FLORIDA PRIME

Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Multiple theories abound as to why the unemployment continues to lag behind what is clearly an improving market. After last week's disappointing numbers, even more explanations might abound. In a week in which manufacturing, construction, factory orders and auto sales soared, the employment situation sank across the board. The jobless rate (benefit applicants) increased, and the number of new nonfarm hires rose at a much reduced rate. The unemployment rate was essentially the same, wages hardly grew and weekly hours stagnated. Add the fact that the all-important labor-participation rate nudged down to 62.8% in August, tying a 36-year low, and the slack evident likely gives the Federal Reserve more leeway to keep rates low for longer.

Short rates didn't stray far from the week prior. The 1- and 3-month Treasury bills again auctioned at 1.5 and 2.5 basis points, respectively. The 1- and 3-month London interbank offered rates (Libor) hardly shifted, remaining at just under 0.16% and 0.23%, respectively. The Fed's overnight fixed-rate reverse-repo facility remained at a rate of 0.05%. Overnight Treasury and mortgage-backed repo rates also were steady for the week at 5 and 6 basis points, respectively.