PUBLIC

Weekly Money Market Report

1st November 2026

>NBK Treasury
+965 22216603
tsd_list@nbk.com

Global Central Banks Turn More Hawkish as Inflation Pressures and Energy Risks Persist

Market Commentary

Global markets were driven this week by the combination of resilient economic growth, persistent inflation pressures, and rising geopolitical tensions. In the United States, the Federal Reserve left interest rates unchanged at 3.75%-4.00%, although a divided vote and stronger-than-expected economic data reinforced expectations of a possible rate hike in December. The US economy expanded by 3.4% in the third quarter, supported by solid consumer spending and strong artificial intelligence-related investment, while inflation accelerated, with the PCE price index rising to 3.6% annually. At the same time, labour market conditions remained strong, with jobless claims near their lowest levels in more than five decades, highlighting continued economic resilience. These developments helped sustain expectations that US interest rates could remain higher for longer, providing underlying support for the US dollar despite some recent weakness in the Dollar Index. In Europe, attention centred on the resignation announcement of ECB President Christine Lagarde and the European Central Bank's increasingly hawkish stance. While the ECB left interest rates unchanged, policymakers strongly signalled that another rate hike is likely in December as rising energy prices continue to pose inflation risks. Markets remained relatively calm following Lagarde's decision to step down, reflecting confidence in the ECB's institutional framework and policy continuity. The euro recovered against the dollar after Lagarde indicated that policymakers had discussed raising rates and emphasized the ECB's readiness to act if inflation pressures persist. Meanwhile, in the United Kingdom, the British pound remained supported above $1.33 after the government presented a cautious budget focused on supporting households while maintaining fiscal discipline. Market expectations for further Bank of England tightening remained largely unchanged, with investors continuing to anticipate additional rate increases in the coming months. Across the Asia-Pacific region, central banks also maintained a focus on inflation. The Bank of Japan kept its policy rate unchanged at 1.25% but signalled that inflation has reached its 2% target, paving the way for a potential rate hike in December and marking a major shift away from years of ultra-loose monetary policy. The Japanese yen strengthened as investors increased expectations for policy normalization and sought safe-haven assets amid global uncertainty. Meanwhile, Australia's inflation rate accelerated to 4.3%, reinforcing expectations that the Reserve Bank of Australia may need to maintain a restrictive policy stance, while the Reserve Bank of New Zealand surprised markets by keeping rates unchanged but continued to signal further tightening ahead. Commodity markets reflected the impact of both monetary policy expectations and geopolitical developments. Gold prices fell below $4,000 per ounce as stronger US growth and inflation data reinforced expectations for higher US interest rates, reducing the appeal of non-yielding assets. In contrast, Brent crude oil climbed above $112 per barrel, approaching four-year highs as tensions involving Iran and continued security risks in the Strait of Hormuz raised concerns about global energy supply disruptions. Overall, markets remain focused on the outlook for inflation, central bank policy decisions, and geopolitical developments, with elevated energy prices continuing to pose a significant risk to both inflation and global economic growth.

United States

Fed Holds Rates Steady as Split Decision Keeps December Hike Expectations Alive

The Federal Reserve held interest rates at 3.75%–4.00% on Wednesday, 28 October, but the decision was not a unanimous one. Lisa Cook and Beth Hammack voted for a quarter-point increase, highlighting continued concern over inflation. The Fed described economic growth as strong, supported by resilient spending and robust investment, while stressing that inflation remains elevated. Policymakers want more evidence before deciding their next move. Markets continued to price roughly an 80% chance of a December increase on Thursday morning.

US Economy Beats Expectations as Consumer Spending and AI Investment Drive Growth

The US economy grew stronger than expected in the third quarter, expanding at an annual rate of 3.4%, supported by solid consumer spending and continued business investment in artificial intelligence (AI). This growth outweighed the negative effects of higher oil prices caused by tensions in the Middle East. Consumer spending, which makes up more than two-thirds of the economy, remained strong as low layoffs and steady hiring helped support household spending. However, many consumers continue to feel pessimistic about the economy due to high living costs and concerns about inflation. The Federal Reserve kept interest rates unchanged but acknowledged that inflation remains elevated, and markets expect another rate increase later this year. While AI-related investment has been a major driver of growth, some economists caution that heavy spending on long-term AI projects may not be sustainable and could slow in the future. Additionally, with fuel prices remaining high and many households saving less and relying more on their savings, economists expect consumer spending to moderate in the coming months.

