PUBLIC

Weekly Money Market Report
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Hawkish Fed Minutes Meet a Softer Dollar as European Activity Surprises Higher

Market Commentary

Global markets this week were shaped by a widening gap between what the Federal Reserve is signaling and what the market is willing to price. The minutes of the July FOMC meeting, released on Wednesday, revealed a committee more hawkish than the headline decision implied, with three dissents in favor of an immediate hike and a majority view that further tightening would likely be required should inflation fail to moderate. Yet the dollar has drifted to multi-month lows and is set for a weekly loss, as softer labor market data since the meeting and the Treasury's move to expand its long-end buyback program have tempered expectations for a hike in September. In Europe, activity data surprised firmly to the upside, with the Eurozone composite PMI reaching a nine-month high on the back of the strongest manufacturing recovery in over four years and a notably robust German performance, while consumer inflation expectations eased. The United Kingdom presented a more awkward mix, with private-sector activity holding up better than forecast even as headline inflation accelerated on the energy price cap and retail sales recorded their first monthly decline since April. Across the Asia-Pacific region, Japanese inflation firmed further on reduced energy subsidies, keeping speculation of a September Bank of Japan hike alive, while Australian activity moderated. Underpinning all of it, Brent extended its advance above $93 per barrel as tensions around the Strait of Hormuz showed no sign of easing, leaving energy the common thread running through the inflation outlook in every major economy.

United States

FOMC Minutes Reveal a Divided and Hawkish Committee

The minutes of the 28–29 July FOMC meeting showed nine members voting to hold the federal funds target range at 3.50–3.75%, with three regional presidents — Hammack, Kashkari and Logan — dissenting in favor of an immediate 25 basis point increase. Several participants argued that price pressures had become broad based and that a more restrictive stance was warranted to deliver on the price-stability mandate. Critically, the hawkish tilt extended well beyond the dissenters: many participants judged that further tightening would likely be necessary if inflation did not decline, while some questioned whether financial conditions were currently restrictive enough to return inflation to the 2% objective. A few of those favoring a hike argued that moving earlier could forestall a steeper and more costly sequence of tightening later.

Labor Market Stable as Activity Holds Up

FOMC participants described labor market conditions as stable, with the unemployment rate close to most estimates of its longer-run level, payroll gains broadening beyond health care and social assistance, and layoffs and claims low. Economic activity was judged to be expanding at a solid pace, supported by AI-related business investment and resilient consumer spending, though some participants noted that low- and moderate-income households face increasing strain as inflation erodes real disposable income. Data released since the meeting has been softer, with a weak July payrolls report and sizeable downward revisions to prior months shifting the market consensus for September towards a hold ahead of the core PCE release on 26 August.

Treasury Moves to Contain Long-End Yields

At the start of the week, we saw a spike in long-term treasury yields, the most notable of which was the US 30y Treasury yield, having risen to 5.32%, its highest level since 2007. This prompted the US treasury to make a move. The US Treasury announced it would at least double the size of liquidity-support buyback operations covering securities with maturities from 10 to 30 years, following a surge in long-end yields that had raised concerns over market liquidity and stability. The measure offered temporary relief before yields resumed their climb later in the week, and contributed to the dollar's softer tone as investors weighed the implications for the Federal Reserve's policy outlook.

The Greenback was last seen trading at 98.800.

United Kingdom

UK Composite PMI Defies Expectations of a Slowdown

The UK Composite PMI held at 52.5 in August, beating expectations of a decline to 51.6 and signaling continued private-sector expansion. Growth was supported by stronger services activity, which offset a slowdown in manufacturing, while new orders rose at their fastest pace since February. Employment continued to decline, however, as firms absorbed higher labor costs from increased National Insurance contributions, and both input costs and selling prices accelerated on elevated fuel prices and wages. Business confidence improved for a third consecutive month as margins recovered following the peak in energy prices in June.

