Weekly Money Market Report
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Fed Cuts Rates for the Third Time, While other Central Banks Pause. Markets Reprice the Path Ahead

Market Commentary

This week's market narrative was dominated by a dovish-but-divided Fed and a chorus of largely steady central banks, set against patchy growth data. The Fed cut the funds rate again to 3.50–3.75%, its third 25 bp move this year, signaled that further hikes are off the table and announced USD 40bn of T-bill purchases, even as its projections still show only one cut penciled in for 2026, leaving markets happy to price in more easing, push the dollar index back toward the high-98s and drive gold above USD 4,300 as yields drifted lower. Elsewhere, the SNB kept its key rate at 0% and reiterated its reluctance to return to negative territory, while the Bank of Canada held at 2.25% amid decent growth and inflation near target, and Australia's RBA remains on hold with a softening labor market lurking beneath a stable 4.3% jobless rate. On the data front, UK GDP contracted again in October, extending a run of zero growth, whereas China's inflation ticked higher from very low levels, hinting at only a gentle improvement in demand. Equities took the policy mix as broadly supportive: the Dow notched fresh record highs and the S&P 500 extended gains. On the FX front, major currencies traded higher supported by a weaker U.S. dollar.

North America

Fed Delivers Third Straight Cut, Signals Slower Pace in 2026

The Federal Reserve lowered the federal funds target range by another 25 bps to 3.50%–3.75% in December 2025, marking a third straight cut and the lowest level since 2022. The decision was unusually divided, with three dissenting members: Stephen Miran pushed for a larger 50 bp move, while Austan Goolsbee and Jeffrey Schmid preferred to leave rates unchanged. The updated projections still point to just one additional 25 bp cut in 2026, even as the Fed upgraded its GDP growth forecasts for 2025–26 and trimmed its PCE inflation estimates only slightly, leaving unemployment forecasts at 4.5% for 2025 and 4.4% for 2026. The U.S. dollar weakened after the announcement, slipping to a seven-week low around 98.5 on the index.

U.S. Job Openings Stays High as Cooling Remains Gradual

Latest JOLTS data showed U.S. job openings edging up by 12,000 to 7.67 million in October 2025, from 7.66 million in September, underscoring that labor demand remains resilient despite softer momentum elsewhere in the economy. The earlier September print was revised to show a hefty 431,000 jump from August's 7.23 million, with both months comfortably above the 7.2 million consensuses. Sector details were mixed: openings climbed sharply in trade, transportation and utilities (+239k) and in health care and social assistance (+49k) but fell in professional and business services (-114k), the federal government (-25k), and leisure and hospitality (-22k). Regionally, gains in the South (+77k) and West (+12k) were partly offset by declines in the Midwest (-42k) and Northeast (-35k). The September and October figures were released together after a 43-day government shutdown delayed data collection, but the overall picture still points to a labor market that is cooling only gradually rather than cracking.

The Greenback was last seen trading at 98.399

BoC Holds Rates Steady, with Growth and Inflation Near Target

The Bank of Canada left its target overnight rate unchanged at 2.25% in December 2025, maintaining the Bank Rate at 2.50% and the deposit rate at 2.20% after signaling in October that policy settings were "about right." Recent data have broadly supported that stance: GDP surprised to the upside with 2.6% annualized growth in the third quarter, while the unemployment rate dropped to 6.5% in November, pointing to a firmer labor market. At the same time, inflation has eased, with headline CPI slowing to 2.2% in October and core measures holding in a 2.5–3% range, consistent with underlying inflation around 2.5%. Policymakers flagged ongoing global uncertainty, tariff-related pressures and volatile trade flows as key risks that could still generate sizeable quarter-to-quarter swings in activity. For now, the Governing Council judges that the current policy rate is appropriate to keep inflation near the 2% target while helping the economy navigate structural adjustment, but it reiterated its readiness to act if the outlook deteriorates.

