

Consumer Confidence, however, does not seem to be in sync with the positive indicators. The Conference Board's index fell a fourth straight month to its lowest level since January. Although the level remains well above last fall's low and has failed to generate a contraction signal for the economy, it is historically consistent with below-trend growth. The University of Michigan's read on consumer sentiment for June also fell more than expected, on a broad-based decline in consumer's current assessment of the economy and future expectations. Both indices show that the softening recovery in the labor market has clearly taken its toll on consumers, overriding the sharp decline in oil and gasoline prices in the past six weeks. The vast disconnect we've observed between investor sentiment and the measures of economic health is an anomaly rarely seen in history.

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Views are as of July 2, 2012, and are subject to change based on market conditions and other factors.