FLORIDA PRIME

Weekly Commentary

APRIL 8, 2013

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In a relatively quiet week for the money market world, London interbank offered rates (Libor) were mixed, with three-month steady at 0.28%, six-month up a basis point to 0.44%, and one-year down one basis point to 0.72%. Short-term Treasuries were mixed, as well, with one-month up one basis point to 0.05%, three-month steady at 0.07%, six-month down one basis point to 0.10%, and one-year down a basis point at 0.13%. Repo rates remained in the mid teens.

Against a background of generally positive economic news, last week the Department of Labor announced that nonfarm payrolls gained only 88,000 jobs in March, a number significantly below consensus estimates for a gain of 190,000. The Bureau of Labor Statistics did revise January and February higher by a combined 61,000 jobs. January's preliminary increase of 157,000 jobs, initially revised sharply lower to 119,000 jobs, was revised higher to a final gain of 148,000 jobs. And February's preliminary gain of 236,000 nonfarm jobs was revised upward to a stronger gain of 268,000 jobs. With these revisions, March's sizable miss of 102,000 jobs off expectations was somewhat offset by an upward revision of 61,000 positions over the past two months. The unemployment rate fell to a four-year low of 7.6% in March from 7.7% in February and from 7.9% in January, but for the wrong reasons. The labor force participation fell to its lowest level since 1979, and the employment-population ratio fell to a very low 58.5%. The discouraging labor figures dampened any talk in the markets that the Federal Reserve (the Fed), with its focus on employment data, would consider tapering asset purchases earlier than had been expected.

On Thursday the Bank of Japan (BOJ) concluded its two-day policy meeting, the first under new Governor Haruhiko Kuroda, by announcing new monetary policy aimed at ending the persistent trend of deflation in Japanese economy. The BOJ made a massive commitment to double its holdings of long-term government bonds and exchange-traded funds and to purchase Japanese government bonds. The BOJ also pledged to pursue quantitative easing as long as might be needed to achieve the 2% target for inflation. With this move, we're now seeing four major central banks—the Fed, the European Central Bank, the Bank of England, and now the BOJ, united behind policies of using easing measures to keep rates down and prime economic growth.

Views are as of April 8, 2013, and are subject to change based on market conditions and other factors.