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Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

New Federal Reserve head Janet Yellen may wish she had been a little less open in her press conference that took place Wednesday after the Federal Open Market Committee (FOMC) met. Opinions vary on whether she misspoke when she said that the Fed might begin to increase interest rates six months after the end of tapering. But either way, her words roiled the market briefly and created more uncertainty about the Fed's forward guidance than clarity.

The short-rate market took less stock in her statement, and rightly so as the FOMC unpinned any future rate increase from a specific numerical jobless rate target of 6.5% to that of far less defined factors, including qualitative judgment about labor-market performance and inflation. In fact, cash rates didn't just stay stable relative to the stock market, they were steady relative to themselves. The 1-month Treasury ticked up only half a basis point to 0.060%, with the 3-month note remaining at 0.05%. The London interbank offered rate (Libor) essentially did not move, with the 1-month rate dropping just 2 tenths of a basis point to 0.154%. The Fed's overnight fixed-rate reverse repo facility traded at 0.05%, and overnight Treasury and mortgage-backed repo rates decreased a basis point each to 0.05% and 0.06%, respectively.

The vagueness of Fed policymakers was echoed in the greater economy, in which the news was again mixed. Measures of factory production and manufacturing activity were positive, but housing data was less robust than projected. Likewise, the February measure of the Consumer Price Index increased from that of January, but weekly jobless benefits claims rose. It seems we are still not yet at a point of consensus on policy or domestic economy.

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Views are as of March 24, 2014, and are subject to change based on market conditions and other factors.