FLORIDA PRIME

Weekly Commentary

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Like a winter blizzard, the U.S. economic data released last week left less than a clear path. The domestic economy decelerated to a growth of 2.6% in the fourth quarter, down from 5% in the third quarter, despite another week of building consumer strength. One measure of consumer confidence climbed to its greatest point since August 2007 and another came in at an 11-year high. Sales of newly built houses joined the rally, recording a six-year high.

These positive figures were muted by disappointing capital goods orders, but first-time applications for jobless benefits dropped to its lowest level since before the recession—the dot-com bust of the turn of the century, that is, not the Great Recession of 2008-9. Yet, the Federal Reserve's latest policy-making meeting didn't seem to focus on the labor market as much as inflation and growth. All in all, the information from last week didn't offer much visibility, let alone confident predictions about when the Fed will raise rates, now likely pushed to at least the second half of the year.

The 1-month London Interbank Offered Rate (Libor) remained at 17 basis points, with the 3-month at 25 basis points. The 1- and 3-month Treasury yields rose to two basis points. 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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Views are as of February 2, 2015, and are subject to change based on market conditions and other factors.