Weekly Commentary

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A slew of important economic data was bookended by the Federal Reserve last week. The markets' reaction to the non-move by the Fed dominated the first half of the week and then hopes rose after Chair Janet Yellen expressed confidence in the economy, suggesting yet again that rates could still rise this year.

Economic reports were also uneven. The most significant negative came with data showing continued weakness in domestic manufacturing. The flash U.S. manufacturing purchasing managers index (PMI) of 53, its lowest level since 2013, re-affirmed other indicators showing a slowdown caused in part by the robust dollar.

Positive indicators included another bump in second-quarter gross domestic product, revised up 0.2% to 3.9% for its final measurement. Home and business construction were leaders, with new home sales leaping 5.7% in August to the strongest level since before the full fury of the financial crisis. Existing homes sales were decent. Jobless claims continued to be low, again numbering under 300,000.

Treasury yields ticked lower, with the 1-month remaining at zero and the 3-month dipping to 5 basis points from 6. Likewise, the short end of the London interbank offered rate (Libor) curve was 19 basis points for the 1-month and 33 basis points for the 3-month. The rate for the Fed's overnight reverse-repo facility remained at 0.05%, and the overnight Treasury and mortgage-backed repo rates averaged 0.06% and 0.08%, respectively.

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