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Nervousness over the federal government shutdown and pending debt-ceiling deadline sparked a sell-off on the front end of the Treasury bill market last week, pushing one-month yields up as high as 0.17% midweek before settling at 0.12% on Friday, still significantly up from 0.015% in the prior week.

Rates on overnight Treasury and agency mortgage repos also rose, ending the week at 5 and 7 basis points, respectively. The activity largely reflected the desire by some traders to avoid the very short end of the government market until the fiscal showdown is resolved, which most observers expect eventually will occur. Indeed, yields on longer Treasury bills—13-week and 26-week—actually slipped last week and credit rates held steady at low levels across the cash yield-curve.

News on the economic front was limited by the shutdown, which led the Bureau of Labor Statistics to put off reporting September's nonfarm jobs and unemployment report. A separate jobs gauge, ADP's report on private payrolls, rose 166,000 on the month, a bit below consensus, while the latest weekly jobless claims held at six-year lows. Elsewhere, the ISM manufacturing Index unexpectedly rose to 56.2 as both production and employment improved, the latter to its highest level since June 2012. However, the separate ISM services gauge came in below expectations, though at 54.4, it was still solidly in expansion mode.