FLORIDA PRIME

Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Last week came as close to being entirely positive in economic data than the U.S. has seen in some time—and even the Federal Reserve joined in. The week was highlighted by two reports: third quarter flash gross domestic product (GDP) and the results of the Federal Open Market Committee (FOMC). Both pointed to a revitalized economy. GDP checked in at a robust growth of 3.5% and the FOMC formally ended its large-scale asset purchases, or quantitative easing. The committee also altered the tone of its language to be less dovish, if not hawkish. The Fed acknowledged solid improvement in the labor market, in particular saying that the "underutilization of labor resources" is "gradually diminishing."

While home prices were essentially level in August, sales were up in September. But the strongest indicator of growth came from the consumer segment. Two important measures of consumer confidence both had a strong showing—the best, in fact, since 2007.

The Fed's assessment of current economic conditions took a more hawkish tilt, with the FOMC acknowledging "solid job gains and lower unemployment rate" and amending its view regarding the "underutilization of labor resources," calling it "gradually diminishing."

The 1-month Treasury bill ticked down to 2 basis points and the 3-month remained at 2 basis points. The 1- and 3-month London interbank offered rates (Libor) were unmoved at 0.15% and 0.23%, respectively. The Fed's overnight fixed-rate reverse-repo facility was steady at a rate of 0.05%. Overnight Treasury and mortgage-backed repo rates remained slightly elevated at 0.07% and 0.09%, respectively.

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Views are as of November 3, 2014, and are subject to change based on market conditions and other factors.