FLORIDA PRIME™

Weekly Commentary

MAY 8, 2020

Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Another shoe has dropped

You've heard the adage that sometimes it has to get worse before it gets better. We believe the labor market hit that point in April. Even though many were expecting a rough jobs report Friday, the numbers still were a punch in the gut: nonfarm payrolls fell by 20.5 million and the unemployment rate shot up to 14.7%. But we and the industry consensus had predicted even worse numbers, suggesting that the bottom has been reached. That the labor impairment rate rose to a record high of 22.8% in April also is, in a way, good news. That's because this count includes people who have stopped looking for work, a position that could change quickly when business begin to open. Also, 18 million of the unemployed say they have been furloughed. Even if all of these people are not recalled by their companies, a large portion probably will be. Cities and regions hit hard should recover first. Of course, much depends on the course of the coronavirus, but we expect the labor market to rebound in the second half of 2020.

The London interbank offered rate (LIBOR) curve continued to fall this week as it adjusts to the lowered federal funds rate range. But trading among traditional counterparties in the direct market has increased, with use of government facilities subsiding. During the week, 1-month LIBOR declined to 0.20%, 3-month to 0.43% and 6-month to 0.69%.