

Weekly Money Market Report

05 September 2021



Soft Nonfarm Data Pushed the Dollar Lower

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Highlights

- A gauge measuring US consumer confidence fell to a 6-month low of 113.8.
- US manufacturing activity rose to 59.5 following 59.5 in July, remaining well above the 50-expansion mark.
- German manufacturers also struggled to meet faster orders due to supply chain challenges. The ISM's manufacturing gauge fell to 62.6 from 65.9.
- Nonfarm Payrolls shocks markets at 235K versus expectations of 735K
- Unemployment in the US dropped to 5.2%
- OPEC and its allies agreed to officially go ahead with their plans to increase production in October. An additional 400,000 barrels per day will be added to the overall monthly production.

United States

Disappointing Non-Farm Employment Report

The jobs report for August 2021 shocked markets with weaker than estimated jobs data fueling concerns over the pace of the economic recovery in the US. The data surfaced at a time when the Federal Reserve is considering a reduction in their stimulus program. The Labor Department report showed nonfarm payrolls increased by 235K last month, a miss of 490K from expectations of a 725K increase. Nevertheless, the unemployment rate fell from 5.4% to 5.2% and average hourly earnings increased by 4.3%.

Following the release of the data, the US dollar fell to a 1-month low of 91.947 as the labor market wasn't as resilient as the markets were expecting. The single currency advanced to a 2 month high of 1.1909. Additionally, expectations for the Fed to hike interest rates fell to a 68% chance of a hike in December of 2022 while 3-month LIBOR dropped to an all-time low of 0.1155% on Friday as well.

Consumer Confidence sinks to 6-Month Low

Concerns regarding the spread of the delta variant and rising prices have weighed on American consumers outlook. The US Conference Board's index, which tracks consumer confidence, fell to 113.8 from a revised 125.1 in July versus expectations for a drop to just 123. Following the latest spike in Covid-19 infections, restaurant reservations, airline travel, and hotel occupancy have all been curbed as sentiment took a turn. The gauge of current conditions fell to its lowest since April at 147.3, while the expectations component dropped to a 7-month low of 91.4.

Manufacturing Activity continues to expand in August despite Challenges

Activity in the US manufacturing sector inched higher in August, illustrating faster orders and production growth alongside continuous supply chain challenges. Adding to supply chain bottlenecks, manufacturers have also seen labor constraints which have lengthened delivery times. According to the Institute for Supply Management's gauge, manufacturing activity registered at 59.9 following 59.5 in July, moving more comfortably away from the 50 mark which delimitates expansion and contraction.

Europe

Manufacturers Struggle to Meet New Orders

German manufacturers struggled to keep up with demand in August due to rising prices and supply shortages for raw materials and components such as semiconductors. The IHS Markit's final Purchasing Managers' Index

fell to 62.6 from 65.9 in July, marking the lowest level for the index in 6 months while remaining comfortably above the 50-expansion mark. As growth in new orders rises towards the highest on record, output has fallen behind an extent unseen in over 25 years.

The German economy rebounded in Q2 of 2021, registering a growth rate of 1.6% compared to the previous three months alongside the easing of Covid-19 restrictions. Moving forward, the government expects growth of 3.5% this year and 3.6% for the next.

Eurozone Inflation at 10-Year High

Euro zone inflation surged to a 10-year-high this month with further rises still likely to come, challenging the European Central Bank's benign view on price growth and its commitment to look past what it deems a transient increase. Consumer prices in the 19 countries sharing the euro rose by 3% this month, after increasing by 2.2% in July, far above expectations for 2.7% and moving well clear of the ECB's 2% target. The increase was fueled by energy costs but food prices also surged, while there were also unusually large increases in the prices of industrial goods, said Eurostat, the EU's statistics agency.

Commodities

OPEC Agrees to Raise Supply

Despite a call from the US Biden administration to increase production further, OPEC and its allies have decided to move ahead with their previous plan of gradually increasing oil output. The approved plan details an additional 400,000 barrels per day to its monthly overall production, until pandemic-related cuts are phased out. The White House had previously urged OPEC to boost production faster to meet global demand as countries around the world emerge from the pandemic. Meanwhile, OPEC delegates have said that it was still too early to accelerate supply as many countries around the world still struggle with the impact of the Delta variant.

Even as OPEC+ decides to revive output, the group expects global oil markets will continue to tighten this year before it turns into a surplus again in 2022. In its latest report, the International Energy Agency said the recent increase in coronavirus cases has “appreciably downgraded” their outlook for global oil demand, with some of this year’s recovery shifted to 2022.

Kuwaiti Dinar

USD/KWD closed last week at 0.30075.

Rates – 05 September, 2021

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1791	1.1781	1.1908	1.1882	1.1720	1.2050	1.1904
GBP	1.3756	1.3729	1.3891	1.3865	1.3680	1.4030	1.3873
JPY	109.84	109.57	110.41	109.73	107.80	111.60	109.62
CHF	0.9129	0.9099	0.9189	0.9135	0.8960	0.9320	0.9113

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