FLORIDA PRIME

Weekly Commentary

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Treasury bill yields remained elevated but began to pull back by the end of last week after Congress struck an agreement to raise the debt ceiling and reopen the government. Yields on one-month T-bills ended the week at 0.24% in the government auction markets, down from 0.35% the prior week and as high as 0.50% in Wednesday's intraday trading in the secondary markets before House Republicans ended their failed effort to defund the Affordable Care Act. Yields on 13-week and 26-week T-bills also gave ground but still ended the week at 0.13% and 0.15%, respectively. Overnight Treasury and agency repos followed a similar pattern, ending the week at 0.12% and 0.14%, respectively, after trading as high as 0.17% and 0.19%. On the other hand, credit rates held steady at low levels across the cash curve, save the one-year London interbank offered rate which slipped 1.4 basis points to 0.61%.

With the showdown over government funding pushed into 2014—the deal sets January 15 as the next deadline to agree to a continuing budget resolution and February 7 for a new debt-ceiling accord—the markets turned their attention back to economic fundamentals and the Fed. On the former front, the dearth of monthly data should break this week now that the government is back on the job, the most notable this week being Tuesday's release of the September jobs situation. The caveat is the 16-day federal government shutdown is likely to play havoc with the data for a while, so it could be we won't get a clean read on the health of the economy until well into November. As for the Fed, the shutdown likely has put off any tapering by policymakers at next week's meeting—and possibly for the year—for similar reasons, i.e., before acting, the Fed will want reliable information on the economy which may not be forthcoming for a while.

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Views are as of October 21, 2013, and are subject to change based on market conditions and other factors.