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 up less than one basis point to 0.74%, and one-year Libor steady at 1.07%. Short-term Treasuries were mixed, with one-month up two basis points to 0.06%, three-month down one basis point to 0.08%, six-month down a basis point to 0.15%, and one-year down a basis point to 0.20%. Overnight repo rates were down for the week.

As has been the case for months now, economic indicators continue to be decidedly mixed, and the U.S. economy seems to be treading water for the summer. May construction spending rose much more than expected, and April's rise was revised higher. May’s 7% year-over-year increase was fueled by a moderate recovery in private residential construction led by multi-family starts. The increases are still off low levels, with construction spending tracking at around 1.7% real GDP growth in the second quarter. Auto sales also provided a nice surprise, with light vehicle sales besting expectations and average transaction prices rising as manufacturers continue to limit incentives.

There were disappointments, though. Nonfarm payrolls rose in June by only 80,000 jobs, well below consensus estimates for a gain of 100,000 jobs, and the Bureau of Labor Statistics revised April and May results down slightly as well. The average monthly gain over the past three months was only 75,000 jobs, a tiny fraction of the 252,000 monthly average set during December, January and February. The June report, while certainly disappointing, was not a complete disaster, as wages and hours-worked ticked higher, and leading indicators such as the ADP National Employment Report and temporary hiring improved. While services remained in expansion territory, manufacturing contracted for the first time since July 2009 on a literal collapse in new orders, indicating May’s surprise jump in factory orders may be short-lived.