FLORIDA PRIME

Weekly Commentary

FEBRUARY 10, 2014

Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Short rates benefited from domestic and international economies' mixed signals, with the interest rate on the 1-month Treasury jumping from five basis points the week before to 13 basis points last week. Rates on 3-month bills rose to a 2-month high as concern over the latest debt-ceiling debate drew the market's attention. U.S. Treasury Secretary Jacob Lew stated that extraordinary measures to avoid default will last only about three weeks.

The reduction of the Federal Reserve's quantitative-easing program, from 2013's $85 billion in asset purchases per month to the present level of $65 billion, continued to spur volatility in the global market. But the overnight Treasury and mortgage-backed repo rates remained at 2 and 3 basis points, respectively. And, although the London interbank offered rates (Libor) dipped from 0.24% to 0.23%, those figures were rounded to the nearest basis point. The actual drop was just 0.003%, or 0.3 of a basis point.

Jobs reports led the economic news last week after the announcement that national payrolls grew by only 113,000 in January, well under expectations of around 180,000. That disappointing report eroded the more positive earlier news that there was a drop of 20,000 in first-time jobless benefit claims, although that was tempered by the number of people who have stopped looking for employment. The U.S. deficit was trimmed, but that was overshadowed by news that new demand for factory goods—and manufacturer activity in general—fell according to the Institute for Supply Management and the U.S. Department of Commerce.

G40461-19 (2/14)