

# Weekly Money Market Report

## 24 March 2024



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### Markets Anticipate Monetary Policy decision as Cut Cycle Approaches

- Federal reserve keeps rates unchanged at 5.25%-5.50%
- USA flash manufacturing PMI Shows an increase in March.
- Inflation in Canada eases in February.
- UK recovers from technical recession in first quarter of 2024.
- Bank of Japan ends negative interest rates, hiking rates to 0.00%-0.10%.
- Swiss National bank cuts interest rates to 1.50% in March.

## United States

### Federal Funds Rate Unchanged in March

The Federal Reserve decided to hold interest rates steady at their current level (between 5.25% and 5.5%) but signaled a shift in policy by indicating plans to cut rates later in 2024. The highly anticipated cut would be the first since the Federal Reserve decided to hike rates to combat inflation after the pandemic. While the Fed didn't specify when the cuts would happen, projections from Fed officials suggest there could be three reductions by the end of the year. This was seen in the published dot plot showing expectations unchanged for three cuts 2024, while expectations for cuts in 2025 went down to three cuts from previously expected four, while expectations for 2026 remained at three cuts.

### Flash Manufacturing PMI Increases

US Flash Manufacturing PMI rises to a 21-month high of 52.5 in March from 52.2 in February, indicating a big improvement in the health of the sector. The strong manufacturing data was accompanied by a strengthening in business conditions, attributed to sharper expansions in outputs and employment. Moreover, suppliers' delivery times saw a recovery from the disruption of supply chains seen at the start of the year. Despite the uptrend in manufacturing, firms have scaled back their purchasing activity in comparison to the February Figure.

### Flash Services PMI Declines

While the manufacturing sector saw an increase in the month of March, the services sector on the other hand saw a decrease from the 52.3 in February to a three-month low of 51.7. Meanwhile, employment was unchanged in the sector compared to the previous month. Despite reports showing an improvement in demand, higher price pressures seem to have limited customers' ability to commit to new projects, resulting in a softened services sector.

The greenback ended the week closing at 104.004.

## Canada

### CPI Data Shows Decline in Inflation

Inflation in Canada eased further in February, with headline CPI coming in at 2.8% from 2.9% previously. Expectations were for the print to come in at 3.1%. On a monthly basis, inflation was up 0.3% versus expectations of a 0.6% rise. The Bank of Canada's preferred measure of core inflation also declined to the lowest level in over two years, coming at 2.1% annually from 2.4% prior. The median and trim CPI readings fell to 3.1% and 3.2% respectively. The better than expected inflation figures caused markets to increase bets on a June rate cut.

The Canadian Dollar was last seen trading at 1.3563.

## Europe

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### Flash Eurozone Composite PMI increases in March

The flash Eurozone composite PMI output index compiled by the S&P Global rose from 49.2 in February to 49.9 in March. Although the figure shows falling output for the 10<sup>th</sup> consecutive month, March's decline is considered the smallest since June of 2023, increasing optimism for near stabilization of activity backed by new orders falling at the slowest rate in 10 months. The PMI figures released paints an uneven picture on the outlook of the Eurozone, as conditions varied considerably between different countries and sectors. Where manufacturing output fell across the eurozone for the 12th consecutive month, while new orders for goods keeps falling in comparison to historical figures. Meanwhile, the services sector rose for the second month in March after six weeks of decline, coming at 51.1 for the month. Output declined sharply in Germany, dropping for the ninth consecutive month. While in France, output also declined sharply for the month compared to the February figure. Meanwhile, employment increased for the third month, after two months of marginal declines at the end of 2023.

The Euro ended the week last trading at 1.0823.

### Swiss National Bank Cuts interest rates in March

The Swiss National bank unexpectedly cut rates in March ahead of other major central banks, in what was considered a surprise move by the SNB. The 25 basis points cut from 1.75% to 1.50% made it the first major central bank to dial back monetary policy as global economies combat inflation. The decision came after inflation eased to 1.2% in February, with no forward guidance on the upcoming plans for the SNB.

The news sent the franc lower last seen trading at 0.8991.

## United Kingdom

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### Inflation in the UK Lower Than Expected for the Month of February

Inflation in the UK fell to the lowest level since September 2021, with headline CPI coming in at 3.4%, well below January's reading of 4% and market expectations of a 3.5% rise. Core CPI declined to 4.5% from 5.1% previously. The inflation figures were welcomed by the Bank of England, where the central bank decided to hold interest rates in Thursday's meeting at 5.25%. Markets are still pricing in three rate cuts by year-end starting in June for the BoE. Meanwhile, the Sterling pound rallied on the day following the Federal Reserve's interest rate decision and dot plot, accompanied by a decline in the US Dollar.

### Flash Manufacturing and Services PMI

The latest PMI data published from the UK shows a strong end for the first quarter of 2024, following worries from the brief technical recession seen in the previous quarter. The upturn was driven by the services sector, where output rose for the fifth month in a row at 53.4, slightly lower than the expected figure of 53.8. Manufacturing PMI also rose for the month, coming at 49.9, well above expectations of 47.8 and the previous month reading of 47.5.

The Sterling Pound was last seen trading at 1.2604.

## Asia-Pacific

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### Bank of Japan Ends Negative Rate Policy

The Bank of Japan ended eight years of negative interest rates, marking a historic turn for the bank which had focused on boosting growth with decades of massive monetary stimulus. The central bank raised its short-term interest rates to around 0% to 0.1% from -0.1%, taking interest rates out of negative territory for the first time since 2016. Still, the BoJ cautioned it's not about to take on aggressive rate hikes, saying that it "anticipates that accommodative financial conditions will be maintained for the time being," given the fragile growth in the world's fourth-largest economy. Governor Kazuo Ueda had repeatedly said the outcome of this year's annual wage negotiations would be key to sustainable price increases. The bank expects higher salaries to lead to a virtuous spiral with domestic demand fueling inflation.

### BOJ Ends Yield Curve Control Policy

The BoJ also ended its yield curve control policy for Japanese sovereign bonds, which the central bank has employed to target longer-term interest rates by buying and selling bonds as necessary.

The USD/JPY pair closed the week trading at 151.40

### Reserve Bank of Australia Holds Rates Steady

In a widely expected move by markets, the Reserve Bank of Australia (RBA) held the benchmark rate at 4.35% for the third straight meeting. The central bank detailed in their statement that "The path of interest rates that will best ensure that inflation returns to target in a reasonable timeframe remains uncertain and the Board is not ruling anything in or out." RBA Governor Michele Bullock added that "We have to be prepared to watch data... what it's telling us where things are heading and if that's changing our assessment and that's going to drive potential changes." The Australian dollar declined as low as 0.6502 but has rebounded slightly following the central bank's interest rate decision. Meanwhile, markets are pricing in the first rate cut to occur in June.

The AUD/USD pair was down for the week closing at 0.6515.

## Kuwait

### Kuwaiti Dinar

USD/KWD closed last week at 0.30760.

### Rates – March 24<sup>th</sup>, 2024

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0858	1.0821	1.0868	1.0823	1.0630	1.1020	1.0847
GBP	1.2657	1.2600	1.2675	1.2604	1.2450	1.2780	1.2609
JPY	151.63	151.27	151.86	151.40	150.25	152.80	149.35
CHF	0.8975	0.8971	0.8995	0.8991	0.8880	0.9215	0.8887

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