Weekly Money Market Report
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Sticky Inflation Clouds Global Policy Outlook as Markets Navigate Volatility

Market Commentary

Global data painted a mixed macro backdrop, with inflation surprises complicating the easing narrative while growth momentum showed signs of strain. U.S. wholesale inflation accelerated sharply in January, reinforcing the Fed's cautious stance, even as jobless claims signaled a stable "low-hire, low-fire" labor market. In Europe, BoE officials struck a divided tone ahead of March, with markets leaning toward a rate cut, while Tokyo CPI slowed on energy subsidies but another key measure of inflation remained above target, keeping BOJ normalization expectations intact. Australia's upside inflation surprise lifted rate hike bets, whereas Canada's economy contracted in Q4 amid a steep inventory drawdown. Against this backdrop, gold traded higher, the dollar index traded lower, and U.S. equities saw heightened volatility as investors recalibrated rate expectations across major central banks.

United States & Canada

President Trump Implements New Tariff Measures

The Trump Administration implemented a 10% global import tariff under Section 122 of the 1974 Trade Act, effective Tuesday at 12:01 a.m. Washington time, following the Supreme Court's decision to invalidate prior emergency-based tariffs. The new measure, applicable for up to 150 days without congressional approval, sets the average effective U.S. tariff rate at approximately 10.2%, down from 13.6% prior to the ruling, according to initial economic analysis. A proposed increase to 15% would raise the effective rate to around 12%. Exemptions remain for goods compliant with the North American trade pact and selected agricultural products. Meanwhile, the European Union has paused ratification of its trade accord, amid concerns that cumulative tariffs on certain exports could exceed the agreed 15% ceiling, while India has postponed negotiations.

Unemployment Claims Reinforces "Low Hire, Low Fire" Economy

New U.S. jobless claims edged slightly higher last week, while the unemployment rate appeared steady in February, signaling continued labor market stability. Initial claims rose by 4,000 to 212,000 for the week ended February 21, slightly below economists' expectations of 215,000. The data suggests the job market remains in a "low hire, low fire" environment, reinforcing expectations that the Federal Reserve is unlikely to cut interest rates before Chair Jerome Powell's term concludes in May. Meanwhile, continuing claims, a gauge of ongoing unemployment and hiring momentum, fell by 31,000 to 1.833 million in the week ended February 14. The latest figures were partially influenced by the Presidents' Day holiday and coincide with the survey period for February's unemployment rate.

Producer Inflation Rises

U.S. wholesale inflation accelerated in January, challenging President Trump's assertion that price pressures were cooling. The core Producer Price Index (PPI), which excludes food and energy, rose 0.8% on the month, well above forecasts and December's 0.6% increase, while headline PPI climbed 0.5%, also exceeding estimates. On an annual basis, core wholesale prices rose 3.6% and headline PPI increased 2.9%, both remaining above the Federal Reserve's 2% target. The monthly gain was driven primarily by a sharp 0.8% rise in services prices, the strongest since July 2025, particularly in trade services and wholesale margins for professional and commercial equipment. Goods prices fell 0.3% overall, as declines in food and energy offset a 4.8% jump in metals, though core goods still increased 0.7%. The data suggests persistent pipeline inflation pressures, likely reinforcing the Fed's cautious stance on rate cuts despite political calls for easier policy.

The Greenback was last seen trading at 97.65.

Canada's GDP Contracts

Canada's economy contracted at an annualized rate of 0.6% in the fourth quarter, well below expectations for flat growth, as businesses sharply reduced inventories rather than boosting production. The drawdown, totaling C$23.46 billion on an annualized basis, was the main drag on growth, alongside a 4.4% decline in residential construction investment. Although exports, household spending, and government investment provided some support, they were not enough to offset the inventory impact. Annual growth for 2025 came in at 1.7%, matching the Bank of Canada's forecast but marking the slowest pace since 2020. Monthly GDP rose 0.2% in December, though an early estimate suggests activity may stall in January

The USD/CAD currency pair was last seen trading at 1.3642.

United Kingdom

BoE Officials Remain Divided Over Monetary Policy Path

Bank of England Governor Andrew Bailey indicated he may support a rate cut at the March MPC meeting if incoming data confirms inflation is sustainably returning to target, noting it is now "very reasonable" to expect CPI to be near 2% by spring after slowing to 3% in January. The committee remains divided, with Bailey acting as a swing vote: Megan Greene called for clearer evidence of easing wage growth and inflation expectations before backing a cut, while Chief Economist Huw Pill warned against premature easing given upside risks to underlying inflation. In contrast, Alan Taylor argued for moving policy toward neutral and potentially accommodative territory if growth weakens. Markets are increasingly pricing in a March cut, with at least one additional reduction expected by year end.

The GBP/USD currency pair was last seen trading at 1.3484.

Asia-Pacific

PBOC Maintains Policy Rates

The People's Bank of China maintained its 1-year and 5-year loan prime rates at 3% and 3.5%, respectively, marking a tenth consecutive month of unchanged policy amid slowing growth and persistent deflationary pressures. The 1-year rate, the benchmark for most loans, and the 5-year rate, which guides mortgage pricing, were left steady as fourth-quarter GDP expanded 4.5% YoY, the weakest pace since the post-pandemic reopening in late 2022. Retail sales growth decelerated to 0.9% in December, a three-year low, while the GDP deflator remained negative for an eleventh consecutive quarter.

The USD/CNY currency pair was last seen trading at 6.8579.

Australian Inflation Accelerates

Australian inflation came in stronger than expected in January, reinforcing the risk of further rate hikes. Monthly CPI rose 0.4% (vs. 0.3% forecast), while annual inflation held at 3.8%. Core inflation climbed to a 16-month high of 3.4%, remaining above the RBA's 2–3% target band for a seventh consecutive month. Domestic price pressures intensified, with non-tradable inflation rising to 4.9%, driven by surging electricity costs and firm housing and rent prices. Markets firmed bets of a May rate hike to 66%, the Australian dollar strengthened, and bond futures declined, reflecting expectations that policy may need to tighten further.

The AUD/USD currency pair was last seen trading at 0.7113.

Tokyo Inflation Declines

Tokyo CPI inflation moderated in February, largely reflecting the impact of government utility subsidies that reduced household energy costs. Core CPI (excluding fresh food) rose 1.8% YoY, the slowest pace since October 2024 but slightly above consensus, marking a third consecutive deceleration. Energy prices declined 9.2% YoY, with subsidies estimated to have shaved roughly 0.25 percentage points off headline inflation. However, another measure of inflation (excluding energy) accelerated to 2.5% YoY, remaining above the Bank of Japan's 2% price stability target and underscoring persistent underlying inflationary pressures. While the BOJ has signaled it will look through temporary fiscal distortions and focus on trend inflation, the softer headline reading complicates policy communication amid political sensitivity over living costs. Markets continue to price further normalization, with OIS implying roughly a 52% probability of a rate hike by April ahead of the March 19 policy meeting.

The USD/JPY currency pair was last seen trading at 156.05.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30550.

Rates – March 1st, 2026

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1781	1.1765	1.1834	1.1813	1.1740	1.1900	1.1864
GBP	1.3495	1.3436	1.3575	1.3484	1.3340	1.3580	1.3488
JPY	154.92	153.98	156.82	156.05	155.35	157.70	154.85
CHF	0.7729	0.7669	0.7768	0.7687	0.7570	0.7770	0.7611

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