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London interbank offered rates (Libor) were down across the board for the week, with three-month down one basis point to 0.32%, six-month down four basis points to 0.56%, and one-year Libor down four basis points to 0.90%. Short-term Treasuries were also down, with one-month down one basis point to 0.11%, three-month down one basis point to 0.10%, six-month down a basis point to 0.14%, and one-year steady at 0.18%. Overnight repo rates were down slightly for the week.

The housing recovery has kicked into a new gear, with the latest homebuilders' survey hitting its highest level since October 2005 on better traffic and sales, opening the door for much stronger housing starts early next year. This comes as September housing starts surprised strongly to the upside, rising 15% to 872,000 (almost 10 standard deviations above the 770,000 average expectations of economists), the highest level since July 2008, and the largest monthly gain since March 2011. Building permits also jumped 11.6%, with single-family permits up 6.7% to their highest level since July 2008. September retail sales were stronger than expected and the two previous months were revised upward, suggesting real consumer spending is on track to accelerate further going into the fourth quarter. Part of the pickup appears to be price-related on the surge in gasoline prices, but there were solid increases in furniture, auto sales, apparel (where prices have been edging down) and electronics (due to the drive in iPhone sales).

At the European markets summit last week, the European Commission proposed a single supervisory body for the 6,000 banks in the eurozone, to be led by the European Central Bank, called the single supervisory mechanism. While the existing national regulators within each country will continue to have day-to-day supervisory duties, the SSM will have the ultimate supervision, and will provide direction to the national bodies. There are still a lot of political risks surrounding the proposal, and it hasn't been finalized yet, but the Commission hopes to have the framework for the SSM worked out by the end of 2012, with a goal to have the SSM to assume this responsibility by January 2013. By January 2014, they expect to have all banks within the eurozone covered by the new central regulator.