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Weekly Money Market Report
October 6th, 2024

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Non-Farm Payrolls Surge Boosts The likelyhood of a 25bps Cut

Highlights

- **JOLTS came in at 8.04M vs expectations of 7.64M.**
- **ISM Manufacturing PMI came in at 47.2 vs expectations of 47.6.**
- **ISM Services PMI came in at 54.9 vs expectations of 51.7.**
- **Average Hourly Earnings m/m came in at 0.4% vs expectations of 0.3%.**
- **Non-Farm Employment change came in at 254K vs expectations of 147K.**
- **Unemployment Rate came in at 4.1% vs expectations of 4.2%.**
- **Eurozone annual inflation rate came in in line with expectations marking 1.8%.**
- **China Manufacturing PMI came in at 49.8 vs expectations of 49.4.**

United States

Fed Chair Powell Speaks

Federal Reserve Chair Jerome Powell stated that interest rates will be lowered gradually, emphasizing that the U.S. economy remains strong. He expressed confidence that inflation will continue to move toward the Fed's 2% target. Powell mentioned that economic conditions support further easing of price pressures, but policy adjustments will be based on incoming data rather than a fixed course. While the Fed's current rate is still restrictive, Powell indicated potential quarter-point cuts in the next two meetings, though decisions will depend on new information. He also noted that while the labor market is still solid, it has cooled over the past year.

JOLTS Job Openings

Over in the US, the number of job openings increased by 329,000 to 8.04 million in August, surpassing market expectations of 7.64 million. Significant job openings growth occurred in construction (+138,000) and state and local government, excluding education (+78,000), while other services saw a decrease (-93,000). Regionally, job openings rose in the Northeast, South, Midwest, and West. The number of hires remained steady at 5.3 million, as did total separations at 5.0 million. However, job quits fell to 3.084 million, the lowest level since August 2020, down from 3.243 million in July.

ISM Manufacturing & Services PMI

In September, U.S. manufacturing stayed weak but showed some positive signs. New orders improved, and the cost of raw materials dropped to its lowest level in nine months. These changes, along with falling interest rates, suggest that manufacturing might pick up in the coming months. The Institute for Supply Management (ISM) reported that its manufacturing index stayed at 47.2, still below 50, meaning the sector is shrinking. However, this marks the sixth month of contraction, though the overall economy continues to expand. Despite the weak survey results, real data like factory output and durable goods orders showed the manufacturing sector is holding steady. Manufacturing output grew by 2.6% in the second quarter, up from 0.2% in the first, and more growth is expected after the Federal Reserve's recent interest rate cuts. Moreover, US services sector activity hit its highest point in 18 months, driven by a strong increase in new orders, indicating that the economy remained stable in the third quarter. The Institute for Supply Management (ISM) reported that its non-manufacturing PMI rose to 54.9, up from 51.5 in August, marking continued growth in the services sector, which makes up over two-thirds of the economy. This growth aligns with positive data on consumer spending and a reduced trade deficit, suggesting the economy maintained momentum from the previous quarter.

Unemployment Claims
The number of Americans filing for unemployment benefits increased slightly last week, though disruptions from Hurricane Helene in the Southeast and strikes at Boeing and ports may impact the labor market soon. According to the Labor Department's report, the job market remained stable at the end of the third quarter, which could give the Federal Reserve little reason to rush into significant interest rate cuts. Another report showed that the services sector reached its highest level in over 18 months, driven by strong new orders. Economist Christopher Rupkey noted that the labor market appears steady, making it unlikely the Fed will cut rates aggressively unless conditions worsen. Initial claims for unemployment benefits rose by 6,000 to 225,000 for the week ending September 28, slightly above expectations. Unadjusted claims dropped by just over 1,000 but were below the anticipated decline, causing seasonally adjusted claims to rise. Despite this, claims remain low, indicating a stable labor market with few layoffs. However, this calm may be disrupted by Hurricane Helene, which caused widespread destruction in six southeastern states, leading to a long and costly recovery process.

Non-Farm Payrolls
U.S. job growth in September saw its largest increase in six months, with 254,000 new jobs added, and the unemployment rate dropped to 4.1%. This points to a strong economy that likely won't require major interest rate cuts from the Federal Reserve this year. In addition to the job gains, wages rose steadily, and the economy added 72,000 more jobs in July and August than initially reported. Recent data revisions have also shown the economy is performing better than expected, with upgrades in growth, income, savings, and corporate profits. Fed Chair Jerome Powell acknowledged this positive outlook and signaled no rush to cut interest rates significantly. The unemployment rate's drop from 4.2% in August was due to a rise in household employment, which more than offset the number of new workers entering the labor force. Although the jobless rate has risen since April, it has been influenced by factors like temporary layoffs in the auto industry. Average hourly wages rose by 0.4% in September, following a 0.5% increase in August, and were up 4.0% compared to the previous year. This strong wage growth makes it less likely that the Federal Reserve will implement a large interest rate cut at its November meeting. Financial markets now predict a 91% chance of a smaller quarter-point rate cut in November, up from 71.5% before the report, while the likelihood of a larger half-point cut dropped to 9% from 28.5%.

The US Dollar index closed the week at 102.520

Europe

Eurozone CPI
The annual inflation rate in the Eurozone fell to 1.8% in September 2024, its lowest since April 2021, down from 2.2% in August and below forecasts of 1.9%. Inflation is now below the ECB's 2% target. Energy prices dropped significantly (-6% vs -3%), and inflation for services eased slightly (4% vs 4.1%), while prices for food, alcohol, and tobacco rose marginally (2.4% vs 2.3%). Core inflation also eased to 2.7% from 2.8%. Inflation slowed in major economies like Germany, France, Italy, and Spain. The ECB anticipates inflation to rise later in 2024 due to previous sharp falls in energy prices dropping out of the annual rates, with a gradual decline toward 2% expected by the second half of 2025.

The EUR/USD currency pair closed the week at 1.0976.

Asia Pacific

China Manufacturing PMI
China's factory activity contracted for the fifth month in a row in September but exceeded expectations with a reading of 49.8, up from 49.1 in August. The manufacturing sector continues to face challenges due to an ongoing economic slowdown, a property crisis, and Western export restrictions, particularly on electric vehicles. In response, the Chinese government has taken steps to stimulate economic growth, including cutting the reserve requirement ratio by 50 basis points and reducing the seven-day reverse repurchase rate by 20 basis points. These measures led to a significant rally in Chinese equity markets, marking their best week in nearly 16 years.
The USD/CNY currency pair closed the week at 7.0176.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30540.

Rates – 06th October 2024

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1157	1.0950	1.1208	1.0976	1.0800	1.1200	1.1125
GBP	1.3366	1.3066	1.3422	1.3116	1.2800	1.3400	1.3114
JPY	142.23	141.63	149.00	148.71	144.00	151.00	146.89
CHF	0.8407	0.8398	0.8607	0.8580	0.8300	0.8550	0.8491