Weekly Commentary

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Few polls and experts predicted the outcome of the presidential election, but not many more expected the markets to stabilize and volatility drop in the same week. But, that is exactly what happened after a shocking victory for Donald Trump, who now dons the presidential-elect moniker after besting Hilary Clinton. The relative stability is a good sign for those hoping a data-dependent Federal Reserve will raise rates in December as recent economic data appears to call for one. In addition to the solid nonfarm payrolls report released Nov. 4, a strong consumer confidence report and low weekly jobless claims last week pointed to the high possibility of a rate hike in December. While a shock often causes policymakers to refrain from action, the economic growth, as well as the likelihood that the Trump Administration will be stimulating for the economy and induce inflation, points to a hike.

The short-end of the London interbank offered rate (Libor) curve rose slightly last week, with 1-month Libor rising 1 basis point to 0.54%, 3-month bumping up 2 basis points to at 0.90% and 6-month Libor increasing 1 basis point to 1.26%.

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