FLORIDA PRIME

Weekly Commentary

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The Federal Reserve takes a long view of the economy and does not expect reports to precisely match its interpretations and analysis in the specific weeks in which it sets monetary policy. But the Fed got that anyway last week when its decision to remain accommodative came amid various reports indicating a continuation of plodding economic improvement. Housing starts and consumer prices both fell from July levels; manufacturing data was mixed (a rise in the New York Fed survey conflicted with a drop in the Philadelphia Fed's); jobless claims fell; and producer prices softened. It was another week of mixed reports and underperforming sectors, which gave further credence to FOMC's decision to put off raising the federal funds rate.

The yield on the 1- and 3-month Treasury bills again hovered at zero: under 1 and at 1.5 basis points, respectively. The 1- and 3-month London interbank offered rates (Libor) did not budge, ending the week at 0.15% 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.

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