

Weekly Money Market Report

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World in Flux: Policy Signals and Economic Data Shape Global Markets This Week

Market Commentary

The week was marked by shifts in monetary policy expectations, key economic data releases, and broad asset-class movements. In the United States, the Fed's Beige Book reported that US economic activity was largely unchanged in recent weeks, with stable employment levels and consumer spending edging lower. September PPI rose 0.3% MoM, retail sales slowed to 0.2% MoM, and initial jobless claims fell to 216K, the lowest since mid-April, as durable goods orders came in as expected at 0.5% MoM. Swap market pricing now implies an 88% probability of a rate cut at the December FOMC meeting. The US dollar index eased 0.7% to end the week at 99.459. Canadian GDP rose 0.2% MoM in Q3, signalling stabilisation after Q2's contraction, with USD/CAD last printed at 1.3977. In Europe, Germany's Q3 GDP was flat, inflation prints were mixed, and Swiss Q3 GDP contracted 0.5%; EUR/USD and USD/CHF closed the week at 1.1598 and 0.8038 respectively. In the United Kingdom, the 2025 budget expanded the fiscal buffer to GBP 22B and raised taxes by GBP 26B, supporting projected inflation declines into mid-2026 and potential further BoE rate cuts. GBP/USD closed the week at 1.3233, up 1.02%. In Asia-Pacific, China's industrial profits fell 5.5% YoY in October amidst weak manufacturing and domestic demand, with USD/CNY at 7.0745. Australia's headline CPI rose 3.8% YoY in October, with AUD/USD rising 1.47% on the week to 0.6550. New Zealand cut the official cash rate by 25 bps to 2.25% whilst Q3 retail sales rose 1.9%; NZD/USD was last seen at 0.5735. Japan's Tokyo Core CPI held at 2.8% YoY, and industrial production rose 1.4% MoM, supporting potential near-term BoJ action; USD/JPY ended the week at 156.18. Global equity markets remained volatile, with the S&P 500 and Stoxx 600 closing the week at 6849.09 (+4.75%) and 576.43 (+2.55%) respectively. Brent rose 1.01% on the week to 63.19, as spot gold rallied 4.29% to 4239.44 amidst shifting rate expectations. The US yield curve flattened, with 2s10s and 5s30s narrowing by ~3.2 bps and ~2.4 bps respectively, as 10-year Treasury yields briefly dipped below 4% during the week before closing at 4.01%.

United States and Canada

Fed Beige Book Signals Flat Activity; Consumer Spending Diverges as Lower-Income Demand Weakens

The Federal Reserve's latest Beige Book indicates that US economic activity remained broadly unchanged through November 17, whilst consumer spending weakened overall, except among higher-income households. Multiple districts reported resilient demand from affluent consumers, contrasted by reduced discretionary spending among middle and lower-income groups. Employment declined marginally, with businesses favouring hiring freezes and attrition over layoffs, whilst wage growth remained moderate and aligned with inflation targets. Price pressures persisted, driven by tariffs and input costs, though near-term pricing plans were mixed. Manufacturing, construction, and health care sectors noted moderate wage increases amidst labour shortages exacerbated by immigration constraints. Outlooks were largely stable, though some contacts cited heightened risk of slower activity in coming months. Swap markets are currently discounting an 88% probability of a rate cut at the December FOMC meeting. DXY was last printed at 99.459.

US PPI Rises 0.3% MoM in September as Retail Sales Slow to 0.2% MoM Gain

US wholesale prices, as measured by the Producer Price Index (PPI), increased 0.3% in September, reversing a slight August decline, driven primarily by higher energy and food costs. Excluding food and energy, the PPI rose 0.1% MoM and 2.6% YoY, marking the smallest annual gain since July 2024. Retail sales grew modestly by 0.2% in September following August's 0.6% increase, with sales excluding cars and gasoline rising just 0.1%. Motor vehicle, electronics, clothing, and sporting goods sales fell, whilst spending at gasoline stations, personal care stores, and restaurants advanced. Control-group sales, which inform GDP calculations, declined 0.1% after five consecutive months of gains, highlighting a moderation in consumer goods spending amidst ongoing inflationary pressures.

