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The week ending April 1, 2011 was a quiet one for the money markets with three- and six-month Treasury bills trading at 0.56% and 0.145%, respectively. Meanwhile the federal funds future contract remained unchanged in its 0-0.25% range for the 28th straight month.

The week did, however, include the release of several key economic reports. The March manufacturing Institute for Supply Management Index remained well into expansionary territory, with a posting of 61.2, little changed after February's 61.4 reading. This marked the third consecutive month with a reading above 60.0. The Conference Board's Consumer Confidence Index, which had been trending upward since September 2010, declined sharply in March, falling from a revised 72 points in February to 63.4 points in March. This was likely a consequence of higher energy prices on already squeezed household budgets. In addition, spending on private and public construction fell by 1.4% in March from the previous month. On a positive note, the unemployment rate for March showed better than anticipated progress, falling to 8.8% from 8.9% in February. Non-farm payrolls rose by 216,000, above the consensus estimate of 185,000.

Although the encouraging jobs report is not yet a trend, the slow but gradual improvement on the jobs front combined with the impact that the surge in energy and food prices is having on headline inflation, adds weight to the argument that the Federal Reserve is likely to begin to normalize monetary policy by early next year.