

# Weekly Money Market Report

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## Global Central Bank Caution Amid Soft U.S. Hiring and Dollar Recovery

### Market Commentary

Global markets delivered a mixed and cautious tone over the week, with U.S. data pointing to slowing momentum beneath the surface despite pockets of resilience. Manufacturing activity returned to expansion for the first time in a year on post holiday reordering, while the services sector sustained its strongest back-to-back expansion since late 2024, supported by solid business activity but tempered by softer new orders, weak exports, modest hiring and persistent cost pressures. Labor market signals remained subdued, with job openings falling to the lowest level in more than five years, private-sector hiring barely growing in January, and jobless claims rising on weather-related disruptions, reinforcing a “low-hire, low-fire” environment that Fed officials continue to describe as stabilizing rather than weakening. Central banks struck a cautious stance, with the ECB and BoE holding rates while emphasizing data dependence and flagging slower growth and higher unemployment risks. In markets, the U.S. dollar strengthened over the week, pressuring major currencies including the euro and sterling, while gold rallied sharply on safe haven demand and U.S. equities saw mixed activity, amid concerns over growth and policy uncertainties.

### United States

#### President Trump Signs Bill to End Shutdown

U.S. President Donald Trump signed a \$1.2 trillion budget bill to end a partial government shutdown that began over the weekend, after the package narrowly passed the House and earlier cleared the Senate. The measure funds most federal agencies through September, though the Department of Homeland Security received only a two-week extension due to disputes over immigration enforcement. Democrats are pushing for reforms to Immigration and Customs Enforcement following recent fatal shootings, leaving lawmakers divided on long-term DHS funding. The shutdown had temporarily disrupted government services and delayed key data releases, including the monthly jobs report.

#### U.S. Economic Activity is Robust

U.S. economic activity showed a resilient picture in January, with both manufacturing and services expanding, though underlying momentum remains uneven. Factory activity returned to growth for the first time in a year, as the ISM manufacturing PMI jumped to 52.6 on a post-holiday pickup in orders and some front-loading of purchases ahead of potential tariff-related price increases, even as manufacturers remained cautious amid trade-policy uncertainty and uneven sectoral performance. At the same time, the services sector sustained its strongest back-to-back expansion since October 2024, with the ISM services index holding at 53.8, supported by a sharp acceleration in business activity and broad-based growth across healthcare, utilities, construction, and retail. However, signs of moderation were evident, with softer new and export orders, only marginal employment gains in line with modest ADP payroll growth, and persistent cost pressures reflected in higher prices paid, longer supplier delivery times, and a notable drawdown in service-sector inventories.

#### U.S. Private Sector Adds Less Jobs than Anticipated

U.S. private sector hiring remained sluggish in January, underscoring a low-hire, low-fire labor market that has shown little momentum since the end of 2025. ADP data showed employers added just 22,000 jobs, well below expectations and December’s downwardly revised gain, with overall growth entirely reliant on a surge in education and health services hiring. Outside healthcare, job gains were modest across financial activities, construction, and consumer-facing sectors, while several areas saw outright losses, including professional and business services, manufacturing, and other services. The report highlights a broadly stagnant labor market that is unlikely to ease Federal Reserve concerns over whether additional policy support may eventually be needed.

#### Unemployment Claims Up Yet Stable

U.S. jobless claims rose more than expected last week, largely reflecting weather-related disruptions from winter storms, while broader labor market conditions remained broadly stable. Initial claims increased by

22,000 to 231,000, the largest weekly rise since early December and well above forecasts, with unadjusted claims climbing sharply in several northeastern and Midwest states affected by heavy snow and freezing temperatures. Continuing claims, a proxy for hiring momentum, also ticked up to 1.844 million after three consecutive weekly declines. Despite a drop in job openings to a more than five-year low in December, largely concentrated in a single industry, layoffs remained low, and economists said the data do not point to a material deterioration in labor market conditions, which are widely viewed as stabilizing but constrained by tariff-related uncertainty and firms' growing caution amid increased adoption of artificial intelligence.

