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Weekly Commentary

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Powell stays put

The finance world does its best to parse Federal Reserve language, known affectionately (or not) as Fedspeak. Even in this time of transparency and projections, Fed policymakers try to communicate to the markets what actions they might take in the future. But is there a difference between “great” and “very well”? Probably not, but that’s the comparison we got when Chair Jerome Powell spoke last Wednesday, a week after his press conference following the Federal Open Market Committee (FOMC) meeting. At the latter, he said the U.S. economy was in “great shape”; in his prepared remarks Wednesday he said it was performing “very well.” The most important thing, of course, is that he didn’t backtrack, which leaves the probability high that the FOMC will raise rates two more times this year. This would effectively mean the Fed is in a true tightening cycle, not just getting back to normal after years of expansionary policy and ultra-low rates.

Housing data released last week shows that in May, existing home sales dipped, but housing starts rose.

The London interbank offered rate (Libor) rose modestly along the short end of the yield curve last week, with 1-month Libor rising 1 basis point to 2.09%, 3-month moving up 1 basis point to 2.34% and 6-month remaining at 2.50%.

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