

# Weekly Money Market Report

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## Global Markets Flex: Navigating Economics, Geopolitics and Energy

### Market Commentary

Global markets this week were shaped by a combination of resilient economic data, evolving central bank signals, and geopolitical uncertainty linked to the Middle East conflict, with the International Monetary Fund lowering its 2026 global growth forecast to 3.1% YoY and projecting global inflation at 4.4% YoY, while warning of downside risks should energy disruptions persist. In the United States, inflation data showed headline PPI rising +0.5% MoM while core PPI slowed to +0.1% MoM, indicating contained underlying pressures despite a sharp increase in energy costs, while labour market conditions remained stable with jobless claims declining to 207K and continuing claims rising modestly to 1.82M; Federal Reserve communication highlighted policy caution, with inflation guidance to 2.75-3.0% YoY and growth at 2.0-2.5%, reinforcing a data-dependent stance, as DXY closed the week at 98.098 [-0.56%]. In Canada, political developments saw the Liberal Party secure 174/343 seats, paving the way for fiscal expansion and infrastructure investment; USDCAD closed the week at 1.3691 [-1.10%]. In Europe, Hungary experienced significant market repricing following the electoral defeat of now-former Prime Minister Viktor Orbán, while the Swiss National Bank reiterated readiness to intervene in FX markets amid franc strength; EURUSD closed the week at 1.1765 [+0.36%], USDHUF at 307.30 [-4.23%], and USDCHF at 0.7817 [-0.90%]. In the United Kingdom, GDP rose +0.5% MoM in February, exceeding expectations, although forward-looking indicators point to rising inflationary pressures linked to energy costs; GBPUSD closed the week at 1.3516 [+0.40%]. In Asia-Pacific, Japan saw heightened attention to the possibility of FX intervention as USDJPY neared 160 and rate hike expectations for the April 28 meeting fell below 20%, while China reported stronger-than-expected GDP growth of +5.0% YoY and +1.3% QoQ alongside weak domestic demand indicators; Australia's labour market remained steady with unemployment at 4.3% and employment rising +17.9K. USDJPY, USDCNH, and AUDUSD closed the week at 158.64 [-0.40%], 6.8160 [-0.14%], and 0.7174 [+1.56%] respectively. In rates markets, US Treasury yields were volatile, leaving the 10-year at 4.248% [-6.9bps] - reflecting inflation and policy uncertainty. This move was accompanied by a steepening of the US curve, with the 2s10s and 5s30s widening by 2.2bps and 7.1bps, respectively. Equity markets advanced as major US indices posted gains amid ceasefire optimism; notably, the S&P 500 and Nasdaq reached record highs. Meanwhile, commodities closed the week mixed with Brent crude at 90.38 [-5.06%] and spot gold at 4830.34 [+1.70%], reflecting sensitivity to geopolitical shifts and inflation expectations.

### United States and Canada

#### US PPI Rises +0.5% MoM in March as Core Slows to +0.1% MoM Amid Energy Surge

US wholesale inflation dynamics presented a nuanced picture in March, with headline producer prices rising +0.5% MoM for a second consecutive month, while core PPI moderated sharply to +0.1% MoM, signalling contained underlying inflation despite a significant energy shock. The near 16% surge in gasoline prices accounted for almost half of the increase in goods inflation, marking the strongest goods price advance since August 2023, while services inflation remained broadly subdued despite a +1.3% rise in transportation and warehousing costs. Upstream pressures are nonetheless building, with intermediate goods costs posting their largest increase in nearly four years, reflecting supply chain disruptions linked to the Middle East conflict and constrained shipping flows through the Strait of Hormuz. Forward-looking indicators suggest firms may increasingly pass through higher input costs, particularly as trade services margins continue to compress for a second consecutive month. While the data offered some near-term relief on core inflation, the Federal Reserve remains alert to second-round effects, especially as energy-driven cost pressures begin to permeate broader industrial and consumer categories. DXY last printed at 98.098.

