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# Weekly Money Market Report
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# Increased Safe Haven Demand & Cautious Global Outlook as U.S. Faces Fiscal Deadlock

## Market Commentary

Global markets were rattled this week as political gridlock in Washington triggered a U.S. government shutdown, raising concerns about its impact on economic activity and data releases. The closure has already forced the Labor Department to delay the September nonfarm payrolls report. Equities were up, with U.S. indices inching higher on AI-driven momentum despite mounting political risks. Commodities came under renewed pressure, with WTI crude slipping toward $60 per barrel, its lowest in four months, as oversupply worries intensified. At the same time, gold steadied near recent highs, supported by safe-haven demand amid heightened geopolitical risks and fiscal uncertainty in the U.S. In rates markets, Japan's 10-year government bond yield surged to 1.66%, the highest since 2008, after BOJ Governor Ueda reaffirmed the potential for policy tightening should inflation remain aligned with forecasts. Meanwhile, Swiss inflation remained subdued at 0.2% in September, underscoring ongoing disinflationary pressures.

## United States

### US Government Shutdown Adds Political Risk

The U.S. dollar index traded lower throughout the week due to pressure by the government shut down that followed a failed short-term funding agreement between Democrats and Republicans. The shutdown has resulted in potential furloughs for hundreds of thousands of federal workers and the suspension of critical government services. Traders are uncertain about how long the disruption will last, with concerns it could delay the release of key economic data ahead of the Federal Reserve's late-October policy meeting. This includes Friday's nonfarm payrolls report, a major labor market indicator. As a result, more attention was turned to ADP's private payrolls data released Wednesday.

### U.S. Jobs Market Shows Strain

U.S. private businesses cut 32K jobs in September 2025, the steepest drop since March 2023 and the second straight monthly decline, defying expectations for a 52K gain. The weakness was partly linked to a benchmarking adjustment that lowered counts by 43K, but the broader trend showed slowing job creation across sectors. The service sector lost 28K jobs, led by sharp declines in leisure/hospitality (-19K), professional/business services (-13K), financial activities (-9K), and trade/transport/utilities (-7K), which outweighed gains in education/health (+33K). The goods sector shed 3K jobs, with losses in construction (-5K) and manufacturing (-2K). Wage growth held steady for job-stayers (4.5%), while job-changer pay slowed to 6.6% from 7.1%, signalling easing labor market momentum.

The US Dollar index closed the week at 97.71.

## Europe

### Eurozone Inflation Ticks Up

Euro area inflation ticked up to 2.2% in September 2025 from 2.0% in the prior three months, slightly above the ECB's 2% target midpoint. The rise was mainly due to a smaller drop in energy prices (-0.4% vs.- 2.0% in August). Services inflation inched higher (3.2% vs. 3.1%), while food, alcohol, and tobacco slowed (3.0% vs. 3.2%) on weaker unprocessed food prices. Non-energy industrial goods held steady at 0.8%. Core inflation stayed unchanged at 2.3%, its lowest since January 2022, highlighting lingering price pressures but relative stability in underlying trends.

**Eurozone Service PMI Rises in September**

The HCOB Eurozone Services PMI rose to 51.3 in September 2025 from 50.5 a month earlier, maintaining a fourth consecutive month of expansion. The reading, while revised slightly lower than the preliminary 51.4, remained above expectations of 50.5. New orders grew at a mild pace, supported by solid domestic demand, though weakness in foreign sales offset some of the gains amid ongoing trade disputes with the US. Output expanded as backlogs continued to shrink, while employment rose at its slowest pace in over four years. On the price side, both input costs and output charges increased, though at a softer rate. Looking ahead, service providers remained optimistic, with business confidence climbing to its highest level in 11 months.

The EUR/USD currency pair closed the week at 1.1744

**Swiss Inflation Slips Further, In Line with Expectations**

Switzerland's consumer prices rose by 0.2% year-on-year in September 2025, holding steady for the third straight month and coming in slightly below market expectations of 0.3%. The reading followed the Swiss National Bank's pause after six consecutive rate cuts that brought the policy rate to zero. While the SNB signaled it is hesitant to return to negative rates, it left the door open to further cuts if deflation re-emerges. Price pressures were uneven, with housing and utilities costs edging higher (0.7% vs. 0.6% in August), while transport deflation moderated. However, food and beverage prices fell more sharply at -0.8%. On a monthly basis, CPI slipped 0.2%, deepening August's 0.1% decline. Core inflation stood at 0.7%, unchanged from the prior month, highlighting subdued underlying pressures.

The USD/CHF currency pair closed the week at 0.7953.

## United Kingdom

**UK Activity Stagnates**

The S&P Global UK Composite PMI fell sharply to 50.1 in September 2025, down from 53.5 in August and barely above the growth threshold. The figure marked the weakest reading in five months, signalling stagnation in private sector activity. Services output managed only a marginal increase, while manufacturing production declined at the steepest rate in six months as order books slumped. New business contracted, reversing August's modest growth, while employment declined further, with private sector payrolls shrinking for a twelfth straight month. Both services and manufacturing firms reported job losses, underlining subdued demand and persistent cost pressures. The data reinforced concerns that UK firms remain cautious on hiring amid fragile economic conditions.

The GBP/USD currency pair closed the week at 1.3478

## