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Weekly Commentary

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Post-hurricane auto replacements drive retail sales higher

Flood-damaged automobiles were among the vast property damage caused by the hurricanes that hit the U.S. in August and September. As expected, the scope of consumers' replacements was vast and boosted retail sales in September. However, a leap in auto and truck sales, especially when combined with a rise in gasoline prices, is typically little indication of how the rest of the retail market fared (referred to as core sales). In fact, the former has the potential to mask a poor figure of the latter. But September saw a strong reading of retail sales after factoring out autos and energy. That wasn't the case with consumer prices, as its report's core reading (less food and energy) managed only a 0.1% rise from August. That's certainly not an argument in favor of the Federal Reserve raising rates in December, although Fed rhetoric last week suggested a hike will come regardless.

The short end of the London interbank offered rate (Libor) yield rose slightly last week from the week prior. While 1-month Libor remained at 1.24%, 3-month rose by 2 basis points to 1.35% and 6-month by 1 basis point to 1.53%.

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