FLORIDA PRIME

Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

The U.S. employment picture yet again brightened the corners of an otherwise sluggish economic picture with a significantly higher-than-expected nonfarm payroll report for May. The Labor Department said that 280,000 jobs were added in May, the most since before the weak, weather-ravaged first quarter. Along with jobless claims continuing to decline—with the four-week moving average at a 14-year low—and the labor participation rate ticking up, the labor market is signaling an improving economy. That did not translate into consumer spending, however, as consumer spending remained low, although auto sales increased.

The yield on the 1-month Treasury dropped to near zero last week, offering only half a basis point, while the 3-month remained at 1 basis point. The 1- and 3-month London Interbank Offered Rate (Libor) did not budge, staying at 18 and 28 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 remained elevated at 0.09% and 0.11%.