

# Weekly Money Market Report

March 15, 2026



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## **Persistent Tensions: Brent Above USD 100, US Data Releases, ECB Watch, and Yen Under Pressure**

### **Market Commentary**

This week, global markets navigated heightened Middle East tensions that saw Brent crude touch USD 119.50/bbl, softer US growth, and mixed inflation prints alongside weaker Canadian labour data, data-dependent ECB and BoE stances with euro-area inflation near 2% and flat UK output, and divergent Asia-Pacific signals led by strong China trade and a weaker yen, against a firmer dollar and subdued risk appetite. In the United States and Canada, the US granted a second authorisation for buyers to receive Russian cargoes already at sea and launched broad Section 301 forced-labour investigations covering 60 partners alongside the temporary 10% blanket tariff; data showed core PCE +0.4% MoM (+3.1% YoY), CPI +2.4% YoY, Q4 GDP revised to 0.7% annualised, jobless claims at 213K, JOLTS rose to 6.95M, and softer University of Michigan sentiment, with the dollar firm (DXY last at 100.362) and USD/CAD at 1.3718 following a sharp Canadian employment drop (-83.9K) and a rise in unemployment to 6.7%. In Europe, the ECB monitored energy-driven price pressures with current euro-area inflation at 1.9% ahead of the March 19 meeting, emphasizing diversified energy supply and a data-dependent stance; EUR/USD closed the week at 1.1417 [-1.73%]. In the United Kingdom, GDP was flat in January versus a 0.2% forecast as services stagnated and private housebuilding fell 5.6%, while the trade deficit (ex-precious metals) narrowed to GBP 1.8bn; GBP/USD ended the week at 1.3230 [-1.36%]. Over in Asia Pacific, China's exports rose 21.8% YoY in Jan-Feb with imports up 19.8%, CPI at 1.3% YoY and PPI -0.9% YoY, while the yen weakened toward JPY 160 amid higher energy costs and announced fuel subsidies and reserve releases; USD/JPY closed the week at 159.73 [-1.22%]. Equity markets were softer on the week amid energy-supply uncertainty, with US and European indices outperforming deeper declines in Japan. US yields saw heightened volatility, with the 2s10s and 5s30s curve spreads shifting on the week by -1.588 bps and 1.828 bps, respectively. Brent crude closed the week at USD 103.14/bbl, up 11.27%, as spot gold settled lower near USD 5019.49 per ounce on reduced rate-cut expectations.

### **United States and Canada**

#### **Brent Above USD 100/bbl as Middle East Tensions Extend into Third Week, Heightening Global Supply-Risk Premiums**

Geopolitical tensions in the Middle East continued into a third week, with oil prices back above USD 100/bbl after a volatile week that saw a low of USD 81.16/bbl on Tuesday and a peak of USD 119.50/bbl on Monday, and sustained elevated risk premiums across global energy markets. Disruptions to key regional shipping routes and uncertainty around future supply have contributed to increased volatility in crude benchmarks. The US has temporarily authorised purchases of Russian oil already loaded at sea through April 11 to stabilise supply. Public statements and media reports indicate that military activity remains ongoing, while regional casualties have been recorded across several countries. Financial markets are monitoring the potential implications for energy availability, transport logistics and global inflation dynamics, with the conflict emerging as a key driver of near-term sentiment across commodities, rates and foreign-exchange markets. Current swap pricing signals no anticipated rate move at the Fed's 18 March meeting. DXY last printed at 100.362.

#### **US Launches Section 301 Forced-Labour Investigations Targeting 60 Trade Partners, Including UK, EU and Canada**

The US administration initiated new Section 301 investigations targeting 60 trading partners - among them the UK, EU and Canada - examining whether inadequate forced-labour safeguards warrant additional tariffs. The probes follow the Supreme Court's ruling that invalidated many of the administration's earlier levies, prompting the imposition of a temporary 10% blanket tariff set to expire after 150 days. The new investigations, broader in scope than recent excess-capacity probes, aim to re-establish tariff measures ahead of that deadline. The US already restricts imports produced with forced labour, including goods from China's Xinjiang region. Further Section 301 reviews on digital services and drug pricing are planned, signalling an expanded US trade-enforcement agenda that could lead to renewed duties across multiple sectors and trading partners.

#### **US Core PCE +0.4%, CPI +2.4% YoY; Q4 GDP Revised to 0.7%; JOLTS Climbs to 6.95M; UoM Sentiment Eases to 55.5**

US economic data signalled softer momentum at the start of the year, with real consumer spending rising only 0.1% in January while core PCE increased 0.4% MoM and 3.1% YoY. GDP for Q4 was revised down to 0.7% annualised from 1.4% amid broad markdowns to private consumption, investment and government spending. CPI inflation remained contained in February, with headline and core readings at 2.4% and 2.5% YoY respectively, supported by lower used-car and insurance prices. Labour-market indicators were mixed: weekly jobless claims edged down to 213K, while January JOLTS vacancies rose to 6.95M from 6.55M in December. Preliminary University of Michigan data indicated softer consumer sentiment and steady inflation expectations as higher energy prices cloud the near-term outlook.

