# Weekly Commentary

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Economic conditions improved last week, but positive developments had little effect on credit conditions. London interbank offered rates (Libor) remained largely unchanged, and Treasury bill yields ended the week at roughly the same levels where they had started.

The ongoing Greek sovereign-debt predicament eased considerably on Friday when authorities announced that the country had secured agreement from more than 83% of bondholders to its bond swap offer. This paved the way for Greece to activate collective action clauses that would force remaining creditors to take the deal, triggering payouts on credit-default swaps held by Greek bondholders.

On the domestic front, February's broad-based job gains—227,000 net new jobs were added to nonfarm payrolls with revisions adding an additional 61,000 jobs to the prior two months—provided encouragement to markets, as did the increase in the participation rate as formerly discouraged workers reentered the labor market. Still, market reaction was muted, with the continuing good job news seen as more of a step in the right direction. The unemployment rate held steady at 8.3%.

Also last week, there were reports that the Federal Reserve was considering a twist on "Operation Twist'' through a plan in which it would continue to try and hold long rates down without stirring inflation concerns. This reportedly would entail buying longer-term Treasury bonds, then tying that money up by borrowing the same amount through short-term loans. The move would aim to continue the Fed's support of the ongoing economic recovery without further expanding the money supply, potentially easing some concerns that its ongoing intervention may trigger inflation. This discussion may be moot given the acceleration in job growth and the recent string of other positive economic data that could preclude the Fed from taking further action. Central bank policymakers may give a hint on their thinking at this week's meeting of the policy-setting Federal Open Market Committee. We would be surprised if there are any significant changes in the FOMC's policy language.

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