

Weekly Money Market Report

14th June 2026



European Central Bank Strikes With a Historic Hike, While 4.2% Inflation Traps The Fed

Market Commentary

The global financial landscape is defined by a severe stagflationary impulse triggered by war with Iran and the closure of the critical Strait of Hormuz, though a sudden wave of diplomatic optimism has temporarily altered short term asset trajectories. The macro data paints a stark picture of broadening price pressures: U.S. consumer inflation accelerated to a three-year high of 4.2% in May, fuelled by a staggering 23.5% year-on-year jump in energy costs, while producer prices surged 6.5% to flag intensive pipeline costs. This aggressive inflation is clashing directly with a softening U.S. labor market, where continuing jobless claims have risen to 1.795 million and long-term unemployment has climbed to its highest level since late 2021. This domestic stagflation has trapped the Federal Reserve, which is expected to keep rates steady next week but face market pressure for a year end hike. A similar dilemma is playing out across Europe, where the UK economy officially contracted by 0.1% in April, and the European Central Bank has uncharacteristically led the global monetary response by executing its first rate hike in nearly three years to defend its credibility against a 3.0% inflation forecast, even as it trims Eurozone growth outlooks to 0.8%. In the currency and commodity markets, this fundamental economic pain is being temporarily masked by a dramatic relief rally following President Donald Trump's announcement that a 14 point peace treaty with Iran could be signed in Europe as soon as this weekend. This diplomatic breakthrough has sparked a sharp unwinding of safe haven assets, dragging the U.S. dollar index down to around 99.8 and triggering a massive 4% plunge in Brent crude oil to below \$86.5 per barrel on expectations that Iranian sanctions will be lifted and the Strait of Hormuz reopened within 30 days. This weaker greenback has provided a temporary lift to the euro, pushing it just below \$1.16 for a 0.5% weekly gain as investors price in an additional ECB rate hike by September. Similarly, the British pound has stabilized just above \$1.34 for its best weekly performance in a month, though its upside remains heavily restricted by the UK's negative GDP print and intense political uncertainty surrounding Prime Minister Keir Starmer ahead of the June 18 Makerfield election. Meanwhile, gold has consolidated slightly below \$4,200 an ounce, giving up minor safe-haven premium on the peace talks but remaining strongly supported by structural global inflation. Ultimately, while a finalized peace treaty will continue to deflate oil and the dollar in the short term, corporate earnings face a prolonged threat.

United States

Soaring Gas Price Drives May Inflation to 4.2%, Keeping Fed on High Alert

US inflation accelerated again in May, with the annual CPI rate rising to 4.2%, its highest level since April 2023, from 3.8% in April. The move was largely driven by a sharp energy shock linked to the escalation with Iran, as energy costs jumped 23.5% year-on-year, with gasoline prices surging 40.5% and fuel oil up 58.9%. Food inflation also picked up to 3.1%, while shelter edged higher to 3.4%, showing that price pressures were not limited to energy alone. On a monthly basis, CPI rose 0.5%, slightly below April's 0.6% increase but still strong enough to keep inflation concerns alive. Core inflation also moved higher on an annual basis to 2.9%, marking its highest level since September 2025, although the monthly core reading slowed to 0.2%, below forecasts of 0.3%. Overall, the report reinforced the view that inflation remains vulnerable to geopolitical shocks, keeping the Fed's policy path tilted toward caution despite some softer details in the core figures.

