Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

After two weeks of focus on the U.K. and its stunning vote to leave the European Union, the spotlight shifted to the U.S. last week as a powerful rebound in the labor market dominated the economic data. While not as surprising as the Brexit vote, the June payrolls count far exceeded market and economist expectations, coming in at 287,000, a full 100,000 new jobs over consensus. This was well-timed because the poor May report by the Department of Labor that started all the worry over the once-strong labor market was revised down from 38,000 to an absolutely anemic 11,000.

Just as important as the headline number was that the labor force participation rate and average hourly earnings increased. Wage pressure typically leads to inflation, which the Federal Reserve has said it needs to see in order to raise rates. And even the closely watched unemployment rates increase from 4.7% to 4.9% was good news as it reflected a return of former job seekers who had stopped actively looking for work.

The short end of the London interbank offered rate (Libor) rose last week, with one-month Libor increasing from 47 basis points to 48 and three-month Libor rising from 66 basis points to 67.

Views are as of July 11, 2016, and are subject to change based on market conditions and other factors.