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Weekly Money Market Report
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Markets Reprice Risks: Inflation, Policy Signals, and Geopolitical Tensions Drive Sentiment

Market Commentary

This week, global markets focused on inflation, central bank signals, and Middle East geopolitical tensions, with US policy expectations remaining a key driver. Fed minutes showed some officials saw a case for a June rate hike, although all ultimately supported keeping the federal funds rate unchanged. Fed Chair Kevin Warsh also announced five strategic policy review task forces covering communications, the USD 6.7T balance sheet, data usage, productivity and employment, and the monetary policy framework. Meanwhile, the ISM Services PMI eased to 54.0 and initial jobless claims fell to 215K, signalling continued expansion and resilient labour market conditions. US Treasury yields moved higher, with the 2-year and 10-year yields closing at 4.208% and 4.561%, respectively, while DXY ended the week at 100.952 [+0.09%]. In Canada, employment increased by 18.2K in June while the unemployment rate declined to 6.5%, with USDCAD closing at 1.4154 [-0.32%]. In Europe, German and French inflation slowed to 2.4% YoY and 2.0% YoY, respectively, although ECB policymakers maintained a cautious stance as inflation risks remained elevated. The SNB reiterated its readiness to intervene in FX markets after keeping rates at 0% in June, while Swiss inflation stood at 0.5% YoY. EURUSD and USDCHF closed at 1.1416 [-0.18%] and 0.8086 [+0.66%], respectively. The Bank of England proposed targeted capital rule reforms to support lending while warning that AI-related leverage and geopolitical risks remain key financial stability concerns. GBPUSD closed at 1.3404 [+0.40%]. Across Asia-Pacific, China's CPI slowed to 1.0% YoY while PPI rose 4.1% YoY but declined 0.3% MoM, signalling fading reflation momentum and preserving scope for further easing. USDCNH closed at 6.7820 [-0.05%]. In Japan, producer prices rose 7.1% YoY, reinforcing expectations of further BOJ tightening, while policymakers encouraged greater domestic investment by pension funds. USDJPY closed at 161.68 [+0.21%]. Commodities remained sensitive to Middle East tensions, with Brent crude and spot gold closing at 76.01 [5.39%] and 4119.93 [-1.36%], respectively, while the US 2s10s and 5s30s spreads closed at 34.920 bps [+0.516 bps] and 75.332 bps ([-0.02 bps]), respectively.

United States and Canada

FOMC Minutes Show Some Officials Favoured June Rate Hike; Warsh Launches Five Strategic Policy Task Forces

Federal Reserve Chair Kevin Warsh announced the leadership of five task forces to review the central bank's communications framework, USD 6.7T balance sheet, data usage, productivity and employment, and inflation framework as part of a broader effort to modernise monetary policymaking. The groups, comprising former central bankers, academics, and private sector executives, are expected to deliver recommendations by year-end. Separately, minutes released this week from the June 16-17 Federal Open Market Committee meeting revealed that a few policymakers believed there was a case for raising interest rates at the June meeting, although all ultimately supported keeping the federal funds rate unchanged. The minutes indicated that upside inflation risks remained elevated while labour market concerns had moderated, with most participants viewing further policy tightening as appropriate if inflation remains persistent due to strong AI-driven demand, higher energy prices and tariffs. The updated projections released after the meeting showed nine officials expected at least one 25 bp rate increase this year, while six anticipated at least two hikes. DXY last printed at 100.952.

US ISM Services Index Eases to 54.0 as Jobless Claims Fall to 215K

The US services sector continued expanding in June, although growth moderated as the Institute for Supply Management's Services PMI slipped 0.5 points to 54.0. While business activity and new orders softened, employment recorded its strongest improvement since 2024 and returned to expansion for the first time since February, supported by easing cost pressures as the prices index declined to a four-month low of 67.7. Meanwhile, initial jobless claims fell by 2K to 215K during the week ended July 4, remaining below market expectations and signalling that layoffs remain limited despite a broader moderation in hiring momentum. Continuing claims edged higher to 1.81 million, suggesting the labour market remains resilient overall, although firms continue to adopt a cautious hiring approach amid persistent inflation and geopolitical uncertainty.

Canada Adds 18.2K Jobs in June as Unemployment Rate Falls to 6.5%
Canada's labour market showed signs of modest tightening in June, with employment rising by 18.2K following an 87.8K increase in May, while the unemployment rate declined to 6.5% from 6.6%. The gain exceeded expectations for a 10.0K increase and was driven by services and part-time employment, with retail and wholesale trade adding 16.4K jobs and accommodation and food services rising by 14.7K. However, goods-producing sectors remained weak, shedding 43.7K positions, including a 16.8K decline in manufacturing. The participation rate held at 65.0%, while the employment rate rose to 60.8%. Private sector employment increased by 31.6K, offsetting a 30.5K decline in public sector jobs. Wage growth for full-time permanent employees firmed to 3.7% YoY from 3.2% YoY, supporting expectations for the Bank of Canada to remain on hold. USDCAD last printed at 1.4154.

