

Weekly Money Market Report

21 December 2025



Global Monetary Policy Paths Continue to Diverge

Market Commentary

Global markets reflected a mixture of easing inflation trends and varied central bank actions. In the U.S., headline CPI slowed to 2.7% in November while core inflation fell to 2.6%, its lowest since March 2021, reinforcing the disinflation narrative despite ongoing data disruptions from the government shutdown. The labor market showed modest resilience with payrolls rising 64K in November, though prior revisions and continued federal job losses softened the outlook, while manufacturing momentum cooled as the flash PMI slipped to a five-month low. In Canada, inflation held at 2.2%, supported by lower energy and easing shelter costs, but firm core inflation kept the Bank of Canada cautious. In the UK, inflation eased to 3.2% and weakening growth prompted a narrowly split 25bp rate cut from the Bank of England, with further easing firmly data dependent. The ECB kept rates unchanged, stressing flexibility amid uncertainty, while the Bank of Japan lifted rates to 0.75%, its highest since 1995, continuing its gradual policy normalization while maintaining accommodative financial conditions.

North America

U.S. Core Inflation Drops to Lowest Level Since March 2021

U.S. inflation continued to ease late in 2025, with headline CPI slowing to 2.7% in November, the lowest since July, while core inflation fell to 2.6%, marking its lowest level since March 2021 and undershooting market expectations. Price pressures were driven mainly by energy, food, and shelter, alongside increases in medical care, household furnishings, recreation, and used vehicles, while apparel and new vehicles saw only modest gains. Data disruptions persisted due to the 43-day government shutdown, leaving October CPI unreported and November monthly figures unavailable, though the BLS estimated prices rose 0.2% over the two-month period from September to November.

Non-Farm Employment Change

U.S. non-farm payrolls rose by 64K in November, beating expectations of a 50K gain and reversing October's revised 105K decline. Hiring was led by health care (+46K), construction (+28K), and social assistance (+18K), while transportation and warehousing shed 18K jobs. Federal government employment continued to fall (-6K) following a sharp 162K drop in October, reflecting deferred buyouts tied to efforts to reduce government headcount. Meanwhile, payrolls were revised lower, with August cut to -26K and September reduced to +108K, tempering the overall labor market picture.

Manufacturing in the U.S. Hits a 5-Month Low

The S&P Global U.S. Flash Manufacturing PMI eased to 51.8 in December 2025, a five-month low, indicating a slower improvement in manufacturing conditions. Production growth softened, new orders declined for the first time in a year, and input inventory accumulation slowed, pointing to cooling demand momentum. Offsetting this weakness, employment recorded its strongest rise since August, while supplier delivery times lengthened the most since September, suggesting some lingering supply-side pressures.

The U.S. dollar index was last seen trading at 98.599.

Inflation in Canada Holds Steady

Canada's headline inflation held steady at 2.2% y/y in November, coming in slightly below market expectations of 2.3% and continuing its gradual convergence toward the Bank of Canada's 2% target. The stability in headline prices was largely supported by weaker energy costs, with gasoline prices falling 7.8% y/y, although monthly pressures emerged due to refinery disruptions. Shelter inflation showed welcome easing, as rent growth slowed to 4.7% from 5.2%, offering some relief on housing-related costs. However, food inflation reaccelerated sharply, with grocery prices rising 4.7% y/y, driven by higher fresh produce and food preparation costs. Meanwhile, services inflation remains uneven, highlighted by a 12.7% surge in cellular service prices amid

reduced promotional activity. Importantly, core inflation remained firm at 2.6%, reinforcing the Bank of Canada's cautious stance despite improving headline trends.

The USD/CAD currency pair was last seen trading at 1.3801.

United Kingdom

Narrowly Split Decision Sees the BOE Cut Rates

The Bank of England lowered the Bank Rate by 25 basis points to 3.75%, its lowest level since 2022 and the first rate cut since August, as easing inflation and increasing signs of economic weakness prompted policymakers to begin loosening policy. The decision was narrowly split, with five members voting for the cut and four favoring no change, a less dovish outcome than markets had expected that led investors to scale back expectations for further rate reductions. The Monetary Policy Committee emphasized that any additional easing will be guided by incoming inflation data, noting that the overall degree of policy restrictiveness has already started to diminish. The move followed a slowdown in UK inflation to 3.2% in November, its lowest level in eight months and below the BoE's forecast, alongside a second consecutive monthly contraction in GDP and cooling private-sector wage growth.

Inflation in the UK Drops

UK inflation eased to 3.2% in November 2025, the lowest level in eight months and below both market expectations and the Bank of England's forecast. The slowdown was driven mainly by lower food prices, particularly bread and cereals, alongside easing costs for alcohol, tobacco, transport, housing, and utilities. Services inflation also moderated, coming in slightly below central bank projections. On a monthly basis, CPI fell 0.2%, marking the largest decline since mid-2024 and reinforcing signs of easing price pressures across the economy.

The GBP/USD currency pair was last seen trading at 1.3375.

Eurozone

ECB Rates Remain Unchanged

The ECB left interest rates unchanged for a fourth consecutive meeting in December 2025, keeping the main refinancing rate at 2.15% and the deposit facility rate at 2.0%, in line with expectations. Policymakers reiterated a data-dependent, meeting-by-meeting approach, with President Lagarde noting that there was no discussion of either rate hikes or cuts and stressing that the ECB has no predetermined policy path or forward guidance amid high uncertainty. Updated projections showed a modestly improved growth outlook through 2027, while inflation is expected to gradually converge toward the 2% target, with the 2026 inflation forecast revised slightly higher, mainly reflecting continued strength in services prices.

The EUR/USD currency pair was last seen trading at 1.1708.

Asia-Pacific

Japan Borrowing Costs at Their Highest Levels Since 1995

The Bank of Japan raised its key short-term policy rate by 25 basis points to 0.75% at its December meeting, taking borrowing costs to their highest level since September 1995 and in line with market expectations, as the central bank continued its gradual shift away from decades of ultra-loose monetary policy. The move marked the BoJ's second rate hike this year following a similar increase in January, reflecting growing confidence that the economy can sustain higher rates amid improving corporate profitability and steady wage growth. Policymakers reiterated their expectation that firms will continue to deliver meaningful pay increases into 2026, helping support domestic demand and inflation dynamics. At the same time, the board emphasized that real interest rates remain "significantly negative" and that overall financial conditions are still broadly accommodative, signaling that policy remains supportive despite the normalization steps. The BoJ stressed that further rate increases will depend on whether the economic and inflation outlook outlined in its October projections materialize, and it forecast that core inflation will temporarily ease below the 2% target through the first half of fiscal year 2026 before gradually firming thereafter.

The USD/JPY currency pair was last seen trading at 157.75.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30545.

Rates – Dec 21st, 2025

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1733	1.1702	1.1803	1.1708	1.1650	1.1800	1.1760
GBP	1.3370	1.3308	1.3455	1.3375	1.3300	1.3450	1.3380
JPY	155.85	154.39	157.77	157.75	156.80	159.50	156.50
CHF	0.7953	0.7924	0.7987	0.7952	0.7850	0.8000	0.7876

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