

JULY 29, 2019



**Paige Wilhelm**  
*Senior Vice President  
 Senior Portfolio Manager  
 Federated Investment Counseling*

## Strong consumers push up GDP

The advance reading of gross domestic product (GDP) growth in the second quarter was pleasant news, beating consensus with a reading of 2.1%. The best news of all came from consumer spending, which rose 4.3% in the quarter. The consumer comprises the majority of GDP growth in the U.S., which is why the GDP number was so strong. However, it is the preliminary figure, and often is adjusted after more data comes in. Of course, the continued robust labor market put money in people's pockets, wallets and purses and it shows no sign of weakness. It's possible that the pullback in the housing market is also contributing to personal consumption because people aren't tying up dollars in mortgages. Next is the Federal Open Market Committee meeting, in which policymakers are expected to decrease the target range of the federal funds rate by 25 basis points.

That likely cut pushed the short end of the London interbank offered rate curve (Libor) down last week, with the 1-month rate dropping from 2.26% to 2.24% and the 3-month decreasing from 2.26% to 2.25%. But 6-month Libor rose from 2.14% to 2.18%.