Weekly Commentary

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Are we there yet?

The Federal Reserve got the inflation number it says it wants last week, or did it? The core personal consumption expenditure index (PCE), which strips out the volatile components of energy and food prices, hit 2% year-over-year in May. The Fed has pointed to that figure as a sign the U.S. economy is in good condition. But lately, policymakers have been suggesting they prefer inflation to run a little "hot," meaning they could stand it rising above 2%, but likely still below 3%. This report will certainly be a factor in determining how many times the Fed will hike rates in the remainder of this year.

In other economic news, sales of new homes were impressive in May, unlike existing house sales. The running 12-month average is a 10-year high. Part of reason has to do with low inventory. Average prices have not changed much.

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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