FLORIDA PRIME

Weekly Commentary

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The impact that a drop in oil prices traditionally has on the U.S. economy showed up in several reports last week. Inflation at the consumer and producer levels fell in December. Retail sales also disappointed, even including a decline in the core number that strips out gasoline among other sales. But lower per gallon gasoline prices led to a spike in consumer optimism, which by one survey came in at its highest reading since 2004. The resurgence of the labor market was the other main factor for the sunny outlook. While jobless claims rose, this is considered less of a reliable number as many workers leave seasonal jobs. More significant was the jump in job openings in November to nearly five million—the highest since 2001.

Cash rates did not change significantly. The 1-month London Interbank Offered Rate (Libor) remained at 17 basis points, with the 3-month at 26 basis points, rounded. The 1-month Treasury yield rose one-half of a basis point to two basis points and the 3-month remained at three basis points, both rounded up. The rate for the Fed's overnight reverse-repo facility was 0.05%, overnight Treasury and mortgage-backed repo rates stayed higher at 0.06% and 0.08%, respectively.

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