FLORIDA PRIME

Weekly Commentary

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For the week ended July 25, 2014, new home sales disappointed, but existing home sales rose solidly. The Markit manufacturing PMI remained strong and jobless claims fell to their lowest level since 2006. Benign core inflation at 1.9% likely gives the Federal Reserve some breathing space on interest rates. Meanwhile, June quarter earnings were solid with 77% of companies that had reported by the end of the week exceeding profit expectations.

On Wednesday, the U.S. Securities and Exchange Commission (SEC) voted to end the fixed $1 per share price for institutional prime and tax-exempt money market funds. The regulation will not take effect for two years. Although little new information is expected from the Federal Reserve, its policy setting group, the Federal Open Market Committee, is scheduled to announce this coming week whether it will further pare its bond purchases, currently at $35 billion a month.

The 1-month Treasury moved up slightly to 0.025% from 0.020% while the 3-month Treasury remained at 0.025%. The 1- and 3-month London interbank offered rates (Libor) held steady at 0.15% and 0.23%, respectively. The Fed's overnight fixed-rate reverse-repo facility continued sitting at a rate of 0.05%. Overnight Treasury and mortgage-backed repo rates also were steady, ending the week at 5 and 6 basis points, respectively.

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