

# Weekly Money Market Report

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## Geopolitical Tensions Dominate as Central Banks Hold Firm

### Market Commentary

Financial markets remained on edge this week as geopolitical tensions in the Middle East pushed Brent crude back toward \$110 a barrel, fuelling inflation concerns and reshaping central bank policy expectations across the globe. The Federal Reserve held rates steady in the 3.50%-3.75% range, slightly raising its growth and inflation projections while signalling that two rate cuts are still likely over the next two years, though markets have now pushed back expectations to at most one cut in 2026 following hotter than expected wholesale inflation data and an unexpected drop in jobless claims that pointed to persistent price pressures and a resilient labour market. The Bank of Canada also held at 2.25%, with Governor Tiff Macklem describing the environment as one of "acute" uncertainty as rising oil prices and U.S. trade policy widen the range of possible outcomes. While the Bank of England unanimously kept rates at 3.75% but warned that the Middle East crisis could push energy costs even higher, with markets now pricing in three hikes for 2026. Meanwhile, the European Central Bank left its deposit rate at 2% as inflation has dropped to 1.9%, though it cautioned that the Iran war could drive short-term price pressures. The Swiss National Bank held at 0% while signalling greater willingness to intervene in currency markets to prevent franc strength. In Asia-Pacific, the Bank of Japan kept rates at 0.75% but maintained a hawkish tilt, with markets seeing a 60% chance of a hike in April. Moreover, the Reserve Bank of Australia delivered its second consecutive hike, raising the cash rate to 4.1% amid renewed inflation pressures tied to geopolitical tensions. The dollar index hovered near 99, on track for a weekly loss as hawkish signals from other major central banks strengthened their currencies at the greenback's expense. In addition, the euro retreating to \$1.157 and the pound falling below \$1.34 as investors nevertheless sought safety in the dollar amid deepening inflation fears. Gold remained below \$4,487 an ounce and silver fell toward \$67.7, both heading for sharp weekly losses as surging energy prices prompted investors to rotate into the dollar and Treasuries instead of safe-haven metals, while Brent crude climbed to its highest level since mid-2022 as the Strait of Hormuz remained largely closed and supply disruptions deepened across the region.

### United States

#### U.S. Federal Reserve Holds Rates Steady in the 3.50%-3.75% Range

On Wednesday, the Federal Reserve voted to keep its key interest rate steady in the 3.5%-3.75% range, as policymakers navigate higher inflation, mixed labour market signals, and the uncertainty of the recent war with Iran. While the central bank slightly raised its growth and inflation projections for 2026, it still signalled that two rate cuts are likely over the next two years, though the timing remains unclear. Officials acknowledged that the war and its impact on oil prices through the Strait of Hormuz pose an uncertain threat to the economy and could keep inflation above the 2% target. Fed Chair Jerome Powell noted it is "too soon to know" the war's full effect, but that oil-driven inflation expectations have recently risen. The decision was not unanimous: Governor Stephen Miran dissented in favor of a quarter-point cut due to jobs concerns, while Governor Christopher Waller joined the majority in holding rates. Following the announcement, stocks fell as markets grew more concerned about persistent inflation, with expectations now shifting to at most one rate cut in 2026.

#### U.S. Wholesale Inflation Hits One-Year High as Service Costs Surge

US wholesale inflation jumped to its highest level in a year, signalling that price pressures were already strong even before the recent war in the Middle East began. The Producer Price Index (PPI) rose 0.7% for the month, beating expectations, and climbed to 3.4% on an annual basis. Core inflation, which excludes food and energy, also came in higher than forecast at 0.5% for the month and 3.9% for the year. The increase was largely driven by a rise in services costs, including portfolio management and securities brokerage fees, which is a trend likely to worry Federal Reserve officials, as they had previously linked inflation mainly to tariffs. Goods prices also moved higher, rising 1.1% for the month. The stronger than expected data raises new concerns about persistent inflation, especially as the ongoing war continues to push up energy costs and disrupt global shipping.

#### U.S. Jobless Claims Hit Lowest Level Since January In Unexpected Drop

The number of Americans filing new claims for unemployment benefits dropped more than expected, falling by 8,000 to 205,000 the lowest level since January. This decline surprised economists, who had predicted a slight increase. The data reinforces the view that the US job market is characterized by very few layoffs, even though hiring has slowed significantly. The number of people already receiving benefits also rose only slightly, remaining near recent lows. This strong reading on jobless claims contrasts with the weak payroll figures seen earlier in the year, painting a picture of a labor market with limited firing but also sluggish job creation. The four-week average of claims, which smooths out weekly volatility, also fell to its lowest point since January. The report follows the Federal Reserve's recent decision to hold interest rates steady, with Chair Jerome Powell noting that while the unemployment rate has remained stable, the slow pace of hiring is a concern. He added that the Fed needs to see more progress on inflation before considering further rate cuts.

The Greenback was last seen trading at 99.65.

