Weekly Money Market Report

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Central Banks Caution Meets Geopolitical Volatility

Market Commentary

The global economic landscape in early May 2026 is defined by a high stakes tug-of-war between resilient domestic data and severe geopolitical friction, as the U.S. naval blockade of Iranian ports and the closure of the Strait of Hormuz propel Brent crude above $111 per barrel and gold toward $4,600 per ounce. In the United States, the Federal Reserve maintained interest rates at 3.75% amidst internal disagreement over future easing language, even as Core PCE inflation stabilized at 0.3% and the labour market showed extraordinary strength with jobless claims tumbling to 189,000 and consumer confidence hitting a four-month high of 92.8. This policy caution is mirrored in the United Kingdom, where the Bank of England's decision to hold rates at 3.75% saw the British pound strengthen 0.4% to $1.3473 (eventually climbing to $1.36). While the Eurozone's steady hand at 2.15% pushed the Euro above $1.1700 as officials signalled a potential June hike to combat 3% inflation. Meanwhile, the Bank of Japan's decision to hold rates at 0.75% triggered a suspected currency intervention to defend the yen after it breached the 160 level, successfully pulling it back to 155.5 per dollar and highlighting a fragile global financial system where record-high U.S. crude exports and sustained dollar strength serve as the primary counterweights to a deepening energy supply crisis.

United States

CB Consumer Confidence

U.S. consumer confidence saw a surprise increase in April, reaching a four-month high. However, this optimism is tempered by rising gasoline prices. While the Conference Board's index rose to 92.8 outperforming economist expectations, experts warn the rebound may be temporary, as confidence remains significantly lower than it was in early 2025. Despite the slight boost from a stable labor market, high energy costs and ongoing Middle East tensions continue to fuel inflation concerns, leading the Federal Reserve to likely maintain steady interest rates as it monitors the fragile economic balance.

The Federal Open Market Committee Kept Federal Funds Rate Unchanged at 3.75%

The FOMC Press Conference resulted in the Federal Funds Rate being kept unchanged- therefore keeping the rate at 3.75%. The meeting carried greater sentiment, however, towards disagreement over language that may signal for a future of easing rates as three members imposed to change such language should there be any potential for confusion regarding decisions that have yet to be made. With that in mind, U.S. durable goods orders rose by 0.8% m/m in March (where it had previously declined 1.3% the month before) and U.S. Treasury yields rose following the Federal Reserve's decisions, with the 2-year yield gaining 11bps to 3.9468% and the 10-year yield increasing by 8bps to 4.4298%.

The Core Personal Consumption Expenditures Came in at 0.3% in Line With Market Expectations

The Core Personal Consumption Expenditures (PCE) Price Index, a key measure of inflation in the U.S., rose by 0.3%, exactly in line with expectations. This result points to a steady outlook for both inflation and the overall economy. Core PCE is closely watched by the Federal Reserve because it excludes food and energy prices, which can be volatile. The latest 0.3% increase shows that inflation is moving as expected, without any major surprises for markets or policymakers. Compared to the previous month's reading of 0.4%, the index eased slightly, suggesting a small slowdown in inflation and some stabilization in prices. Since the data matched forecasts, it confirms that the economy is behaving largely as expected. This supports confidence in the Federal Reserve's approach, as it continues to track inflation closely when making decisions on interest rates. The stable reading is also seen as supportive for the U.S. dollar, as it reflects a balanced inflation environment. Going forward, investors and policymakers will keep a close eye on this indicator to understand where inflation is heading and how it might affect the broader economy. Overall, the latest data signals a period of relative stability, with inflation under control and in line with expectations.

U.S Unemployment Claims Dropped to 189,000 Down From the Previous Week 215,000

The number of Americans filing for unemployment benefits tumbled below 200,000 last week despite a number of economic headwinds including the war in Iran. U.S. jobless aid applications for the week ending April 25 fell by 26,000 by to 189,000, down from the previous week 215,000, the Labor Department reported Thursday. That's well below the 214,000 new applications analysts were expecting. Filings for unemployment benefits are considered a proxy for U.S. layoffs and are close to a real time indicator of the health of the job market.