US Initial Jobless Claims Fall to 216K as Durable Goods Orders Slow to 0.5% MoM in September

Initial claims for US unemployment benefits declined by 6K to 216K in the week ended November 22, the lowest level since mid-April and below the economists' median forecast of 225K, whilst continuing claims edged up to 1.96M. The four-week moving average of new applications eased to 223.75K, indicating employers are largely retaining existing staff despite recent high-profile job cut announcements. Separately, new orders for manufactured durable goods rose 0.5% MoM to USD 313.7B in September, exceeding the 0.3% forecast, following a revised 3.0% gain in August. Excluding transportation, orders increased 0.6%, whilst transportation equipment orders added USD 0.4B, or 0.4%, to USD 110.7B, highlighting continued strength in business investment in equipment.

Canada's GDP Surges 2.6% YoY in Q3, Driven by Housing and Military Spending

Canada's economy expanded at an annualised rate of 2.6% in Q3, rebounding from a 1.8% contraction in Q2, according to Statistics Canada. Growth was supported by a 6.7% rise in residential investment, led by housing resales, and a 12.2% increase in government capital spending on defence. In contrast, household consumption fell 0.4%, its first decline since 2021, whilst private non-residential, machinery, and equipment investment dropped 4.5% YoY. Exports grew 0.7% QoQ, recovering partially from a 25% plunge in Q2, whilst imports fell sharply by 8.6%, the largest drop since 2022. Government bond yields rose on the data, with two-year yields at 2.430%, as the Canadian dollar strengthened. Swap markets anticipate the Bank of Canada will hold its 2.25% policy rate at the December meeting. USD/CAD last printed at 1.3977.

Europe and the United Kingdom

German Inflation Rises to 2.6% YoY in November, Highest in Nine Months; GDP Flat in Q3; Euro-Area Inflation Mixed

Germany's consumer price index accelerated to 2.6% YoY in November, up from 2.3% YoY in October and exceeding consensus expectations of 2.4%. The increase was driven by higher fuel costs and package holiday prices, whilst food prices exerted a modest drag. This development precedes the ECB's December policy meeting, where officials have signalled no imminent rate changes despite persistent services and food inflation. Meanwhile, Germany's economy stagnated in Q3, with GDP unchanged from the prior quarter as weak exports and subdued household spending offset gains in investment and government expenditure. Across the euro area, inflation trends were mixed: France held steady at 0.8% YoY, Italy eased to 1.1% YoY, and Spain slowed to 3.1% YoY, suggesting the 20-nation bloc's November reading will remain near October's 2.1%. EUR/USD last printed at 1.1598.

UK Budget Expands Fiscal Headroom Whilst Raising Taxes by GBP 26B, Eases BOE Rate-Cut Path

Chancellor Rachel Reeves' 2025 budget, with GBP 1.6 trillion (USD 2.1 trillion) in government spending, strengthened the UK's fiscal buffer by GBP 12 to 22B and funded welfare and energy-bill support, whilst raising taxes by GBP 26B through a plethora of hikes. The Office for Budget Responsibility (OBR) projects her measures will reduce inflation by up to 0.5 percentage points in Q2 2026, supporting a Bank of England quarter-point rate cut to 3.75% at the December 18 meeting. Key elements include a 4.1% rise in the national minimum wage, fuel duty and rail fare freezes, and targeted energy relief. Despite the short-term fiscal consolidation, long-term growth remains subdued, OBR forecasts show weaker productivity and higher borrowing, with debt rising from 95% of GDP in 2025 to 97% in 2028-29 before stabilising, leaving structural fiscal challenges ahead. GBP/USD last printed at 1.3233.

Switzerland GDP Contracts 0.5% in Q3 Amidst Export Pressures Ahead of US Trade Deal

Switzerland's GDP fell 0.5% QoQ in Q3 2025, marking its first contraction in over two years and confirming preliminary estimates. The decline followed Q2 growth of 0.2% MoM, revised up from 0.1%. Weakness was concentrated in exports, particularly pharmaceuticals and chemicals, which were affected by elevated US tariffs, whilst machinery, watches, and precision instruments also saw reduced shipments. The contraction occurred ahead of a newly agreed US-Swiss framework trade deal, which will cut levies on many goods from 39% to 15%, expected to enter force early next month. Economists anticipate a snapback in output once tariffs are lowered. Adjusted GDP excluding large sporting events aligns with the headline result, underscoring the impact of trade dynamics on the Swiss economy. USD/CHF last printed at 0.8038.

