FLORIDA PRIME

Weekly Commentary

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London interbank offered rates (Libor) were down very slightly, with three-month down less than a basis point to 0.44%, six-month steady at 0.72%, and one-year Libor down a basis point to 1.05%. Short-term Treasuries were down, with one-month down four basis points to 0.03%, three-month down two basis points to 0.09%, six-month down one basis point to 0.14%, and one-year down one basis point to 0.16%. Overnight repo rates, in contrast, were up for the week.

The Federal Reserve's Federal Open Market Committee (FOMC) statement after its July 31-August 1 meeting was largely unchanged from previous statements, although the FOMC did acknowledge the economy had "decelerated somewhat." The Fed did not announce any new stimulus measures, but had not been expected to, either. They remained essentially in their "watchful waiting" stance, providing assurances they are ready to step in should the situation warrant further action.

July's jobs numbers were a pleasant surprise, with the Labor Department announcing 163,000 new nonfarm positions for the month, higher than June's sad number of 64,000, and the highest number in five months. Despite that encouraging news, the unemployment rate rose to 8.3%. That mismatch occurred because the jobs number is derived by surveying businesses, while the unemployment rate is calculated from a survey of households. More people in the household survey classified themselves as "actively looking for work," bringing that number up. The housing market continued to do its part for the recovery, as well—home prices rose for the fourth consecutive month across the nation. The Institute for Supply Management's services index was up to 52.6 for July from June's 52.1 number, but manufacturing was a little less encouraging, with the ISM's manufacturing index inching up only slightly, from 49.7 to 49.8. Readings under 50 are indicative of shrinking activity.

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