FLORIDA PRIME

Weekly Commentary

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London interbank offered rates (Libor) were down across the board for the week, with three-month down two basis points to 0.37%, six-month down one basis point to 0.66%, and one-year Libor down two basis points to 0.98%. Short-term Treasuries were mixed, with one-month down three basis points to 0.05%, three-month steady at 0.11%, six-month up one basis point to 0.14%, and one-year steady at 0.18%. Overnight repo rates were down slightly for the week.

August existing home sales and single-family starts rose solidly, with declines in supply and rising rents for multifamily units buttressing the uptrend in prices. A separate gauge of builders' sentiment rose above 50 for the first time since February 2007, with broad-based gains in all four regions of the country and buyer's traffic at its highest level since May 2006, suggesting housing's recovery is accelerating and that sector could provide a tailwind for the economy in 2013. Lifted by increases in both stock and house prices, third quarter consumer net worth is set to surge almost 14% quarter-over-quarter to 26% above its recession low. Since 2007, consumer debt has declined by almost $1 trillion, largely a byproduct of housing's collapse. Now that home sales are recovering and prices have turned up, charge-offs are back to mid-2008 levels and debt service ratios are at mid-1990 levels. This bodes well for future credit demand and spending.

The Conference Board's leading indicators slipped in August, the Markit flash purchasing managers index for September was expansionary but unchanged, and two regional manufacturing gauges, Philly and New York, remained in contraction territory. The biggest negative in a better-than-the-headline Philly gauge was the deterioration in shipments, which fell to the lowest level since the recession. There is such a wide gap between expectations and current conditions that it supports speculation that businesses are in a wait-and see mode until there is greater clarity regarding the economic-political landscape and fiscal cliff.

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Views are as of September 24, 2012, and are subject to change based on market conditions and other factors.