Weekly Commentary

FEBRUARY 16, 2016

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Federal Reserve Chair Janet Yellen's semiannual testimony to Congress dominated the financial news last week, but it failed to offer any substantial information about whether or not the Fed will hike rates in 2016. But Yellen did downplay the likelihood of a recession, even amid falling oil prices, global stock volatility and poor fourth quarter 2015 U.S. gross domestic product (GDP) reading. Her optimism was somewhat supported at week's end when the U.S. Census Bureau reported that retail sales grew 0.2%, an unexpectedly positive figure. Moreover, core sales rose 0.6%, a healthy increase from December's decline of 0.3%. Combined with continuing data showing the health of the labor market (confirmed again last week by low jobless claims and a healthy job turnover number) and solid housing sales and prices, the picture looks much rosier than investor sentiment seemed to be, especially with imports and manufacturing still hurt by poor global demand and the strong dollar.

The London interbank offered rate (Libor) finished essentially unchanged from the previous week. One-month Libor remained at 43 basis points and 3-month Libor ticked up to 62 basis points.