FLORIDA PRIME

Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Another week of "the economy is improving, but…" as domestic data again was mixed.

On the one hand, the jobless rate, which signals the number of new unemployment claims each week, fell dramatically; U.S. inflation rose; businesses reported increased confidence in the health of the economy; and the construction of new houses picked up.

On the other hand, a slowdown in retail sales in March and a decrease in industrial production—led by a drop in manufacturing—in April disappointed. Add to this that U.S. consumer sentiment slipped and you get more of the jumbled picture that has been the view of the economy so far in most of 2014.

But short rates aren't participating in the dance. The 1- and 3-month Treasuries both remained at 0.025%. The 1-month London interbank offered rate (Libor) stayed at 15 basis points while the 3-month ticked up to 23 basis points.

The Fed's overnight fixed-rate reverse-repo facility remained at 0.05%, and overnight Treasury and mortgage-backed repo rates both traded at 0.05%, also unchanged from last week.

Views are as of May 19, 2014, and are subject to change based on market conditions and other factors.