FLORIDA PRIME

Weekly Commentary

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While global and domestic markets had a volatile week, U.S. data was solid. Housing again led the way. July housing starts rose to 1.21 million, the highest level since fall of 2007, and the National Association of Home Builders (NAHB) housing market index rose a point in August to 61, the highest level since late 2005. The mortgage delinquency rate fell in Q2 to its lowest level since 2007. Finally, existing home sales came in up a stronger-than-expected 2% in July to a 5.59 million annual rate.

The labor market and consumer price index both came in as expected, but the minutes from the Federal Reserve's July policy meeting indicated that these still weren't robust enough to get a consensus for raising rates in September. Regional manufacturing readings were mixed.

Cash rates dipped over the week. The yield on the 1-month Treasury decreased from 5 to 4 basis points, the 3-month slipped from 13 basis points to 11. The short-end of the London interbank offered rate (Libor) curve continued to grow. The 1-month bumped up slightly to 20 basis points, and the 3-month crept up 1 basis point to 33. The rate for the Fed's overnight reverse-repo facility remained at 0.05%. The overnight Treasury and mortgage-backed repo rates fell slightly during the week but remained elevated at 0.08% and 0.10%, respectively.

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