Weekly Commentary

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When the Federal Reserve's most recent policy statement and subsequent speeches by several officials suggested that the Fed still might raise rates in the final meeting of 2015, not many believed it. After all, it had been hinting at a hike for some time without pulling the trigger. But last week's much stronger-than-expected labor report has put December in play.

The Bureau of Labor Statistics said the U.S. economy added 271,000 jobs in October, well above consensus calls, and the unemployment rate fell to 5.0%, its lowest level since spring of 2008. Average hourly earnings rose and other measures of employment were solid, as well. It was the sort of jump ahead that could finally lead to a return of meaningful inflation, which is what the Fed has been looking to see before raising interest rates. Other data indicated that vehicle sales were robust in October, on pace for one of its best annual results ever. All in all, most of the data released last week portrayed an economy that is improving, despite the recent poor third quarter advanced GDP reading.

In the short end of the London interbank offered rate (Libor), the 1-month remained at 19 basis points, while the 3-month ticked up from 33 basis points to 34.