UK Inflation Accelerates on Energy Price Cap

Headline inflation accelerated to 2.9% in July from 2.6% in June, driven primarily by a 13% increase in the household energy price cap and exceeding the Bank of England's 2.8% forecast. Underlying pressures were less severe, with core inflation steady at 2.6%, services inflation easing to 3.4% and wage growth slowing to 3.2%. Sterling nevertheless remained firm, supported by expectations that the UK economy can withstand the inflation shock and by the prospect that higher prices keep the Bank of England cautious on further rate cuts.

UK Retail Sales Fall for the First Time Since April

Retail sales fell 0.5% month-on-month in July, matching expectations and marking the first decline since April. The drop was driven by weaker non-food and online sales following strong promotional activity in June, with clothing and household goods particularly affected by hot weather and lower footfall. Food sales provided some support, rising 0.5%. On an annual basis, retail sales growth slowed to 1.6% from 3.8% in June, the weakest increase in three months.

The GBP/USD currency pair was last seen trading at 1.3633.

Europe

Eurozone Composite PMI Hits Nine-Month High

The Eurozone Composite PMI rose to a nine-month high of 52.1 in August from 52.0 in July, beating expectations of 51.7 and signaling continued economic expansion. Growth was driven by a strong manufacturing recovery, with factory output rising at its fastest pace in four and a half years. New orders and export demand also improved, prompting firms to increase employment, while price pressures eased in a sign of moderating inflation. Business confidence nevertheless weakened and remained subdued, reflecting continued uncertainty over the economic outlook.

German Manufacturing Leads the Regional Upturn

Germany's Manufacturing PMI jumped to 54.1 in August from 52.2 in July, beating expectations of 52.0 and marking the strongest expansion since May 2022. Growth was driven by faster increases in output, new orders and exports, supported by inventory rebuilding, higher defense spending and investment in data-center infrastructure. Input cost pressures remained elevated but eased slightly, while business confidence improved significantly, a notable turnaround from the deepening private-sector contraction recorded as recently as June.

Eurozone Consumer Inflation Expectations Ease

Eurozone consumer inflation expectations eased in July, with the 12-month outlook falling to 2.9% from 3.0% and three-year expectations declining to 2.7%, while the five-year outlook remained unchanged at 2.4%. Near-term inflation uncertainty remained elevated amid the Middle East conflict, with lower-income and older consumers expecting higher inflation. Expected income growth edged down to 1%, while spending expectations remained steady at 3.6%. Consumers also became slightly less pessimistic about the economy, with expected growth improving to -1.2% from -1.4%.

The EUR/USD currency pair was last seen trading at 1.1679.

Asia-Pacific

Japanese Inflation Accelerates in July

Japan's annual inflation accelerated to 1.9% in July from 1.6% in June, reaching its highest level since December 2025. The increase was driven by reduced government energy subsidies and stronger price growth across food, transport, household goods and healthcare. Core inflation rose to 1.8% from 1.6%, matching expectations and marking the highest reading since January, though it remained below the Bank of Japan's 2% target for a sixth consecutive month. The Bank's preferred measure of underlying inflation also strengthened, to 1.9% from 1.7%, while government fuel subsidies continued to contain the pass-through from higher oil prices linked to the Middle East conflict.

The USD/JPY currency pair was last seen trading at 158.93.

Australian Activity Moderates in August

Australia's Composite PMI eased to 52.5 in August from 53.2 in July, signaling slower but continued private-sector expansion. Growth was driven by services, while manufacturing output declined. New orders and foreign demand improved modestly, and employment continued to rise but at a slower pace. Input cost inflation accelerated on higher fuel, freight and commodity costs, although selling-price inflation eased. Business confidence climbed to a six-month high on expectations of stronger demand and expansion plans.

The AUD/USD currency pair was last seen trading at 0.7169.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30675.

Rates – August 23rd, 2026

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1562	1.1558	1.1711	1.1679	1.1570	1.1790	1.1720
GBP	1.3523	1.3516	1.3675	1.3633	1.3400	1.3740	1.3636
JPY	159.21	158.00	159.77	158.93	157.35	160.00	157.83
CHF	0.8111	0.7947	0.8134	0.8009	0.7800	0.8130	0.7930