FLORIDA PRIME

Weekly Commentary

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In Janet Yellen's first appearance before the Senate, the new Federal Reserve Chair essentially said the central bank likely will continue to taper its purchases of assets, which stand now at $65 billion a month. Rather than "jumping to conclusions" on what she referred to as "soft data" on the U.S. economy, Yellen stood her ground about the Fed's recent monetary moves and money rates followed her lead by not budging either. The 1-month Treasury remained at 0.035% and the 3-month note slipped by only the tiniest amount of half a basis point. The London interbank offered rates (Libor) walked in lock step, with the 1-month rate remaining at 0.24%. The Fed's overnight fixed-rate reverse repo facility was up to 0.05%, and overnight Treasury and mortgage-backed repo rates increased to 0.05% and 0.06%, respectively.

Yellen's optimism about the domestic economy was tested in a week that saw mixed economic news. Final measures of the U.S. economy in the fourth quarter of 2013 showed that it did not grow as fast as projected. Housing reports were a positive last week, but jobless claims rose. Sales of durable goods dropped despite a rise in consumer confidence. The most encouraging news was a spike in new home sales, which soared to its highest rate in five years, although even that was tempered somewhat by a dip in sales of previously owned homes.

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