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Weekly Commentary

JULY 8, 2019

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A positive swing

The labor market pendulum swung back to positive in a big way in June as U.S. employers added 224,000 more people to their payrolls. If you recall, the May jobs report was one of the data releases that got the market convinced the Federal Reserve would cut rates in July. We still think that will happen, but how many other cuts come in 2019 is now more uncertain. While higher inflation is the goal that the Fed has been searching for with no luck, it is heartening that some manufacturing data is signaling a better position in June than has been seen lately. A more consistent upgrade—not a pendulum swing—could finally bring inflation pressure. We will see.

The short end of the London interbank offered rate curve (Libor) fell last week, with the 1-month rate dropping to 2.37%, the 3-month slipping to at 2.31%, while the 6-month remained at 2.21%.

G40461-19 (7/19)