

Weekly Money Market Report

31 March 2024



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Inflation levels continue to Stabilize but Remain Resilient

- US CB Consumer Confidence Declines Slightly to 104.7
- US Core PCE rises by 0.3% in February.
- Canada GDP m/m raises above expectations at 0.6%.
- Tokyo Core CPI figure eases slightly to 2.4%.
- Australia CPI unchanged in March at 3.4%, Meanwhile Retail Sales Increases by 0.3% m/m.
- German Retail Sales drop by 1.9% in February.

United States

Conference Board Consumer Confidence Drops

US consumer confidence drops slightly in March, with the figure coming in below expectations and marking a 0.1 decline from the February figure at 104.7. The figure highlights that while fears of a recession are fading, consumers are concerned about the inflation outlook for the US economy in the upcoming days. Meanwhile, consumer's inflation expectations ticked up to 5.3%, higher than the 5.2% figure seen in February.

FOMC Member Waller Speaks

Federal Reserve governor Christopher Waller signaled on Wednesday night that the Fed is in “no rush to cut the policy rate.” Regarding the latest economic data, particularly when it comes to inflation and employment, Waller said that “it is prudent to hold this rate at its current restrictive stance perhaps for longer than previously thought to help keep inflation on a sustainable trajectory toward 2%.” Furthermore, Waller said that he was looking at the three-and six-month measures of core inflation, and that the readings show that progress on getting inflation to their 2% target is slowing down. “The risk of waiting a little longer to cut rates is significantly lower than acting too soon” added Waller. “Cutting the policy rate too soon and risking a sustained rebound in inflation is something I want to avoid.” Waller’s remarks were significantly more hawkish than Fed Chair Jerome Powell’s comments recently, and on par with Atlanta Fed president Raphael Bostic. Despite the latest dot plot showing a majority of FOMC members favoring three rate cuts this year, Bostic said that he expects only one rate cut to occur later in the year. Meanwhile, markets are pricing in three rate cuts by year-end, in line with the Fed dot plot.

Core PCE Index m/m in Line with Expectations

The core personal consumption expenditure, which is considered the Federal Reserve’s preferred measure of inflation rose by 0.3% in February, down from a 0.4% increase in January. The data comes as the US economy continues to show resilience, with hotter than expected inflation remaining sticky, and a robust labor market continues to pressure Fed officials into revising the interest rate forecasts for the year.

The greenback ended the week closing at 104.487.

Canada

Canada's m/m GDP Exceeds Expectations

Canada's January GDP was up by 0.6%, beating forecasts of 0.4%. The growth was described by Statistics Canada as a broad-based expansion in the economy, led by a bounce back in education services.

The Canadian Dollar was last seen trading at 1.3540.

Europe

German Retail Sales Decline in February

The latest publication by the Federal Statistical Office of Germany shows a sharp decline in retail sales in February. Where sales volume declined by 1.9% m/m. The drop was well below expectations of a 0.4% rise in the figure, as well as the previous month's figure of a 0.3% decline. Declines were seen in products like food which fell by 1.7%, as well as online sales which dropped by 2.8% for the month. As lower industrial production weighed on GDP, the retail sales news release further lowered hopes for the economy to register growth in the first quarter.

The Euro ended the week last trading at 1.0767.

Asia-Pacific

Japan's Tokyo Core CPI in Line with Expectations in March

Core inflation in Japan Softened slightly in March while remaining in line with markets expectations. The Tokyo core CPI figure eased slightly to 2.4%, from the previous February figure of 2.5%. Meanwhile, overall inflation was seen rising slightly to 2.6% from 2.5% in the previous month. The figure supports the narrative that the BoJ will not tighten monetary policy further to control inflation. Where earlier in the month the BoJ raised its interest rates for the first time since 2007 to around 0% to 0.1%.

The USD/JPY pair closed the week trading at 151.34.

Australia CPI unchanged in March

Inflation has held steady in the latest CPI figure published by the Australian bureau of Statistics, where the year-over-year figure showed no change from the previous figure at 3.4%. Meanwhile, core CPI which excludes food and energy prices fell from 4.1% in January to 3.9% in March. The fall in the figure was attributed to a fall in holiday and accommodation prices, dropping by 1.3%, offsetting price rises in other categories. Reserve Bank of Australia's governor, Michele Bullock, said the central bank needed "greater confidence that inflation will return to the target band in a reasonable timeframe and will stay there" before it would cut its cash rate.

Retail Sales in Australia rises slightly in February

Retail sales in Australia rose 0.3% month-over-month in February, slightly below expectations of a 0.4% increase. The increase was supported by increased consumer spending for the month. Meanwhile, inflation remained above the RBA's target of 2% despite easing in 2023, with the latest CPI report showing the figure at 3.4% in February.

The AUD/USD pair was down for the week closing at 0.6522.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30740.

Rates – March 31st, 2024

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0788	1.0768	1.0793	1.0767	1.0650	1.0870	1.0835
GBP	1.2621	1.2617	1.2633	1.2616	1.2520	1.2730	1.2631
JPY	151.37	151.21	151.50	151.34	150.20	152.00	149.26
CHF	0.9011	0.9008	0.9029	0.9015	0.8960	0.9100	0.8953

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