FLORIDA PRIME

Weekly Commentary

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The week started with the announcement that the U.S. trade deficit had ballooned to the highest level in six years in April, raising fears that an already anemic first-quarter gross domestic product number will be revised downward. Those concerns intensified when a weak ADP employment report raised expectations of poor employment figures to come later in in the week in the Bureau of Labor Statistics (BLS) employment situation data. Adding to the concerns was the data showing a dip in first-quarter nonfarm productivity, the second consecutive quarterly decline.

But then numbers on initial jobless claims arrived at a better-than-expected 14-year low, and then the BLS reported a surprising robust addition of more than 200,000 nonfarm payrolls, with wages ticking up slightly and the headline unemployment rate dropping down a tenth of a percent to 5.4%. Also adding optimism for the economy post-winter were a rise in new orders in March for domestically manufactured goods and an increase in April for the Institute for Supply Management's nonmanufacturing PMI.

The yield on the 1-month Treasury remained at zero percent and the 3-month ticked lower at to one basis point. The 1- and 3-month London Interbank Offered Rate (Libor) did not budge at 18 and 27 basis points, respectively. The rate for the Fed's overnight reverse-repo facility was 0.05%, and the overnight Treasury and mortgage-backed repo rates were 0.06% and 0.08%.

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