FLORIDA PRIME

Weekly Commentary

DECEMBER 22, 2014

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On the back of plunging oil prices, mostly positive economic reports for the U.S. economy and a cautious Federal Reserve, the markets rang out silver bells last week. Industrial production and capacity utilization rose in November, although the trade deficit did, as well. Retail sales were stronger than expected across the board, while consumer prices fell modestly. Also, reports showed that auto and home sales were solid. As the effects of a severe drop in oil prices continued to be felt worldwide, it was the Fed that gave the most holiday cheer by simultaneously preparing the market for a rate hike without committing to any impending time. Initial jobless claims fell by 6,000.

Both the 1- and 3-month London Interbank Offered Rate (Libor) nudged higher to 0.17% and 0.25%, respectively, up from 0.16% and 24%. The 1-month Treasury fell to two basis points from the prior week's four-basis-point yield, but the 3-month ticked up a basis point to three. The rate for the Fed's overnight reverse-repo facility was 0.05%, but with less supply due to the Fed's term reverse-repo experiment, overnight Treasury and mortgage-backed repo rates stayed higher at 0.10% and 0.11%, respectively.