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Weekly Commentary

FEBRUARY 10, 2020

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No news is good news for money markets

Various news and data competed for attention last week, but for money markets, it was a lack of news from the Federal Reserve that stood out. Several Fed policymakers spoke in separate forums and on different subjects, but the common thread was agreement that monetary policy as expressed in the last two Federal Open Market Committee meetings remains appropriate. That approach is that the committee will wait to see how the economy responds to its rate cuts of last year before settling on a new path of either more accommodation or a tightening of rates. Similarly, no changes were announced for the Fed's participation in daily operations in the overnight repo market, although it remains clear that officials would like to exit that role.

The Fed has been careful to qualify that its stance on both subjects is subject to review if a material economic change occurs, especially if it affects inflation. These could either way: Last week's blowout reports on the already strong labor market and improvement in manufacturing and productivity could move the needle positively; the spread of the coronavirus, of course, could develop into a significant negative.

The London interbank offered rate (Libor) ended the week from the previous with 1-month edged up from1.65% to 1.67%, 3-month decreased from 1.76% to 1.73% and 6-month slip from 1.76% to 1.74%.