Weekly Commentary

FLORIDA PRIME

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The U.S. economy gave us the final word on just how poor it performed in the first quarter of the year, weather related or not. Gross Domestic Product contracted at an annual rate of 1.0%. But that report seems more of the closing of a tough chapter than a continuing problem because a preponderance of data showing recovery has arrived. Among them are unemployment, with initial jobless benefits claims falling sharply, durable goods sales, seen as increasing in April, and services sector expansion. Even the beleaguered housing sector finally joined the trend, with home prices pushing upward at a rate of 1.2% in March.

True to form, however, one report on consumers' view on the domestic economy rose while another fell, showing the economy is still not quite all on the same page, even if broadly improving.

The 1-month Treasury moved to 0.04%, up a basis point, and the 3-month rose a half of a basis point to 0.03%. The 1-month London interbank offered rate (Libor) remained at 15 basis points and the 3-month did not budge from 23 basis points.

The Fed's overnight fixed-rate reverse-repo facility remained at 0.05% while overnight Treasury and mortgage-backed repo rates both traded up slightly to 0.06% and 0.07%, respectively, due to usual month-end pressures.

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