

# Weekly Money Market Report

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## US Labor Market Surprisingly Robust As China Deflationary Concerns Persist

### Highlights

- US Services PMI rises to 54.1 from 52.1.
- JOLTS Job Openings up 8.1 million versus 7.7 million expected.
- NFP report shows 256,000 added jobs versus 150,000 forecasted.
- Eurozone inflation accelerates to 2.4% y/y from 2.2% previously.
- CPI in China rises 0.1% y/y versus 0.2% previously. Producer inflation remains in negative territory.

## United States

### US Services PMI

In December, the U.S. services sector experienced accelerated growth, with the Institute for Supply Management's (ISM) non-manufacturing Purchasing Managers Index (PMI) rising to 54.1 from November's 52.1, surpassing economists' expectations of 53.3. Concurrently, the ISM's measure of prices paid for inputs surged to 64.4, the highest since February 2023, signaling elevated inflation pressures. This aligns with the Federal Reserve's projections for fewer interest rate cuts this year, acknowledging the economy's resilience and persistent inflation. The ISM survey also reported increases in new orders and business activity, reflecting strong demand. In response to these economic indicators, U.S. Treasury yields have risen, with benchmark 10-year yields reaching an eight-month high, reflecting economic strength. The dollar has also strengthened against major currencies.

### JOLTS Job Openings

The U.S. job market saw job openings rise by 259,000 to 8.1 million in November 2024, exceeding market expectations of 7.7 million and surpassing October's revised 7.84 million. Gains were noted in professional and business services (+273,000), finance and insurance (+105,000), and private education services (+38,000), while the information sector saw a decline (-89,000). Regionally, job openings increased significantly in the South (+194,000), the Northeast (+49,000), and the West (+32,000) but fell in the Midwest (-16,000). Hires and separations remained steady at 5.3 million and 5.1 million, respectively, with quits dropping by 218,000 to 3.1 million, while layoffs held steady at 1.8 million.

### FOMC Meeting Minutes

The Federal Reserve's December meeting minutes highlighted concerns over inflation and uncertainty surrounding President-elect Donald Trump's potential trade and immigration policies. While the FOMC lowered the benchmark rate to 4.25%-4.5%, they indicated a slower pace of future cuts, reducing 2025 projections to two from four. With core inflation at 2.4% in November, driven by strong consumer spending and a stable labor market, policymakers stressed a cautious, data-driven approach. They expect inflation to gradually return to the 2% target by 2027 but noted persistent near-term risks and the need for careful monitoring before making further policy changes.

### NFP Report

The U.S. labor market remained robust in December, with non-farm payrolls increasing by 256,000, well above the expected 150,000 and the 2024 monthly average of 186,000. The unemployment rate dropped to 4.1%, beating forecasts of 4.2% and marking seven months of stability within the 4.1%-4.2% range. The labor force participation rate held steady at 62.5%, consistent with levels since late 2023. Wage growth rose by 0.3% month-on-month, meeting expectations, while annual wage growth eased slightly to 3.9% from 4.0%.

The US Dollar Index closed the week at 109.64.

## Europe

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### **Eurozone Inflation**

In December 2024, the eurozone's inflation rate increased to 2.4%, marking the highest level since July and up from 2.2% in November. This rise was primarily driven by a 4% increase in service costs, while energy prices saw a modest uptick of 0.1%. Food, alcohol, and tobacco prices remained steady with a 2.7% inflation rate. Among member countries, Croatia, Belgium, and Estonia experienced the highest inflation rates, whereas Ireland, Italy, and Luxembourg reported the lowest. Germany's inflation stood at 2.8%, slightly above its national estimate of 2.6%. The ECB has been implementing a series of interest rate cuts to stimulate economic growth amid these inflationary pressures. In December 2024, the ECB reduced its key deposit rate by a quarter point to 3%, marking the third consecutive cut. This decision was influenced by a worsening growth outlook and slowing inflation, with political turmoil in the eurozone adding to the troubled picture. The ECB's inflation forecasts were adjusted to 2.4% for 2024 and 2.1% for 2025, each down by 0.1 percentage point. Despite these measures, the eurozone's economic recovery is expected to be slower than previously anticipated, with growth forecasts for 2024 and the following two years revised to 0.7%, 1.1%, and 1.4% respectively. Furthermore, these latest figures suggest that inflationary pressures persist in the eurozone creating a dilemma for the ECB to balance between stimulating growth and making sure inflation is tamed.

The EUR/USD currency pair closed the week at 1.0244.

## Asia Pacific

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### **Australia CPI Report**

In November 2024, Australia's Consumer Price Index (CPI) increased by 2.3% year-over-year, exceeding forecasts of 2.2% and up from 2.1% in the previous month, marking the highest figure since August. This rise was influenced by the timing of government electricity rebates. Despite this, inflation stayed within the Reserve Bank's target range of 2%-3% for the fourth consecutive month. Electricity prices declined more slowly (-21.5% vs -35.6% in October), as did automotive fuel prices (-10.2% vs -11.5%). Prices rose for alcohol and tobacco (+6.7% vs 6.0%) but remained stable for health and education. Recreation and culture costs eased (3.2% vs 4.3%), while food prices grew at their slowest rate since January 2022 (+2.9% vs 3.3%). Core CPI rose 2.8%, the highest in three months, recovering from a near three-year low of 2.4% in October.

The AUD/USD currency pair closed the week at 0.6145.

### **China Inflation**

China's consumer inflation slowed to near zero for the fourth consecutive month, reflecting weaker demand despite government stimulus efforts. The consumer price index rose 0.1% year-over-year in December, down from 0.2% the previous month but aligning with expectations. Meanwhile, factory deflation persisted for the 27th month, with the producer price index declining 2.3%, a slower pace than November. Unlike other major economies grappling with high inflation, China faces deflationary pressures, raising concerns in Beijing about a potential cycle of falling prices that could dampen household spending, reduce corporate revenues, stifle investment, and lead to salary cuts and job losses.

The USD/CNY currency pair closed the week at 7.3326.

## Kuwait

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### **Kuwaiti Dinar**

USD/KWD closed last week at 0.30850.

## Rates – 12<sup>th</sup> January 2025

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0301	1.0214	1.0436	1.0244	1.0100	1.0500	1.0286
GBP	1.2418	1.2189	1.2575	1.2204	1.2000	1.2500	1.2197
JPY	157.23	156.22	158.87	157.69	155.00	159.00	156.05
CHF	0.9086	0.9006	0.9188	0.9164	0.9000	0.9300	0.9071

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