

Weekly Money Market Report

22 February 2026



>NBK Treasury
+965 22216603
tsd_list@nbk.com

U.S. Economy Sharply Slows Amidst Hawkish Fed Minutes

Market Commentary

Global markets were shaped by a combination of cautious central bank signals, mixed growth dynamics, and renewed geopolitical tensions. In the United States, January FOMC minutes reinforced a patient policy stance, with officials highlighting upside inflation risks and limited urgency to ease despite a stable labor market, while December PCE data surprised to the upside and Q4 GDP slowed sharply to 1.4%, reflecting moderating consumption and weaker public spending. In Europe, activity indicators improved as the Eurozone composite PMI reached a three-month high and Germany's manufacturing sector returned to expansion, though soft demand and elevated input costs persisted. The UK disinflation trend continued with CPI easing to 3.0%, its lowest since March 2025, alongside a record January fiscal surplus driven by strong tax receipts. Across Asia-Pacific, Japan posted only a modest Q4 rebound amid weak consumption, the RBNZ maintained an accommodative stance while signaling gradual inflation normalization, and Australia's resilient labor market reinforced expectations of further RBA tightening. Meanwhile, rising US-Iran tensions lifted oil to multi-month highs, supporting commodity currencies and reviving safe-haven demand for the dollar. FX markets reflected these cross-currents, with constructive sentiment toward EUR crosses persisting amid expectations for EURGBP upside, while EURUSD dips are seen attracting buying interest with a medium-term bias toward higher levels.

United States

Fed January Minutes Highlight Cautious Policy Stance with Inflation Risks Skewed Upward Despite Stable Labor Market

Minutes from the Federal Reserve's January 27-28 meeting indicate a more cautious stance on additional easing, with several officials warning that persistent inflation could warrant renewed tightening. The Federal Open Market Committee voted 10-2 to maintain the federal funds rate at 3.5%-3.75%, with two governors dissenting in favor of a 25-basis point cut. Policymakers assessed that downside labor market risks had moderated, while inflation risks remained skewed to the upside, reaffirming commitment to the 2% target. Subsequent data showed payroll growth of 130K in January and unemployment declining to 4.3%, alongside modest CPI gains. Market pricing continues to imply a potential rate cut by June, though expectations have been partially repriced.

U.S. PCE Inflation Accelerates in December as Monthly Price Pressures Pick Up

The U.S. PCE price index increased 0.4% month-over-month in December 2025, the fastest pace since February and above expectations, driven by firmer goods and services prices. Core PCE also rose 0.4%, exceeding forecasts, while food prices climbed and energy costs posted a smaller gain. On an annual basis, headline PCE inflation accelerated to 2.9%, with core PCE rising to 3%, both topping expectations. The data highlighted renewed inflation momentum at year-end in the Federal Reserve's preferred price gauge.

U.S. Growth Slows Sharply in Q4 2025 as Consumer Spending Moderates

The U.S. economy grew at an annualized pace of 1.4% in Q4 2025, slowing significantly from 4.4% in Q3 and missing expectations of 3%, marking the weakest expansion since Q1. Consumer spending moderated to 2.4%, as a slight decline in goods purchases offset solid services activity. External trade weighed on growth, with exports falling 0.9% and imports also declining at a slower rate. Government spending and investment contracted sharply, reversing prior gains, while fixed investment strengthened, supported by robust intellectual property and equipment spending alongside a smaller drag from structures and housing. For the whole of 2025, the U.S. economy expanded 2.2%, down from 2.8% in 2024, mainly driven by consumer spending and investment.

The Greenback was last seen trading at 97.789.

Eurozone

Eurozone Activity Gains Momentum as Composite PMI Improves and Germany Manufacturing Returns to Expansion

The HCOB Eurozone Composite PMI rose to 51.9 in February 2026 from 51.3, exceeding expectations of 51.5 and marking the strongest expansion in private sector activity since November. The improvement was driven by the sharpest increase in manufacturing output since August 2025 alongside faster services growth. However, demand conditions remained soft, with new orders rising only marginally as foreign demand continued to decline, while employment slipped for a second consecutive month and backlogs of work continued to contract. Input cost inflation accelerated to a joint 34-month high, though output price growth eased modestly, and business confidence, despite edging lower, remained the second highest in 21 months. Complementing the regional picture, Germany's Manufacturing PMI climbed to 50.7 from 49.1, beating forecasts and signaling the sector's first expansion since June 2022. Output rose for a second month at the fastest pace since October, while new orders recorded their strongest increase in nearly four years amid improving export demand. Backlogs expanded for the first time since May 2022 and employment declines moderated notably. On the pricing front, input costs continued to rise at the fastest pace since December 2022, while output prices increased marginally, ending a three-month period of declines.

The EUR/USD currency pair was last seen trading at 1.1780.

