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Weekly Money Market Report

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Markets Rally Through the Noise

Market Commentary

Global markets experienced another extraordinary week as investors swung between optimism over a potential resolution to the US-Iran conflict and renewed fears following fresh military escalation near the Strait of Hormuz. For much of the week, risk assets surged as easing geopolitical tensions, strong AI-driven earnings, and a broadly steady Federal Reserve fueled aggressive buying across global equities. The S&P 500 pushed above 7,300 to fresh all-time highs, the Nasdaq extended its AI-fueled rally, Japan’s Nikkei briefly crossed 63,000 for the first time in history, and South Korea’s KOSPI delivered its strongest weekly gain since 2008 as semiconductor and infrastructure names continued to benefit from accelerating AI capital expenditure expectations. Markets increasingly embraced the view that the AI supercycle remains fully intact despite the geopolitical backdrop, with Nvidia, Samsung, SK Hynix, and broader chipmakers leading global equity performance. However, Thursday’s renowned tensions abruptly reversed sentiment, sending oil back above $100. In FX, the yen dominated. Authorities reportedly deployed about $32 billion in intervention after USD/JPY approached 160 post-FOMC hold, producing sharp intraday spikes but failing to hold beyond 155. The pair settled near 156.85 by Friday. The structural pressure is clear: the BoJ cannot hike into an energy shock, and the rate differential with the US remains a persistent drag. EUR/USD held $1.1726–1.1772 as the broad dollar softened mid-week before recovering on the Hormuz flare-up and NFP beat, while gold reclaimed $4,728 Friday. Heading into next week, markets remain focused on US CPI data and, more importantly, whether the fragile ceasefire can hold long enough for inflation pressures tied to energy to begin easing meaningfully.

North America

US Services Activity Holds Firm as Inflation Pressures Persist

The ISM Services PMI for April came in at 53.6, essentially in line with the 53.7 consensus and slightly below March's 54.0 figure, marking the 22nd consecutive month that US services activity has remained in expansion territory. The services sector's continued expansion confirms that the US economy retains genuine underlying resilience that has surprised many forecasters. Business Activity rose 2 points to 55.9, reversing March's softness, while Supplier Deliveries held broadly steady at 56.8, a relief given the supply chain disruptions stemming from the conflict. The most significant concern within the report was the 7.1-point drop in the New Orders Index to 53.5, the sharpest monthly decline in three years, suggesting that the pull-forward ordering seen in February and March has now normalized, and demand growth is cooling. The Prices Index held flat at 70.7 for the second consecutive month, the highest level since October 2022, confirming that inflationary pressure in the services sector remains acute and persistent. The Employment Index contracted for the second month in a row at 48, though it improved from March's 45.2 figure, reinforcing concerns about the labor market's ability to absorb workers even as activity continues to expand.

US Payrolls Surprise Higher, While Wage Pressures Continue to Ease

April's Non-Farm Payrolls came in at +115,000, well above the 62,000 consensus forecast and representing a meaningful beat that immediately signals continued US labor market resilience despite the war's economic headwinds. Job gains were driven by healthcare (+37,000), transportation and warehousing, and retail trade (+22,000), while federal government employment continued its structural decline (-9,000), reflecting the ongoing public sector contraction. The unemployment rate held steady at 4.3%, matching both the forecast and the prior reading, with the number of unemployed little changed at 7.4 million. March payrolls were revised upward by 7,000 to 185,000, while February was revised down by 23,000 to 156,000, leaving the combined February-March net 16,000 lower than previously reported. Average hourly earnings rose a modest 0.2% month-on-month, below the 0.3% expected, and bringing the annual pace to 3.6%, suggesting that wage growth is beginning to moderate even as the labor market holds firm.

The Greenback was last seen trading at 97.900.

United Kingdom

BoE Maintains Hawkish Tone While Wage Pressures Continue to Ease

Bank of England Governor Andrew Bailey delivered remarks this week that continued to navigate the difficult policy environment the Bank faces, which are a combination of energy-driven inflation well above target and a growth outlook that is clearly deteriorating under the weight of the oil shock. Bailey's messaging has been consistent in recent weeks: the BoE acknowledges the inflationary pressures from elevated energy costs but remains data-dependent on whether to respond with further rate hikes, emphasizing that it will not allow energy inflation to become entrenched in wages and broader services prices. The Bank voted unanimously to hold at 3.75% at its March meeting, a stark shift from February's divided 5-4 split, removing its forward guidance on easing and warning that CPI could approach 3.5% in the coming quarters, as confirmed by March's 3.3% reading released the prior week. Bailey has been careful to avoid committing explicitly to the rate hike path that market pricing implies, markets have moved to price one to two hikes by year-end.

The GBP/USD currency pair was last seen trading at 1.3632.

Asia-Pacific

RBA Tightens Again as Inflation Risks Intensify

The Reserve Bank of Australia raised the official cash rate by 25 basis points to 4.35% at its May meeting, its third consecutive hike this year and its most aggressive tightening cycle in years, in an 8-1 vote reflecting broad consensus that inflation must be contained even at the cost of growth. The decision was widely anticipated, with all four major Australian banks having forecast the move. The catalyst was clear: Australian CPI rose to 4.6% in March, its highest since 2023, driven largely by the surge in fuel prices tied to the recent war. The RBA explicitly stated that inflation "was already too high before the Middle East conflict began" and that higher fuel prices have added further pressure, with material risk of second-round effects feeding into wages and broader services prices. Governor Bullock characterized the three hikes so far as addressing the pre-existing inflation problem, noting that the tightening gives the RBA space to assess how the conflict plays out before its next move. The Bank's updated forecasts show trimmed mean inflation peaking at 3.8% in Q2 2026 and not returning to the 2.5% midpoint target until mid-2028. The door remains firmly open to further hikes, with Westpac forecasting two additional increases in June and August.

The AUD/USD currency pair was last seen trading at 0.7244.

New Zealand Labor Market Shows Early Signs of Cooling

New Zealand's unemployment rate eased to 5.3% in the March quarter, a slight improvement from the 5.4% recorded in Q4 2025, which had marked a 10-year high, and came in better than the 5.4% forecast by most analysts. The number of unemployed fell to 163,000 from 165,000, and the employment rate stood at 66.7%. While the headline improvement is modestly encouraging, the underlying detail paints a picture of a labor market that remains slack rather than tight. Employment growth of 0.2% quarter-on-quarter undershot the 0.3% forecast, and the participation rate dipped to 70.4% from 70.5%, suggesting some withdrawal from the workforce rather than genuine absorption of unemployed workers. The broader underutilization rate, which captures unemployed, underemployed, and those in the potential labor force held steady at 12.9%, indicating that spare capacity in the labor market has not improved despite the headline rate edging lower. Wage growth remains the key concern for the RBNZ: where private sector Labor Cost Index growth of 0.5% quarter-on-quarter was slightly above the 0.4% forecast, but annual wage inflation of just 2.0% lags the 3.1% CPI reading significantly, meaning real wages are declining, which might cap consumer spending going forward.

The NZD/USD currency pair was last seen trading at 0.5965.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30620.

Rates – May 10th, 2026

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1733	1.1675	1.1796	1.1784	1.1650	1.1850	1.1832
GBP	1.3574	1.3509	1.3643	1.3632	1.3510	1.3700	1.3630
JPY	156.77	155.02	157.93	156.65	154.50	157.50	155.50
CHF	0.7766	0.7760	0.7848	0.7763	0.7600	0.7850	0.7690