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Weekly Commentary

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Short rates climb again

While the week brought mostly positive economic data and many investors were on holiday, the story in the short-term cash market continues to be the rise of London interbank offered rate. Libor jumped again last week in anticipation of the next Federal Reserve policy setting meeting in December. In it, the Fed is expected to raise the federal funds target rate—actually still a range—by 25 basis points to 1.50%-1.75%. While historically low, the bump is a welcome one for cash managers.

The other major news last week also was not focused on the U.S. economy—which showed continued strength headed by low jobless claims and healthy consumer sentiment—but rather Washington, as tax reform took center stage.

One-month Libor yield increased 4 basis points, from 1.29% to 1.33%, 3-month Libor rose 3 basis points, from to 1.44% to 1.47%, and 6-month Libor increased by 2 basis points, from 1.63% to 1.65%.

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