FLORIDA PRIME

Weekly Commentary

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The Federal Reserve dominated the news last week with one of its expansive meetings that combines a statement on monetary policy with economic projections and a press conference by the Chair. The thrust of all of the aspects is of a Fed that wants to raise rates but will postpone it if economic data continues to underwhelm—a more dovish position than many analysts expected. Normalization will now be tied to data instead of a time period, but a hike in the federal funds rate might indeed come later than once thought because the economic figures have been less robust in recent weeks.

Perhaps driven by brutal winter weather, industrial production in February was sluggish, manufacturing output slowed and the strong dollar put downward pressure on exports. Similarly, the mixture of frigid temperatures and record snowfall significantly lowered demand in the housing market, with starts falling and homebuilder confidence declining. Lastly jobless claims report grew, with the four-week moving average weighing in solidly above 300,000.

The 1-month London Interbank Offered Rate (Libor) remained at 17, but the 3-month ticked down to 26 basis points from 27. The 1- and 3-month Treasuries both increased from 1.5 basis points last week to five and four basis points, respectively. The rate for the Fed's overnight reverse-repo facility was 0.05%, overnight Treasury and mortgage-backed repo were 0.06% and 0.08%, respectively.

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