

Weekly Money Market Report

26 April 2026



>NBK Treasury
+965 22216603
tsd_list@nbk.com

Hovering Near Highs: Markets Balance Growth, Policy, and Geopolitics

Market Commentary

Global markets navigated a week shaped by competing forces: a powerful ongoing equity recovery anchored by strong Q1 earnings, and a geopolitical situation that refused to resolve cleanly. The week opened in risk-off mode following a weekend collapse of US-Iran peace talks and the re-closure of the Strait of Hormuz, reversing much of the optimism that had driven the S&P 500 to a historic 7,000 plus close the prior week. However, ceasefire extensions, including a separately announced three-week extension of the Lebanon truce, prevented the situation from spiraling into full escalation, keeping the worst-case scenario off the table and equity markets broadly supported even as they gave back some recent gains. By the end of the week, the S&P 500 remained close to its all-time high, supported by Q1 earnings tracking toward high-teens growth year-on-year, with technology, communication services, and consumer discretionary leading the April recovery. Energy stocks continued to pull back from their war-driven highs but stabilized as oil neared the \$100 mark. The Federal Reserve's April 28-29 meeting now looms as the week's defining scheduled catalyst, with markets pricing a near-unanimous hold at 3.50-3.75% and attention is on any guidance regarding the path forward given the ceasefire's fragility.

North America

Retail Surge Driven by Energy Prices Masks Uneven Consumer Strength

US retail sales surged 1.7% in March, its biggest monthly jump in over a year and comfortably above consensus expectations, with total sales reaching \$752.1 billion. The headline strength was substantially driven by a 15.5% month-on-month spike in gasoline station sales, reflecting the war-driven energy price surge rather than genuine improvement in consumer spending power. Stripping out gas, the underlying picture was more nuanced: Bank of America card data showed solid broad-based spending by higher-income households, but lower-income consumers were disproportionately squeezed by fuel costs. The control group reading, which feeds directly into GDP calculations by excluding autos, gasoline, food services, and building materials, was the key number to watch, and it suggested that while the headline looked impressive, it was primarily energy-price driven rather than a genuine consumer confidence rebound. For the Fed, this print is a double-edged signal: strong nominal spending supports the case for holding rates, but energy-driven inflation inflating the number limits the signal's informational value for the underlying growth trajectory.

Warsh Signals Gradual Easing Path While Defending Fed Independence

Kevin Warsh appeared before the Senate Banking Committee for his confirmation hearing as the next Fed Chair, succeeding Jerome Powell whose term expires May 15. The testimony was closely parsed by markets for signals on Fed independence, the rate path, and his inflation framework. Warsh struck a broadly balanced tone, he defended the Federal Reserve's institutional independence from political pressure, a significant statement given the White House's vocal desire for rate cuts, and reaffirmed commitment to the Fed's 2% inflation mandate. On the rate path, he expressed support for three to four rate cuts in 2026 if economic conditions warranted, a notably more dovish view than current market pricing, and indicated that the war had not fundamentally altered his medium-term inflation outlook. He also highlighted structural disinflation from AI-driven productivity gains as a factor that could allow policy to ease without reigniting price pressures. Markets interpreted the testimony as

modestly dovish relative to feared hawkish outcomes, contributing to a softening of the dollar in the session and a modest improvement in rate-sensitive equity sectors.

Manufacturing PMI Rebounds on Inventory Build, but Cost Pressures Intensify

US business activity rebounded to a three-month high in April, with the Flash Composite PMI rising to 52.0 from March's near-stagnation reading of 50.3, a result that came in above expectations and provided a clear signal that the US economy is absorbing the energy shock considerably better than its European counterparts. Manufacturing led the recovery, with output rising at the sharpest rate in four years as new orders surged to their strongest level since May 2022, driven, as elsewhere, by firms front-loading purchases and building buffer stocks in anticipation of further supply disruptions. Services also recovered modestly from March's contractionary reading, returning to expansion territory. However, the S&P Global commentary was measured: the manufacturing strength was attributed in part to inventory building driven by supply concerns rather than genuine end-demand acceleration, and price pressures intensified sharply, the monthly jump in average selling prices was the largest since July 2022, with both input cost inflation and supply chain delays worsening.

The Greenback was last seen trading at 98.533.

Energy-Driven Inflation Complicates Policy Outlook for the BoC

Canada's headline CPI accelerated sharply in March, rising 0.9% month-on-month and 2.4% year-on-year, a significant jump from February's 1.8% annual rate and well above forecasts. The primary driver was energy, particularly gasoline prices, which surged on the back of the Iran war-related supply disruption. The year-on-year headline figure more than doubled in a single month, reflecting how quickly the oil shock transmitted into consumer prices. Importantly, core inflation measures, the Bank of Canada's preferred gauge of underlying price pressure, showed a more contained picture, as energy-adjusted core CPI remained relatively stable. This is a critical distinction: if the oil shock proves temporary, headline will normalize without requiring a policy response; if it embeds in wages and services, the BoC will face a tightening dilemma. The BoC is widely expected to hold rates at 2.25% at its April 16 meeting, with markets pricing the first hike arriving in October 2026.

