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Weekly Commentary

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Economic reports joined elbows with strong data last week. Manufacturing is on the rise according to a select group of companies' purchasing managers, consumer confidence is pushing higher and the housing market remains strong. With inflation percolating in the measure that the Federal Reserve (Fed) looks to most, and with personal income rising, the markets hoped for clarity on the next rate hike. They got just that. A slew of speeches by Fed officials last week hinted that the Federal Open Market Committee (FOMC) would raise rates mid-March ended with an exclamation point when Chair Janet Yellen all but confirmed one would happen. The market-implied probability of an increase to the 0.75-1.00% range moved to near unanimous. As the week ended it seemed clear that, short of an unexpectedly poor report before the release of the FOMC statement, the Fed indeed would raise rates on March 15.

The London interbank offered rate (Libor) leapt in anticipation of the rate rise, with 1-month Libor climbing from 0.78% to 0.83%, 3-month jumping from 1.05% to 1.10% and 6-month Libor soaring from 1.36% to 1.42.

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