Weekly Commentary

FLORIDA PRIME

DECEMBER 15, 2014

Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Oil did on a macroeconomic level last week what it does in individual cars: lubricate. Driven by the continued decline in crude oil prices that began to trickle down to gas stations across the U.S., and by another strong showing by the labor market in terms of jobless claims and job openings, retail sales soared in November. The sector soundly beat estimates at headline and core levels, and October was revised higher. Inflation at the producer level eased, but business inventories grew in October. All in all, the signs were positive for the domestic economy—enough so that it relegated the drop in the stock market on Friday as an outlier.

Tiny moves have big impact in this rate environment, and that was the case as both the 1- and 3-month London Interbank Offered Rate (Libor), at 0.16% and 0.24%, respectively (without rounding the figures up), both finally moved higher than their long-standing 0.15% and 0.23%.

The 1-month Treasury recaptured the prior week's four-basis-point yield last week, but the 3-month remained at two basis points. The rate for the Fed's overnight reverse-repo facility was 0.10%. Overnight Treasury and mortgage-backed repo rates were 0.10% and 0.12%, respectively.

G40461-19 (12/14)