

Weekly Money Market Report

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Quiet Week ahead of Fed meeting and UK General Elections

>NBK Treasury
+965 22216603
tsd_list@nbk.com

Highlights

- Fed Chair signals no change in US interest rates
- Trump once again gives markets indications on a close agreement on trade with China
- US GDP increases to 2.1% annualized

United States

Risk Sentiment on the Rise

Last week was a quiet one in FX markets with lower volatility being the theme ahead of the Thanksgiving Holiday. Nevertheless, with the Federal Reserve having its final policy meeting of 2019 in just two weeks, Fed Chairman Jerome Powell signaled that interest rates are unlikely to rise soon. He continued saying that the Fed is "strongly committed" to the 2% inflation goal. The Fed considers a 2% inflation rate to be a sign of sustainable growth and a level that maintains interest rates high enough to allow for flexibility in the event of an economic downturn. However, inflation has run well below that level for 2019 despite three interest rate cuts over the past four months. The futures market is showing little support for a change in interest rates in the US going well into 2020

President Donald Trump said last week that the United States and China are close to agreement on the first phase of a trade deal. The announcement came after top negotiators from the two countries spoke by telephone and agreed to keep working on the remaining issues. "We're in the final throes of a very important deal, I guess you could say one of the most important deals in trade ever. It's going very well but at the same time we want to see it go well in Hong Kong," Trump told reporters at the White House. A completion of a "phase one" deal was expected in November, but both trade experts and people close to the White House said that it could slide into the new year.

US GDP Rises

The US economy has picked up in the second half of the year, with data showing that gross domestic product rose in the third quarter by more than initially forecasted. The second estimate of GDP from the Bureau of Economic Analysis showed the economy expanded at a 2.1% annualized rate in the three months leading to September 30, up from the initial estimate of 1.9% and an increase from the 2% clocked in the second quarter. A higher estimate combined with a bigger than expected rebound in durable goods orders in October, could help relief some concerns about the health of the US economy. The positive data gave support to US stocks, with the S&P 500 rising near its all-time-highs.

US new home sales dropped by 0.7% to a seasonally adjusted annual rate of 733,000 units in October. The median new house price fell 3.5% to \$316,700 in October from a year ago. Sales last month were concentrated in the \$200,000-\$400,000 price range.

US Dollar and Commodities

On the FX front, the dollar index traded in a narrow range this week as the index opened the week at 98.256 and reached a low of 98.174 before closing the week at 98.273.

In the commodities complex, oil prices dipped last week after official data showed US crude and gasoline stocks rose against expectations. Crude stockpiles swelled by 1.6 million barrels last week as production hit a record high of 12.9 million barrels per day (bpd) and refinery runs slowed.

Europe & UK

German Data Continue to Deteriorate

German retail sales fell in October; data showed on Friday, suggesting that private consumption in Europe's largest economy took a pause for breath before the Christmas shopping season. Retail sales in Germany dropped by 1.9% on monthly basis, the biggest drop since December of last year, however retail sales rose by 0.8% on yearly basis. Euro area annual inflation is expected to be at 1.0% up from 0.7% in October as per the flash estimate from Eurostat.

A similar story when it came to inflation. The inflation rate in Germany as measured by the consumer price index is expected to be 1.1% in November 2019. Based on the results available so far, the Federal Statistical Office also reports that the consumer prices are expected to decline by 0.8% on October 2019.

General Elections in 2 weeks in the UK

As we get closer to the election date of December 12th, polls and markets seem to have favorite Boris Johnson's party, the conservative party, to get re-elected and have control over the government. As such, the Sterling levels have jumped from 1.2845 to reach 1.2951 showing a more relaxed view from markets with less uncertainty on the outcome of the elections and the Brexit delivery.

Kuwait

Kuwaiti Dinar

USD/KWD opened at 0.30375 on Sunday morning.

Rates –1st December, 2019

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1026	1.0981	1.1028	1.1018	1.0820	1.1115	1.1091
GBP	1.2845	1.2827	1.2951	1.2925	1.2730	1.3125	1.2986
JPY	108.97	108.60	109.66	109.51	107.55	111.55	108.72
CHF	0.9972	0.9960	1.0023	1.0001	0.9800	1.0200	0.9918