

Weekly Money Market Report

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US Sentiment Declines, Housing Market Grows, Amid Global Policy Updates

- US CB Consumer Confidence Index came in at 104.7 vs expectations of 112.9.
- US New Home Sales came in at 664K vs expectations of 666K.
- US Richmond Manufacturing Index came in inline with expectations at -10.
- US Unemployment Claims came in at 219K vs expectations of 223K.
- Canadian GDP m/m came in at 0.3% vs expectations of 0.2%.
- Bank of Japan Signals Caution on Policy Shift, Weakening Yen.

United States

US CB Consumer Confidence

The Conference Board's Consumer Confidence Index, a crucial gauge of consumer sentiment and spending in the U.S. economy, has fallen short of expectations with a reading of 104.7, well below the projected 112.9. This figure not only missed economists' forecasts but also represented a decline from the previous level of 112.8, signaling declining consumer optimism. Since consumer spending constitutes a significant portion of economic activity, this downturn could have broader implications for the economy. As a leading indicator, the Consumer Confidence Index is often used to anticipate future spending patterns, with higher readings typically reflecting optimism that fuels spending and economic growth, while lower readings suggest caution that may reduce economic activity. This unexpected decline may also be interpreted as a bearish signal for the U.S. dollar, given that stronger consumer confidence generally supports the currency by signaling robust economic prospects. In contrast, weaker readings, like the current one, are often viewed as negative for the dollar. The drop in consumer confidence is likely to draw close attention from economists and policymakers, potentially influencing decisions on fiscal and monetary policy aimed at fostering economic stability. Businesses, too, may adjust their strategies to align with shifting consumer sentiment, highlighting the far-reaching impact of this metric. While the lower-than-expected index raises concerns about future consumer spending and economic growth, it is just one of many factors shaping the broader economic landscape, emphasizing the need for a comprehensive view of the economy.

US New Home Sales

In November 2024, sales of new single-family homes in the U.S. increased by 5.9% from the previous month to an annualized rate of 664,000, exceeding market expectations of 666,000. Sales rose sharply in the South (13.9%) and the Midwest (17.3%) but declined in the West (-7.5%) and the Northeast (-41%). The median price of new homes was \$402,600, with an average price of \$484,800. The inventory of homes for sale stood at 481,000, representing 8.9 months of supply at the current sales pace.

Richmond Manufacturing Index

The Richmond Manufacturing Index reported an actual value of -10 in December, matching expectations and improving from the previous -14. The Richmond Business Conditions Index remained steady at 14 after a revision. However, the Philadelphia Fed Non-Manufacturing Index recorded a decline, with an actual value of -6, worse than the expected -2.4. Despite minor improvements in manufacturing, the broader U.S. manufacturing and services data remain weak, with signs of deteriorating conditions in non-manufacturing sectors.

Unemployment claims

The latest Initial Jobless Claims data revealed a modest decline in the number of people filing for unemployment benefits for the first time, coming in at 219,000. This figure was lower than both the forecasted 223,000 and the previous reading of 220,000, signaling a slight improvement in the job market. The 4,000 drop from expectations and the 1,000 decline from the prior data point suggest steady progress in employment conditions. As one of the earliest U.S. economic indicators released each week, the Initial Jobless Claims data

is closely watched, with lower-than-expected numbers generally seen as a positive sign for the economy. Fewer claims indicate fewer individuals are seeking unemployment benefits, reflecting a healthier labor market. This improvement is considered bullish for the U.S. dollar, as it points to economic strength and stability. Although the decrease is small, it underscores the resilience of the job market, particularly in the face of a forecasted increase. Moving forward, this data will remain an important metric for assessing the health of the economy and its potential impact on financial markets.

The Greenback surged the week, last trading at 107.998

Canadian GDP m/m

Canada's economy grew by 0.3% in October 2024, beating expectations of 0.2%, driven by gains in oil and gas extraction (2.4%) and manufacturing (0.3%), following an upward revision of September's growth to 0.2%. However, GDP likely contracted by 0.1% in November, with declines in mining, oil and gas, and transportation offset by growth in accommodation, food services, and real estate. The Bank of Canada recently cut its policy rate by 50 bps to 3.25% to address slower growth, with further gradual cuts expected. Markets see a 72% chance of an additional 25 bps cut in January.

The USD/CAD currency pair last seen trading at 1.4407

Asia Pacific

Bank of Japan Monetary Policy Meeting Minutes

Bank of Japan Governor Kazuo Ueda emphasized the need for careful assessment of economic and financial risks before making any decisions on interest rate hikes, without signaling an imminent policy shift. He highlighted that any adjustments in monetary policy would depend on economic activity, price developments, and financial conditions. Ueda's cautious tone follows a dovish message that surprised markets, weakening the yen by casting doubt on rate hikes in January. While the BOJ kept its benchmark rate at 0.25% in December, Ueda stressed the importance of monitoring data, including spring wage talks and U.S. economic trends, to guide future actions.

The USD/JPY currency pair last seen trading at 157.82

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30810.

Rates – December 29th, 2024

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0423	1.0382	1.0445	1.0427	1.0200	1.0700	1.0470
GBP	1.2564	1.2498	1.2592	1.2579	1.2400	1.2800	1.2572
JPY	156.46	156.32	158.08	157.82	154.00	159.00	156.14
CHF	0.8917	0.8912	0.9027	0.9017	0.8800	0.9100	0.8927

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