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Optimism abounds despite market turbulence

Markets move on expectations, so it will be intriguing to see how a spate of optimism will play out. No less than three major aspects of the U.S. economy indicated a positive outlook in January: consumers, small businesses and home builders (housing contractors). Of course, January also gave us market volatility based in part on only a bump in wages. We will have to wait and see what impact the boost in sentiment makes.

As for the progress of the Federal Reserve's dual mandate of price stability and full employment: inflation remains elusive, although pushing higher, and we might as well treat the strong labor market as a constant, not a variable these days. The minutes of Janet Yellen's last Federal Open Market Committee meeting as chair comes out this week and could shed light on what the Fed will do in its March meeting.

The London interbank offered rate continued to rise last week, with 1-month increasing to 1.60%, 3-month rising to 1.89% and 6-month increasing to 2.13%.