### **Canada Overnight Rate**

In its latest decision, the Bank of Canada chose to hold its benchmark overnight rate steady at 2.25%, a move that was widely anticipated by financial markets. This decision comes as the central bank navigates a complex set of inflation risks, primarily driven by rising oil prices. During his press conference, Governor Tiff Macklem acknowledged that while domestic inflation has remained close to the 2% target for over a year, the escalating conflict in the Middle East specifically the war in Iran is causing oil prices to climb sharply, which is expected to put temporary upward pressure on consumer prices. In addition to this geopolitical shock, Macklem reiterated that the Canadian economy continues to face persistent uncertainty stemming from U.S. trade policy. He noted that the war in Iran introduces an entirely new layer of unpredictability, explaining that its overall effect on both the global and Canadian economies will ultimately depend on the duration of the conflict and whether it spreads further across the region. When discussing the Bank's approach, Macklem emphasized that its Governing Council is carefully weighing both the most probable path for the economy and inflation alongside the growing risks to that outlook. He characterized the current environment as one of "acute" uncertainty, where ongoing trade tensions combined with the broader Middle East War have significantly widened the range of potential economic outcomes.

The USD/CAD was last seen trading at 1.3273.

## **United Kingdom**

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### **Bank of England Holds Rates at 3.75%**

The Bank of England has decided to keep interest rates at 3.75% following a unanimous vote by its nine-member Monetary Policy Committee. This decision comes as the Bank assesses the potential inflationary impact of the war in the Middle East, which has already pushed up petrol prices and could lead to higher household energy bills. While some policymakers suggested that rate increases might still be necessary, the Bank is also mindful of a weakening economy. Governor Andrew Bailey stated that the Bank's primary focus remains on returning inflation to its 2% target, regardless of how global events unfold.

The GBP/USD was last seen trading at 1.3339.

## **Eurozone**

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### **European Central Bank Holds Rates Steady Amid Geopolitical Uncertainty and Energy Price Fears**

The European Central Bank kept its key interest rates unchanged on Thursday, pointing to growing uncertainty around inflation and economic growth following the outbreak of the Iran war. The conflict is expected to push energy costs higher, which could drive up inflation in the short term while also posing longer-term risks to economic growth. The ECB's deposit rate remained at 2 percent, where it has stood since June 2025, as the bank emphasized the heightened unpredictability stemming from the conflict and its potential impact on both inflation and the broader economy. This decision mirrors similar moves by the Bank of England and the U.S. Federal Reserve, both of which also held rates steady amid rising economic uncertainty. Meanwhile, European inflation has dropped sharply to 1.9 percent, bringing it in line with the ECB's 2 percent target.

The EUR/USD was last seen trading at 1.1570.

## **Switzerland**

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### **SNB Holds Rates Steady at 0% Despite a Slight Uptick in Inflation**

In March 2026, the Swiss National Bank kept its key interest rate at 0% and maintained its policy of charging a small fee on very large bank deposits. With the Middle East conflict raising uncertainty, the SNB signalled it is more willing to intervene in currency markets to prevent the Swiss franc from becoming too strong and threatening price stability. Inflation ticked up slightly to 0.1% in February, and while higher energy costs may cause a short-term bump, medium-term pressures remain stable, with the bank forecasting average inflation of 0.5% for both 2026 and 2027. Although the global economy was solid late last year, rising energy costs and geopolitical tensions are increasing uncertainty and could slow activity. Switzerland's economy posted modest growth in the fourth quarter and is expected to expand by about 1% in 2026, though this forecast depends heavily on global conditions.

The USD/CHF was last seen trading at 0.7879.

## Asia-Pacific

### Bank of Japan Holds at 0.75%

On Thursday, the Bank of Japan kept its key interest rate steady at 0.75% but maintained its push for tighter policy, warning that surging oil prices from the Middle East war could intensify inflation. Governor Kazuo Ueda stated that the board is now more focused on inflation risks than on risks to economic growth, keeping expectations alive for a near-term rate hike. While the decision was not unanimous with one board member again proposing a hike to 1.0% and another arguing inflation could hit the target sooner than expected. The BOJ noted that global markets remain volatile and that rising energy costs will likely push consumer prices higher. Ueda offered few clues on exact timing but signalled that the April economic review will be key, and that a rate hike is possible if inflationary risks overshoot expectations. Following his remarks, which markets viewed as somewhat hawkish, the yen strengthened slightly. Markets see roughly 60% of another rate hike in April.

The USD/JPY currency pair was last seen trading at 159.22

### RBA Hikes Rates to 4.1% as Inflation Pressures Persists

The Reserve Bank of Australia raised rates by 25bps to 4.1% in March 2026, following a similar hike in February and in line with expectations. The decision, which was split, reflects renewed inflation pressures, supported by tighter labour market conditions and stronger capacity constraints. While some inflation drivers are seen as temporary, the RBA highlighted upside risks to inflation, including from geopolitical tensions in the Middle East. As a result, inflation is expected to remain above target for some time. The central bank reiterated a data-dependent and flexible approach, closely monitoring global developments, domestic demand, and labour market trends, while maintaining focus on price stability and full employment.

The AUD/USD currency pair was last seen trading at 0.7023

## Kuwait

### Kuwaiti Dinar

USD/KWD closed last week at 0.30660

### Rates – Mar 22th, 2025

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1412	1.1410	1.1616	1.1570	1.1445	1.1697	1.1619
GBP	1.3228	1.3217	1.3466	1.3339	1.3215	1.3470	1.3334
JPY	159.57	157.49	159.90	159.22	157.45	160.49	157.95
CHF	0.7881	0.7842	0.7957	0.7879	0.7779	0.7981	0.7800

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