

Treasury Daily Newsletter

18-May-26

Kuwaiti Dinar Today 0.30675 / 0.30685

Key Market Highlights:

- Global bond markets extended their selloff amid escalating Middle East tensions, with US Treasuries declining across the curve and the 30-year yield reaching its highest level in nearly three years. Japan's 10-year yield rose 10bp to levels last seen in 1996, while its 30-year yield surged 20bp to a post-1999 high, underscoring global duration pressure. Rising yields coincided with weaker risk sentiment, as Asian equities fell 0.7% and futures signaled further declines in developed markets. Oil prices increased around 1.5% with Brent trading at around USD 111/bbl, reinforcing inflation concerns linked to disruptions in the Strait of Hormuz. The dollar strengthened for a sixth consecutive session, while rate expectations shifted toward further tightening, with markets now pricing 18bps of Federal Reserve hikes by year-end.
- China's economic activity slowed broadly in April, with domestic demand indicators underperforming expectations. Fixed-asset investment contracted 1.6% YoY in Jan-Apr, reversing from +1.7% YoY in Q1, while retail sales rose only 0.2% YoY, marking the weakest growth since late 2022. Industrial production increased 4.1% YoY, the slowest pace in nearly three years. Labour market conditions showed slight improvement, with the surveyed urban unemployment rate easing to 5.2% from 5.4% in March. External demand remained supportive, with exports rising 15% YoY in the first four months, partially offsetting domestic softness. However, consumption-linked sectors deteriorated, including car sales falling 15% YoY and gold and jewelry sales declining 21% YoY. The offshore yuan weakened 0.1% while bond yields remained stable, indicating muted immediate market repricing.

Technical Levels	Support 2	Support 1	Spot	Resistance 1	Resistance 2
EUR	1.1520	1.1575	1.1620	1.1675	1.1730
GBP	1.3200	1.3260	1.3315	1.3370	1.3420
JPY	158.00	158.50	158.95	159.50	160.00
CHF	0.7770	0.7820	0.7870	0.7920	0.7970

Brief Technical Commentary

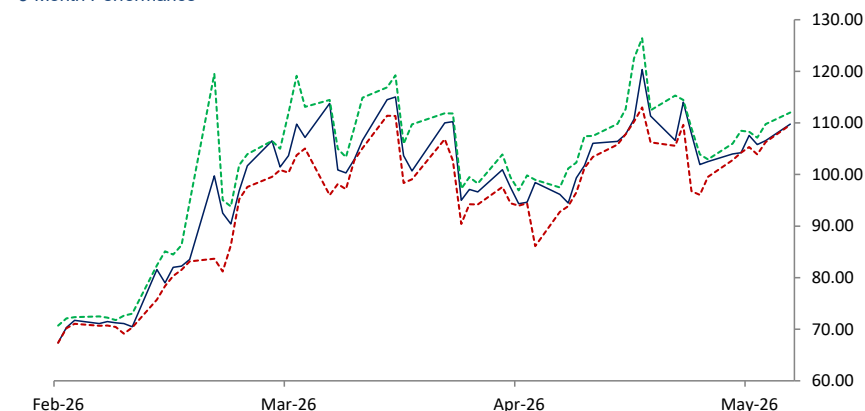
Surging oil prices, fading hopes for a Strait of Hormuz resolution continue to feed the USD Strength. EURUSD is now approaching the 1.16 handle, a move below and we test support at 1.1575 followed by 1.1520. Resistance is at 1.1675 and 1.1730 but will need a shift in market sentiment regarding the war to realize.

USDJPY is approaching 159.00 and will have to test 159.50 before the resistance at 160.00. Support for the pair is at 158.50 and 158.00. Notably the 30yr JGB breached 4% for the first time since 1999.

Economic Events	Country	Event	Actual	Forecast	Previous
19-May-26	CAD	Trimmed CPI y/y		2.2%	2.2%
20-May-26	GBP	CPI y/y		3.0%	3.3%
20-May-26	USD	FOMC Meeting Minutes			
21-May-26	AUD	Unemployment Rate		4.3%	4.3%
21-May-26	EUR	French Flash Manufacturing PMI		52.3	52.8
21-May-26	EUR	German Flash Manufacturing PMI		51.0	51.4
21-May-26	EUR	German Flash Services PMI		47.1	46.9
21-May-26	GBP	Flash Services PMI		51.7	52.7
21-May-26	USD	Unemployment Claims		210K	211K
21-May-26	USD	Flash Manufacturing PMI		53.6	54.5

Brent Crude Oil

3-Month Performance



Currencies	Closing	YTD %	Closing	YTD %	
EUR/USD	1.1625	1.06	EUR/GBP	0.8724	0.06
GBP/USD	1.3326	1.13	GBP/JPY	211.54	0.27
USD/JPY	158.74	1.41	EUR/JPY	184.54	0.39
USD/CHF	0.7869	0.74	EUR/CHF	0.9147	1.79

Commodities	Last Price	% Change	Global Indices	Last Price	% Change
Kuwait Oil	124.03	1.65	Dow Jones	49,526.17	1.07
Brent	109.26	1.40	Nikkei 225	61,409.29	0.58
West Texas	105.42	1.74	S&P 500	7,408.50	1.24
Gold	4,540.08	0.08	KuwaitSE	8,698.77	0.75

Local & Global Rates (%)	O/N	1-Month	3-Month	6-Month	1-Year
KWD	2.44	3.44	3.56	3.81	4.00
USD	3.56	3.60	3.64	3.70	3.84
EUR	1.88	1.95	2.23	2.56	2.82
GBP	3.73	3.74	3.84	4.01	4.29

Government Yields (%)	1-Year	2-Year	5-Year	10-Year	30-Year
United States	4.10	4.16	4.28	4.62	5.14
Germany	2.50	2.73	2.87	3.16	3.67
United Kingdom	4.55	4.55	4.69	5.17	5.85
Japan	1.41	1.66	1.98	2.73	4.08