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Weekly Commentary

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In last week's release of May payroll numbers, it was very apparent that the unemployment rate doesn't always tell the real story about the labor market. The headline figure dropped to 4.7%, but economists and the market didn't rejoice. That's because it reflected a mass of workers leaving the labor force rather than unemployed ones taking new jobs, affirmed by the drop in the labor participation rate. The dismal nature of the other closely watched payroll number was much clearer: the U.S. added only 38,000 jobs in May—far less than 150,000 or so hires expected. By most accounts this development makes it unlikely that the Federal Reserve will raise the federal funds rate at its upcoming June meeting.

In other reports, several measures of manufacturing activity showed some improvement, home prices rose significantly in May according to the Case-Shiller index but auto sales were muted. The London interbank offered rate (Libor) was essentially flat over the week. One-month Libor remained at 46 basis points, while three-month Libor ticked up from 67 basis points to 68.

Views are as of June 6, 2016, and are subject to change based on market conditions and other factors.