

Weekly Money Market Report

12 October 2025



ECB President Lagarde Emphasizes the Opportunity of Increasing the Euro's Global Role

Market Commentary

Global markets ended the week mixed as investors digested steady US data, resilient Canadian employment, and rising political uncertainty abroad. The University of Michigan consumer sentiment index held at around 55 in October, signaling stable confidence, while Canada's unemployment rate stayed at 7.1% despite strong full-time job gains. The US dollar index hovered around 99.3, posting its strongest weekly advance in a year as instability in France and Japan weighed on the euro and yen. Gold traded around \$4,000 after hitting a record high earlier in the week, supported by safe-haven demand, geopolitical tensions, and expectations of further Fed rate cuts. In Europe, ECB President Christine Lagarde said inflation is now near the 2% target and that growth should recover in 2026, emphasizing that the disinflation phase is over and signaling little urgency for more easing. She urged structural reforms and faster progress on the digital euro to strengthen the currency's global standing amid shifting geopolitical and monetary dynamics. Over in Asia, The Reserve Bank of New Zealand delivered a larger-than-expected 50 bps cut to its cash rate, reducing it to 2.5% from 3%.

North America

FOMC Meeting Minutes

The September FOMC minutes showed that officials were nearly unanimous in supporting a rate cut but split over how quickly to proceed. The committee voted 11–1 to lower the federal funds rate by 25 basis points to 4.00–4.25%, with Governor Stephen Miran dissenting in favor of a larger 50 bps cut. Among the 19 participants, a narrow 10–9 majority projected two additional quarter-point cuts by year end. Most members agreed further easing was warranted amid signs of labor market weakness and moderating inflation, though some argued policy might not be especially restrictive and advocated a more cautious approach. The committee also generally agreed that President Trump's tariffs were unlikely to generate lasting inflationary pressures. Markets are pricing in two further rate cuts by year end.

UoM Consumer Sentiment

The University of Michigan's consumer sentiment index for the U.S. was little changed at 55 in October 2025, compared to 55.1 in September and slightly above expectations of 54.1. Improvements in current personal finances and year-ahead business conditions were offset by weaker future personal finance expectations and durable goods buying conditions. The current conditions index rose slightly to 61 (from 60.4), while the expectations index dipped to 51.2 (from 51.7). Consumers viewed the overall economic outlook as largely unchanged from last month. Year-ahead inflation expectations eased marginally to 4.6%, while long-run expectations stayed at 3.7%.

U.S. Dollar Index

The U.S. dollar index held at 99.3 on Friday, just below Thursday's two-month high of 99.56, and was set for a nearly 2% weekly gain, its strongest in a year, amid political uncertainty in France and Japan that pressured the euro and yen. Markets digested the University of Michigan's October consumer sentiment, which was little changed at 55, with mixed views on personal finances and durable goods buying conditions. Meanwhile, the ongoing US government shutdown is expected to delay key economic data like CPI and labor reports, clouding the Fed's policy outlook. Futures now imply a 95% chance of a 25 bp rate cut this month, while December cut odds are at around 90%.

The Greenback was last seen trading at 98.978.

Canada Labor Market

Canada's unemployment rate held at 7.1% in September 2025, slightly below expectations of 7.2% but still the highest since August 2021. The number of unemployed rose by 11,900 (+0.7%) to 1.61 million, while total employment increased by 60,400 (+0.3%) to 21.02 million, far exceeding forecasts for a 5,000 gain and partially offsetting declines over the past two months. Full-time jobs surged by 106,100 (+0.6%), while part-time

employment dropped by 45,600 (-1.2%). Both the employment rate and labor force participation rate edged up by 0.1 percentage point, to 60.6% and 65.2%, respectively, marking the first employment rate increase in three months.

The USD/CAD currency pair was last seen trading at 1.4004.

Europe

Words From the ECB

ECB President Christine Lagarde said inflation is now close to the 2% target and the economy is expected to pick up in 2026, noting that wage growth is moderating and underlying price pressures are on track. Speaking to EU lawmakers in Strasbourg, she highlighted that higher tariffs, a stronger euro, and global competition are currently weighing on exports and growth, but these headwinds should fade next year. Lagarde reiterated that the disinflation process is over and that the ECB is in a “good place,” with balanced risks and an economy resilient to trade and geopolitical shocks. Policymakers, including Lagarde, de Guindos, and Lane, signaled no urgency to cut rates further from the current 2% deposit rate, though Bank of France Governor Villeroy maintained that another cut can’t be ruled out, especially amid France’s fresh political turmoil following PM Lecornu’s resignation. Turning to the euro, Lagarde emphasized the opportunity to strengthen its global role amid geopolitical shifts and waning confidence in the U.S. dollar, citing U.S. protectionism and President Trump’s defiance of international cooperation as catalysts. She called for bold reforms to bolster Europe’s financial foundation, including expanding safe asset issuance and advancing the digital euro, saying the euro could become a “global anchor of trust” if Europe moves from talk to implementation of reforms.

The EUR/USD currency pair was last seen trading at 1.1618.

Asia-Pacific

Australia Consumer Sentiment

Australia’s Westpac-Melbourne Institute Consumer Sentiment Index slid 3.5% in October to 92.1, marking the sharpest monthly decline since April. This drop erased gains seen between May and August and followed a 3.1% fall in September. Household financial sentiment deteriorated, with conditions compared to a year ago down 4.8% to 82.1, and expectations for the next 12 months tumbling nearly 10% to 97.1, the lowest in over a year. Assessments of the broader economy were mixed: the one-year outlook slipped to 89.9, a yearly low, while the five-year outlook improved modestly to 94.0. The index for “time to buy a major household item” edged down to 1.1% to 97.2, and unemployment expectations worsened, falling below the long-run average. Analysts noted that households appear rattled by recent inflation data. While a November cash rate cut is still possible, economists caution it is “far from assured.”

The AUD/USD currency pair was last seen trading at 0.6469.

Reserve Bank of New Zealand

The Reserve Bank of New Zealand delivered a larger-than-expected 50 bps cut to its cash rate, reducing it to 2.5% from 3%, as it sought to counter persistent economic weakness. The central bank signaled openness to further easing, citing subdued activity through mid-2025 and growing slack in the economy. The NZD/USD pair fell 1% on the news, touching a six-month low, whilst two-year bond yields dropped 8 bps to 2.63%. The Kiwi remains the weakest G10 currency over the past year, down over 6% against the U.S. Dollar, reflecting diverging policy paths from peers such as the Reserve Bank of Australia.

The NZD/USD currency pair was last seen trading at 0.5721.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30550.

Rates – Oct 12th, 2025

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1563	1.1555	1.1630	1.1618	1.1540	1.1720	1.1679
GBP	1.3301	1.3258	1.3370	1.3358	1.3260	1.3500	1.3358
JPY	153.06	151.14	153.27	151.15	149.00	152.55	149.97
CHF	0.8062	0.7987	0.8068	0.7989	0.7830	0.8035	0.7908

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