Weekly Commentary

FLORIDA PRIME

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Not steady, not fast, but last week the U.S. economy at least showed it is inching in the right direction. Reports on jobs were mixed, or at least murky. While 217,000 jobs were added, new unemployment claims rose and unemployment remained at 6.3%. But stepping back, the four-week jobless claim average fell as did continuing claims.

Manufacturing data from April was much clearer. The Institute for Supply Management's nonmanufacturing PMI crept to 56.3 (previously 55.2), and Markit's manufacturing PMI also rose to 56.4 (previously 55.4). Sales of automobiles had a healthy rise of 11.4% in May, a strong rebound from the anemic sales of the harsh winter.

Short-term rates were static from the week prior. The 1-month Treasury and the 3-month both moved to 0.035% last week. 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 traded at 0.05% while overnight Treasury and mortgage-backed repo rates remained at 0.06% and 0.08%, respectively, due to supply issues.

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