FLORIDA PRIME

Weekly Commentary

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One view of the volatility in the market last week could be that there were scant significant reports about the economy issued before Thursday and Friday, lending the Tuesday release of the minutes of the recent Federal Open Market Committee (FOMC) more attention than is typical even for the highly anticipated document. The minutes revealed that Fed policymakers worried about how its move from a quantitative to qualitative forward rate guidance would be perceived by the markets. It was a fear that was realized when Chair Janet Yellen mentioned rates potentially rising “around six months” in her press conference after the FOMC statement in late March. But the minutes clearly show the Fed is steadfast in its ongoing dovish monetary policy.

The end-of-the-week reports were all above consensus estimates. New jobless claims dropped significantly, to a seven-year low, while continuing-benefits requested also fell substantially. Domestic consumer sentiment rose to its highest level in nine months. These were even more signs that the U.S. economy is on the mend.

The 1-month Treasury essentially remained at 0.02%, while the 3-month note ticked down one-and-a-half basis points to 0.030%. The London interbank offered rate (Libor) didn’t budge with the 1-month rate at 15 basis points and the 3-month at 23 basis points. The Fed’s overnight fixed-rate reverse repo facility traded at 0.05%, and overnight Treasury and mortgage-backed repo rates traded at 0.05% and 0.06%, respectively.

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Views are as of April 14, 2014, and are subject to change based on market conditions and other factors.