Weekly Commentary

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While a notable miss in wage growth threw some water on the fire, domestic jobs data heated up last week. The Department of Labor said that job gains in October exceeded 200,000 for the ninth consecutive month, the unemployment rate at 5.8% declined to its lowest level in six years and nonfarm payrolls rose by 214,000. In addition, the labor impairment rate fell and there was a small reversal in the long decline of labor-force participation. While hours worked increased, wages barely budged. That might be just enough to add fuel to that other, seemingly eternal, flame: the Federal Reserve's extremely low federal funds rate. Manufacturing also remained on the upswing.

The Federal Reserve Bank of New York announced a few operational tweaks to the reverse repo facility that will occur between now and year-end. These changes do not represent a shift in the stance of monetary policy and are only operational in nature. This week the New York Fed offered 3 basis points for the reverse repo facility, but the market traded above that, at 5 basis points for Treasury repo and 7 basis points for agency repo due to additional supply of collateral in the market.

The 1-month Treasury grew to 3.5 basis points and the 3-month remained at 2 basis points. The 1- and 3-month London interbank offered rates (Libor) were unchanged at 0.15% and 0.23%, respectively.

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