The Greenback was last seen trading at 98.156.

United Kingdom

The Bank of England Kept its Main Interest Rate Unchanged at 3.75%

The Bank of England kept its main interest rate unchanged at 3.75% on Thursday, in line with expectations, as the ongoing Iran war continues to complicate decisions for policymakers. Officials chose to hold rates steady while assessing how rising energy costs driven by the conflict and renewed inflation pressures in the UK will affect the economy. The Monetary Policy Committee voted 8–1 to maintain the "Bank Rate" at 3.75%, with Chief Economist Huw Pill the only member calling for a 0.25% rate increase. Following the decision, the British pound strengthened by 0.4% against the U.S. dollar to $1.3473, while borrowing costs eased as the yield on the 10-year government bond fell by 6 basis points to 5.014%. In its statement, the Bank of England said the Middle East war is likely to keep pushing energy prices higher, while also stressing that monetary policy has limited ability to control such costs. It added that although it cannot directly influence energy prices, it will adjust policy to help the economy absorb these shocks while keeping inflation close to its 2% target. The bank also noted that its future approach will depend on how large and long lasting the impact of the conflict is, and how it spreads through the economy.

The GBP/USD currency pair last seen trading at 1.3572.

Europe

The European Central Bank Kept Rates Unchanged 2.15%

The European Central Bank may need to raise interest rates, possibly as early as June, according to policymakers who warned that inflation is worsening and risks becoming long lasting. Although the ECB kept rates unchanged on Thursday, discussions about increasing them took place, and officials signaled both publicly and privately that tightening policy remains a real possibility, especially as rising energy costs could push inflation higher for longer than expected. ECB official Joachim Nagel said the situation is developing less favorably than previously expected, adding that a rate hike in June would be justified if conditions do not improve. The ECB had already outlined different scenarios for growth and inflation in March, and even its most optimistic outlook assumed some policy tightening. Meanwhile, ECB official Madis Muller noted that although a rate hike was not needed this week, it is becoming more likely in the near future, as higher energy costs are starting to spread into other goods and services. While the ECB cannot directly control energy prices, it has made clear it will act if these increases begin feeding into broader inflation across the economy. Market expectations have shifted as well. While earlier forecasts suggested two rate hikes, investors are now pricing in three, with the first expected by July and the second by September, as inflation has already reached 3%, above the ECB's 2% target. Officials emphasized that they are ready to act if needed, noting that even their baseline outlook already points to tighter monetary policy ahead.

The EUR/USD currency pair last seen trading at 1.1720.

Asia-Pacific

Japan's Policy Developments.

The Bank of Japan kept short-term rates unchanged at 0.75% following a narrow 6-3 split, underscoring internal tension as yen weakness collides with fragile domestic conditions. Authorities have signalled readiness to intervene if FX volatility becomes destabilizing, highlighting the constraints imposed by a strong dollar environment. While shifting commodity dynamics- along with gold and broader geopolitical fragmentation are beginning to test the traditional currency hierarchy, they have yet to dislodge the dollar's dominance. If anything, recent shocks have reinforced it in the near term, leaving a more fragile global system where commodities, currencies, and policy are tightly intertwined, and where sustained U.S. dollar strength has become a central pressure point for the global economy.

The USD/JPY currency pair was last seen trading at 157.03.

Kuwait

Kuwaiti Dinar
USD/KWD closed last week at 0.30675.

Rates – May 3rd, 2026

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1698	1.1654	1.1785	1.1720	1.1570	1.1790	1.1769
GBP	1.3499	1.3451	1.3658	1.3572	1.3450	1.3650	1.3575
JPY	159.60	155.51	160.72	157.03	155.00	158.00	155.87
CHF	0.7868	0.7777	0.7924	0.7815	0.7750	0.7700	0.7745