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# Weekly Commentary

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## US economy getting warmer

The US Capitol got all the attention last week with the midterm elections, but the decisions made at the Federal Reserve building remain paramount to liquidity investors. Based on the fed funds futures market, investors and traders have largely maintained their opinion that the Fed's December meeting will result in a 25 basis-point rate hike.

Data released last week only adds to that likelihood. The University of Michigan's measure of consumer sentiment strengthened, business productivity increased and then came the whopper: the Bureau of Labor Statistics (BLS) said the US added 165,000 jobs in October. Few anticipated this surge. Furthermore, the BLS revised the previously poor result for September from an addition of 29,000 jobs to 60,000. The unemployment rate slipped from 4.2% to 4.1%.

Combining those reports with the strong third-quarter GDP growth and you have an economy that seems to be at least warm enough on its own to warrant a rate hike, let alone when you consider the persistence of high inflation.

Labor productivity appears to be gaining momentum, as well. Third quarter nonfarm business productivity increased at a 3.6% annualized rate — the fastest pace in a year. While one number does not make a trend, economists will be watching this closely to determine if the ongoing capital expenditure cycle is truly translating into greater efficiency.


**Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.**

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