

Weekly Money Market Report

April 27th, 2025



Markets Show Signs of Relief As China-U.S. Trade Tensions Ease

Highlights

- *The S&P Global U.S. Services PMI dropped to 51.4 in April 2025 from 54.4.*
- *U.S. new single-family home sales jumped 7.4% in April 2025 to an annualized rate of 724,000.*
- *The U.S. dollar index rose above 99.5, rebounding on Friday due to renewed trade optimism.*
- *The Eurozone Composite PMI dropped to 50.1 in April 2025, down from 50.9 in March.*
- *UK retail sales rose by 0.4% month-over-month in March 2025, beating expectations of a 0.3% decline.*
- *China's stronger-than-expected Q1 GDP growth of 5.4% has eased pressure for immediate monetary stimulus.*
- *Core consumer prices in Tokyo rose 3.4% year-on-year in April 2025, the highest in two years.*

Market Commentary

Tariffs continued to dominate economic discussions around the world, particularly the trade war between China and the United States. Trump signalled a shift towards a more conciliatory approach with China on trade, likely due to the recent market instability caused by his administration's hardline stance on tariffs. He suggested tariffs would decrease if a deal was reached, and he would avoid sensitive topics like COVID-19 origins in negotiations. While Trump hinted at possible tariff reductions, China's firm denial of ongoing negotiations added to market uncertainty. Meanwhile, Chinese media see it as a sign of Trump backing down. Trump's Treasury Secretary also indicated a need for de-escalation, clarifying the US doesn't aim to completely separate its economy from China's. Nevertheless, markets reacted positively to Trump's remarks and that saw the U.S. dollar index recovering from earlier losses and climbing above 99.5. Progress in trade negotiations with Japan and South Korea also supported the dollar. Trump's softened tone on Fed Chair Powell reduced investor uncertainty. Although comments from Cleveland Fed's Beth Hammack about a possible June rate cut briefly weighed on the dollar, trade-related optimism ultimately drove its recovery.

United States

Services and Manufacturing PMIs

The S&P Global U.S. Services PMI dropped to 51.4 in April 2025 from 54.4, missing expectations and marking the second weakest growth in a year. The decline was driven by a sharp slowdown in new orders amid client uncertainty over tariffs and economic instability, particularly from foreign markets. Hiring slowed due to weaker demand and limited labor supply. Input costs rose sharply, prompting firms to raise prices. Business sentiment for the year ahead hit its lowest level since October 2022, reflecting concerns over unclear economic policies from the new administration. Meanwhile, the S&P Global U.S. Manufacturing PMI rose to 50.7 in April 2025, exceeding expectations and marking a fourth month of modest growth. Output and domestic new orders increased slightly, but export orders fell due to tariffs. Jobs were cut for the first time since October. Input costs surged, pushing output inflation to a 29-month high. Business confidence dropped to its lowest since last August amid worries over rising costs, supply issues, and weakening export demand.

New Home Sales

U.S. new single-family home sales jumped 7.4% in April 2025 to an annualized rate of 724,000, the highest in six months and well above expectations, driven by lower mortgage rates. Sales surged in the South and Midwest, offsetting declines in the Northeast and West. The median home price fell 1.9% to \$403,600, while inventory stood at 503,000 units, or 8.3 months of supply.

The US Dollar index closed the week at 99.741.

Eurozone

Economic Conditions

The Eurozone Composite PMI dropped to 50.1 in April 2025, down from 50.9 in March, marking the fourth consecutive month of near-stagnation and slightly missing market forecasts. Services contracted to 49.7 from a revised 51.0, while manufacturing continued to shrink at 48.7 slightly up from 48.6. Weaknesses persisted due to ongoing declines in new orders, driven by global trade tensions and tariff concerns initiated by the US. Employment stalled as backlogs fell, while input costs and pricing pressures rose modestly. Business confidence slumped to its lowest level in more than two years amid continued uncertainty over trade policy.

The EUR/USD currency pair closed the week at 1.1364.

United Kingdom

Retail Sales

UK retail sales rose by 0.4% month-over-month in March 2025, beating expectations of a 0.3% decline. Non-food store sales led the growth with a 1.7% rise, especially in clothing (+3.7%) and garden-related goods. Food store sales fell by 1.3%. Excluding fuel, sales were up 0.5%. Year-on-year, retail sales increased by 2.6%, and Q1 saw a 1.6% gain, the biggest three-month rise since July 2021.

The GBP/USD currency pair closed the week at 1.3314.

Asia-Pacific

Chinese Economy

China's stronger-than-expected Q1 GDP growth of 5.4% has eased pressure for immediate monetary stimulus, though markets still anticipate further easing in the months ahead due to mounting risks from the escalating U.S.-China trade war. Policymakers remain cautious, balancing the need for growth support with concerns over a weakening yuan and narrowing bank profit margins, which limit their room to manoeuvre. As widely expected, the central bank kept both the one-year and five-year loan prime rates unchanged at 3.1% and 3.6%, respectively. Despite the solid Q1 data, analysts warn that upcoming export figures may not fully reflect the impact of higher U.S. tariffs, as many manufacturers rushed shipments beforehand. Several global investment banks have since downgraded China's full-year growth outlook, citing expectations for more stimulus to counter growing headwinds.

The CNY/USD currency pair closed the week at 7.2864.

Inflation in Japan

Core consumer prices in Tokyo rose 3.4% year-on-year in April 2025, the highest in two years and above expectations, driven by reduced energy subsidies and food price hikes. Despite the inflation spike, the Bank of Japan is expected to keep rates steady at 0.5% amid concerns over potential

economic impacts from new U.S. tariffs, for which Japan has not secured exemptions. Tokyo's inflation data is seen as a key indicator of national trends.

The USD/JPY currency pair closed the week at 143.67.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30655.

Rates – 27th April 2025

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1371	1.1307	1.1573	1.1364	1.1260	1.1470	1.1430
GBP	1.3250	1.3230	1.3423	1.3314	1.3220	1.3400	1.3320
JPY	142.09	139.86	144.03	143.67	142.60	144.60	142.20
CHF	0.8149	0.8038	0.8334	0.8278	0.8155	0.8350	0.8188

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