FLORIDA PRIME

Weekly Commentary

OCTOBER 06, 2014

Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Employment numbers dominated the week's news, highlighted by the headline unemployment figure falling below the 6 percent range, but nagging issues withheld full celebration and likely also the Federal Reserve rate hike.

The Department of Labor September monthly jobs' report said the unemployment rate fell to 5.9%, the lowest since July 2008, after many months at 6.1%. It also indicated an increase of 248,000 jobs, along with upward revisions of two previous months. Weekly jobless claims decreased and the private sector added jobs. But the important labor participation rate continued its troubling downward trend and hourly wages didn't grow, dampening the overall picture. The Fed will likely still see this as slack remaining in the labor market, with improvement needed before the economy reaches full employment and before its monetary policy calls for a rise in the federal funds rate.

Other data showed slowed, but still solid growth in manufacturing. Housing continued its bipolar run of ups and downs, with the S&P/Case-Shiller home price index contracting. The trade deficit fell moderately and the dollar rose.

Quarter end window dressing caused gyrations in the 1-month Treasury bill last week, but the 3-month did not budge from 1.5 basis points. The 1- and 3-month London interbank offered rates (Libor) ended the week at 0.15% and 0.23%, respectively, unchanged from the week prior. 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 4 and 5 basis points, respectively.

G40461-19 (10/14)