

Weekly Money Market Report

30th August 2026



Inflation Concerns Persist Across Major Economies, Keeping Tightening Risks Alive

Market Commentary

Global Markets remained focused on inflation and central bank policy this week, with the Jackson Hole Symposium serving as the key driver of sentiment. Across major economies, stubborn inflation and resilient growth reinforced expectations that interest rates may need to remain elevated for longer, even as policymakers debate the timing of further tightening. In the United States, Federal Reserve officials maintained a hawkish tone after July inflation data showed limited progress toward the Fed's 2% target. Headline PCE inflation held at 3.7%, while core inflation remained at 3.3%, keeping the possibility of additional rate hikes firmly on the table. Fed Chair Kevin Warsh emphasized that the central bank may need to take further action if inflation does not return to target at an acceptable pace. At the same time, labour market conditions remained healthy, with jobless claims falling and unemployment holding near historically low levels, underscoring the economy's resilience. The U.S. dollar remained supported by expectations that the Fed could tighten policy further before year-end. Markets continue to price a high likelihood of rates remaining unchanged in September, but inflation data and recent Fed commentary have strengthened expectations of a potential hike later this year. Canada's economy delivered a strong upside surprise, expanding at an annualized rate of 3.3% in the second quarter. Growth was driven by robust exports, stronger consumer spending, and a rebound in business investment, suggesting the economy is adapting to ongoing trade tensions and external uncertainties. The stronger growth outlook provides support for the Canadian dollar and reduces pressure on the Bank of Canada to consider policy easing. In Europe, economic sentiment improved as business and consumer confidence reached its highest level since January. The eurozone economy continues to demonstrate resilience despite elevated energy prices and geopolitical uncertainties. However, inflation remains a concern, particularly following stronger than expected price data from France and Spain, increasing expectations that the European Central Bank could raise rates again in September. The United Kingdom continues to face fiscal challenges after July borrowing exceeded the level seen a year earlier. Although borrowing remains lower on a year to date basis, concerns about future government spending plans and elevated global borrowing costs have kept pressure on U.K. finances. Sterling weakened slightly as markets pushed back expectations for further Bank of England tightening. In Asia, Tokyo inflation accelerated for a third consecutive month, strengthening expectations that the Bank of Japan could raise interest rates in September. Broader price pressures, a weaker yen, and elevated energy costs are supporting the case for further policy normalization, although the yen remains under pressure due to the wide interest rate gap with other major economies. Commodity markets were mixed. Gold remained supported by fiscal concerns, geopolitical risks, and uncertainty over the future path of U.S. interest rates. Meanwhile, oil prices eased slightly as crude exports through the Arabian Gulf continued to recover, though ongoing tensions in the Middle East kept energy markets sensitive to supply risks.

United States & Canada

Persistent Inflation Keeps Rate Hike Debate Alive at Jackson Hole Symposium

Federal Reserve officials expressed continued concern about persistent inflation during the Kansas City Fed's annual Jackson Hole symposium, emphasizing that price pressures remain above the central bank's 2% target despite current monetary policy settings. Kansas City Fed President Jeffrey Schmid described inflation as stubborn and suggested that the current policy rate of 3.50%-3.75% does not appear restrictive enough to curb demand or effectively reduce inflation. While he indicated openness to further rate increases, he stressed the need for additional economic data before the Fed's September meeting. Similarly, Cleveland Fed President Beth Hammack reiterated her support for taking action against inflation, arguing that monetary policy is currently doing little to slow the economy and warning that prolonged above-target inflation could undermine the Fed's credibility and entrench inflationary expectations. She forecast inflation ending the year around 3% and declining only modestly next year. Chicago Fed President Austan Goolsbee also highlighted inflation as his primary short-term concern, cautioning that renewed price increases, fuelled by factors such as higher energy costs and tariff-related uncertainty, could become difficult to contain. Nevertheless, he noted that recent inflation trends have not been overly alarming and suggested that interest rates could eventually be lowered if there is clear evidence that inflation is moving back toward the Fed's target. Boston Fed President Susan Collins described the latest inflation data as mixed but maintained her expectation of gradual disinflation under what she views as a slightly restrictive policy stance. These remarks came after data showed the Personal Consumption Expenditures (PCE) Price Index remained at 3.7% annually in July, reinforcing debate among economists over whether further rate hikes may be necessary. Fed officials have increasingly signalled openness to additional tightening if inflation remains persistent, while Goolsbee also warned that political interference in central bank decision-making could jeopardize efforts to maintain price stability.

