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Weekly Cash Commentary

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Fed can't predict the future

So much of what drives the markets and spending, both consumer and business, are future expectations. In that regard, the Federal Reserve's policy-setting meeting last week threw cold water on investors, consumers and companies. The Fed didn't hike interest rates and it downgraded its projections for gross domestic product (GDP) growth this year and next. The question is, will these long-term estimates pull down current positive metrics, for instance that solid job growth and increasing incomes have been leading to higher measures of consumer confidence? The housing market continues to perform better, with expected sales at their highest levels since late 2018.

Perspective is needed, as is more time to digest the surprisingly dovish Fed meeting. After all, it did say that the labor market remains in a good place and its assessments of other market indicators are hardly catastrophic. Lastly, an inversion in the Treasury yield curve that took place last week does not necessarily mean a recession is imminent.

Last week the London interbank offered rate (Libor) was essentially unchanged, with 1-month rising 2 basis points to 2.50%, but 3- and 6-month staying at around 2.62% and 2.67%, respectively.