FLORIDA PRIME

Weekly Commentary

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A modestly positive announcement from U.S. monetary policymakers and a series of better-than-expected economic reports led the news last week. But the market reacted cautiously, with few willing to be definitive just yet. Count cash rates in the latter group. They didn't move yet again, on the continued belief that even though the Federal Open Market Committee (FOMC) further reduced its bond-buying (to $45 billion a month), it still indicated that a rate increase is unlikely till next year. Add to this a disappointing 0.1 percent first-quarter GDP growth and a slight increase in jobless claims and you had a midweek looking negative.

But that changed on Thursday and Friday with announcements of a leap in nonfarm payrolls, consensus-beating measures of personal income and improved manufacturing data. It now seems the economy is truly building the positive momentum that one would hope would indeed eventually nudge rates higher.

But for now, the rates are in stasis. The 1- and 3-month Treasuries ticked down just a basis point to 0.01% and the 3-month note sat tight at 0.02%. The 1- and 3-month London interbank offered rates (Libor) were 15 and 22 basis points, respectively.

The Fed's overnight fixed-rate reverse repo facility stayed at 0.05%, and the overnight Treasury and mortgage-backed repo rates both traded at 0.05%.