#### US Jobless Claims Fall to 207K (-11K WoW) as Continuing Claims Rise to 1.82M

US labour market conditions continue to exhibit resilience, with initial jobless claims declining by 11K to 207K in the week ended April 11, marking the largest weekly drop since February and reinforcing the narrative of limited layoffs. The four-week moving average remained broadly stable, underscoring a steady employment backdrop despite elevated macro uncertainty. However, continuing claims edged higher to 1.82M, suggesting some gradual softening in re-employment dynamics. Regional volatility persists, with unadjusted claims rising notably in New York due to seasonal distortions, alongside increases in Connecticut and California. Overall, the data aligns with broader indicators, including the Federal Reserve's Beige Book, which characterises labour demand as stable with minimal layoffs, supporting the view that the US labour market remains well-balanced and not currently exhibiting signs of significant deterioration.

#### Fed's Williams Sees Inflation at 2.75-3.0% YoY in 2026 with Growth at 2.0-2.5%

Federal Reserve Bank of New York President John Williams emphasised heightened policy uncertainty, signalling that forward guidance remains inappropriate in the current environment while maintaining a baseline outlook of moderating inflation and steady growth. Williams projects headline inflation to reach 2.75-3.0% YoY by year-end before converging to the 2% target in 2027, with US GDP expected to expand within a 2.0-2.5% range and unemployment stabilising between 4.25-4.5%. He highlighted the risk of a conflict-induced supply shock, where elevated energy and intermediate goods costs could simultaneously lift inflation and suppress growth, creating a stagflationary impulse. Despite these risks, monetary policy is viewed as appropriately positioned, with eventual rate cuts anticipated as inflation normalises to prevent an unintended tightening in real rates. As the Fed enters its pre-meeting blackout period, market focus turns to a potentially more hawkish narrative next week as investors weigh recent energy-driven price pressures and the upcoming Senate confirmation hearing for Fed Chair nominee Kevin Warsh.

### **Canada's Liberal Party Secure 174/343 Seats (50.7%) as Majority Unlocks Fiscal Expansion Agenda**

Canadian Prime Minister Mark Carney has secured a parliamentary majority, with the Liberal Party holding 174 out of 343 seats, equating to approximately 50.7% representation, thereby enabling accelerated implementation of his economic agenda. The majority government provides a clear mandate to advance large-scale infrastructure investments, including energy export facilities and ports, alongside increased defence spending and efforts to diversify trade. The political consolidation follows a significant turnaround from earlier electoral weakness, supported by leadership repositioning and shifting geopolitical dynamics. However, challenges remain, particularly in navigating trade tensions with the US and managing domestic political opposition to energy policy shifts. The strengthened mandate is expected to enhance policy execution efficiency, with potential medium-term implications for Canada's fiscal trajectory, investment climate, and export competitiveness. USDCAD last printed at 1.3691.

## **Europe and the United Kingdom**

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### **Hungary's 10Y Spread Narrows to Five-Year Low Following Orbán's Landslide Defeat**

Hungarian assets have rallied sharply following Viktor Orbán's electoral defeat, with the spread between Hungarian and German 10-year bonds narrowing to a five-year low and the 10-year average yield at Thursday's auction dropping to 6.01%, the lowest level in four years. The forint has appreciated more than 5% against both the dollar and euro year-to-date, reflecting a significant shift in investor sentiment driven by expectations of structural reforms and potential euro adoption under the incoming government. The prospect of unlocking approximately USD 20B in frozen EU funds and aligning more closely with European institutions has materially reduced perceived fiscal and political risks. While euro accession remains a medium-term objective not expected before 2030, the initiation of the convergence process itself is acting as a powerful catalyst for capital inflows and risk premium compression. Nonetheless, substantial structural challenges persist, including fiscal deficits and institutional reforms, which will determine the sustainability of the rally. USDHUF last printed at 307.30.

### **SNB Remains on High Alert on Franc Strength, Reaffirms FX Intervention Readiness**

The Swiss National Bank signalled a high readiness to intervene in foreign exchange markets to counter excessive appreciation of the Swiss franc amid safe-haven inflows. Policymakers emphasised that currency strength has tightened monetary conditions despite an otherwise accommodative stance, with intervention remaining a key tool to safeguard price stability. Inflation dynamics remain influenced by rising energy costs in the near term, although medium-term pressures are expected to ease. The SNB highlighted robust credit growth and stable financial conditions, with no signs of a credit crunch. However, global uncertainties, particularly stemming from the Middle East conflict and broader trade tensions, continue to pose downside risks to growth while simultaneously creating upward pressure on inflation via imported energy costs. USDCHF last printed at 0.7817.