US Inflation Picks Up in September, Strengthening Case for December Fed Rate Hike
US inflation accelerated in September, reinforcing expectations that the Federal Reserve could raise interest rates again in December. The Fed's preferred inflation measure, the Personal Consumption Expenditures (PCE) Price Index, increased 0.5% during the month, up from 0.3% in August, while annual inflation rose to 3.6% from 3.4% previously. Higher gasoline prices and rising costs for other goods were key drivers of the increase. Core inflation, which excludes volatile food and energy prices and is closely monitored by policymakers, rose 0.3% in September and 3.1% from a year earlier, indicating that underlying price pressures remain persistent and well above the Fed's 2% target. Despite keeping interest rates unchanged at 3.75%-4.00%, Federal Reserve officials acknowledged that inflation remains elevated, and financial markets increasingly expect another rate hike before year-end. Consumer spending, which accounts for more than two-thirds of US economic activity, rose 0.5% in September, but much of the increase reflected higher prices rather than stronger demand. After adjusting for inflation, spending was essentially flat, suggesting households are becoming more cautious as living costs remain high.

US Jobless Claims Stay Near 57-Year Lows as Labor Market Remains Resilient
US unemployment claims remained near their lowest levels in more than five decades, highlighting the continued strength of the labor market. Initial claims for unemployment benefits fell by 1,000 to 194,000 in the week ended October 24, below economists' expectations and close to the 57-year low reached in July. The data suggests the labor market remains in a "low-hire, low-fire" environment, with companies reluctant to lay off workers due to strong profits and resilient consumer demand. However, geopolitical uncertainty linked to the conflict in the Middle East has made many employers cautious about expanding their workforce. Continuing claims, which reflect the number of people receiving ongoing unemployment benefits and serve as a measure of hiring conditions, declined by 21,000 to 1.701 million, indicating that unemployed workers are still finding jobs relatively quickly. The unemployment rate, which stood at 4.2% in September, is expected to remain stable or potentially decline, supported by improving consumer confidence in the labor market and a shrinking labor force. The Federal Reserve, which recently left interest rates unchanged, cited the labor market's resilience as a positive sign, though markets continue to expect a rate hike in December as policymakers remain focused on controlling inflation.

The Greenback was last seen trading at 101.879.

Bank of Canada Raises Rates and Signals More Tightening as Inflation Risks Persist
The Bank of Canada raised its key interest rate by 25 basis points to 2.5%, marking its first rate increase in more than three years, and signaled that additional hikes may be needed if higher energy prices continue to fuel inflation. Governor Tiff Macklem said the Canadian economy has remained resilient despite global uncertainties, prompting policymakers to act to prevent rising energy costs from spreading into broader inflation across the economy. The central bank also raised its inflation forecast, expecting inflation to reach 3.5% by the end of the year and remain around 3% through much of next year before gradually returning to its 2% target by mid-2028. While higher interest rates are expected to increase borrowing and mortgage costs, the Bank of Canada believes tighter policy is necessary to keep inflation under control. At the same time, officials acknowledged significant economic risks and stressed that future decisions will remain data-dependent rather than follow a predetermined path. The bank expects economic growth to slow in the coming quarters due to higher borrowing costs and external challenges, including US trade tensions, but forecasts a gradual recovery supported by consumer spending, stronger exports, and increased business investment. Financial markets currently anticipate additional rate increases over the next year, although some economists argue that underlying inflation remains relatively contained and may not require rates to rise much beyond neutral levels.

The USD/CAD currency pair last seen trading at 1.3973.

Europe

Lagarde Resigns as ECB Chief Amid Rising Economic and Political Uncertainty
Christine Lagarde, President of the European Central Bank (ECB), announced her resignation, ending months of speculation about her future at a time of growing economic and political uncertainty in Europe. She will step down on February 7, allowing EU leaders to appoint a successor before France's presidential election. Lagarde said she leaves the ECB proud of its achievements and confident in its future. Her departure comes as the ECB faces rising inflation driven by higher energy prices linked to the Iran conflict, as well as increasing government bond yields that could slow economic growth. While some politicians criticized her decision as poorly timed during a period of economic challenges and upcoming elections, others praised it as a responsible move that gives Europe time to choose a strong successor. Former central bank governors Klaas Knot of the Netherlands and Pablo Hernández de Cos of Spain are considered leading candidates to replace her. Financial markets reacted calmly, as investors believe the ECB's policies and institutional strength will remain largely unchanged regardless of who takes over. Meanwhile, the ECB continues to balance the fight against inflation with concerns over slowing growth, and markets expect further interest rate increases over the coming year.

