

# Weekly Money Market Report

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## US Labor Market Maintains Resilience

### Highlights

- US service sector growth picked up in January, with the non-manufacturing PMI increasing to 53.4 from 50.5 in December.
- Data in the last two weeks continues to illustrate a robust US labor market. The unemployment rate has remained below 4% for two consecutive years while wage growths continues to run ahead of the 3-3.5% range.
- Consumer prices in China suffered the biggest drop since 2009, with the CPI dropping by 0.8% y/y in January. The weak figure is likely due to distorted figures as January 2023 coincided the Lunar New Year.
- The Reserve Bank of Australia held its policy interest rate steady at 4.35%, adding that overall inflation is still high at 4.1% however is on track to reach the 2-3% target band by 2025.
- The greenback is trading at a 2-month high and has gained significant strength against the Japanese yen which has suffered a 6.2% drop year-to-date. Meanwhile the euro and pound are trading just below the 1.08 and 1.27 marks.

## United States

### Service Sector Picks Up, Labor Market Maintains Resilience

Growth in the US services sector picked up in January amid an increase in new orders and a rebound in employment. However, suppliers fell behind, resulting in input prices rising to an 11-month high. The Institute for Supply Management said its non-manufacturing PMI increased to 53.4 last month from 50.5 in December, indicating growth in an industry which accounts for more than two-thirds of the economy.

The data is in-line with the prior week's employment figures which revealed acceleration in January's job growth and wages by the most in nearly two years. The unemployment rate has remained below 4% for two consecutive years – the longest stretch in more than 50 years. Meanwhile, wage growth is running ahead of the 3-3.5% range that policymakers view as consistent with the Federal Reserve's 2% inflation target. Overall, January's powerful job report eliminated prospects of a rate cut next month, and the odds of a May cut were lowered.

More labor data revealed the number of Americans filing new claims for unemployment benefits fell slightly more than expected last week, illustrating underlying labor market strength despite a recent surge in layoffs mostly in the technology industry. Initial claims decreased by 9,000 to 218,000 in the week ending February 3<sup>rd</sup>, according to the Labor Department. Continuing claims dropped to 1.87 million in the week that ended on January 27<sup>th</sup>. While the labor market has proved remarkably robust in recent months, powering consumer spending, recent high-profile job-cut announcements from companies across the tech industry may signal slower demand for workers in the coming months.

## Asia-Pacific

### China Sinks Deeper into Deflation

Consumer prices in China slid deeper into deflationary territory last month, suffering the biggest drop since the global recession in 2009. The country's Consumer Price Index dropped by 0.8% y/y in January, marking the steepest fall since September 2009 and marks a fourth consecutive month of decline. The National Bureau of Statistics attributes the weak figure to the strong demand in January 2023 for the Lunar New Year when CPI rose 2.1%. This year the Lunar New Years falls in February, causing distortions to the base. Beijing is currently struggling to revive both consumer and investor confidence as it faces many challenges, including a real estate slump, stock market meltdown and weaker exports. Nevertheless, many analysts believe consumer prices are likely to rise from February onwards.

## Reserve Bank of Australia cites “Uncertain” Outlook

The Reserve Bank of Australia held its policy interest rate steady at 4.35% in a widely anticipated decision which followed 13 consecutive rate hikes since 2022. It noted that goods inflation was lower than forecast, but that services inflation remained high, with overall inflation at 4.1%.

RBA Governor Michelle Bullock held a press conference after the meeting stating that the country was on track to get inflation within the bank's 2% to 3% target band by 2025, and to reach the midpoint of that range by 2026. Bullock added that while there were "encouraging signs," the RBA remains "vigilant" to upside risks that would make it difficult to achieve its target. In its statement announcing its decision, the RBA said it didn't exclude further rises. "We're not ruling in or out anything," Bullock said. "We are focused on bringing inflation down. We still think the risks are balanced but, as you would know, the further out we go with our forecasts, the more uncertainty there is around them."

## Kuwait

### Kuwaiti Dinar

USD/KWD closed last week at 0.30780.

### Rates – 11<sup>th</sup> February 2023

| Currencies | Previous Week Levels |        |        |        | This Week's Expected Range |         | 3-Month |
|------------|----------------------|--------|--------|--------|----------------------------|---------|---------|
|            | Open                 | Low    | High   | Close  | Minimum                    | Maximum | Forward |
| EUR        | 1.0782               | 1.0721 | 1.0794 | 1.0782 | 1.0715                     | 1.0900  | 1.0825  |
| GBP        | 1.2631               | 1.2515 | 1.2642 | 1.2619 | 1.2530                     | 1.2780  | 1.2635  |
| JPY        | 148.33               | 147.62 | 149.57 | 149.30 | 147.95                     | 151.80  | 147.29  |
| CHF        | 0.8662               | 0.8657 | 0.8762 | 0.8745 | 0.8700                     | 0.8900  | 0.8668  |

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