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Weekly Commentary

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A return to relative normal

The volatility in the repo markets subsided last week, helped by the passing of the technical events that drove it and the Federal Reserve's consistent daily operations. It remains to be seen how long the Fed will continue to intervene, if it will add tools to avoid the situation in the future and when/if it will let overnight trading return to normal. We should at least get some indication or information at the Federal Open Market Committee meeting that convenes the week of Oct. 28, but we hope sooner.

In economic news, the housing market had an open house on positive data last week, with reports of robust sales of existing and new houses, pending sales and starts. Consumers continue to be confident about their finances, although spending fell in August. And the labor market did what it has been for some time now: be historically strong. Businesses were another story, as the trade war continues to weigh on their plans to invest in themselves. Indeed, capital expenditures and core capital goods orders remain weak.

The London interbank offered rate (Libor) moved from the previous week as such: 1-month Libor remained at 2.04%, 3-month slipped from 2.14% to 2.10% and 6-month slipped from 2.07 to 2.06%.

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