The USD/CAD currency pair was last seen trading at 1.3769

Europe

SNB Keeps Rates at 0.0%, Amid Very Low Inflation

The Swiss National Bank left its key policy rate unchanged at 0%, as expected, against a backdrop of flat inflation in November – exactly at the lower end of its 0–2% target band. Headline price pressures remain subdued, with falling prices for imported goods, helped by a strong Swiss franc, offsetting only modest gains in domestic goods and services, which rose by about 0.4% y/y. Despite this soft backdrop, policymakers reiterated that they are keen to avoid a return to negative interest rates, citing the "undesirable effects" such a move would bring. Updated projections still show inflation remaining within the price-stability range over the entire forecast horizon, with averages of roughly 0.2% in 2025 and gradually rising toward 0.8% by late 2028. That profile allows the SNB to justify keeping rates at 0% for many months, even as it acknowledges the risk that inflation could briefly slip below zero again if imported disinflation persists.

The USD/CHF currency pair was last seen trading at 0.7959

United Kingdom

UK Growth Stalls Again as Services and Construction Weaken

UK's recent economy growth data were weak, with the economy shrinking 0.1% m/m in October 2025, the same fall as in September and worse than the small rise markets had expected. This is now the fourth month in a row without growth, showing how fragile activity has become. The services sector was the main drag, down 0.3%, hit by lower activity in shops, car repairs, and IT and consulting services. Construction also fell 0.6%, mainly because of a drop in new private housing projects. The only real positive came from industry, where output rose 1.1% after a sharp fall the month before, helped by stronger car production, mining and utilities.

The GBP/USD currency pair was last seen trading at 1.3368

Asia-Pacific

RBA on Hold as Inflation Risks Edge Higher

The Reserve Bank of Australia left its cash rate unchanged at 3.6% for a third consecutive meeting, maintaining a data-driven stance as signs emerge that inflation risks are tilting higher. The decision was unanimous, with the Board stressing that recent indicators still point to sticky price pressures and a labor market that remains tight. Capacity utilization has climbed to 83.6%, an 18-month high, reinforcing the risk of renewed inflation if growth re-accelerates. The Australian dollar and three-year government bond yields both moved higher as swap markets priced in roughly a one-in-three chance of a hike at February's meeting. The planned removal of government power-bill rebates is expected to lift headline CPI, but the RBA has already factored this into its projections, supporting a "wait-and-see" posture into early 2026.

Aussie Jobless Rate Steady but Labor Market Softens
Australia's unemployment rate was unchanged at 4.3% in November 2025, coming in a touch better than expected as the number of unemployed fell to a three-month low. Beneath the surface, however, conditions softened: total employment dropped by about 21,300, reflecting a sharp fall in full-time positions that more than offset gains in part-time work. The participation rate eased to an eight-month low of 66.7%, underemployment climbed to 6.2%, and total hours worked declined by 1 million, all pointing to a cooling labor market despite the stable headline jobless rate.

The AUD/USD currency pair was last seen trading at 0.6652

China Inflation Higher, Up from a Low Base Previously
In China, headline CPI quickened to 0.7% y/y in November 2025 from 0.2% previously, in line with expectations and the strongest pace since early 2024. The main shift came from food prices, which turned positive (+0.2% y/y) for the first time in about ten months thanks to a rebound in fresh-produce costs. Consumer trade-in schemes continued to support demand, helping to firm prices in categories like clothing and healthcare, while education inflation eased slightly. Housing costs were broadly unchanged, and transport prices fell more sharply, leaving the overall inflation picture uneven. By contrast, core CPI held at 1.2% y/y, its highest level in roughly 20 months, hinting at a gradual strengthening in underlying price pressures.

The USD/CNY currency pair was last seen trading at 7.0548

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30560.

Rates – December 14th, 2025

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1640	1.1614	1.1762	1.1740	1.1675	1.1820	1.1792
GBP	1.3320	1.3284	1.3438	1.3368	1.3285	1.3470	1.3369
JPY	155.16	154.88	156.95	155.81	154.80	157.00	154.54
CHF	0.8036	0.7922	0.8085	0.7959	0.7875	0.8000	0.7882