Weekly Commentary

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In a unanimous vote, the Federal Reserve did not raise rates in its policy meeting last week, despite intensifying calls for that action. The Fed upgraded its estimate of future economic activity, and last week's mostly strong data seemed to heed that call. Initial jobless claims fell again, consumer prices rose slightly and the housing sector continued to build momentum. If the Conference Board's May index of leading economic indicators plays out as described—nearly all indicators rose—there will be more pressure on the Fed for a hike.

The 1-month Treasury yield hit the zero bound last week, and the 3-month offered only a basis point more at 1 basis point. Libor inched higher as expectations of a Fed rate increase in September climbed due to the stronger economic data. One-month Libor rose to 19 basis points, but 3-month dropped to 28 basis points. The rate for the Fed's overnight reverse-repo facility was 0.05%, and the overnight Treasury and mortgage-backed repo rates remained elevated at 0.08% and 0.10%.

Views are as of June 22, 2015, and are subject to change based on market conditions and other factors.