

# Weekly Money Market Report

July 21<sup>st</sup>, 2024



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## ECB Holds Interest Rates While The Fed Suggest a Turn In Cuts May Not Be Far Off

### Highlights

- US Empire State Manufacturing Index came in at -6.6 vs expectations of -5.5.
- US Retail Sales m/m came in at 0.0% vs expectations of -0.3%
- US Industrial Production m/m came in at 0.6% vs expectations of 0.3%.
- Unemployment claims in the US came in at 243K vs expectations of 229K.
- Canadian Consumer Price Index came in at -0.1% vs expectations of 0.1%.
- Canadian Retail Sales came in at -1.3% vs expectations of -0.5%.

## United States

### Empire State Manufacturing Index

The NY Empire State Manufacturing Index fell to -6.6 in July 2024, slightly below expectations of -6. New orders were stable, shipments increased slightly, and delivery times improved. Inventories decreased, reflecting ongoing challenges, and the labor market remained weak with declining employment. Input prices rose modestly, while selling prices saw minor increases. Despite these conditions, firms remained optimistic about future improvements. Richard Deitz, an economic research advisor at the New York Fed, noted sluggish manufacturing but highlighted positive signs such as steady orders and increased shipments, though weak employment and capital spending plans remain challenges.

### Retail Sales m/m & Fed's Chair Powell Speaks

US retail sales came in higher than expectations in June, where the figure was unchanged for the month, above expectations for a 0.3% decline, while lower than the 0.3% increase seen in May. Meanwhile core retail sales increased 0.4% for the month, higher than expectations and the previous 0.1% increase in May. The figure comes following an interview with Fed Chair Jerome Powell, where he spoke about the current situation of the economy, emphasizing that the upcoming data would be crucial in determining the next step for the Fed in terms of interest rates. Adding that while the second quarter of the year showed improvements in inflation and a softening labor market, more improvements need to be seen in order to be sure inflation is moving down sustainably.

### Industrial Production m/m

In June 2024, US industrial production increased by 0.6%, surpassing market expectations of a 0.3% rise. Manufacturing output, which constitutes 78% of total production, grew by 0.4%, exceeding the forecasted 0.2% increase. Mining output increased by 0.3%, and utilities output rose by 2.8%. Capacity utilization reached 78.8%, slightly below its long-term average. Over the second quarter, industrial production grew at an annual rate of 4.3%, with manufacturing output rising by 3.4%.

### Unemployment Claims

The latest figures released by the Department of Labor paint a concerning picture of the job market. The number of people filing initial unemployment claims for the week ending July 13th reached 243,000, a significant increase from the previous week's 222,000 filings and exceeding economists' predictions of 229,000. This ties with the highest weekly jobless claims reported in June, representing the most claims since August of last year. Furthermore, the number of continuing claims, which track those who have been unemployed for more than a week, also reached a new high. In the week ending

July 6th, nearly 1.87 million continuing claims were filed, surpassing the prior week's 1.85 million and marking the highest level since November 2021. While some of this rise might be attributed to disruptions caused by Hurricane Beryl, according to Thomas Simons, an economist at Jefferies, the overall trend in recent weeks suggests a potential weakening in the labor market, with more cracks beginning to show.

The US Dollar index closed the week at 104.396.

## Europe

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### ECB Press Conference

The European Central Bank decided to hold interest rates steady after lowering them in June. This decision was unanimous and reflects ongoing concerns about inflation, especially wage growth. While recent data shows some improvement, inflation is still above the ECB's target of 2% and is expected to remain high for a while. The central bank is waiting for more economic data, particularly on wages and growth, before considering further interest rate cuts. President Lagarde acknowledged that inflation will likely fluctuate throughout the year but expects it to decline overall in the second half due to several factors, including lower labor costs and the effects of the ECB's policies.

The EUR/USD currency pair closed the week at 1.0877.

## Canada

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### Canadian Consumer Price Index

Canadian CPI rose 2.7% y/y in June, down from 2.9% in May. While the m/m figure was down 0.1%, lower than the 0.6% increase seen in May. The decrease is mainly attributed to a slower y/y growth in gas prices, which rose 0.4% in June compared to 5.6% in May. Decreases were also seen in durable goods as well as cellular services which decreased 1.8% and 12.8% respectively.

### Retail Sales m/m

Canada's retail sales data released on Friday showed a steeper decline than expected in May, further strengthening the case for another interest rate cut by the Bank of Canada. This news comes as financial markets are already nearly certain the Bank will reduce rates by 0.25% again at its next meeting. The data from Statistics Canada revealed a drop of 0.8% in May sales compared to April, reversing the previous month's small increase. This decline was driven in large part by reduced spending at grocery stores and supermarkets, likely due to a combination of high food prices and rising interest rates impacting consumers.

The USD/CAD currency pair closed the week at 1.3732.

## Asia-Pacific

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### Chinese Gross Domestic Product

The Chinese economy grew by 4.7% year-on-year in Q2 2024, falling short of the 5.1% forecast and down from 5.3% in Q1. This marks the slowest annual growth since Q1 2023, influenced by a property downturn, weak domestic demand, a declining yuan, and trade tensions with the West. The Third Plenum of the Communist Party, a significant political event, is expected to introduce reforms and support measures. The economy grew by 5.0% in the first half of the year, with the government targeting a 5.0% growth for 2024. In June, economic indicators showed a slowdown, with minimal retail sales growth and a three-month low in industrial output growth, while the urban jobless rate stayed at 5.0% for the third consecutive month. Exports rose more than expected but imports unexpectedly decreased.

The USD/CNY currency pair closed the week at 7.2695.

## Kuwait

### Kuwaiti Dinar

USD/KWD closed last week at 0.30540.

### Rates – 21<sup>st</sup> July 2024

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0886	1.0870	1.0947	1.0877	1.0800	1.0950	1.0925
GBP	1.2992	1.2898	1.3044	1.2919	1.2760	1.3000	1.2928
JPY	157.85	155.36	158.85	157.49	156.60	158.70	0.8796
CHF	0.8943	0.8818	0.8978	0.8890	0.8820	0.9050	155.37

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