Asia-Pacific

China Industrial Profits Fall 5.5% in October as Manufacturing Contracts and Domestic Demand Weakens

China's industrial profits dropped 5.5% YoY in October, the largest decline since June, reversing gains seen in August and September. For the first ten months of 2025, major industrial firms' profits rose 1.9% YoY, down from 3.2% through September. Mining sector profits fell 27.8% YTD, whilst manufacturing and utilities rose 7.7% and 9.5%, respectively; carmakers gained 4.4%. Manufacturing activity contracted, with the official PMI at 49.2. Recent readings had shown fixed-asset investment fell 1.7% YTD, as urban unemployment remained at 5.1%. Consumer prices had risen 0.2% YoY, with core inflation at 1.2%, partly driven by gold. Policymakers target around 5% growth in 2025-26, emphasising exports whilst deferring large-scale domestic stimulus. USD/CNY last printed at 7.0745.

Australia Core CPI Rises 3.3% YoY in October, Headline CPI at 3.8% YoY, Markets Price Potential RBA Hikes in 2026

Australia's core inflation accelerated to 3.3% YoY in October, exceeding the 3.0% forecast and topping the Reserve Bank of Australia's 2-3% target band, whilst headline CPI rose 3.8% YoY. Non-tradables prices climbed 4.8%, services increased 3.9%, and discretionary and non-discretionary goods advanced 3.2% and 4.3% respectively, highlighting broad-based domestic price pressures. Recent labour market data showed unemployment declined to 4.3% with annual wage growth remaining elevated. The Australian dollar appreciated 0.6%, and three-year government bond yields rose 14 bps on the data as markets now assign a small probability of a rate hike in 2026, reversing earlier bets on cuts. Despite the RBA being expected to hold rates at 3.60% at its December 8-9 meeting, tightening is now remotely plausible, with some analysts indicating potential for a hike in early 2026. AUD/USD last printed at 0.6550.

Tokyo Core CPI Holds at 2.8% YoY in November, Industrial Output Up 1.4% MoM, Supporting BOJ Hike Expectations

Tokyo consumer prices excluding fresh food increased 2.8% YoY in November, marginally above the 2.7% consensus and unchanged from October, with electricity costs offsetting slower processed food inflation. Core CPI excluding energy also remained at 2.8% YoY, whilst services inflation rose 1.5% YoY. Rice prices increased 37.9%, continuing to moderate from April's peak of 93.8%. Industrial production grew 1.4% MoM in October versus expectations of a 0.6% decline, driven by stronger car output following lower US tariffs and firm demand for information and communications equipment. Labour market indicators were stable, with unemployment at 2.6%. Market pricing now assigns a 59% probability of a December 19 policy rate increase, whilst two-year JGB yields have risen to 0.972%, the highest since 2008. USD/JPY last printed at 156.18.

RBNZ Cuts Official Cash Rate 25 bps to 2.25%, Signals Easing Cycle Near Completion; Q3 Retail Sales Jump 1.9%

The Reserve Bank of New Zealand (RBNZ) lowered the Official Cash Rate by 25 bps to 2.25%, in a 5-1 vote, whilst projecting no further cuts through 2026. Forward guidance shows the benchmark rate averaging 2.2% in Q2 next year, implying an only 20% probability of an additional reduction. Inflation is expected to ease from 3% currently to 2.1% in Q3 2026 and reach 2% a year later, within the 1-3% target range. The New Zealand dollar rose 1.1% and two-year government bond yields increased 6 bps to 2.64% on bets the 16-month easing cycle is has concluded. Domestic demand is strengthening, evidenced by Q3 retail sales surging 1.9% QoQ, the largest quarterly gain since 2021, with broad-based growth across eight of 15 sectors, particularly motor vehicles and electrical goods. NZD/USD last printed at 0.5735.

Kuwait

USD/KWD closed last week at 0.30590.

FX Rates – November 30, 2025

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1513	1.1502	1.1613	1.1598	1.1530	1.1730	1.1652
GBP	1.3099	1.3081	1.3269	1.3233	1.3145	1.3370	1.3231
JPY	156.41	155.65	157.19	156.18	154.80	157.90	154.85
CHF	0.8083	0.8026	0.8102	0.8038	0.7930	0.8125	0.7959

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