PUBLIC

Weekly Money Market Report

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Markets Remain Cautious Despite Ongoing Ceasefire Talks

Market Commentary

Global markets remain caught between slowing growth, energy-driven inflation, and persistent geopolitical uncertainty. In the United States, growth momentum weakened as Q4 GDP was revised down to 0.5%, alongside softer services activity, while inflation rose sharply to 3.3% year-on-year, driven by energy costs, even as core measures such as Core PCE and core CPI remained relatively contained. This mixed backdrop has left the Federal Reserve cautious, with a more hawkish tone emerging as policymakers balance inflation risks against signs of a softening labor market, limiting expectations for near-term rate cuts. In the Eurozone, a similar pattern is evident, with Germany's inflation rising to 2.7% year-on-year on higher energy prices, while core inflation held steady, pointing to more moderate underlying pressures. Elsewhere, China's producer prices returned to positive territory, signaling a pickup in upstream inflation, while the Reserve Bank of New Zealand held rates steady but warned of rising inflation risks linked to higher energy costs. In commodity markets, oil remains highly volatile, pulling back on ceasefire optimism but holding near $100 per barrel amid ongoing supply disruptions, particularly through the Strait of Hormuz. Financial markets reflect this fragile balance, with the U.S. dollar weakening modestly on de-escalation hopes trading below 99, equity markets extending gains, while FX remains sensitive to both geopolitical developments and central bank expectations, with EUR/USD approaching key technical resistance levels that could signal further upside if broken.

United States

U.S. Growth Revised Lower Amid Weak Investment and Government Drag

The U.S. economy grew at a modest annualized pace of 0.5% in Q4 2025, revised down from earlier estimates, primarily due to weaker investment. Consumer spending slowed more than expected, with softer demand for both goods and services. Fixed investment rose slightly less than anticipated, weighed down by a sharp decline in structures, although spending on equipment and intellectual property remained strong. Residential investment also contracted more deeply. External trade remained a drag, with exports posting their largest decline since Q2 2023, while imports fell slightly less than previously estimated. Additionally, a sharp contraction in government spending, driven by the government shutdown, subtracted approximately 1 percentage point from growth. Overall, the US economy expanded by 2.1% for the full year 2025.

Fed Signals Heightened Uncertainty with Hawkish Tilt

According to the FOMC March meeting minutes, the Federal Reserve signaled a highly uncertain outlook, with most policymakers seeing elevated risks of higher inflation alongside weaker employment, leaving rate decisions finely balanced. While many said cuts could be appropriate if inflation eases as expected, some argued for explicitly acknowledging that hikes may also be needed if price pressures persist, marking a shift from earlier "balanced" guidance toward a more hawkish tone. At the same time, concerns about a fragile labor market intensified, with warnings that slowing hiring could sharply raise unemployment, especially as job growth becomes concentrated in fewer sectors. Policymakers also flagged that sustained high oil prices and escalating Middle East tensions could simultaneously worsen inflation and growth, though it remains too early to assess the full economic impact. Overall, the Fed appears near its neutral rate and increasingly cautious, caught between stubborn inflation and downside labor risks, with markets reflecting this uncertainty by pricing only a limited probability of easing unless conditions materially improve.

Core PCE Holds Steady, Signaling Contained Inflation

The Core PCE Price Index rose by 0.4% month-on-month, in line with expectations and unchanged from the previous month, indicating steady underlying inflation. As a key gauge for the Federal Reserve, the stable reading suggests inflationary pressures remained contained in February, supporting a neutral impact on the U.S. dollar. Overall, the data points to balanced economic conditions, reducing the need for immediate policy adjustments while remaining an important input for future rate decisions.

