Weekly Money Market Report
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Global Markets Steady Amid Tariff Turbulence

Highlights

- ***US PCE rose 2.3% y/y, slightly above the forecasted 2.2%.***
- ***US GDP at 0.3% down from 2.4%, as tariff fears prompt early stockpiling.***
- ***US non-farm payrolls added 177k jobs in April, beating forecasts of 138k.***
- ***Europe inflation remained stable at 2.2% in April.***
- ***BOJ held interest rates steady at 0.5%, aligning with expectations.***
- ***Australia's trimmed mean inflation remains within RBA target at 2.9%.***

Market Commentary

Global markets showed resilience in early May, supported by robust economic data despite lingering tariff uncertainties. In the U.S., stocks rallied with the S&P 500, Dow Jones, and Nasdaq all climbing over 1%, supported by stronger than expected job creation of 177,000 in April, and steady unemployment at 4.2%. Meanwhile, China's Commerce Ministry signals signs of openness to engage in trade negotiations with the US, marking a potential shift in ongoing tariffs disputes. The Bank of Japan maintained its interest rate at 0.5%, revising down its growth forecasts amid tariff-driven uncertainties, but continued signalling future rate hikes. In the Euro area, inflation remained stable at 2.2% with strength in services offsetting declines in energy prices. Australia's trimmed mean inflation notably returned within the RBA's target range, spurring expectations of an imminent interest rate cut.

United States & Canada

US Labor Demand Slips to Six-Month Lows as Openings Broadly Decline

U.S. job openings dropped by 288,000 to 7.192 million, in March 2025, the lowest in six months and below expectations of 7.49 million. The decline was broad-based, led by transportation, food services, construction, and federal government. However, openings rose in sectors like finance, education, and manufacturing. Regionally, the Midwest saw gains, while the Northeast, South, and West declined. Hiring remained steady at 5.4 million, with total separations at 5.1 million. Quits held at 3.3 million, and layoffs slightly decreased to 1.6 million.

Core Inflation Edges Slightly Higher, with Fears of Tariffs Pushing Prices Further

U.S. Inflation moderated in March, with the PCE index rising 2.3% year-over-year slightly above the 2.2% forecast. Core PCE, the Fed's preferred gauge that excludes food and energy, came in at 2.6%, its lowest reading since March 2021 but still above the Fed's 2% target. On a monthly basis, both headline and core PCE rose by less than 0.1%, aligning with expectations. However, President Trump's tariffs are expected to push inflation higher in the coming months. Goldman Sachs predicts core PCE could reach 3.5% by August, which would be the highest level since September 2024.

Q1 GDP Growth Slows to 0.3%, as Import Surge Skews Data

U.S. economic growth slowed significantly in Q1 2025, with GDP contracting at an annualized rate of 0.3%, down from 2.4% growth in Q4 2024, according to the Commerce Department's initial estimate. This marks the weakest quarterly performance since early 2022. The decline was largely driven by businesses rushing to import goods ahead of President Trump's sweeping tariffs, which were announced in April but prompted early stockpiling. Economists caution that the data may be distorted by this import surge, which can make growth appear weaker by skewing trade and consumption figures.

April Non-Farm Payrolls Beat Forecasts Despite Tariff Uncertainty
The U.S. labor market showed resilience in April 2025, adding 177,000 nonfarm payrolls, surpassing economists forecasts of 138,000. The unemployment rate remained steady at 4.2%. While average hourly earnings increased modestly by 0.2% month-over-month, slightly below expectations. Significant job gains occurred in healthcare (51,000), transportation and warehousing (29,000), and leisure and hospitality sectors (24,000). Federal government employment slightly declined at 9,000, whereas overall government jobs, including state and local hiring, rose by 10,000. Despite the ongoing uncertainty triggered by President Trump's recent tariff announcements, the labor market has not shown substantial signs of distress. Analysts noted that the April data largely reflects conditions before tariff-related disruptions, emphasizing that immediate impacts on employment from the trade tensions might not yet be fully evident. Markets reacted positively, indicating confidence that severe economic downturn scenarios due to tariffs could potentially be avoided.

The US Dollar Index closed the week at 100.03.

Tariff Concerns Add to Political Volatility Ahead of Canada's Federal Vote
Investor uncertainty remains over Canada's federal election results and ongoing concerns surrounding U.S. tariffs. Early predictions indicated that Prime Minister Mark Carney's Liberal Party could retain control but would likely fall short of a majority in the 343-seat House of Commons. The former Bank of Canada Governor's attempt to strengthen Canada's stance against U.S. tariffs faced significant opposition from Conservatives, increasing the possibility of a minority government that could struggle to maintain policy stability.

The USD/CAD currency pair closed the week at 1.3819.

Europe

Eurozone Inflation Holds at 2.2% While Energy Prices Slide
Annual inflation in the Euro area remained stable at 2.2% in April 2025, unchanged from March. The main drivers of inflation were led by the services sector, which recorded the highest increase at 3.9%, slightly up from March's 3.5%. Food, alcohol, and tobacco also saw an increase, reaching 3.0%, compared to 2.9% previously. Non-energy industrial goods inflation remained stable at 0.6%, while energy prices saw a significant decrease of -3.5%, down from -1.0% in March. The data indicates continued price pressures, particularly from services and food sectors, offset by declining energy costs.

The EUR/USD currency pair closed the week at 1.1295.

Asia-Pacific

BOJ Holds Rate Steady at 0.5%, Pushes Back Inflation Target Amid Trade Pressures
The Bank of Japan held its key interest rate steady at 0.5% following unanimous agreement, aligning with market expectations. In its latest quarterly outlook, the BOJ significantly lowered its economic growth forecast due to increased uncertainty stemming from ongoing U.S. tariff disputes and their negative impact on exports. BOJ Governor Kazuo Ueda stated the expected timeframe for achieving the bank's 2% inflation target has been postponed by approximately one year, now anticipated in the second half of fiscal 2026 or later. Despite this setback, the BOJ remains committed to potential future rate hikes, supported by expected wage growth and higher inflation. Governor Ueda highlighted

persistent global trade tensions as a major source of economic uncertainty, cautioning that this could continue suppressing corporate investment and household spending in the short term.

The USD/JPY currency pair closed the week at 144.93.

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Australia Mean Inflation Returns to Target, RBA Rate Cut Anticipated

Australia's headline inflation rate remained steady at 2.4% in the March quarter, However, the Reserve Bank of Australia's preferred measure (trimmed mean inflation) fell to 2.9%, returning within the RBA's 2-3% target range for the first time in over three years. Economists had anticipated headline inflation slightly lower at 2.3%, with the trimmed mean expected at 2.8%. Quarterly data indicated headline inflation rose by 0.9% in March, following two consecutive quarters with more modest increases of 0.2%. Markets have reacted by pricing in a certain 25-bps interest rate cut at the upcoming RBA meeting on May 20.

The AUD/USD currency pair closed the week at 0.6442.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30665.

Rates – 4th May 2025

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1358	1.1265	1.1424	1.1295	1.1200	1.1400	1.1360
GBP	1.3286	1.3257	1.3444	1.3271	1.3200	1.3380	1.3279
JPY	143.49	141.96	145.92	144.93	144.00	147.00	143.47
CHF	0.8286	0.8195	0.8332	0.8267	0.8155	0.8350	0.8177