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Economy simmering, not overheating

Prices are starting to rise and the U.S. economy continues to improve, but likely not enough so to make the Federal Reserve hike rates this Wednesday at its policy-setting meeting. Last week, the Bureau of Labor Statistics reported that the nation's gross domestic product (GDP) annual rate rose 2.3% in the first quarter and that the cost of personal spending, excluding food and energy expenditures, increased the most since 2011.

Sales of newly built homes beat expectations, nearly reaching levels not seen since the housing bubble burst. Add to this that domestic manufacturing was strong in March and you have a picture of a robust economy. The worry is that it will overheat, putting the Fed behind the curve and leading policymakers to push rates higher at a faster pace. But for now, indicators suggest steady growth.

The London interbank offered rate (Libor) modestly rose across the short end of the yield curve last week, with 1-month rising 1 basis point to 1.91%, 3-month remaining at 2.36% and 6-month increasing 1 basis point to 2.52%.