Weekly Commentary

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The shortened week following Labor Day was also short on significant economic reports, causing most interest to be on monetary policy. At least two public comments by central bankers were more bullish than expected. The European Central Bank president indicated it would likely not increase asset purchases because its implementation of negative rates were having a positive effect. The president of the Federal Reserve Bank of Boston announced his thoughts that waiting too long to raise the federal funds target rate risked negatively tilting the U.S. financial system, so the Fed should greatly consider a hike soon. But the backdrop to any moves by the Fed are always tempered by the strength of economic data, and the ISM nonmanufacturing index dropped to the lowest level since 2010 last week. So as usual, nothing is certain in terms of central bank action.

There was little movement in the short end of the London interbank offered rate (Libor) curve over the last week. One-month Libor rose a basis point 0.53%, three-month Libor increased three basis points to at 0.85% but six-month Libor remained at 1.25%.

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