Weekly Commentary

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Last week was a very quiet week from a money market standpoint. The highlights of the week were the European Central Bank and the Bank of England (BOE) meetings, but neither meeting produced any changes in rates, which remain at historic lows. The BOE issued a statement after its meeting saying it saw growth in the UK economy, but cautioned that it remained concerned about eurozone economic problems. And here at home, the Federal Reserve continues on its same path, with quantitative easing and its own low-rate policy unchanged for the foreseeable future, as well.

London interbank offered rates (Libor) were down very slightly for the week, with three-month steady at 0.30%, six-month down a basis point to 0.47%, and one-year down a basis point to 0.77%. Short-term Treasuries were mixed, with one-month up one basis point to 0.03%, three-month up a basis point to 0.07%, six-month steady at 0.11%, and one-year down a basis point to 0.14%. Overnight repo rates were volatile, but ended the week largely unchanged.

On the economic front, December's trade gap unexpectedly plunged as nominal exports of industrial supplies surged, real imports of petroleum fell 10.5%, petroleum exports rose 8.5% and imports were weak across the board. The sharp narrowing could lift 2012 fourth-quarter growth by seven tenths of a point, pushing it back into expansion territory from its flash estimate of a 0.1% decline. The Institute for Supply Management's nonmanufacturing index slipped but was still a slightly better-than-expected 55.2 in January, indicating services are expanding at a healthy pace. Notably, the employment component—historically a leading indicator of private service-sector hiring—rose to a seven-year high. The last time it was this level, private-sector payrolls rose 217,000 in the month.

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