

Weekly Money Market Report

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Global Inflation Data Ahead of Year End Central Bank Decisions

Highlights

- US Consumer confidence rises to 111.7, highest in sixteen months.
- US PCE index y/y at 2.3%, core PCE y/y at 2.8%
- Euro Area inflation rose to 2.3% up from 2.0% previously.
- Reserve Bank of New Zealand cuts interest rates by 50 bps.
- Inflation in Australia unchanged in October at 2.1% y/y.
- Tokyo core inflation rises 2.2% y/y,
- Canada's GDP grew 1.0% annualized in Q3 of 2024, rising 0.1% on a monthly basis.

United States & Canada

CB Consumer Confidence

In November 2024, the Consumer Confidence Index rose to 111.7, its highest level in 16 months, driven by improved perceptions of the labor market, lower inflation expectations, and renewed optimism about future economic conditions. The Present Situation Index increased to 140.9, reflecting a strong current outlook, while the Expectations Index climbed to 92.3, signaling a brighter short-term forecast. This uptick suggests consumers may boost spending, though actual economic impact will depend on whether optimism translates into action.

FOMC Meeting Minutes

Minutes from the Federal Reserve's November 6-7 meeting revealed optimism about easing inflation and a resilient labor market, supporting the potential for gradual interest rate cuts. Officials emphasized that future decisions depend on economic trends and warned against premature rate reductions. They noted challenges in policymaking due to data volatility and uncertainty about the neutral interest rate's effects. While some participants favored maintaining restrictive rates if inflation persisted, others suggested faster cuts if labor market conditions weakened. The meeting avoided discussing the economic impact of Donald Trump's election victory but stressed the importance of flexibility in policy.

Core PCE price index unchanged

Inflation in the US ticked up in October, with the personal consumption expenditures (PCE) price index rising 0.2% for the month and 2.3% annually, in line with forecasts but higher than September's 2.1%. Core inflation, excluding food and energy, showed stronger increases of 0.3% monthly and 2.8% annually. Services prices drove most of the inflation, rising 0.4%, while goods fell 0.1%. Food prices were stable, and energy prices dipped 0.1%. The Federal Reserve, which targets 2% inflation, has been combating elevated inflation since March 2021, peaking at 7.2% in mid-2022. Despite progress, inflation remains a challenge for households and a political issue. Traders anticipate a potential rate cut in December, with a 66% chance of a 25 bps reduction as of Friday.

The US Dollar index closed the week at 105.74.

Canada Gross Domestic Product

Canada's economy grew 1.0% annualized in Q3 2024, matching forecasts but slowing from 2.1% in Q2. Growth was driven by higher household and government spending, though inventory accumulation slowed. GDP rose 0.1% in September, with a similar gain estimated for October. The data highlights a cooling economy, fueling expectations for a potential Bank of Canada rate cut in December.

The USD/CAD currency pair closed the week at 1.4002.

Europe

German IFO Business Climate

Germany's Ifo Business Climate indicator fell to 85.7 in November 2024, down from 86.5 in October and below expectations of 86.1. The decline is attributed to political instability following the government's collapse and concerns about potential tariffs from the incoming Trump administration. The sub-index for current conditions dropped to 84.3, while business expectations slightly decreased to 87.2. Ifo president Clemens Fuest noted that the German economy is showing weakness, with companies increasingly cautious about the future. In manufacturing, sentiment worsened, though companies were marginally more satisfied with the present situation. The services sector saw a sharp decline in the business climate index, reflecting a more negative view of the current situation and outlook. In contrast, the retail sector showed some improvement, though overall optimism remains low.

Euro Area Annual Inflation

Euro area annual inflation rose to 2.3%, up from 2.0% in October. This increase was driven by a smaller decline in energy prices (-1.9%, compared to -4.6% in October) and steady inflation in services (3.9%) and food, alcohol, & tobacco (2.7%). Non-energy industrial goods inflation also edged up to 0.7%. These trends highlight persistent inflationary pressures despite energy deflation, raising concerns for the European Central Bank's policy approach. Meanwhile, markets are expecting an 82% probability of a rate cut in the next ECB Meeting.

The EUR/USD currency pair closed the week at 1.0575.

Asia-Pacific

Reserve Bank of New Zealand Cuts Interest Rates

New Zealand's central bank cut its cash rate by 50 basis points to 4.25% on Wednesday, marking the third reduction in four months, as inflation neared the bank's target. Reserve Bank of New Zealand (RBNZ) Governor Adrian Orr indicated that further easing is likely. Orr emphasized that even with the latest reduction, monetary policy remains restrictive due to significant spare capacity in the economy. The RBNZ aims to reach a neutral rate—estimated at 2.5% to 3.5%—by the end of 2025. While markets broadly anticipate at least a 25-basis-point cut in February, the central bank's forward guidance suggests more substantial easing may be needed.

The NZD/USD currency pair closed the week at 0.5915.

Inflation in Australia Unchanged in October

Australia's Consumer Price Index (CPI) increased by 2.1% year-on-year in October 2024, unchanged from September but below the 2.3% forecast. This marks the lowest reading since July 2021 and the third consecutive month within the Reserve Bank of Australia's target range of 2-3%, aided by the Energy Bill Relief Fund rebate. Electricity prices recorded a record drop (-35.6% vs -24.1% in September), and automotive fuel prices continued to decline (-11.5% vs -14.0%). However, prices for food (3.3%), alcohol and tobacco (6.0%), health (3.9%), education (6.3%), and recreation & culture (4.3%) remained elevated. Excluding volatile items and travel, core CPI rose by 2.4%, down from 2.7% in September, marking the slowest growth since November 2021.

The AUD/USD currency pair closed the week at 0.6510.

Tokyo Core Inflation y/y

Tokyo's core consumer price index (CPI), excluding fresh food, rose by 2.2% year-on-year, surpassing expectations and remaining above the Bank of Japan's (BOJ) 2% target. This uptick was driven by increased prices in both food and services, partly due to the phase-out of utility subsidies and rising service-sector costs, indicating potential wage-driven inflation. Consequently, market speculation has intensified regarding a possible BOJ interest rate hike in December, with traders now assigning a 56% probability to such a move. The yen strengthened against the U.S. dollar, reflecting these expectations.

The USD/JPY currency pair closed the week at 149.75.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30755.

Rates – 1st December 2024

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0426	1.0424	1.0597	1.0575	1.0510	1.0675	1.0620
GBP	1.2537	1.2503	1.2749	1.2737	1.2640	1.2830	1.2735
JPY	154.29	149.46	154.72	149.75	148.85	152.20	148.08
CHF	0.8921	0.8793	0.8927	0.8809	0.8745	0.8880	0.8719

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