Weekly Money Market Report
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US Nonfarm Payrolls Dissapoint by a Wide Margin

>NBK Treasury
+965 22216603
tsd_list@nbk.com

Highlights

- **Following weeks of debate, US Senators voted to increase the nation's debt limit by $480bn until December 3. The decision came just two weeks prior to a deadline that would have left the US unable to borrow.**
- **The US labor report provided disappointing data for the second month in a row. Nonfarm payrolls added just 194,000 jobs versus the 500,000 expected.**
- **In Canada, better than expected labor data brought the figure back to pre-pandemic levels. The Canadian dollar rallied 0.62% against the USD following the release.**
- **US crude inventories rose unexpectedly last week, prompting a slight retreat in oil prices.**
- **Stocks on Wall Street rose, while Treasury bond prices fell and the greenback was little changed.**

United States

US Senate Votes to Extend $28.4 trillion Debt Ceiling

In avoidance of a historical default, US senators voted 50-48 to temporarily increase the nation's debt limit by $480bn until December 3. The bill was finally approved following weeks of partisan debates, and came less than two weeks before a deadline that would leave the US unable to borrow money or pay off loans for the first time ever. The bill now needs approval by the Democrat-held House of Representatives, and will be sent to President Joe Biden to be signed into law.

For months, Republicans had rejected the Democrats' appeals on raising the debt limit and pointed to the Biden administrations ambitious spending plans. However earlier last week, the Senate's top Republican Mitch McConnel said his party would back the short-term extension even as many Republicans objected. Pressure was already mounting as Biden called for business leaders to voice their concerns. Meanwhile, Treasury Secretary Janet Yellen warned that the US government risked running out of money by October 18 if no deal was reached.

Wall Street rallied modestly on news of the agreement while the dollar ended the week mostly unchanged. Meanwhile, yields on the 2-year and 10-year Treasury bonds rose to end the week at 0.3198% and 1.6118% respectively. Nevertheless, the decision provides only temporary relief as Democrats and Republican lawmakers will still have to tackle the issue once again before the end of the year. Additionally, Biden's top domestic priorities are also in focus with an infrastructure plan worth nearly $550 billion as well as a much more expansive, $3.5 trillion effort focused on health, safety net programs and the environment.

Second Straight Month of Disappointing Labor Data

The US added fewer jobs than expected in September, complicating a critical decision by the Federal Reserve regarding scaling back monetary support before the end of the year. Nonfarm payrolls added just 194,000 jobs last month versus projections for a 500,000 rise, marking the smallest advance so far this year. The unemployment rate fell to 4.8%, though was partly reflecting a decline in labor force participation. Meanwhile, average hourly earnings advanced 0.6% in September, the strongest monthly advance since April, highlighting the attempt of companies to attract workers. Today, there are still 5 million more Americans unemployed compared to pre-pandemic levels. Nonetheless, reopening of schools and the end of expanded federal unemployment benefits should lead to a pickup in hiring in the coming months.

Still, the data risks not satisfying the Fed's criteria of "substantial further progress" for labor market improvement. Following last month's meeting, Fed Chair Jerome Powell noted that "a reasonably good employment report" for September would lead the bank to begin tapering asset purchases. This lead to wide spread expectations of a taper announcement for the next policy meeting in November, however the latest data creates uncertainty in this regard. Powell added that officials broadly support the stimulus program ending in the second half of 2022, however such decisions regarding tapering would not provide a "direct signal" about the timing of future interest rate increases.

Canada

Employment Returns to Pre-Pandemic Levels

According to Statistics Canada, the country added 157,100 jobs in September versus expectations of a 60,000 gain. This sent the unemployment rate lower to 6.9% in September from 7.1% in August, while the labor force participation rate improved slightly to 65.5% from 65.1%. The better than expected data reinforces the Bank of Canada's expectations of a strong rebound in the economy after contracting earlier this year due a third wave of Covid induced restrictions. The USD/CAD pair fell sharply on the back of the robust report alongside disappointing US labor data.

Commodities

Oil Prices Pull Back from 3-Year High

An unexpected rise in US crude inventories prompted a retreat in oil prices following recent robust gains that sent prices to multi-year highs. According to the US Energy Department, data last week revealed crude inventories rose by 2.3 million barrels last week versus expectations for a dip of 418,000 barrels. This sent Brent crude back down to the $80 level, still gaining 3.65% for the week.

The latest surge in commodity prices sent Brent to a 2018 high of $83.47 before easing. As of Friday, the global benchmark is up 56% year-to-date, adding to inflationary pressures that could slow the global recovery from the Covid-19 pandemic. Despite rising demand for energy alongside pressure by the US and other consumer nations to raise output, the Organization of the Petroleum Exporting Countries and allies stuck to their previous agreement of gradually adding supply to the market. According to the deal reached in July, the groups' decision entails raising production by 400,000 barrels a day in November - a figure representing less than 0.5% of world demand. Analysts believe the group has a more cautious view regarding demand even as many believe demand for oil will far outstrip supply in the months ahead.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30160.

Rates – 10th October, 2021

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1591	1.1527	1.1640	1.1567	1.1375	1.1660	1.1593
GBP	1.3545	1.3530	1.3655	1.3611	1.3410	1.3710	1.3617
JPY	111.03	110.81	112.25	112.22	111.20	114.15	112.16
CHF	0.9307	0.9229	0.9312	0.9271	0.9170	0.9470	0.9253