ECB Signals December Rate Hike as Energy-Driven Inflation Risks Persist
The European Central Bank (ECB) kept interest rates unchanged at its latest meeting but strongly signaled that another rate increase is likely in December as rising oil and gas prices continue to fuel inflation risks. The ECB has already raised rates twice this year to prevent higher energy costs, driven by the conflict involving Iran, from spreading into broader price increases across the economy. Speaking after the meeting, ECB President Christine Lagarde, who recently announced her early resignation, indicated that policymakers had considered raising rates immediately but decided to wait for more economic data before acting. With energy prices continuing to climb, ECB officials now view a December rate hike as highly likely. At the same time, the central bank faces the challenge of slowing economic growth and rising borrowing costs across the euro area, particularly in France, where government bond yields have increased sharply. Higher borrowing costs are expected to weigh on credit growth, investment, and economic activity, leading many economists to believe that even if the ECB raises rates again, the current tightening cycle may be nearing its end. The ECB also reiterated that it has tools available to support financial markets if borrowing costs rise in a disorderly manner, although it stressed that governments must adhere to EU fiscal rules to qualify for such assistance. Overall, the ECB remains focused on controlling inflation while carefully balancing the risks to economic growth and financial stability.

The EUR/USD currency pair last seen trading at 1.1158

Aisa Pacific

RBNZ Holds Rates at 2.75%, Signals Further Tightening
The Reserve Bank of New Zealand kept its official cash rate unchanged at 2.75% in October 2026, defying expectations for a 25-basis-point hike. The decision was narrowly approved by a 4-3 vote, as policymakers sought to bring inflation back to the 2% target midpoint while limiting economic volatility. The bank signaled that further rate hikes would likely be necessary, depending on incoming economic data. Wage growth remained subdued and inflation expectations stable, although volatile energy prices continued to pose inflation risks. Policymakers also highlighted uncertainty surrounding rising global bond yields, driven by inflation concerns, geopolitical tensions and AI-related investment, warning that these pressures could contribute to a global economic slowdown.

The NZD/USD currency pair last seen trading at 0.5628.

Australia's Inflation Accelerates to 4.3% in September
Australia's annual inflation rate rose to 4.3% in September 2026 from 4.0% in August, exceeding market expectations of 4.2% and reaching its highest level since March. The reading moved further above the Reserve Bank of Australia's 2–3% target range, driven largely by rising fuel prices amid elevated global oil costs. Transport inflation accelerated to 8.7%, with automotive fuel prices surging 23.6%, while food and recreation costs also increased. Meanwhile, housing inflation eased to 5.2% but remained the largest contributor to overall inflation. The trimmed mean CPI, a key measure of underlying inflation, edged up to 3.6% from 3.5%. On a monthly basis, consumer prices rose 0.8%, above expectations of 0.7% and marking the strongest increase in six months.

The AUD/USD currency pair last seen trading at 0.7030.

BOJ Signals December Rate Hike After Declaring Inflation Target Achieved
The Bank of Japan (BOJ) kept its policy interest rate unchanged at 1.25%, but signaled that another rate increase could come as early as December as inflation continues to move sustainably around its 2% target. In a significant shift, the BOJ declared that it has largely achieved its long-standing inflation objective after nearly 14 years of efforts to overcome deflation and weak price growth. Policymakers emphasized that their focus has now turned to preventing inflation from rising too far above target, reflecting a more hawkish stance and a willingness to raise rates periodically if needed. The central bank also surprised markets by announcing a faster pace of exchange-traded fund (ETF) sales beginning next year, further reducing the extraordinary stimulus measures that have characterized Japanese monetary policy for years. BOJ Governor Kazuo Ueda warned that higher energy prices, a weaker yen, and broader inflation pressures present upside risks to prices, requiring close monitoring. The bank also raised its inflation forecasts and noted that long-term inflation expectations are now stabilizing around 2%, suggesting that price and wage growth are becoming more deeply embedded in the economy. While officials remain cautious about the impact of higher rates on economic activity and consumer spending, most analysts expect the BOJ to increase rates to 1.5% in December, with further gradual tightening likely in 2027 as Japan transitions away from its ultra-loose monetary policy era.

The USD/JPY currency pair last seen trading at 157.53.

Kuwait

Kuwaiti Dinar
USD/KWD closed last week at 0.30825.

Rates – November 1st, 2026

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1199	1.1103	1.1226	1.1158	1.1000	1.1250	1.1201
GBP	1.3371	1.3269	1.3433	1.3391	1.3305	1.3570	1.3395
JPY	156.81	156.63	158.34	157.53	156.65	159.45	156.39
CHF	0.8234	0.8191	0.8313	0.8250	0.8155	0.8450	0.8160

© Copyright Notice. The Weekly Money Market Report is a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK. While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. This report and other NBK research can be found in the "News & Insight" section of the National Bank of Kuwait's website. Please visit our website, www.nbk.com, for other bank publications. For further information please contact: NBK Treasury Group, Tel: (965) 2221 6603, Fax: (965) 2229 1441, Email: tsd_list@nbk.com