

Weekly Money Market Report

November 3rd, 2024



>NBK Treasury
+965 22216603
tsd_list@nbk.com

Global Inflation Data Amid Central Bank Meetings and Political Uncertainty

Highlights

- US JOLTS Job openings show a 418k drop, down to 7.44 million in September.
- US PCE index y/y rose by 2.1%, lower than the previous 2.3% increase, core PCE rose 0.3% m/m.
- Switzerland CPI m/m at -0.1% versus expectations of 0.0%.
- Bank of Japan keeps interest rates unchanged at 0.25%.
- Inflation in Australia rises to 2.1% in September, lower than expectations of 2.3%, and the previous 2.7% figure.
- China manufacturing PMI at 50.1 versus 49.8 previous month, marking the first expansion in six months.

United States

JOLTS Job Openings Report

Over in the US, job openings fell by 418,000 to 7.44 million in September 2024, marking the lowest level since January 2021 and indicating a cooling labor market. Significant declines were noted in health care and social assistance (-178,000), state and local government (-79,000), and federal government (-28,000), while openings rose in finance and insurance (+85,000). Regionally, the largest decrease was in the South (-325,000). Hires remained steady at 5.6 million, with total separations at 5.2 million, and minimal change in quits (3.1 million) and layoffs (1.8 million).

ADP Non-Farm Employment Change Report

The latest ADP National Employment Report showed a significant increase of 233,000 jobs in U.S. non-farm, private employment, more than double the forecasted 110,000. Job creation has accelerated from the previous month's 143,000 increase, indicating a healthy labor market likely to support consumer spending and overall economic growth. The report's strength could impact Federal Reserve policy, potentially strengthening the case for a 25 bps reduction rather than the previous cut of 50 bps. This data is also seen as a positive indicator for the US dollar as it shows that the labor market remains resilient.

Core PCE Index

The personal consumption expenditure index, watched closely by the Federal Reserve, rose 0.2% in September, following an unrevised 0.1% gain in August. In the y/y figure, the index rose 2.1%, considered the smallest y/y rise since February 2021, after a 2.3% reading in August. Core PCE rose 0.3% for the month, compared to 0.2% previously, while the y/y figure rose 2.7%. The figure, although slightly higher than the previous month, is considered to give the Fed greater confidence in proceeding with interest rates cuts. Markets are currently pricing in 23 bps worth of cuts in November, and 42 bps till year end.

Non-Farm Payroll

The US added only 12,000 jobs in October, as seen by the latest report from the Bureau of Labor Statistics. The unemployment rate was unchanged for the month at 4.1%. The figure was considered significantly lower than September's 223k figure, as well as below expectations of 106k jobs added. An upward trend in employment was seen in healthcare and government jobs, while decreases were seen in manufacturing employment. The lower than expected figure, although attributed to the recent

hurricanes in the US, has increased expectations that the Fed will cut rates in its November meeting, with 24.6 bps worth of cuts currently priced.

The US Dollar index closed the week at 104.28.

Canada

BoC Governor Macklem Speech

Governor Tiff Macklem explained on Monday the rationale behind the Bank of Canada's recent large interest-rate cut, stating it was appropriate after two years of substantial rate hikes aimed at controlling inflation. Since March 2022, the central bank raised the benchmark rate from 0.25% to 5%, and Macklem noted that making larger cuts now aligns with the aggressive increases made earlier. He added that the bank will gradually "discover" the neutral rate—where borrowing costs neither stimulate nor slow the economy—though it's estimated to be between 2.25% and 3.25%. Anticipating a precise neutral rate is unlikely, given it requires stable economic conditions without shocks, inflation at 2%, and growth at full capacity. Although a sharp economic downturn isn't anticipated, the bank took this significant step to aim for a "soft landing." Markets currently expect the policy rate to fall to around 3% by March 2025, with uncertainty over further cuts afterward.

The USD/CAD currency pair closed the week at 1.3950.

Switzerland

Switzerland CPI Report

CPI in Switzerland decreased by 0.1% in October, missing expectations of a flat reading. Meanwhile, inflation excluding food and energy rose 0.1%. Declines were seen in both domestic and imported products, which decreased by 0.1% each. Domestic product's prices decreased from 2.0% to 1.8% y/y, while imported products declined to -3.1%, from -2.7% y/y. On a yearly basis, inflation dropped to 0.6%, down from 0.8% previously.

The USD/CHF currency pair closed the week at 0.8699.

Asia-Pacific

BoJ Monetary Policy Statement

The Bank of Japan (BoJ) maintained its key short-term interest rate at 0.25% in October, its highest level since 2008, aligning with market expectations. This decision was made amid political changes in Japan and upcoming U.S. elections. Governor Kazuo Ueda expressed concerns over global economic uncertainty, noting that the BoJ has time to evaluate risks after recent rate hikes in March and July. The BoJ remains open to further rate hikes if economic conditions meet its forecasts. In its quarterly outlook, the BoJ reaffirmed its 2024 core inflation forecast at 2.5%, with inflation expected to be around 1.9% in FY 2025 and FY 2026. GDP growth projections are kept at 0.6% for 2024, with 1.1% for FY 2025 and 1.0% for FY 2026.

The USD/JPY currency pair closed the week at 152.98.

Australia Consumer Price Index Report

In September 2024, Australia's Consumer Price Index (CPI) rose by 2.1% year-over-year, below both the forecasted 2.3% and August's 2.7%, marking the lowest inflation rate since July 2021. This keeps inflation within the central bank's target range of 2-3% for the second consecutive month, largely due to the Energy Bill Relief Fund rebate. Key price drops included electricity (-24.1%) and automotive fuel (-14.0%). Price growth also slowed for food, alcohol and tobacco, health, and recreation, though

education costs rose (6.4%). Excluding volatile items and travel, the CPI increase was 2.7%, its lowest since November 2021.

The AUD/USD currency pair closed the week at 0.6559.

China Manufacturing PMI

China's manufacturing output bounced back into expansion territory in October for the first time in six months. The manufacturing PMI index rose to 50.1, up from 49.8 in September, beating forecasts of almost no change in the figure. The non-manufacturing PMI, which includes construction and services, also rose to 50.2, up from 50.0. The figure increased optimism that the stimulus effort announced in September will help drive further growth and bring it closer towards the 5% target.

The USD/CNY currency pair closed the week at 7.1214.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30635.

Rates – 3rd November 2024

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0882	1.0831	1.0905	1.0834	1.0700	1.1000	1.0854
GBP	1.2899	1.2881	1.2980	1.2926	1.2800	1.3100	1.2928
JPY	152.03	151.77	153.09	152.98	150.00	155.00	151.17
CHF	0.8632	0.8630	0.8713	0.8699	0.8600	0.8800	0.8612

© Copyright Notice. The Weekly Money Market Report is a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK.

While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. This report and other NBK research can be found in the "News & Insight" section of the National Bank of Kuwait's website. Please visit our website, www.nbk.com, for other bank publications. For further information please contact: NBK Treasury Group, Tel: (965) 2221 6603, Fax: (965) 2229 1441, Email: tsd_list@nbk.com