Weekly Commentary

SEPTEMBER 21, 2015

Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

The Federal Reserve's monetary policy meeting took center stage last week even more so than usual. That's because economists, experts and analysts had circled this meeting as having a strong chance of resulting in a rate hike. But the Fed opted to leave the federal funds rate at the zero bound, at which it has been since late 2008.

Most domestic economic data from the week was positive, with the notable exception of inflation at the consumer level barely growing. The housing market remained on its robust trajectory, retail sales rose in August, with a positive revision for July, and jobless claims continued at historically low levels.

Treasury yields fell on last week's news, with the 1-month returning nothing and the 3-month dipping to 6 basis points from 8. Likewise, the short-end of the London interbank offered rate (Libor) curve flattened slightly, with the 1-month falling one basis point to 21 and the 3-month slipping from 34 basis points to 32. The rate for the Fed's overnight reverse-repo facility remained at 0.05%, and the overnight Treasury and mortgage-backed repo rates declined to end the week at 0.06% and 0.08%, respectively.