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Weekly Commentary

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Growth, yields trending up

If there were any lingering questions about U.S. economic growth, domestic indicators released last week again showed strength. The U.S. Federal Reserve reported that manufacturing is accelerating. Consumers were more active in April, with retail sales hearty. The rise in the price of oil means that the increased cost of filling a tank with gasoline could cut into future spending, but for now that has not been the case.

The biggest of purchases for most families—houses—softened, in April as housing starts and permits slipped. With Fed rate hikes coming on a more regular basis, mortgage rates likely will be an issue soon. Mortgage applications have already begun to slow down. While much attention last week was again on the 10-year Treasury yield breaking above 3%, the yield on cash funds and pools also continues to rise.

The London interbank offered rate (Libor) modestly flattened along the short end of the yield curve last week, with 1-month rising 3 basis points to 1.95%, 3-month decreasing 1 basis point to 2.33% and 6-month slipping 2 basis points to 2.50%