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Weekly Commentary

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In the wake of several strong economic indicators so far this month came the biggest splash of all to end last week: an outstanding jobs report. Almost all of the details were positive. The unemployment fell to 4.7%, the labor force participation rate increased from 62.9% to 63.0% and average hourly earnings grew to an annual rate of 2.8%, up from last month's 2.6%. Although the labor participation rate is still low enough to question if the U.S. economy really is at full employment, it probably will not derail the Federal Reserve from raising rates at its Federal Open Market Committee meeting this week. Fed officials have been hinting they might do so. Also, the labor market is likely strong enough to give the Fed confidence to raise expectations for future hikes this year.

The London interbank offered rate (Libor) continued to rise in anticipation of the potential rate hike, with 1-month Libor climbing from 0.83% to 0.89%, 3-month jumping from 1.10% to 1.12% and 6-month Libor soaring from 1.42% to 1.43.

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