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Short credit rates in the U.S. inched up in a holiday-shortened week that closed out the year, with one-month, six-month and one-year London interbank offered rates (Libor) rising a basis point each to 0.30%, 0.81% and 1.13%, respectively. Overseas, euro Libor (Libor denominated in euros) continued to pull back following intervention by the European Central Bank to pump more liquidity into the European cash markets.

On the economic front, most of the domestic data continued to surprise to the upside, with the four-week moving average of jobless claims hitting a 3½-year low, the Conference Board's gauge of consumer confidence hitting an 8-month high and a gauge of home sales hitting a 19-month high. The biggest unknown as the markets entered the New Year remains Europe, where despite actions by the ECB to ease liquidity concerns, worries persist about the ability—if not the willingness—of member governments to deal with their sovereign debts.