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Economy chugging along amid tax debate

The political frenzy last week on Capitol Hill to pass a tax overhaul package overshadowed several positive economic reports. By virtue of its importance, the upgrade of domestic gross domestic product (GDP) gets first mention. The government revised its initial estimate of third-quarter GDP higher, from 3% to 3.3%. This is not only significant on its own, but combined with data showing that the factory sector is flourishing, it indicates that the U.S. economy is maintaining positive momentum. Inflation rose a tick in October—not much of a change on its own, but all but insuring that the Federal Reserve will hike rates this month. The Senate did agree on a new tax plan late Friday night, the details of which will be analyzed this week.

The London interbank offered rate continued to climb in anticipation of the Fed bumping up rates in a few weeks. One-month Libor yield increased 5 basis points, from 1.33% to 1.38%, 3-month Libor rose 2 basis points, from to 1.47% to 1.49%, and 6-month Libor increased by 2 basis points, from 1.65% to 1.67%.