FLORIDA PRIME

Weekly Commentary

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Data from August through early October released last week confirmed growing strength in the U.S. housing market. Sales of existing homes hit their highest mark since just before the Great Recession, increasing 4.7% in September. These re-sales, as well as a decline in houses on the real-estate market, led to a bump in price of 0.3% in August and a significant jump of 5.5% year-to-year. The October reading of the housing market index climbed to a 10-year high and starts rose 6.5% in September, the second-highest level in eight years. Also playing into the equation was the ongoing health of the labor market, shown again with low levels of those applying for unemployment benefits. Finally, gasoline prices edged lower, providing consumers with more confidence in buying decisions.

Treasury yields got off the floor last week. In a slight inversion, the 1- and 3-month Treasury bills rose from zero to12 and 2 basis points, respectively. In the short end of the London interbank offered rate (Libor), the 1- and 3-month remained at 19 and 32 basis points, respectively. The rate for the Fed’s overnight reverse-repo facility remained at 0.05%, and the overnight Treasury and mortgage-backed repo rates stayed at 0.06% to 0.08% levels, respectively.