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Weekly Commentary

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Federal Reserve Chair Janet Yellen made news last week in a speech that many interpreted as a message to the markets—and to several of her colleagues—that she remains firm in her conviction that accommodative monetary policy remains the best path for the still-recovering U.S. economy. She was responding to several Fed officials who had spoken publically that the Federal Open Market Committee (FOMC) may raise the target federal funds rate in its upcoming April meeting. Citing the weak global environment's effect on the U.S., she reiterated that the Fed should be data dependent and delay a hike.

But her argument took a hit at the end of the week when the data in fact suggested otherwise, with strong employment figures and improved manufacturing numbers. The manufacturing sector rebounded from half a year of poor readings with the largest growth coming in new orders. Also, the employment situation report showed that the labor market was again robust in March. Nonfarm payrolls increased by 215,000 and average hourly earnings rose 2.3% year-over-year. The unemployment rate climbed from 4.9% to 5.0% in March, but for a positive reason: an increase in the labor participation rate.

Treasury yields dipped over the last week, as the yield on the 2-year Treasury fell from 0.87% to 0.75%, the 3-year yield decreased from 1.04% to 0.88% and the 5-year yield dropped from 1.37% to 1.23%.