

Weekly Money Market Report

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Global Inflation Continues Downtrend as Energy Prices Fall.

- US CPI came in at 3.2% versus 3.7% previously.
- US PPI down 0.5% on the month versus expectations of a 0.3% increase.
- US retail sales declined 0.1% while previous reading was an increase of 0.9%.
- Unemployment claims in the US at 231,000 vs 218,000 previously.
- Eurozone CPI fell to 2.9% from 4.3%.
- UK CPI at 4.6% from 6.7% the previous month.
- UK retail sales show second straight month of decline of 0.3%.
- China's industrial output and retail sales beat expectations at 4.6% and 7.6% respectively.

United States

Inflation Continues to Fall

Inflation in the United States continues its downtrend, with CPI coming at 3.2% annually versus the previous figure of 3.7%. Monthly CPI also came in flat from last month's increase of 0.4%, while core CPI fell to 4% coming in below expectations. The data supports the narrative that the Federal reserve might not adopt anymore rate hikes, and that rate cuts may begin as early as May of next year as priced by markets. Even as the Fed is still looking for further progress, the drop in CPI from around 6.3% in January to 3.2% in October is on track to become the fastest one-year decline in inflation over the past 40 years. Meanwhile, the Producers Price Index noted the steepest fall in October for the past 3 years, declining by 0.5% monthly following easing prices of oil and gas in the past weeks. Core PPI, which excludes energy and food, came in flat below the forecasted 0.3% increase. According to the Labor Department, nearly 80% of the drop in good prices came as a result of declining energy prices, as markets worry about the demand side of the equation rather than any potential shortages of supply.

Retail Sales Point to Slowdown

US retail sales in October declined for the first time in seven months, after a resilient Q3 marked by soaring GDP and consumer spending. Monthly retail sales fell by 0.1%, significantly below last month's figure of a 0.9% increase. The core figure, which excludes gas and auto sales, was up 0.1% on the month versus the previous increase of 0.8%. The readings indicate a pullback in consumer spending amid an easing in labor market conditions and inflation. The current environment, which suggests a slowdown in growth, is likely to give the Federal Reserve comfort that their monetary policy is succeeding in bringing inflation down and could suggest that they are done hiking rates.

Unemployment Claims Show Easing Labor Market

Data regarding the labor market in the United States showed further signs of easing, after unemployment claims increased to 231,000 from 218,000 previously, the highest since August. Furthermore, continuing claims rose to the highest level in two years, coming in at 1.87 million claims. The reports are likely to reinforce the notion that the Federal Reserve is done with hiking rates.

The greenback closed at 103.917 after declining over the week.

Eurozone

Inflation Falls

Inflation in the Eurozone fell to its lowest level in more than two years, with annual CPI falling to 2.9% from 4.3% previously. Core CPI also fell to 4.2% from 4.5% previously. Falling energy prices is a significant factor in softer inflation readings, however consumers in the Euro area have also been less resilient than their counterparts in the United States. The ECB is likely to see that current rates are sufficient enough to bring inflation down to their target.

The Euro strengthened over the week, closing at 1.0907.

United Kingdom

UK Inflation Drops Sharply

UK's inflation fell to 4.6% in October from a previous 6.7%, marking the lowest level in two years, amid a recent drop in energy prices. Meanwhile, core CPI fell to 5.7% from 6.1% in September. The largest contributor in this decline was the housing and household services sector and the food and beverages sector. The data comes following the Bank of England's decision of leaving the interest rate benchmark unchanged at 5.25%, suggesting that the current levels are sufficient in bringing down inflation. Prime Minister Rishi Sunak stated that the UK has "turned the corner" in its fight against inflation, as the annual CPI rate dropped by about a half since January. The data release has increased expectations of faster than anticipated rate cuts from the BoE, as an accelerated descent in inflation continues.

Retail Sales Decline Again

British retail sales showed another decline, coming in at -0.3% monthly versus the revised September figure of -1.1%. Expectations were for retail sales to increase by 0.3%. Recessionary fears are starting to rise as higher interest rates squeeze consumers and households. Unlike their counterparts in the US, British consumers have been less resilient as a second straight month of retail sales decline confirm that there is a long winter ahead.

The Sterling gained over the past week, last trading at 1.2461.

Asia-Pacific

Better than Expected Growth Out of China

China's industrial output and retail sales data grew above expectations in the third quarter, coming at 4.6% and 7.6% respectively. The data comes following weaker than expected CPI and PPI data released earlier this month, leading analysts to strike a cautious note, emphasizing that the property sector remains a weak link for the Chinese economy. China's AZN strategist Xing Zhaopeng stated that the month-on-month figures suggest increasing deflationary risks. The recent data, as well as an unexpected increase in imports and shrink in exports poses a challenging risk on Chinese authorities, as any aggressive monetary support would further widen interest rate differentials between China and other developed economies.

The USD/CNY currency pair is down on the week, last trading at 7.2111.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30860.

Rates – November 19th, 2023

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0682	1.0663	1.0915	1.0907	1.075	1.065	1.0955
GBP	1.2217	1.2210	1.2505	1.2461	1.2295	1.065	1.2473
JPY	151.51	149.18	151.92	149.62	148.3	147.2	147.46
CHF	0.9028	0.8850	0.09052	0.8855	0.8740	0.8670	0.8770

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