The USD/CAD currency pair was last seen trading at 1.3668.

United Kingdom

Fuel-Driven Inflation Pushes UK CPI Higher Amid Growing Policy Dilemma

UK headline CPI rose to 3.3% in March, above the consensus forecast of 3.0% and the highest reading in three months, driven primarily by a sharp acceleration in motor fuel prices as the Iran conflict began feeding into pump prices. On a monthly basis, CPI rose 0.7%, more than double the 0.3% increase recorded a year earlier. Core CPI came in at 3.1%, broadly stable and slightly softer than February's 3.2%, suggesting that the inflation pickup in March was predominantly energy-driven rather than a broadening of domestic price pressures for now. Services inflation, the Bank of England's most closely watched gauge of domestically generated price pressure, edged higher to 4.5% from 4.3%. Producer input prices surged 5.4% year-on-year, with crude oil input costs up 58.3%, signaling significant pipeline price pressure yet to fully feed through into consumer prices. The BoE, which voted unanimously to hold at 3.75% in March, is operating in a difficult environment: inflation is rising again, services inflation is persistent, and yet the growth outlook is softening under the weight of the energy shock. Markets are currently pricing multiple BoE rate hikes by year-end, and this print reinforces the upside inflation risk narrative.

UK Activity Beats Expectations, but Cost Pressures and Confidence Weaken

The UK Flash Manufacturing PMI delivered a significant upside surprise in April, rising to 53.6, a 47-month high and comfortably above the 49.9 forecast. The composite PMI also improved to 52.0, suggesting that unlike the Eurozone, the UK private sector continued to expand in April. The

manufacturing beat reflected front-loading of orders and inventory build-up, similar to patterns seen in other major economies, as firms responded to the Middle East supply chain disruption. However, the headline improvement masked an acute deterioration in cost conditions, where input price inflation jumped to its highest level in over three years, with supply chain stress spreading rapidly. Business confidence deteriorated sharply despite the activity beat, as firms struggled to reconcile strong near-term demand with a deeply uncertain cost and growth outlook.

The GBP/USD currency pair was last seen trading at 1.3531.

Europe

Eurozone Slips Into Contraction as Energy Shock Hits Services Hard

The Eurozone Flash PMI Composite for April dropped sharply to 48.6, below the 50-expansion threshold for the first time in 16 months, as the Iran conflict's economic impact hit services activity hard across the bloc. The reading represents a significant deterioration from March's 50.7 and came in well below consensus forecasts, sending a clear signal that Europe is bearing a disproportionate share of the global energy shock. Germany's private sector returned to contraction for the first time in nearly a year, with services weakening sharply as consumer and business confidence deteriorated under the weight of rising energy costs. Paradoxically, the Eurozone manufacturing PMI actually rose to a 47-month high, driven by the same inventory front-loading dynamic seen in prior months, as manufacturers built supply buffers in anticipation of further disruption. However, cost pressures surged to extreme levels, with input price inflation hitting multi-year highs. The collapse in services activity is the critical concern: it suggests the energy shock is already depressing household spending and business investment in real terms. For the ECB, which had been contemplating rate hikes to address energy-driven inflation, this data significantly complicates the picture, as hiking into a contracting economy risks deepening the downturn.

The EUR/USD currency pair was last seen trading at 1.1720.

Asia-Pacific

China Holds Rates Steady as Growth Holds but Domestic Demand Lags

The People's Bank of China held both benchmark lending rates unchanged for the eleventh consecutive month, in line with market expectations. The 1-year LPR, which anchors most corporate and household loans, remained at a historic low of 3.00%, while the 5-year LPR, used as the reference for mortgage rates, was kept at 3.50%. The decision reflects Beijing's cautious policy stance amid the dual challenge of managing the energy shock from the Middle East conflict while domestic demand remains soft. China's economy grew 5.0% year-on-year in Q1 2026, reaching the high end of Beijing's 4.5-5% target and supported by strong external demand and industrial activity. However, retail sales, credit growth, and property sector data remain subdued, pointing to persistent weakness in domestic consumption. DBS has revised its 2026 easing expectation to just a 10bps cut in the 1Y LPR, from 20bps previously, reflecting a more measured outlook.

The USD/CNY currency pair was last seen trading at 6.8359

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30650.

Rates – April 26th, 2026

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1758	1.1668	1.1791	1.1720	1.1650	1.1810	1.1767
GBP	1.3509	1.3444	1.3544	1.3531	1.3440	1.3600	1.3528
JPY	158.59	158.54	159.84	159.37	158.55	160.45	158.17
CHF	0.7811	0.7773	0.7876	0.7844	0.7775	0.8000	0.7775

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