### **Job Openings Fall**

U.S. job openings fell to their lowest level in more than five years in December, signaling a softening in labor demand toward the end of 2025. Openings declined by 386,000 to 6.542 million, the weakest reading since September 2020, while November's data was revised lower, underscoring a more pronounced slowdown than previously reported. The figure came in well below expectations, though hiring edged up by 172,000 to 5.293 million, indicating that while demand for workers has cooled, firms continue to add staff at a modest pace.

The Greenback was last seen trading at 97.633.

## **Eurozone**

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### **Eurozone Inflation is Below ECB Target**

Euro-area inflation decelerated further below the European Central Bank's 2% target in January, with headline consumer prices rising 1.7% YoY, the weakest reading since September 2024 and in line with market expectations. Underlying price pressures also moderated, as core inflation eased unexpectedly to 2.2%, the lowest level since October 2021, while services inflation slowed to 3.2%, according to Eurostat. The disinflationary trend coincides with the ECB's first policy meeting of 2026, where policy rates are widely expected to remain unchanged at 2% for a fifth consecutive meeting. Inflation dynamics remain uneven across member states, with Germany at 2.1% and France recording a five-year low of 0.4%. While euro-area GDP expanded 0.3% QoQ in the fourth quarter of 2025, currency strength and external trade risks continue to shape the policy outlook.

### **ECB Holds Rates Steady**

The European Central Bank held interest rates steady for a fifth consecutive meeting, with President Christine Lagarde emphasizing that policymakers remain "in a good place" and will not overreact to a single data point despite inflation dipping below target. The deposit rate was kept at 2%, its lowest level since November 2022, while the main refinancing and marginal lending rates remained at 2.15% and 2.40%, respectively. The ECB last cut rates in June, concluding an eight-cut easing cycle that began in mid-2024, and reiterated that its updated assessment supports inflation stabilizing around the 2% target over the medium term under a data-dependent, meeting-by-meeting approach.

The EUR/USD currency pair was last seen trading at 1.1816.

## **United Kingdom**

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### **BoE Maintains Policy Rate**

The Bank of England kept interest rates unchanged at 3.75% following a closely split 5–4 vote, reflecting a finely balanced policy outlook after December's rate cut and amid mixed economic signals. Governor Andrew Bailey said further easing is likely later this year, though he stressed rates are unlikely to return to the ultra-low levels seen during the pandemic, which were driven by exceptional circumstances. While inflation is expected to fall back to the 2% target by spring, helped by budget measures such as lower household energy bills, the Bank downgraded its growth forecast and raised its unemployment outlook, increasing the case for future cuts. Policymakers remained divided, with concerns over slowing growth and a softening labor market prompting four members to favor another quarter-point cut, while others, including Bailey, who shifted his stance, opted to hold rates steady for now.

The GBP/USD currency pair was last seen trading at 1.3609.

## Asia-Pacific

### RBA Raises Cash Rate

The Reserve Bank of Australia raised its benchmark cash rate by 25 basis points to 3.85% at its first policy meeting of 2026, in line with market expectations. This marked the central bank's first rate hike since November 2023, signaling renewed concern over intensifying cost pressures in the second half of 2025. Policymakers cited elevated service-sector costs and a tight labor market as key drivers behind the decision, effectively reversing one of last year's rate cuts. The RBA noted that inflation is likely to remain above its 2–3% target range for some time, supported by resilient economic momentum and solid employment conditions. While acknowledging recent progress in easing price pressures, the board emphasized that price stability remains its primary objective. Going forward, future policy moves will remain data-dependent, reflecting a cautious and balanced approach between containing inflation and sustaining economic growth.

The AUD/USD currency pair was last seen trading at 0.7015.

## Kuwait

### Kuwaiti Dinar

USD/KWD closed last week at 0.30560.

### Rates – February 8<sup>th</sup>, 2026

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1852	1.1764	1.1874	1.1816	1.1730	1.1900	1.1865
GBP	1.3685	1.3506	1.3733	1.3609	1.3520	1.3800	1.3610
JPY	154.72	154.53	157.33	157.20	156.00	159.20	156.02
CHF	0.7706	0.7700	0.7817	0.7757	0.7650	0.7800	0.7680

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