

JULY 10, 2017



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Robust labor report keeps Fed on track

The U.S. Bureau of Labor Statistics of the U.S. Labor Department gave the markets unexpectedly good news last Friday. It reported that the domestic economy added 222,000 new jobs in June, and also revised the April and May figures upward. In one of the few times that a rising unemployment rate is positive, the increase from 4.3% to 4.4% means that more people have decided to actively look for jobs. The Federal Reserve had already hinted it the minutes from its June meeting released last Wednesday it would likely raise interest rates once more this year and would like to start drawing down its enormous balance sheet, and this data should encourage both. This is all good news indeed, especially after a recent spate of softer data releases.

The short end of the London interbank offered rate (Libor) yield was essentially unchanged last week from the week prior: 1-month Libor at 1.22%, 3-month at 1.30% and 6-month at 1.47%.