Weekly Commentary

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Just as we were starting to feel good about the economy, gross domestic product (GDP) had to come and ruin it. Last week, the lion's share of U.S. data registered positive or at least steady readings. For the second week in a row, the housing market showed considerable strength with new home sales and pending existing home sales both beating expectations. Housing prices were essentially flat, but affected by seasonal adjustments. Employment continued to be near historic lows in terms of new filings for unemployment insurance and consumer confidence remained robust.

But then the U.S. Commerce Department reported that second-quarter GDP grew by only 1.2%, roughly half of the figure most economists expected. Furthermore, it revised first-quarter growth downward. The culprit appears to be stalled business investment.

The short end of the London interbank offered rate (Libor) moved up last week. One-month Libor was flat at 49 basis points, but three-month Libor jumped from 72 basis points to 76 and six-month Libor pushed upward from 1.03% to 1.09%.

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