U.S. Inflation Jumps on Energy Surge While Core Pressures Remain Contained

U.S. inflation accelerated sharply to 3.3% year-on-year in March 2026, marking its highest level since May 2024 and a notable jump from 2.4% in the previous two months, in line with expectations. The increase was largely driven by a surge in energy prices, particularly gasoline and fuel oil, amid the Iran conflict, highlighting the growing impact of geopolitical tensions on headline inflation. On a monthly basis, consumer prices rose 0.9%, the fastest pace since June 2022, mainly due to a significant spike in fuel costs. Despite the strong headline print, underlying inflation pressures remained more contained. Core inflation, which excludes food and energy, rose to 2.6% annually, slightly below expectations, while monthly core prices increased by a modest 0.2%. Elsewhere, price dynamics were mixed, with continued declines in used car and truck prices, stable shelter inflation, and easing food price growth. Overall, the data suggests that while headline inflation is being pushed higher by energy-driven factors, core inflation remains relatively stable, indicating less broad-based price pressure across the economy.

The Greenback was last seen trading at 98.650.

Eurozone

Germany Inflation Accelerates on Energy Surge Despite Softer Core Pressures

Germany's inflation rose to 2.7% year-on-year in March 2026, its highest level since January 2024, accelerating from 1.9% in February and confirming preliminary estimates. The increase was largely driven by a rebound in energy prices, particularly fuel and heating oil, amid ongoing Middle East tensions and higher global crude prices. Goods inflation picked up, supported by rising consumer and durable goods prices, while services inflation strengthened, led by higher costs in social services and transport. In contrast, food inflation eased slightly due to falling fats and oils prices. Meanwhile, core inflation held steady at 2.5%, indicating more moderate underlying pressures. On a monthly basis, prices rose 1.1%, aligned with expectations.

The EUR/USD currency pair was last seen trading at 1.1719.

Asia-Pacific

RBNZ Holds Rates Steady Amid Rising Inflation Risks

New Zealand's central bank kept its policy rate unchanged at 2.25%, in line with expectations, as it balanced rising inflation risks against a weakening near term economic outlook. Policymakers noted that Middle East tensions and higher oil prices have significantly shifted the outlook, with energy costs expected to push inflation higher, projected to reach around 4.2% in the June quarter, while also weighing on growth. Inflation is likely to remain near the upper end of the 1% to 3% target range in the near term.

The NZD/USD currency pair was last seen trading at 0.5833.

China PPI Turns Positive, Ending Deflationary Streak

China's producer prices rose 0.5% year-on-year in March 2026, exceeding expectations and marking the first increase since September 2022, effectively ending a prolonged deflationary period. The rebound was driven by higher global commodity prices, particularly energy, and improving domestic supply-demand dynamics. Production material prices turned positive, led by strong recoveries in intermediate and raw materials, while processed goods saw a faster rise. Consumer goods' deflation eased slightly, with smaller declines across food, daily-use items, and durable goods, although clothing prices continued to fall. On a monthly basis, producer prices increased by 1.0%, the strongest pace since 2022, signaling a clear pickup in upstream price pressures.

The USD/CNY currency pair was last seen trading at 6.8278.

Commodities

Oil Prices Slide on Ceasefire Hopes but Supply Risks Keep Markets Elevated

Oil prices were heading for their steepest weekly decline since last June, falling roughly 12% after a temporary U.S.-Iran ceasefire eased some immediate supply fears. Despite this pullback, prices remain elevated near $100 per barrel, reflecting ongoing disruptions in global supply. Flows through the Strait of Hormuz remain heavily constrained at less than 10% of normal levels, with Iran asserting control and proposing transit fees, while most passing vessels are linked to Iran. At the same time, Saudi Arabia has faced production losses following attacks on its energy infrastructure, further tightening supply conditions. While futures markets have softened on hopes of diplomatic progress, the physical oil market continues to signal tight supply conditions, with prices at record highs. Additional geopolitical developments, including continued clashes in the region and discussions around broader ceasefire efforts, are keeping uncertainty elevated. Meanwhile, increased Russian exports have provided only limited offset to supply disruptions. Overall, the market remains highly sensitive to developments in the Strait of Hormuz, with analysts warning that any prolonged blockage or escalation could quickly drive oil prices higher again.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30650.

Rates – April 12th, 2026

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1516	1.1504	1.1739	1.1719	1.1645	1.1840	1.1768
GBP	1.3182	1.3173	1.3484	1.3458	1.3380	1.3660	1.3460
JPY	159.49	157.86	160.03	159.29	158.30	160.50	158.10
CHF	0.7992	0.7852	0.8018	0.7891	0.7745	0.7960	0.7814