FLORIDA PRIME

Weekly Commentary

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Typically, a rise in the U.S. unemployment rate is a cause for concern, but last week showed that isn't always the case. On Friday, the Bureau of Labor Statistics released a resoundingly positive report on the domestic labor market, yet the unemployment rate increased a tenth of a percent to 5.7%. That broke its streak of steady declines over the past several months. But economists actually view the uptick as part of the constructive story. It shows that more people who had given up on looking for a job are now designating themselves on the BLS surveys as actively searching again. As these find work in the improving economy, the benchmark rate will likely resume its healthy downward movement.

Other aspects of the closely watched employment situation report were not counterintuitive, and in fact plainly excellent. The labor market rose by 257,000 jobs in January, and the BLS raised its November and December gains substantially upward. The average addition of more than 336,000 jobs over the past three months is the largest three-month expansion in payrolls since 1997. Just as importantly, wages also grew. Even as inflation is still low, the labor market is definitely a bright spot for the U.S. economy.

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 remained at 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.