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# Weekly Commentary

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## Labor market conundrum

The U.S. Federal Reserve sets monetary policy on the basis of two basic factors—employment and inflation. Recently, the relationship between the two has defied conventional wisdom, and even supply/demand dynamics. The federal government reported last week that, in spring, open positions at companies exceeded the count of job-seekers, yet wages continue to be soft. If the labor dynamic is not broken, business eventually will have to offer better compensation and that should nudge inflation higher.

But many companies continue to have trouble finding workers with the skills they need to do the job. No telling when this will finally resolve itself, yet it would seem it must soon as the service industry—the source of most American jobs—posted solid improvement across the country. Another good sign is that capital expenditures by businesses appear to be growing, which should lead to more opportunities for job-seekers. The market expects the Fed to raise interest rates this week, but its outlook on the near-term economy will be an indicator of how confident it is that its policy tools still work.

The London interbank offered rate (Libor) moved only modestly along the short end of the yield curve last week, with 1-month rising 5 basis points to 2.05%, 3-month remaining at 2.32% and 6-month increasing 2 basis points to 2.49%.

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**Views are as of June 11, 2018, and are subject to change based on market conditions and other factors.**