FLORIDA PRIME

Weekly Commentary

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Divergent news characterized last week with geopolitical conflicts and the improving U.S. economy both taking place. On the one hand, the sectarian conflicts in Iraq, Israel, Gaza and Ukraine spurred market volatility. But on the other hand, another drop in jobless claims—with a four-week average low not seen since 2006—renewed confidence in the service industry—the ISM's best services index reading since 2005—and increased orders of durables were positives. But one area that the two spheres always interact is trade, and the calculation of the U.S. trade deficit for June showed a decrease of around 7%, another positive.

Short rates heeded neither as the 1- and 3-month Treasury bills both fell slightly to 0.02% from 0.03% and to 0.025% from 0.03%, respectively. The 1- and 3-month London interbank offered rates (Libor) ticked up a basis point to 0.16% and 0.24%, respectively. The Fed's overnight fixed-rate reverse-repo facility remains at a rate of 0.05%. Overnight Treasury and mortgage-backed repo rates also were ending the week unchanged at 5 and 6 basis points, respectively.

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