### **UK GDP Rises +0.5% MoM in February as Growth Outperforms Pre-Conflict Expectations**

The UK economy recorded a stronger-than-expected expansion of +0.5% MoM in February, significantly above the +0.1% consensus and marking the fastest growth since January 2024, driven by sustained momentum in the services sector alongside gains in production and construction. However, this positive momentum precedes the economic shock from the Middle East conflict, which has materially altered the outlook through higher energy prices and tightening financial conditions. Forward-looking indicators point to rising inflationary pressures, with expectations of inflation nearing double the Bank of England's target, while growth forecasts have been revised lower. Household disposable income is also expected to deteriorate, with estimates suggesting a GBP 500 impact from energy costs. Policymakers now face a complex trade-off between controlling inflation and supporting growth, raising the risk of stagflationary conditions in the near term. GBPUSD last printed at 1.3516.

## **Asia-Pacific**

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### **China GDP Grows +5.0% YoY and +1.3% QoQ as Industrial Output Hits +5.7% YoY**

China's economy demonstrated resilience in Q1 2026, with GDP expanding +5.0% YoY and +1.3% QoQ, supported by strong manufacturing output and export performance despite ongoing geopolitical disruptions. Industrial production exceeded expectations, rising +5.7% YoY, while exports surged 15% YoY, underpinned by high-tech manufacturing growth of 12.5%. However, domestic demand remains a key weakness, with retail sales slowing to +1.7% YoY and private investment declining, highlighting structural imbalances within the economy. The surveyed urban unemployment rate increased to 5.4% in March, signalling emerging labour market pressures. While the robust headline growth reduces the urgency for broad-based stimulus, policymakers are expected to maintain targeted support measures aimed at boosting consumption and mitigating the impact of energy price shocks. The divergence between strong supply-side performance and weak demand continues to define China's macroeconomic trajectory. USDCNH last printed at 6.8160.

### **Japanese Yen Near 160 per Dollar as Intervention Risk Rises; Rate-Hike Odds Fall Below 20%**

Japanese authorities have intensified verbal intervention as the yen remains close to the critical 160 level against the US dollar, with Finance Minister Satsuki Katayama signalling readiness for decisive action following discussions with US Treasury officials. The currency briefly strengthened toward 159.86 on Monday, reflecting market sensitivity to policy signals. Market-implied probability of a Bank of Japan rate hike has dropped below 20%, down from approximately 55% earlier in the week, as policymakers adopt a cautious stance amid geopolitical uncertainty. The potential for direct FX intervention remains elevated, particularly given the precedent of approximately USD 100B spent in 2024 to stabilise the currency. Coordination with US authorities further enhances the credibility of intervention threats, positioning FX markets as a key transmission channel for policy action. USDJPY last printed at 158.64.

### Australia Employment +17.9K as Unemployment Holds at 4.3% and Full-Time Jobs +52.5K

Australia's labour market remained robust in March, with employment rising by 17.9K, driven entirely by a strong increase of 52.5K in full-time positions, while the unemployment rate held steady at 4.3%. Despite a decline in part-time employment and a slight easing in participation to 66.8%, overall labour market conditions remain tight, reinforcing inflationary pressures within the economy. Underemployment held at 5.9%, while underutilisation ticked up to 10.2%, indicating some emerging slack. The data supports expectations that the Reserve Bank of Australia may continue tightening, with swap markets currently pricing a 72% probability of a 5 May rate hike to 4.35%. However, deteriorating consumer and business sentiment amid rising energy costs highlights growing stagflation risks, complicating the policy outlook. AUDUSD last printed at 0.7174.

### Kuwait

USDKWD closed last week at 0.30620.

### FX Rates - April 19, 2026

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1723	1.1658	1.1849	1.1765	1.1650	1.1850	1.1814
GBP	1.3462	1.3381	1.3599	1.3516	1.3380	1.3600	1.3513
JPY	159.27	157.59	159.86	158.64	157.55	160.00	157.45
CHF	0.7887	0.7775	0.7934	0.7817	0.7670	0.7930	0.7741

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