

Weekly Money Market Report

January 5th, 2025



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US Dollar Index Hits Two Year High, Major Currencies Depreciate as New Trading Year Kicks Off

Key Highlights

- *US Dollar Index Surges to 109.43, While Major Currencies Depreciate.*
- *US Pending Home Sales rose 2.2% m/m vs 1.8% in October.*
- *US Unemployment Claims at 211,000.*
- *US Chicago PMI at 36.9.*
- *Spain CPI at 2.8% y/y.*
- *China Manufacturing Index fell to 50.5 down from 51.5.*

Market Commentary

In the week ending on the 5th of January, global markets witnessed a limited amount of data following the holidays. In the U.S. unemployment claims ticked slightly lower from the previous figure at 211,000 claims, while the Chicago PMI fell to 36.9. The U.S. dollar strengthened, with the DXY reaching a high of 109.43, supported by optimism from the new Trump administration. Meanwhile, major currencies like EUR and GBP witnessed contrasting moves, with the Euro reaching a low of 1.022. Treasury yields traded somewhat sideways, with the 10Y yield at 4.60%. Equities sold off, as the S&P 500 witnessed a 3.0% monthly drop, the Nasdaq dropped 1.0% over the month. Meanwhile on the commodities side, gold reached around \$2,660 per ounce, while Brent crude rose to \$76 per barrel.

United States

Pending Home Sales Beat Expectations with a 2.2% Growth

Pending home sales in the U.S. rose 2.2% in November 2024, surpassing the expected 0.9% gain and following a revised 1.8% increase in October. Regional variations were noted: the Midwest, South, and West saw monthly gains, while the Northeast declined. Year-over-year, contract signings grew across all regions, led by the West. Consumers have adjusted expectations regarding mortgage rates and are capitalizing on available inventory instead of waiting for rate decreases.

Unemployment Claims Decline, Signaling Labor Market Stability

Seasonally adjusted initial unemployment claims were 211,000 in the last week of December, a decrease of 9,000 from the prior week's revised figure of 220,000. The 4-week moving average declined by 3,500 to 223,250, reflecting a slight improvement. The insured unemployment rate for the week ending December 21 was 1.2%, down 0.1 percentage points from the previous week. Insured unemployment claims totaled 1,844,000, a drop of 52,000 from the preceding week. These trends indicate modest declines in unemployment claims, suggesting stable labor market conditions.

Chicago PMI Drops to Low of 36.9

In December 2024, the Chicago Business Barometer fell to 36.9, down from 40.2 in November, well below market forecasts of 42.7 and marking the 13th consecutive month of contraction. New orders fell sharply to 13.5, the second lowest level since May 2020. Decreases were also seen in production, while increases were seen in employment, supplier deliveries, and order backlogs.

The US Dollar index closed the week at 108.95.

Europe

Spanish Inflation Rises Amid Persistent Cost Pressures

In December 2024, the annual Consumer Price Index (CPI) rose to 2.8%, a 0.4% increase compared to November (2.4%). This was primarily driven by higher fuel prices, with notable contributions from increases in leisure and cultural expenses. The underlying inflation rate (excluding energy and fresh food) increased slightly to 2.6% (+0.2% m/m).

The EUR/USD currency pair closed the week at 1.0308.

Asia-Pacific

China Manufacturing PMI Slips as Confidence Weakens

The Caixin China General Manufacturing PMI fell slightly to 50.5 in December 2024, down from November's five-month high of 51.5, missing market expectations of 51.7. Despite marking the third consecutive month of factory growth, both output and new orders expanded at slower rates, while foreign orders declined after significant growth in the prior month. Employment dropped for the fourth straight month, contributing to backlog accumulation. Buying levels rose for the third month as firms built safety stocks, and vendor performance improved slightly. Selling prices declined for the first time since September, contrasting with rising input costs. Business confidence weakened, reaching a three-month low due to concerns about growth, trade outlooks, and the impact of potential U.S. tariffs.

China Non-Manufacturing PMI Increases to 52.2 in December

China's Non-Manufacturing PMI increased to 52.2 in December 2024, up from 50.0 in November, exceeding forecasts of 50.2 and marking the highest level since March. This improvement reflects the impact of recent government and central bank stimulus measures, although economic headwinds remain. Export orders stabilized after prior contraction, while new orders and employment experienced mild declines. Input prices rose, reversing a prior decrease, and confidence levels hit a nine-month high. However, selling prices continued to fall, mirroring November's decline.

The USD/CNY currency pair closed the week at 7.3199.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30810.

Rates – 5th January 2025

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0264	1.0257	1.0309	1.0308	1.0270	1.0400	1.0354
GBP	1.2372	1.2372	1.2433	1.2420	1.2380	1.2540	1.2413
JPY	157.53	156.87	157.56	157.27	156.65	157.85	155.64
CHF	0.9124	0.9078	0.9125	0.9082	0.9000	0.9140	0.8991