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Weekly Commentary

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Money markets settle down

After two tumultuous weeks and extraordinary intervention by global central banks, the liquidity markets functioned much smoother this week. The Federal Reserve's Money Market Liquidity Facility (MMLF), expanded late last week to include short-term municipal securities, began Monday, and its new Primary Dealer Credit Facility (PDCF) started last Friday. It took some time for both to ramp up and for participants to use them, but the early indications are that they have made a difference. Repo rates have traded within the Fed's intended target. The Fed's Commercial Paper Funding Facility (CPFF) has not begun yet, but is expected to further enhance secondary market functioning.

All of this, and the Fed's lowering of its federal funds target range to 0-0.25%, gives us confidence liquidity will not only be ample, but that it will reach those all areas of need. The coronavirus continues to be a health threat, but the worst of the crisis in the cash markets likely has passed.

The London interbank offered rate (Libor) rose this week, ending Friday with 1-month at 0.99%, 3-month at 1.45% and 6-month at 1.07%.