

# Weekly Money Market Report

31 May 2026



>NBK Treasury  
+965 22216603  
tsd\_list@nbk.com

## Global Central Banks Hold Firm as Energy-Driven Inflation Persists

### Market Commentary

Global financial markets this week remain firmly in the grip of two overarching themes: the persistence of above-target inflation and the unresolved geopolitical shock emanating from the Middle East conflict. Central banks across the US, UK, and the Asia-Pacific region are in a delicate holding pattern, unwilling to ease prematurely, yet mindful that prolonged tightening risks stifling already fragile growth. Energy prices, elevated since the outbreak of the Iran conflict, continue to act as a supply-side tax on the global economy, complicating the inflation trajectory for virtually every major central bank. Against this backdrop, the US dollar remains broadly supported, while rate-sensitive currencies face headwinds from the prospect of rates staying higher for longer.

### United States

#### US PCE Inflation Remains Elevated as Growth Slows

The Federal Reserve's preferred inflation gauge showed continued price pressures in April, with the headline PCE price index rising 0.4% month-on-month and 3.8% year-on-year, the highest annual rate since May 2023. Core PCE, which excludes food and energy, increased 0.2% on the month and 3.3% annually, matching expectations and suggesting some moderation in underlying inflation. Higher gasoline prices remained a key driver, while housing and services costs also continued to rise. Meanwhile, the US economy showed signs of slowing, as first-quarter GDP growth was revised down to an annualized 1.6% from the initial 2.0% estimate, reflecting weaker consumer spending and investment. Consumer spending still rose 0.5% in April, but flat income growth and a decline in the personal savings rate to its lowest level since June 2022 suggested households were increasingly relying on savings to support spending. Labor market conditions remained relatively stable, with jobless claims edging slightly higher, while durable goods orders surged 7.9%. Overall, the data reinforces expectations that the Federal Reserve will remain cautious, balancing persistent inflation risks, exacerbated by the Iran conflict and tariffs, against signs of moderating economic growth. While softer monthly inflation readings offer some encouragement, markets continue to expect policymakers to keep interest rates unchanged for the foreseeable future.

The Greenback was last seen trading at 98.908.

### United Kingdom

#### Bailey Signals BoE's Cautious Approach Amid Inflation Risks

Bank of England Governor Andrew Bailey emphasized that the decision to keep interest rates unchanged was an "active choice," reflecting the need to closely monitor the impact of Middle East developments on the UK economy and inflation. Bailey noted that the BoE has already tightened monetary policy significantly by removing previously expected rate cuts from its outlook. While he acknowledged there may be a case for tolerating temporarily above-target inflation driven by external shocks, he stressed that policymakers remain vigilant. He also highlighted signs of a gradually softening labor market and said higher inflation expectations have not yet translated into stronger wage demands or settlements, suggesting that broader inflationary pressures remain contained for now.

The GBP/USD currency pair was last seen trading at 1.3459.

## Europe

### **Lagarde Stresses That Central Bank Independence Must Be Earned Through Credibility**

ECB President Christine Lagarde emphasized that while legal independence is essential for central banks, true independence ultimately depends on credibility and public trust built through consistent actions. Drawing on the ECB's experience over the past two decades, she highlighted how the institution earned its reputation by navigating financial crises, market fragmentation, and the inflation surge of 2022 while remaining focused on its price stability mandate. Lagarde warned that an increasingly challenging environment marked by frequent supply shocks, rising fiscal pressures, and declining trust in public institutions is putting central bank independence to the test. She stressed that maintaining a clear commitment to price stability, communicating transparently with citizens, and preserving fiscal and financial resilience are critical to safeguarding monetary policy independence. Ultimately, she argued that credibility is the foundation of effective central banking, taking years to build but only moments to lose.

The EUR/USD currency pair was last seen trading at 1.1659.

## Asia-Pacific

### **Australian Inflation Cools More Than Expected in April**

Australia's annual inflation rate eased to 4.2% in April 2026 from 4.6% in March, coming in below market expectations of 4.4%, though it remained above the Reserve Bank of Australia's 2-3% target range. The slowdown was driven by softer goods inflation, particularly transportation costs, as fuel price pressures eased following a government reduction in fuel excise taxes. Inflation also moderated for food, non-alcoholic beverages, and housing, while services inflation edged slightly lower. On a monthly basis, consumer prices rose 0.4%, down sharply from March's 1.1% increase and below forecasts. However, underlying inflation remained persistent, with the trimmed mean CPI rising to 3.4% year-on-year, its highest level since September 2024, highlighting ongoing core price pressures despite the broader easing in headline inflation.

The AUD/USD currency pair was last seen trading at 0.7183.

### **RBNZ Holds Rates Steady but Signals Potential Tightening Ahead**

The Reserve Bank of New Zealand kept its Official Cash Rate unchanged at 2.25% in May, marking a third consecutive meeting without a change, despite differing views among policymakers. The central bank expects higher petrochemical prices to push inflation higher in the near term, with headline inflation projected to peak at 4.3% in the third quarter before gradually returning to its 2% target by mid-2027. While the economy remains in the early stages of recovery, with spare capacity and elevated unemployment, rising fuel and input costs are expected to pressure households and businesses. The RBNZ emphasized its commitment to preventing temporary cost shocks from becoming embedded in longer-term inflation and indicated that interest rates may need to rise sooner and by more than previously anticipated, depending on the persistence of inflationary pressures and wage growth.

The NZD/USD currency pair was last seen trading at 0.5988.

### **Tokyo Core Inflation Slows Further in May**

Core consumer prices in Tokyo's central wards rose 1.3% year-on-year in May 2026, easing from 1.5% in April and coming in below market expectations of 1.5%. The reading marked the slowest pace of inflation since March 2022 and remained below the Bank of Japan's 2% target for a fourth consecutive month. Inflationary pressures were tempered by government fuel subsidies and favorable base effects, which helped offset higher raw material costs stemming from the Middle East conflict. Nevertheless, policymakers remain cautious, as persistently elevated oil prices could eventually feed into broader inflation if companies continue passing higher costs on to consumers.

The USD/JPY currency pair was last seen trading at 159.26.

## Kuwait

### Kuwaiti Dinar

USD/KWD closed last week at 0.30670.

### Rates – May 31<sup>st</sup>, 2026

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1629	1.1584	1.1685	1.1659	1.1560	1.1880	1.1702
GBP	1.3441	1.3364	1.3509	1.3459	1.3350	1.3680	1.3458
JPY	158.90	158.74	159.65	159.26	158.30	160.10	158.10
CHF	0.7843	0.7794	0.7899	0.7810	0.7570	0.7900	0.7733

© Copyright Notice. The Weekly Money Market Report is a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK. While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. This report and other NBK research can be found in the "News & Insight" section of the National Bank of Kuwait's website. Please visit our website, [www.nbk.com](http://www.nbk.com), for other bank publications. For further information please contact: NBK Treasury Group, Tel: (965) 2221 6603, Fax: (965) 2229 1441, Email: [tsd\\_list@nbk.com](mailto:tsd_list@nbk.com)