FLORIDA PRIME

# Weekly Commentary

APRIL 15, 2013


**Paige Wilhelm**
*Senior Vice President*
*Senior Portfolio Manager*
*Federated Investment Counseling*


London interbank offered rates (Libor) were unchanged for the week, with three-month steady at 0.28%, six-month steady at 0.44%, and one-year steady at 0.72%. Short-term Treasuries were mixed, with one-month up one basis point to 0.05%, three-month down one basis point to 0.06%, six-month down one basis point to 0.09%, and one-year down two basis points at 0.11%. Repo rates were up slightly for the week.

The Federal Reserve (the Fed) scrambled to release the minutes of its March 19-20 Federal Open Market Committee (FOMC) policy-setting meeting a bit early on Wednesday after learning that over 100 congressional staffers and trade lobbyists had gotten their email copies ahead of the gun when someone within the Fed inadvertently released the email a day in advance. While the timing of the release was a surprise, the minutes themselves were not terribly different in terms of direction, but did reveal a more divided FOMC. The minutes indicated the Fed would stick with their current monthly purchases of $85 billion of longer-term Treasury and agency mortgage-backed securities at least through mid-2013, but opinions within the committee were all over the map. Some members thought that bond purchases should end immediately, some favored tapering the program down after mid-year 2013, and others favored extending the program throughout the year and into 2014. The minutes also showed members were divided as to what economic milestones ought to be used as benchmarks for winding down easing measures.

In the weeks after the March meeting, various Fed members had been speaking publicly about the possibility of an endgame for easing, but that discussion was set aside when an April 5 jobs report showed nonfarm payrolls gained only 88,000 jobs in March, a number significantly below consensus estimates. On Thursday, some confidence was restored when the Labor Department reported that weekly initial claims for state unemployment benefits dropped 42,000 to a seasonally adjusted 346,000, an indication that the disappointing March report on employment might have more to do with seasonal hiring trends than any serious weakness in the labor market.

Consumers, however, seemed to be less optimistic about where things are going. Michigan's consumer sentiment index fell to 72.3, a nine-month low (excluding March's initial read of 71.8 before rebounding later in the month) on "overwhelming negative" views of government economic policies. Retail sales slipped, falling more than expected in March, with earlier months revised downward as well. March sales were held down by lower auto sales and gas prices, but sales ex-autos and gas were also soft on unusually inclement weather.