Weekly Commentary

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A week of beating expectations

The Federal Reserve flipped the script last week by cutting the federal funds rate by a quarter-point, while also projecting a pause in policy action for the near future. The opposite happened in Dec of 2018, which was followed by three rate cuts, so perhaps we will experience hikes next year. Emphasis on “perhaps,” as policymakers don’t see inflation rising anytime soon.

Middling, mediocre, so-so: these descriptions of the U.S. economy actually are welcome these days in light of the expectations it is doing poorly. Third-quarter GDP’s run-of-the mill 1.9% growth rate announced last week is slightly above expectations. Consumers led the charge, from small purchases all the way to buying houses.

At 128,000 jobs added, the nonfarm payroll report for October also beat expectations. It was especially encouraging to see the labor participation rate and hourly earnings rise, as they are crucial to a good—as opposed to pedestrian—economy.

The London interbank offered rate (Libor) continued to decline last week from the previous week as 1-month fell from 1.8% to 1.78%, 3-month slipped from 1.93% to 1.90% and 6-month decreased from 1.93% to 1.92

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