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With little impactful economic news last week, short rates were essentially static. The overnight Treasury and mortgage-backed repo rates were unchanged at 2 and 3 basis points, respectively. The London interbank offered rates remained unchanged at low levels, with 1-month at 0.16% and 3-month at 0.24%.

The low cash rates reflected several reports that stated modest gains and certainly no surprises. On the one hand, the U.S. Commerce Department reported that December's core retail sales were up 0.7%, solidly beating consensus of around 0.4%. That punctuated a fourth-quarter that ended with an increase of 6.6%, the highest in two-and-a-half years.

Also, the job report signaled a return to pre-Thanksgiving figures with jobless claims down 2,000 to 326,000. This level is especially significant since the numbers reflected a period not overly affected by holidays and poor weather. Small businesses highlighted the cautious optimism. They increased hiring and spending, reflected in the December rise in the National Federation of Independent Business (NFIB) small-business optimism index of 1.4 points to 93.9, the highest in seven months. Those surveyed reported that employment rose by an average of 0.24 workers per firm, the strongest reading since February 2006.

On the other hand, U.S. housing starts and confidence slipped in December, according to the Commerce Department and the National Association of Home Builders (NAHB), respectively. The drop was headlined by new construction that fell 9.8% to 999,000. But that can be partially attributed to a November surge, and it did not dampen a general upward trend in the housing market in 2013.