

Weekly Money Market Report

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Trump Nominates Kevin Warsh as Fed Chair, US Dollar rebounds while Volatility Hits Safe Havens

Market Commentary

Global markets closed January 2026 on a cautious and volatile note, as investors reassessed inflation trends, central bank leadership risks, and sharp moves in commodity prices. In the United States, stronger-than-expected producer inflation reinforced concerns that underlying price pressures remain elevated, while reports that the Trump administration is preparing to nominate Kevin Warsh as the next Federal Reserve Chair added to policy uncertainty and supported the US dollar, with the DXY rebounding to around 96.6. The firmer dollar and reduced expectations for early rate cuts weighed on risk assets and precious metals, triggering a sharp correction in gold, which fell by nearly 8% to below USD 5,000/oz after reaching record highs. European growth remained resilient, while easing inflation in Japan supported a cautious stance from the Bank of Japan. Meanwhile, firmer Australian inflation strengthened expectations for further monetary tightening. Overall, market sentiment was shaped by tighter financial conditions and heightened volatility across currencies and commodities.

North America

Federal Reserve maintains cautious stance amid mixed inflation signals

The Federal Reserve left its policy rate unchanged at 3.5%–3.75%, noting that the economy continues to grow at a solid pace and that signs are emerging of stabilization in the labor market. Fed Chair Jerome Powell said recent data make it difficult to argue that monetary policy is clearly restrictive, underscoring a measured stance. The decision passed 10–2, with two members favoring a 25bp cut, while officials emphasized that elevated economic uncertainty justifies caution. Despite this, markets continue to price in two rate cuts by year-end, with the first expected around June or July.

Rising producer prices revive inflation concerns

US producer prices rose by 0.5% month-on-month in December 2025, marking the strongest increase in three months and significantly exceeding market expectations of 0.2%. The rebound was driven mainly by a 0.5% rise in services prices, supported by higher margins in machinery and equipment wholesaling, while goods prices remained flat. Core PPI accelerated sharply by 0.7%, the largest increase since July, highlighting renewed underlying cost pressures. On an annual basis, headline PPI held steady at 3.0%, while core producer inflation climbed to 3.3%, both above forecasts. Overall, the data suggests that upstream inflation pressures are re-emerging, which could complicate the Federal Reserve's efforts to ease policy and may keep rate-cut expectations in check.

The Greenback was last seen trading at 96.991.

Bank of Canada Holds rates as trade risks persists

The Bank of Canada kept its policy rate unchanged at 2.25% for a second consecutive meeting, as expected, with Governor Tiff Macklem highlighting elevated trade uncertainty as a key constraint on future policy decisions. He noted that concerns over potential threats to the U.S. Federal Reserve's independence have added to global uncertainty. In its quarterly outlook, the bank reiterated expectations for modest growth in 2026–27 and inflation staying near the 2% target. Officials said businesses are still adjusting to the impact of U.S. tariffs, with hiring plans remaining subdued, while markets continue to price in rates staying on hold through year-end.

The USD/CAD currency pair was last seen trading at 1.3613.

Europe

Eurozone growth accelerates despite lingering risks

The Eurozone economy expanded by 1.5% in 2025, accelerating from 0.9% in 2024 and exceeding the European Commission's forecast of 1.3%, reflecting improving economic momentum. Growth was supported by resilient household consumption, easing inflation, and lower borrowing costs, alongside stronger exports to the US ahead of potential tariff changes. Investment activity also surprised to the upside, particularly in equipment and intangible assets. Quarterly data showed continued resilience in Q4, with GDP rising 0.3% q/q, led by gains in Germany, Italy, and Spain. Looking ahead, growth is expected to moderate to 1.2% in 2026 amid geopolitical and trade uncertainties, before edging higher again in 2027.

The EUR/USD currency pair was last seen trading at 1.1848.

Asia-Pacific

Sticky inflation strengthens case for RBA tightening

Australia's core inflation accelerated in Q4, with trimmed-mean CPI up 0.9% Q/Q (vs 0.8% consensus), lifting annual core to 3.4%, a five-quarter high and above the RBA's 2-3% target band. December headline CPI rose 1.0% M/M, taking annual inflation to 3.8% (from 3.4% in November, above 3.6% expected). Policy expectations firmed: interest-rate swaps now imply a 71% probability of a 25bp hike at the RBA's Feb 3 meeting (from 60%).

The AUD/USD currency pair was last seen trading at 0.6959.

Cooling inflation supports BoJ's wait and see approach

Tokyo's core consumer inflation eased to 2.0% year-on-year in January 2026, down from 2.3% in December and below market expectations of 2.2%, marking its lowest level since October 2024. The reading aligned with the Bank of Japan's 2% target, reinforcing expectations that policymakers will remain cautious on further rate hikes. While the BOJ has signaled readiness to tighten policy if price trends strengthen, the recent moderation in inflation supports a wait-and-see approach. This follows the central bank's policy rate increase to 0.75% in December, after which rates were kept unchanged in January, highlighting a more balanced stance between supporting growth and containing inflation.

The USD/JPY currency pair was last seen trading at 154.76

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30475.

Rates – February 1st, 2026

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1831	1.1831	1.2078	1.1848	1.1775	1.1915	1.1899
GBP	1.3628	1.3628	1.3867	1.3688	1.3600	1.3800	1.3688
JPY	155.07	152.08	155.34	154.76	153.50	155.75	153.56
CHF	0.7801	0.7603	0.7803	0.7729	0.7610	0.7860	0.7658