FLORIDA PRIME

Weekly Commentary

APRIL 21, 2014

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Nearly every economic report showed an economy solidly gaining strength last week, highlighted by strong retail sales, modest inflation and a drop in jobless claims.

While the economy will never look the same as it did prior to the Great Recession, the numbers are starting to mirror those of the pre-panic months. The domestic labor market held the closest resemblance. New claims for unemployment benefits viewed over a 4-week moving average fell to their lowest rate since 2007—from 329,000 to 312,000—and week-to-week figures beat consensus, rising to a seasonally adjusted 304,000. The total number of those continuing to claim benefits plunged 11,000 to 2.74 million, with the 4-week moving average dropping 33,000 to 2.79 million.

Retail sales grew 1.1% in March and consumer prices (CPI) rose 0.2%. Industrial production also was strong. But true to form in this up-and-down winter and spring, one sector arrived lower-than-expected: housing. Starts increased only 2.8%, the bottom end of consensus, and homebuilder confidence remained under 50, suggesting a pessimistic view of the housing market.

Even in a period of little movement in short rates, the past week was especially static. The 1-month Treasury stayed at 0.02% and the 3-month note nudged up just half a basis point to 0.035%. The 1-month London Interbank Offered Rate (Libor) was exactly the same, to the hundredth of a basis point, as last week at 15 basis points. The 3-month remained at 23 basis points. The Fed's overnight fixed-rate reverse repo facility remained at 0.05%, and the overnight Treasury and mortgage-backed repo rates traded at 0.05% and 0.06%, respectively, unmoved from last week.

G40461-19 (4/14)

Views are as of April 21, 2014, and are subject to change based on market conditions and other factors.