Wholesale Prices Jump at Fastest Pace Since 2022, Pressuring Fed to Eye Year-End Rate Hikes

U.S. wholesale prices rose 6.5% in May compared to the previous year, marking the fastest annual growth since late 2022. This surge was primarily driven by the outbreak of the Iran war, which caused wholesale gasoline prices to skyrocket by over 23% in a single month. Because these producer prices reflect costs before they reach the public, they serve as an early warning that consumer inflation which already hit a three-year high of 4.2% in May due to soaring gas prices and airfares could continue to climb. This financial strain is fueling widespread public frustration just five months before the midterm elections, which will decide control of Congress. Although gasoline prices have dipped slightly in recent days, the average cost of a gallon of regular gas has remained stubbornly above \$4 since March, and prices are expected to face upward pressure now that the summer driving season has officially begun. Even when stripping out volatile food and energy costs, underlying "core" wholesale prices still rose 4.9% from last year, proving that inflationary pressures are widespread. With inflation running well ahead of the Federal Reserve's 2% target, the central bank is expected to keep its benchmark interest rate unchanged at its upcoming meeting. However, financial markets anticipate that the Fed may implement a rate hike by the end of the year in an effort to cool down the economy and rein in rising costs.

Jobless Claims Edge Higher to 229K Amid Low Layoffs and Geopolitical Headwinds

The number of Americans filing new claims for unemployment benefits rose marginally last week by 4,000 to a seasonally adjusted 229,000. While this figure was slightly higher than the 219,000 claims economists had predicted, the labor market continues to show resilience, supported by a steady 4.3% unemployment rate and low layoff numbers. Some of

the slight uptick in claims is also typical for early June, as non-teaching school staff often apply for benefits during the summer holidays a seasonal shift that government data models sometimes struggle to fully smooth out. However, beneath the surface of low layoffs, actual hiring has slowed down significantly. A recent small business survey revealed that plans to create new jobs have plunged to a six-year low, largely because employers are feeling hesitant due to policy uncertainties surrounding import tariffs and the U.S. led war with Iran. As a result, out of work Americans are facing a much tougher job hunt. The number of people receiving ongoing jobless benefits rose to 1.795 million, and long term unemployment those jobless for 27 weeks or more jumped to its highest level since late 2021, with the average time spent unemployed stretching to nearly three months.

The Greenback was last seen trading at 99.747.

United Kingdom

UK Economy Shrinks 0.1% as Iran War Energy Shock Hits Growth Ahead of Rate Decision

The UK economy contracted by 0.1% in April, reversing its strong first-quarter growth as the outbreak of the Iran war and the closure of the critical Strait of Hormuz shipping route drove up global energy prices. Chancellor Rachel Reeves blamed the economic downturn on the conflict, criticizing Donald Trump for unleashing it, while asserting that previous government choices have left the UK in a stronger position to handle these costs. The decline was largely driven by a 0.2% drop in the services sector partly caused by the cancellation of Middle Eastern sporting events affecting UK businesses which outweighed a minor boost in construction repair work. With higher oil prices forcing economists to downgrade growth forecasts and political uncertainty looming over a potential Labour leadership challenge, the Bank of England now faces the difficult task of balancing rising inflation against a slowing economy as it decides whether to raise interest rates next week.

The GBP/USD currency pair last seen trading at 1.3406.

Europe

ECB Press Conference

The European Central Bank unanimously raised interest rates for the first time in nearly three years, becoming the first major central bank to act against the inflation pressures triggered by the Iran war's energy shock. With euro zone inflation already above 3%, ECB President Christine Lagarde defended the hike as a necessary step to keep prices from overshooting their 2% target, pushing back against economists who labeled it a premature "insurance hike" or a policy mistake that could stifle an already weak economy. While the ECB revised its inflation projections upward and slightly trimmed growth forecasts, policymakers are expected to pause at their July meeting if energy prices stabilize, though they remain open to further rate hikes later this year if broader economic pressures intensify.

The EUR/USD currency pair last seen trading at 1.1568.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30725.

Rates - June 14th, 2026

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1518	1.1499	1.1589	1.1568	1.1400	1.1600	1.1612
GBP	1.3329	1.3302	1.3433	1.3406	1.3215	1.3480	1.3407
JPY	160.14	159.64	160.69	160.21	159.10	161.50	159.08
CHF	0.7953	0.7938	0.8012	0.7969	0.7870	0.8100	0.7895