

Weekly Money Market Report

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Market Turmoil: Trade War Fears Weigh on Central Banks

Highlights

- *US Jolts Job Openings rise 232,000 in January 2025.*
- *US Consumer Price Index at 2.8% in January y/y.*
- *US Producer Price Index unchanged in February, missing forecasts of a 0.3% gain.*
- *Bank of Canada Cuts Interest Rates to 2.75%.*
- *UK GDP contracted 0.1% in January, following a 0.4% growth in December.*
- *ECB's Lagarde Warns of Potential Impact of an Escalating Trade War. Noting that it May Disrupt Plans to Lower Interest Rates.*

United States & Canada

US Stocks Plunge on Trade Concerns

The U.S. Dollar Index (DXY) remained relatively stable for the week, hovering at around 103 levels, as global trade uncertainty kept investors cautious. U.S. stocks, however, experienced steep declines, with the S&P 500 entering correction territory, the Dow Jones dropping 3.07% for the week, and the Nasdaq Composite losing 2.43%. These declines were largely triggered by President Trump's aggressive tariff policies, including a proposed 200% tariff on European alcohol, which raised concerns over retaliatory measures and economic instability. Treasury yields also fell, reflecting growing investor pessimism despite positive economic reports on inflation and joblessness.

JOLTS Job Openings Surge Despite Uncertainty

U.S. job openings rose by 232,000 to 7.74 million in January 2025, exceeding the expected 7.65 million and up from 7.51 million in December. Key increases were seen in retail trade (+143,000), finance and insurance (+77,000), and health care and social assistance (+58,000), while professional and business services saw a decline (-122,000). Regionally, the largest gains were in the West (+90,000) and Northeast (+82,000). Meanwhile, hires increased by 19,000 to 5.39 million, and total separations rose by 170,000 to 5.25 million.

Inflation Eases in February, but Price Pressures Remain in Key Sectors

In February 2025, the U.S. annual inflation rate eased to 2.8% from 3% in January, coming in below the expected 2.9% figure. Energy cost declined with gasoline and fuel oil prices falling, while natural gas prices surged. Inflation slowed in categories such as shelter, used cars and trucks, and transportation, though food inflation slightly accelerated to 2.6%. The Consumer Price Index (CPI) rose 0.2% month-over-month, down from January's 0.5%, which was the highest since August 2023. Core inflation also cooled, with annual core inflation dropping to 3.1%, the lowest since April 2021, while monthly core inflation fell to 0.2%, both below expectations.

Producer Prices Stagnate, Missing Forecasts

Producer prices in the US remained unchanged in February 2025 from the previous month, following an upwardly revised 0.6% rise in January and missing forecasts of a 0.3% gain. This marks the lowest rate in seven months, driven by a 0.2% decline in service prices, the sharpest drop since July 2024, led by a 1.4% fall in margins for machinery and vehicle wholesaling. Prices also fell in food and alcohol retailing, automobile retailing, apparel, chemicals, and real estate loans. However, goods prices

increased by 0.3% for the fifth consecutive month, mainly due to a 53.6% surge in egg prices. Year-over-year, producer prices rose 3.2%, below the 3.7% recorded in January and the 3.3% forecast. While core PPI declined 0.1% month-over-month and 3.4% annually.

The US Dollar index closed the week at 103.72.

Bank of Canada Cuts Rates

The Bank of Canada cut its key interest rate by 25bps to 2.75% in March, marking a total reduction of 225bps since June 2024. While the economy grew more than expected in Q4, growth is expected to slow due to rising trade tensions with the U.S. The bank highlighted that shifting U.S. tariff threats are weakening consumer confidence and investment expectations. Inflation, which has been below 2% for months, is expected to rise toward 2.5% as tax credits expire, though core inflation is projected to slow gradually, driven by easing shelter costs.

The USDCAD pair closed the week at 1.4369.

Europe

Lagarde Warns of Economic Fallout from Trade War

In her recent interview with the BBC, ECB President Christine Lagarde warned that Trump's escalating trade war could severely harm global economic growth and inflation. She stressed that such protectionist measures create uncertainty, dampen business activity, and force the EU to respond, despite preferring dialogue. Lagarde dismissed Trump's claim that the EU was formed to harm the US, highlighting historical cooperation. She also addressed inflation challenges, noting that unpredictable global trade shifts, military spending, and climate disruptions make economic stability harder to maintain. While the ECB is considering interest rate cuts as inflation cools, she cautioned that new shocks could disrupt this plan, prompting the ECB to shift its communication strategy to focus on real-time economic indicators rather than fixed forward guidance.

The EUR/USD currency pair closed the week at 1.0879.

United Kingdom

UK Economy Contracts Amid Manufacturing and Mining Declines

The UK economy contracted by 0.1% month-over-month in January 2025, following a 0.4% growth in December and falling short of market expectations for a 0.1% increase. The decline was driven by a 0.9% drop in the production sector, with manufacturing shrinking 1.1%, most notably in basic metals (-3.3%) and pharmaceuticals (-3.1%), while mining and quarrying fell 3.3% due to a 3.7% contraction in crude petroleum and natural gas extraction. Construction also declined 0.2%. However, the services sector grew by 0.1%, supported by administrative services and retail trade at 1.9% and 0.7% respectively. Despite the monthly contraction, GDP grew 0.2% over the three months leading to January.

UK Retail Sales Slows in February

UK retail sales grew by 0.9% year-on-year in February 2025 as per data from the British Retail Consortium, slowing sharply from January's 2.5% rise and missing the 2.4% forecast, as consumers cut back amid the cost-of-living crisis. Non-food sales stagnated compared to February 2024, while food sales rose 2.3%, down from last year's 5.6% gain. Valentine's Day spending provided a temporary boost, particularly for jewellery, watches, and fragrances, which reversed last year's declines. Online sales, especially in computing and electronics, helped support the sector, while furniture sales also returned to growth.

The GBP/USD currency pair closed the week at 1.2932.

Asia-Pacific

Australia Westpac Consumer Sentiment Rises to its Highest Level in Three Years

Australia's Westpac-Melbourne Institute Consumer Sentiment Index rose 4% in March to 95.9, its highest level in three years, driven by the Reserve Bank of Australia's interest rate cut and easing cost-of-living pressures. Confidence improved broadly, particularly in the labor market, though inflation remains the top concern, followed by budget issues, employment, and interest rates. Despite the gains, lingering worries about global economic conditions persist, with U.S. tariff disputes and geopolitical tensions contributing to uncertainty.

The AUD/USD currency pair closed the week at 0.6323.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30805.

Rates – 16th March 2025

| Currencies | Previous Week Levels | | | | This Week's Expected Range | | 3-Month |
|------------|----------------------|--------|--------|--------|----------------------------|---------|---------|
| | Open | Low | High | Close | Minimum | Maximum | Forward |
| EUR | 1.0833 | 1.0804 | 1.0947 | 1.0879 | 1.0830 | 1.0950 | 1.0933 |
| GBP | 1.2903 | 1.2858 | 1.2987 | 1.2932 | 1.2860 | 1.2985 | 1.2931 |
| JPY | 147.87 | 146.52 | 149.19 | 148.62 | 148.25 | 149.20 | 147.09 |
| CHF | 0.8791 | 0.8756 | 0.8863 | 0.8851 | 0.8800 | 0.8900 | 0.8769 |

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