Weekly Commentary

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The domestic employment situation dominated the news last week, although it did not provide the hoped for clarity.

The unemployment rate fell two tenths of a percentage to 5.6%, its lowest level since June 2008. Similarly positive, U.S. payroll growth in December was the highest since 1999. But all was not bright, as the Bureau of Labor Statistics also stated that wages declined in December. Combined with softening manufacturing numbers, the mixed labor report raises the possibility that the Federal Reserve might not raise rates as soon as had been expected.

Short rates continued to march to their own drumbeat, however, with little change. The 1-month London Interbank Offered Rate (Libor) remained at 17 basis points, and the 3-month ticked down to 25 basis points. The 1-month Treasury yield fell slightly to one basis point, with the 3-month settling at three basis points. The rate for the Fed's overnight reverse-repo facility was 0.05%, overnight Treasury and mortgage-backed repo rates stayed higher at 0.06% and 0.08%, respectively.