FLORIDA PRIME

# Weekly Commentary

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Subtle signs that the U.S. economy might still be struggling to grow was reflected in short rates this past week. The 1-month Treasury returned to familiar territory, falling from 13 basis points to 3, with money edging farther down the yield curve reflected in the rise in the interest rate for the 3-month bills.

The markets calmed last week as worry over the latest debt-ceiling debate ended with Congress waiving the debt limit for a year. Also, new Federal Reserve chair, Janet Yellen, did not make any ripples when she announced that it would again taper the amount of assets the Fed purchases next month to $65 billion, in keeping with recent Fed policy. But several economic reports muted earlier optimism about domestic growth. This in turn kept the overnight Treasury and mortgage-backed repo rates at 2 and 3 basis points, respectively. And, although the London interbank offered rates (Libor) increased from 0.23% to 0.24%, the move is better characterized as a nudge, with the actual rise being just 0.002%, or 0.2 of a basis point. The Fed bumped its overnight fixed-rate reverse repo facility up a basis point to 4, effective Feb. 18.

U.S. industrial production and retail sales were sluggish in January, with the latter falling 0.4% and its December number revised down a tenth of a percent. Cold weather continued to dampen car sales and other manufacturing data, as well as home prices and employment.

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**Views are as of February 18, 2014, and are subject to change based on market conditions and other factors.**