Weekly Commentary

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Truly dog days of August

The resurgence of Covid-19 continues to weaken sentiment across the U.S. for both companies and consumers. Small-business owners surveyed by the National Federation of Independent Business in July said they have less confidence in the direction of the economy than they did in June. Consumers weren't quite as pessimistic, but are hardly confident. Retail sales back up that story, as July's numbers were decent, but lost momentum from May and June.

It doesn't help that the labor market remains stuck at historically low levels. Don't be excited by the fact that new jobless claims reported this week dipped below 1 million for the first time since March 21—the employment situation is not good and may get worse as restrictions are returning and the traditional August bump of back-to-school sales will probably be lower as many students don't need new clothes and book bags if they are schooling at home.
But all is not negative. Industrial production rose in July and second-quarter productivity grew. And with the likelihood that, despite the political stalemate in Washington over another round of fiscal stimulus, the lack of any meaningful inflation—consumer and producer prices increased only slightly in July—will keep the Federal Reserve in play, supporting the liquidity markets.

The London interbank offered rates (LIBOR) were mixed this week from last, with 1-month slipping 1 basis point to 0.15%, 3-month inching upward by 2 basis points to 0.27% and 6-month rising 2 basis points to 0.33%.

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