Weekly Commentary

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A week of conflicting, and a bit confounding, U.S. economic data created even more uncertainty about the Federal Reserve's policy action next week. In fact, reports crucial to the central bank's dual mandate—maximum employment and stable prices/moderate long-term interest rates—were at odds and it is not certain that policymakers will raise rates currently at historic lows.

Weekly jobless claims fell to 255,000, a 40-year low, with continuing requests for benefits fell to 2.16 million, the lowest number since late 2000. But inflation did not grow substantially. Consumers expressed confidence in the economy yet retail sales were essentially flat. Manufacturing continued to slow due in part to the strong dollar, but vehicle sales were robust.

It was zeros across the board again for Treasury yields last week. The 1- and 3-month Treasury bills offered no return for the second week in a row. The short end of the London interbank offered rate (Libor) curve also slightly declined, with the 1-month down to19 basis points from 20 but the 3-month remaining at 32 basis points. The rate for the Fed's overnight reverse-repo facility remained at 0.05%, and the overnight Treasury and mortgage-backed repo rates stayed at 0.06% to 0.08% levels, respectively.