FLORIDA PRIME

Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

The U.S. housing market typically shifts into high gear in the spring, so it was a pleasant surprise last week when the February figures for both existing and new home sales rose ahead of the season. It appears a combination of still low interest rates but expectations for higher rates later in the year has led to buyers making moves now rather than later. Improving consumer confidence readings also likely played a role, although those measures cooled slightly last week and a poor durable goods report indicated that consumers are still edgy about spending.

Inflation at the consumer level rose into positive territory last week, but the latest release of fourth quarter 2014 real Gross Domestic Product (GDP) showed no revision, with growth at 2.2%. The first reading of the Purchasing Managers Manufacturing Index was solid, despite the continued strength of the dollar.

The 1-month London Interbank Offered Rate (Libor) remained at 17 basis points and the 3-month stayed at 26 basis points. The 1- and 3-month Treasuries both fell to 2 basis points last week, from 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 0.09% and 0.12%, respectively due to quarter end pressure in the repo market.

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