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Weekly Commentary

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Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

Labor report head fake

The recent market volatility seems to be causing overreaction to any economic metric that is not stellar. Case in point is the March employment report released at the end of last week. While the headline number of jobs added came in well below consensus, the report's underlying data was not weak, especially considering seasonality of some sectors. Actually, a major component, the labor-impairment rate, decreased. That's good because it means the slack in the labor market continues to tighten. The overall employment picture is solid, and other measures of it have shown this, too. Also presenting positive views last week were still strong reports on manufacturing. There continues to be solid economic growth across much of the U.S., and rates are climbing in expectation that the Federal Reserve sees this and will likely hike the federal funds rate in June.

The London interbank offered rate (Libor) modestly rose across the short end of the yield curve last week, with 1-month increasing 2 basis points to end at 1.90%, 3-month rose 3 basis points to 2.34% and 6-month increased 2 basis points to 2.47%.

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