

Weekly Money Market Report

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Inflation In The U.S Ticks Higher

Highlights

- U.S Consumer Price Index came in 2.6% y/y in line with expectations.
- U.S Producer Price Index came in at 0.2% m/m in line with expectations.
- U.S Unemployment Claims came in at 217K vs expectations of 224K.
- U.S Retail Sales came in at 0.4% vs expectations of 0.3%.
- United Kingdom Gross Domestic Product came in at -0.1% vs expectations of 0.2%.
- Australia's Unemployment Rate came in at 4.1% in line with expectations.
- Australia's Wage growth grew 0.8% q/q vs expectations of 0.9%.

United States

Inflation

Inflation in the US rose in October, with the year-over-year figure rising 2.6%, up from 2.4% the previous month. The month-over-month figure rose 0.2%, meeting expectations and matching the rise seen in the previous month. Meanwhile, core inflation rose 3.3% y/y, unchanged from the previous month. The monthly core price increase stood at 0.3%, meeting expectations and the same pace seen in September. The main contribution to the rise in the figures came from housing and shelter, which accounted to half of the monthly all items increase. Expectations for a rate cut in December are currently around 58%.

US Producer Price Index

In October 2024, US factory gate prices rose by 0.2% month-on-month, following a revised 0.1% increase in September, aligning with expectations. Service prices increased by 0.3% (up from 0.2% in September), driven significantly by a 3.6% rise in portfolio management costs. Other sectors with price increases included machinery and vehicle wholesaling, airline services, computer retailing, outpatient care, and cable services. Goods prices rose slightly by 0.1%, ending a two-month decline, with carbon steel scrap prices surging 8.4% and increases noted for meats, diesel, vegetables, and oilseeds. Year-on-year, the Producer Price Index (PPI) rose by 2.4%, above September's 1.9% and the 2.3% forecast. Core PPI increased by 0.3% monthly (up from 0.2%), and the annual core rate reached 3.1%, surpassing expectations of 3%.

Unemployment Claims

In the week ending November 9th, US unemployment benefit claims dropped by 4,000 to 217,000, the lowest since May, and below the expected increase to 223,000. Continuing unemployment claims decreased by 19,000 to 1,873,000 in late October. This data reinforces the strength of the US labor market despite recent Federal Reserve tightening, giving the central bank flexibility to slow monetary easing if inflation persists. The four-week average for initial claims, which smooths out fluctuations, decreased by 6,250 to 221,000. On a non-seasonally adjusted basis, initial claims rose by 16,735 to 229,478, mainly due to a rise in California offsetting a decline in Michigan.

Retail Sales

In October 2024, US retail sales rose by 0.4% month-over-month, surpassing expectations of a 0.3% increase, following a revised 0.8% gain in September. The largest sales increases were seen in electronics & appliance stores (2.3%), auto dealers (1.9%), and food services & drinking places (0.7%). Gains were also recorded in building materials, nonstore retailers, general merchandise, food & beverage, and gasoline stations. However, sales fell in categories like miscellaneous store retailers (-1.6%), furniture (-1.3%), sporting goods, and clothing. Excluding autos, sales edged up 0.1%. Core retail sales, excluding key categories tied to GDP calculations, decreased by 0.1%.

The US Dollar Index closed the week at 106.69.

Europe

Words From the ECB

The European Central Bank (ECB) indicated a potential move towards rate cuts during its December meeting, driven by expectations of easing inflation, particularly from lower energy prices. However, concerns remain over domestic inflation pressures like strong wage growth and weak labor productivity. Despite a positive inflation outlook, the ECB emphasized the need for more data before making policy decisions. Policymakers highlighted that any rate cut would rely on the economic outlook and clear evidence of reduced inflation pressures, signaling a cautious, data-dependent approach.

The EUR/USD currency pair closed the week at 1.0541.

United Kingdom

GDP

The UK economy slowed more than expected in the third quarter, following an unexpected contraction in September as concerns mounted over the Labor government's fiscal plans. According to the Office for National Statistics, GDP rose by just 0.1% compared to the previous quarter, falling short of the 0.2% growth economists had anticipated. In September alone, the economy shrank by 0.1%, contrasting sharply with the forecasted 0.2% expansion. The disappointing figures pose a challenge to Prime Minister Keir Starmer's pledge to boost UK growth to 2.5% annually, aiming to make it the fastest among the Group of Seven economies. After leading G-7 growth in the first half of the year and rebounding from last year's mild recession, the UK's growth slowed significantly from 0.5% in the second quarter. The decline appears linked to growing concerns over Labor's fiscal policies, with consumer and business confidence plunging in September amid fears of tax increases. These fears materialized on October 30, when Labor announced £40 billion (\$50.7 billion) in tax hikes, with businesses bearing most of the burden.

The GBP/USD currency pair closed the week at 1.2617

Asia Pacific

Australia's Unemployment

Australia's unemployment rate came in at 4.1%, marking the third month of steady unemployment after reaching 3.5% in June. The participation rate increased to 67.2%, while the underemployment rate remained at 6.3%. Meanwhile, markets are currently expecting no change from the Reserve Bank of Australia, with only 2.5 bps priced in for a December cut.

Australia's Wage Growth

Australia's wage growth showed signs of moderation in Q3 2024, with the seasonally adjusted wage price index rising 3.5% year-on-year, down from 4.1% in the previous quarter. This marked the weakest growth since late 2022 and fell short of expectations for a 3.6% increase. Public sector wage growth outpaced private sector growth for the first time since 2020, at 3.7% compared to 3.5%. Meanwhile, quarterly wage growth remained steady at 0.8%, unchanged from the prior two quarters, and below market forecasts of 0.9%. These figures underline a cooling in wage growth momentum.

The AUD/USD currency pair closed the week at 0.6461

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30760

Rates – 17th Nov, 2024

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0712	1.0496	1.0727	1.0541	1.0500	1.0610	1.0585
GBP	1.2913	1.2594	1.2926	1.2617	1.2595	1.2655	1.2617
JPY	152.66	152.62	156.74	154.34	153.85	155.35	152.53
CHF	0.8756	0.8750	0.8917	0.8880	0.8800	0.8915	0.8789

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