FLORIDA PRIME™

Weekly Commentary

FEBRUARY 22, 2016

Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

The holiday-shortened week didn't slow down the amount of data released last week, some of which was better than expected. January core domestic consumer prices, a category that does not include food and energy, showed upward movement. Its 0.3% rise is not impressive historically speaking, but it represented the largest rate increase in several years and a sign that inflation may be inching closer to the Federal Reserve's double mandate. Non-energy producer-based prices also indicated slight inflation—welcome news in a sector that has gotten pummeled in recent months.

The other half of the Fed mandate, employment, also bounced back slightly, with falling jobless claims being the latest example. Previously strong housing sales slipped, but previously weak manufacturing activity modestly improved, with indicators of industrial production and capacity utilization up in January. It is premature, however, to consider the question of whether or not manufacturing is stabilizing.

The London interbank offered rate (Libor) finished unchanged from the previous week. One-month Libor remained at 43 basis points and 3-month Libor ticked up to 62 basis points.

Views are as of February 22, 2016, and are subject to change based on market conditions and other factors.