Persistent Price Pressures Complicate Fed's Interest Rate Outlook

The Federal Reserve's preferred inflation measure indicated that price pressures remained persistent in July, highlighting ongoing divisions among policymakers over whether interest rates should be increased further as they convene at the annual Jackson Hole economic symposium. Core Personal Consumption Expenditures (PCE) inflation, which excludes food and energy prices, held steady at 3.3% year-over-year, matching June's level and market expectations. On a monthly basis, core prices rose 0.2%, a modest increase that suggests inflation is progressing toward the Fed's 2% target, although not quickly enough to resolve concerns among more hawkish policymakers. Some officials, including New York Fed President John Williams, have indicated that monthly inflation readings of 0.2% or lower are consistent with a gradual return to target without the need for additional rate hikes. However, Federal Reserve officials remain cautious. Boston Fed President Susan Collins noted that while she supported keeping rates unchanged at the previous meeting, further evidence of declining inflation will be necessary to justify maintaining the current policy stance. Otherwise, she believes a rate increase may soon be warranted to ensure inflation returns to target within a reasonable timeframe. The inflation report arrives just ahead of Federal Reserve Chair Kevin Warsh's first Jackson Hole address. Policymakers are also closely monitoring external risks, including elevated energy prices linked to ongoing Middle East tensions and renewed trade disputes between the United States and Canada, both of which could sustain inflationary pressures or push prices higher in the coming months.

U.S. Unemployment Claims Decline, Signalling Continued Labor Market Strength

Initial jobless claims declined for a second consecutive week, falling by 4,000 to 203,000, below market expectations and remaining near the lower end of this year's range, indicating that layoffs remain limited despite softer hiring activity. The number of individuals continuing to receive unemployment benefits also fell to a one-month low of 1.778 million, suggesting the labour market remains relatively balanced. Although employment unexpectedly declined in July, the unemployment rate edged lower to 4.1%, which remains historically low. Economists noted that private sector job creation continues at a moderate but sustainable pace, sufficient to maintain labour market stability as employers largely replace departing workers and add jobs in line with labour force growth.

Persistent Inflation Could Prompt Further Fed Tightening

Federal Reserve Chair Kevin Warsh signaled that the central bank may need to take further action if inflation does not return to its 2% target at a satisfactory pace. Speaking at the Jackson Hole symposium, Warsh stressed that the Fed must remain confident that underlying inflation is moving lower, noting that recent progress has been limited and that inflation, as measured by the Personal Consumption Expenditures (PCE) Price Index, remained elevated at 3.7% in July. While he stopped short of endorsing an immediate rate hike or providing guidance on future policy decisions, his remarks suggested that additional tightening could be necessary if price pressures persist. Warsh also emphasized that interest rates remain the Fed's primary policy tool and noted that current financial conditions do not appear particularly restrictive, with credit and lending markets showing few signs of constraint. Although he said inflation expectations remain anchored, he warned that they must be closely monitored to preserve the Fed's credibility and commitment to price stability. His comments ahead of the September policy meeting reinforced the central bank's focus on inflation while highlighting the resilience of the U.S. economy and the possibility of further policy action if inflation remains stubbornly high.

The Greenback was last seen trading at 99.702.

Strong Consumer Spending and Exports Drive Canada's Q2 Economic Recovery

Canada's economy rebounded strongly in the second quarter, expanding at an annualized rate of 3.3% after a modest 0.3% increase in the first quarter, according to Statistics Canada. The upward revision to first-quarter growth means the country avoided a technical recession, as the economy returned to solid growth driven by a combination of stronger exports and improving domestic demand. Consumer spending reached its strongest pace in three quarters, while business investment recorded its first expansion in 18 months, supported by increased spending on residential and non-residential construction, machinery, and equipment. The data suggest that households and businesses are gradually adapting to the challenges posed by prolonged trade tensions and U.S. tariffs. Exports were a key contributor to growth, rising 3.6% in the quarter, their largest increase in more than three years. Final domestic demand also rebounded, growing 1% after a slight contraction in the previous quarter, highlighting improving economic momentum. The stronger-than-expected performance exceeded the Bank of Canada's forecast and provides a firmer foundation for the economy as it faces a renewed tariff dispute with the United States.

