Weekly Commentary

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Economic reports released in the shortened trading period last week due to Labor Day were mixed, providing little additional indication whether or not the Federal Reserve will raise interest rates this week for the first time since late 2008. Those looking for significant signs to support an argument for or against a Fed move found the data didn't lean significantly either way.

The employment picture continued its positive trajectory with jobless claims remaining remarkably low and job openings rising. Labor is one half of the equation that the Fed considers most when determining monetary policy. The other is inflation, which failed to improve at the producer level in August. Consumption was mixed, too. Consumer debt rose, suggesting that more customer confidence in the economy is driving increased purchases using credit, but a major survey indicated that consumer sentiment about the U.S. economy took a significant downward turn.

The yield on the 1-month Treasury crept up to 1 basis point from zero a week ago, but the 3-month dipped to 8 basis points from 10. The short end of the London interbank offered rate (Libor) curve hardly moved. The 1-month rose fractionally to 21 basis points and the 3-month rose slightly to 34 basis points from 33. The rate for the Fed's overnight reverse-repo facility remained at 0.05%, and the overnight Treasury and mortgage-backed repo rates remained elevated at 0.09% and 0.11%, respectively.

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