Europe and the United Kingdom

German Inflation Slows to 2.4% YoY and French Inflation Eases to 2.0% YoY as ECB Maintains Cautious Stance
German harmonised inflation slowed to 2.4% YoY in June from 2.7% YoY in May, while France's harmonised consumer price inflation eased to 2.0% YoY from 2.8% YoY, confirming preliminary estimates and indicating some moderation in headline price pressures across the euro area. Nevertheless, European Central Bank meeting accounts revealed policymakers continue to expect inflation to remain above target into 2027 despite nearly three additional 25 bp rate increases embedded in staff projections. Officials agreed that policy communication should remain flexible, avoiding commitments to either a sustained tightening cycle or a single policy adjustment, while renewed geopolitical tensions and resilient core inflation continue to support expectations for further monetary tightening. EURUSD last printed at 1.1416.

SNB's Schlegel Reiterates Willingness to Intervene in FX Markets
Swiss National Bank President Martin Schlegel reiterated that medium-term inflation dynamics remain broadly unchanged while reaffirming the central bank's increased willingness to intervene in foreign exchange markets if required. Consumer price inflation slowed to 0.5% YoY in June from 0.6% YoY in May, marking the first moderation in eight months and reflecting lower energy costs. Following its decision to maintain the policy rate at 0% in June, the SNB continues to monitor inflation developments closely while preserving flexibility to respond through currency market intervention should the Swiss franc experience excessive volatility. USDCHF last printed at 0.8086.

BOE Proposes 20 bp Reduction in Leverage Requirement While Maintaining Focus on Financial Stability Risks
The Bank of England proposed targeted reforms to ease selected capital requirements by reducing aggregate leverage ratio requirements by 20 bp and allowing major domestic lenders greater flexibility to utilise capital buffers during periods of financial stress. Governor Andrew Bailey stated that the changes are intended to support lending without materially weakening banking sector resilience. Nevertheless, policymakers warned that elevated leverage, high asset valuations, AI-related financial risks and ongoing geopolitical tensions continue to pose significant threats to financial stability. The BOE will consult on the proposals while continuing to evaluate their implications for market resilience and broader financial conditions. GBPUSD last printed at 1.3404.

Asia-Pacific

Japan Producer Prices Rise 7.1% YoY and 0.4% MoM as BOJ Maintains Tightening Bias
Japan's corporate goods price index increased 7.1% YoY and 0.4% MoM in June, marking the strongest annual producer inflation since early 2023 and reinforcing evidence of persistent upstream price pressures. Higher energy, electricity and plastics costs continued to drive inflation, while firms increasingly passed rising labour and logistics expenses on to consumers. Meanwhile, the Bank of Japan maintained its assessment that all regional economies continue recovering despite geopolitical uncertainty and highlighted growing upside inflation risks, supporting expectations for additional interest rate increases later this year. Separately, Finance Minister Satsuki Katayama encouraged Japan's public pension funds to increase investment in domestic assets, boosting the yen and government bonds amid renewed discussions over capital repatriation and long-term financial market stability. USDJPY last printed at 161.68.

China CPI Slows to 1.0% YoY as PPI Rises 4.1% YoY but Falls 0.3% MoM
China's reflation momentum weakened in June as consumer price inflation eased to 1.0% YoY, below expectations, while core inflation also moderated, signalling fragile domestic demand. Producer price inflation accelerated to 4.1% YoY, its strongest pace in almost four years, largely reflecting favourable base effects and earlier commodity price increases. However, factory gate prices declined 0.3% MoM, marking their first monthly decline since July 2025 and suggesting producer inflation may have peaked. While renewed Middle East tensions could provide temporary support to energy prices, economists expect underlying inflationary pressures to remain subdued, allowing the People's Bank of China to retain flexibility for additional monetary easing should economic growth continue to soften. USDCNH last printed at 6.7820.

Kuwait

USDKWD closed last week at 0.30775.

FX Rates – 12 July 2026

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1437	1.1391	1.1461	1.1416	1.1200	1.1500	1.1459
GBP	1.3350	1.3322	1.3452	1.3404	1.3300	1.3480	1.3404
JPY	161.34	161.2	162.71	161.68	160.80	163.80	160.48
CHF	0.8033	0.8028	0.8108	0.8086	0.8000	0.8190	0.8005