The USD/CAD was last seen trading at 1.3901.

United Kingdom

UK Borrowing Rises in July, Highlighting Ongoing Fiscal Challenges

The U.K. government's budget deficit widened to £1.8 billion in July, £700 million higher than a year earlier, as increased public spending more than offset record income tax revenues. While self-assessed income tax receipts reached a record £17.1 billion for the month, higher expenditure, particularly on social benefits, drove borrowing higher. Nevertheless, borrowing in the first four months of the fiscal year totalled £56.7 billion, £6 billion lower than the same period last year, indicating some progress in reducing the deficit despite remaining above official forecasts. The government remains committed to lowering its budget deficit, but economists expect it to remain above 4% of GDP this year. Investor concerns over potential spending increases under Prime Minister Andy Burnham, coupled with global pressures such as the U.S.-Iran conflict, rising U.S. debt issuance, and increased borrowing to fund artificial intelligence investments, have kept U.K. borrowing costs elevated. Although public debt eased slightly to 94.1% of GDP in July, reducing debt and borrowing costs remains a significant challenge amid domestic fiscal demands and global market uncertainties.

The GBP/USD currency pair last seen trading at 1.3534.

Europe

Business and Consumer Confidence Strengthen Across the Eurozone

Business and consumer confidence in the eurozone improved in August, reflecting greater optimism about the region's economic outlook despite ongoing uncertainty related to the conflict in Iran and elevated energy prices. The European Commission's Economic Sentiment Indicator rose to 98.4 from 97.1 in July, reaching its highest level since January and exceeding expectations. The improvement suggests that concerns over higher energy costs and their impact on spending and investment have eased, while the eurozone economy continues to show resilience, supported by stronger domestic demand and increased confidence. Policymakers at the European Central Bank (ECB) have also noted that risks to growth appear less severe as businesses and households adapt to current conditions. The survey provided some encouraging signs on inflation, with retailers and manufacturers lowering their expectations for future selling prices, indicating that higher energy costs have not yet broadly filtered through the economy. However, inflation remains above the ECB's 2% target, and recent data from France and Spain point to renewed price pressures. While services-sector price expectations increased slightly, consumers became less concerned about inflation over the next year, which could support a recovery in household spending. Overall, the data suggest the eurozone economy remains relatively robust, even as the ECB continues to balance growth prospects against persistent inflation risks.

The EUR/USD currency pair last seen trading at 1.1584.

Asia Pacific

Japan Inflation Gains Momentum as Markets Price in September BOJ Move

Tokyo's core inflation accelerated for a third consecutive month in August, strengthening expectations that the Bank of Japan (BOJ) could raise interest rates at its September policy meeting. Core consumer prices in the capital, a key indicator of nationwide inflation trends, increased 1.8% year-over-year, slightly exceeding market forecasts and moving closer to the BOJ's 2% target. Inflation was driven largely by continued increases in food prices, while a broader measure that excludes both fresh food and fuel rose 2.0%, indicating that underlying price pressures are becoming more widespread. The data follows recent comments from BOJ Deputy Governor Ryozi Himino, who highlighted rising inflation risks and emphasized the need to carefully assess the timing of further policy tightening. Growing inflationary pressures are being fueled by elevated energy costs linked to the Middle East conflict, a weaker yen, and strong demand associated with artificial intelligence-related investment. Economists increasingly expect the BOJ to raise its policy rate to 1.25% as soon as September, following its decision to lift rates to a 31-year high of 1% in June. BOJ officials have signaled concern that inflation could remain above target as cost increases spread throughout the economy. However, some businesses, particularly smaller firms, continue to struggle to pass higher costs on to consumers, highlighting uneven pricing power across the economy. As markets await further signals from BOJ Governor Kazuo Ueda and the upcoming policy meeting, investors remain focused on whether accelerating inflation will prompt a faster pace of monetary policy normalization.

The USD/JPY currency pair last seen trading at 160.04

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30685

Rates – August 30th, 2026

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1671	1.1577	1.1687	1.1584	1.1450	1.1650	1.1625
GBP	1.3613	1.3524	1.3656	1.3534	1.3400	1.3600	1.3537
JPY	158.89	158.59	160.20	160.04	159.20	161.50	158.98
CHF	0.8010	0.7994	0.8098	0.8092	0.8020	0.8200	0.8013

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