FLORIDA PRIME

Weekly Commentary

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The irregularity of the reporting of economic data can sometimes lead to conflicting, or at least contradictory news. Last week fit that bill. Retail sales jumped in July, yet the flash August survey of consumer sentiment fell slightly. Which of these reflects the real picture best? Probably the latter, as core retail sales (not counting autos, food services and building materials) likely received a bump from back-to-school shopping and might pull back as that wanes. But America's small businesses don't seem overly concerned. Surveyed last month, they said they are confident in the domestic economy, with many predicting better sales in the coming months. Additionally, the U.S. industrial output grew at its fastest rate in more than six months in July, yet productivity continued to be mediocre.

While the 1-month Treasury yield remained at 5 basis points, the 3-month continued its upward trajectory, leaping from 8 to 13 basis points. It was a similar story for the short-end of the London interbank offered rates (Libor). The 1-month remained at 19 basis points, but the 3-month advanced 1 basis point to reach 32. The rate for the Fed's overnight reverse-repo facility remained at 0.05%, but the overnight Treasury and mortgage-backed repo rates remained elevated at 0.12% and 0.14%, respectively.

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