### **Canada Employment Falls by 83.9K in February as Jobless Rate Rises to 6.7%**

Canada's labour market weakened sharply in February, with employment declining by 83.9K - the largest monthly drop since January 2022 - and the unemployment rate rising to 6.7% from 6.5%. The contraction was concentrated in full-time positions (-108.4K) and private-sector employment (-72.6K), partially offset by a 24.5K increase in part-time work. Youth unemployment climbed to 14.1%. Losses were broad-based across goods- and services-producing industries, led by wholesale and retail trade. The data markedly diverged from expectations of a 10K job gain and a 6.6% unemployment rate. Markets reacted with a softer Canadian dollar and lower front-end yields, reducing expectations of near-term tightening. Policymakers face a complex outlook as rising oil prices from regional geopolitical tensions pose upside inflation risks ahead of the Bank of Canada's March 18 rate decision. USD/CAD last printed at 1.3718.

## **Europe and the United Kingdom**

### **ECB Monitors Energy-Driven Price Pressures as Inflation Stays Near 2% Amid Oil Price Pressures**

The ECB is assessing renewed energy-driven inflation risks as Middle East tensions lift oil above USD 100/bbl, though current conditions differ markedly from the 2022 energy shock. Euro-area headline inflation stood at 1.9% in the latest reading, compared with 5.1% in early 2022, and gas and electricity prices remain far below prior peaks. Policymakers highlight more diversified energy supply, less expansionary fiscal policy and a higher deposit rate at 2%, providing greater policy flexibility. While market pricing has shifted toward possible tightening, officials signal no change at the March 19 meeting. Wage growth and underlying inflation remain somewhat elevated, and the duration of higher energy prices will be key for expectations. The ECB maintains that a measured, data-dependent approach remains appropriate at this stage. EUR/USD last printed at 1.1417.

### **UK GDP Flat in January, Undershooting 0.2% MoM Forecast as Services Stagnate and Private Housebuilding Falls 5.6%**

UK GDP was unchanged in January following 0.1% growth in December, below the expected 0.2% and indicating early-year stagnation ahead of any potential inflationary impact from the Middle East conflict. Services output was flat, with employment activities posting their largest non-pandemic monthly decline since 2012, reflecting labour-market softness. Manufacturing rose 0.1% and construction increased 0.2%, though private housebuilding fell 5.6% amid heavy rainfall. The weak start places the economy off track for the Bank of England's projected 0.3% Q1 expansion. Rising energy prices - driven by conflict-related supply disruptions - risk intensifying inflation pressures and delaying policy easing. The trade deficit (ex-precious metals) narrowed to GBP 1.8B over the three months to January 2026, supported by higher exports despite an 11.3% drop in shipments to the US. GBP/USD last printed at 1.3230.

## **Asia-Pacific**

### **China Records 21.8% YoY Export Surge; CPI Hits 1.3% and PPI -0.9% in Early 2026**

China's exports rose 21.8% YoY in January-February 2026, significantly outperforming expectations and driving the trade surplus to a record USD 213.6bn (+25.3% YoY). Imports increased 19.8% YoY, reflecting stronger demand for semiconductors and crude oil. Export gains were led by shipments to ASEAN (+29.4%) and the EU (+27.8%), while exports to the US declined 11% amid tariff-related frontloading. Concurrently, consumer inflation accelerated to 1.3% YoY - its highest in 37 months - driven by Lunar New Year travel and services costs, with core CPI rising 1.8% YoY. Producer prices fell 0.9% YoY, the mildest decline since mid-2024, supported by higher energy costs and improved pricing in advanced industrial sectors. Persistent domestic demand softness continues to underpin China's broader disinflationary environment. USD/CNH last printed at 6.9065.

### **Yen Weakens Toward JPY 160 as Oil Prices Rise, Heightening Pressure on Japan's Energy-Importing Economy**

The yen depreciated toward JPY 160 per dollar - its weakest level since 2024 - as crude oil traded above USD 100/bbl, amplifying terms-of-trade pressures for Japan's energy-dependent economy. The 35% surge in oil prices this month has intensified imported inflation risks, with gasoline prices rising above JPY 160 per litre and broader fuel costs climbing. Japanese authorities noted they are in closer-than-usual contact with US counterparts, though intervention remains unlikely given broad dollar strength is driven by rising oil prices rather than speculation. Domestic policy signals have also weighed on the currency, following reports of Prime Minister Takaichi's preference for a cautious approach to future rate hikes and the nomination of two dovish Bank of Japan board members. The government announced additional fuel subsidies and plans to release 80M barrels from strategic reserves to mitigate the impact of elevated energy prices. USD/JPY last printed at 159.73.

## **Kuwait**

USD/KWD closed last week at 0.30650.

## FX Rates – March 15, 2026

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1618	1.1411	1.1667	1.1417	1.1300	1.1500	1.1468
GBP	1.3413	1.3219	1.3483	1.3230	1.3010	1.3300	1.3229
JPY	157.78	157.28	159.75	159.73	159.00	162.00	158.48
CHF	0.7760	0.7748	0.7917	0.7911	0.7750	0.8100	0.7832

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