United Kingdom

UK CPI Falls to Lowest Since March 2025 as Broad Disinflation Continues Despite Sticky Services Prices

UK annual CPI slowed to 3.0% in January 2026 from 3.4% in December, in line with expectations and marking the lowest reading since March 2025. The decline was largely driven by softer transport and food price inflation, with transport costs rising 2.7% year-on-year and food inflation easing to 3.6%. Price pressures also moderated across housing, utilities, and recreation, indicating broader disinflationary trends. However, inflation in restaurants and hotels accelerated to 4.1%, highlighting persistent services inflation. Core inflation fell to 3.1%, its lowest level since August 2021, signaling that underlying price pressures are gradually cooling. On a monthly basis, consumer prices dropped 0.5%, reversing the previous month's increase and reinforcing the narrative of easing inflation momentum.

UK Posts Record January Budget Surplus on Strong Tax Receipts and Lower Debt Interest Costs

UK public sector net borrowing, excluding public sector banks, registered a £30.4 billion surplus in January 2026, more than doubling from £14.5 billion a year earlier and surpassing expectations of £23.8 billion, marking the largest January surplus since records began in 1993. The improvement was driven by a £16.8 billion year-on-year rise in receipts, boosted by record self-assessed income and capital gains tax payments as taxpayers accelerated asset sales ahead of planned tax increases. Public expenditure increased only modestly by £0.9 billion, with higher public service and benefit spending largely offset by reduced government debt interest costs. Despite the strong monthly performance, cumulative borrowing for the financial year to January reached £112.1 billion, below the OBR's £120.4 billion forecast but still the fifth-highest April-January borrowing on record.

The GBP/USD currency pair was last seen trading at 1.3482.

Asia-Pacific

Japan Economy Shows Modest Q4 2025 Rebound as Investment Recovers but Consumption Weakens

Japan's economy expanded modestly by 0.1% q/q in Q4 2025, rebounding from a 0.7% contraction in Q3 but falling short of the expected 0.4% gain. Growth was supported by a recovery in business investment (0.2% vs. -0.3% previously), while private consumption slowed sharply to 0.1%, its weakest pace in a year, weighed down by persistent cost pressures, particularly higher food prices. Government spending remained subdued at 0.1%, and net trade made no contribution as both exports and imports declined. The data suggests the drag from U.S. tariffs is gradually easing, though tensions with China remain, with authorities now preparing to boost targeted public investment following a strong election mandate.

The USD/JPY currency pair was last seen trading at 155.05.

RBNZ Holds Cash Rate at 2.25% While Signaling Continued Supportive Policy Amid Gradual Inflation Normalization

The Reserve Bank of New Zealand kept its official cash rate unchanged at 2.25% in February, aligning with market expectations and maintaining borrowing costs at their lowest level since mid-2022. Policymakers indicated that monetary policy will remain supportive for some time, as earlier rate cuts continue to aid economic recovery and absorb spare capacity. Although inflation remains slightly above the 1–3% target band, easing wage and price pressures suggest a gradual return toward the 2% midpoint over the coming year. Recent data points to improving economic momentum, supported by stronger export prices, rising investment, and firmer business sentiment. However, household consumption and labor market conditions are still relatively soft. Overall, the Committee views risks to the outlook as balanced and emphasized that future policy decisions will remain data dependent.

The NZD/USD currency pair was last seen trading at 0.5974.

Australia Labor Market Remains Resilient with Strong Full-Time Hiring Supporting RBA Tightening Bias

Australia's labor market remained resilient in January, with the unemployment rate steady at 4.1% versus a 4.2% consensus, reinforcing the Reserve Bank of Australia's tightening bias. Employment increased by 17.8K, driven entirely by a 50.5K rise in full-time roles, while part-time positions fell by 32.7K. The participation rate held at 66.7%, underemployment edged up to 5.9%, and the employment-to-population ratio eased to 63.9%. Following the release, three-year government bond yields climbed 7 basis points to 4.31%, and the Australian dollar extended its 5.5% YTD gain. The policy rate remains at 3.85%, with markets pricing elevated odds of a further hike amid inflation forecasts remaining above the 2-3% target band and NAIRU estimated at 4.6%.

The AUD/USD currency pair was last seen trading at 0.7083.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30545.

Rates – February 22nd, 2026

| Currencies | Previous Week Levels | | | | This Week's Expected Range | | 3-Month |
|------------|----------------------|--------|--------|--------|----------------------------|---------|---------|
| | Open | Low | High | Close | Minimum | Maximum | Forward |
| EUR | 1.1867 | 1.1741 | 1.1875 | 1.1780 | 1.1600 | 1.1850 | 1.1832 |
| GBP | 1.3648 | 1.3431 | 1.3662 | 1.3482 | 1.3300 | 1.3565 | 1.3487 |
| JPY | 152.64 | 152.52 | 155.64 | 155.05 | 153.90 | 156.30 | 153.90 |
| CHF | 0.7670 | 0.7670 | 0.7772 | 0.7758 | 0.7670 | 0.7860 | 0.7683 |

© 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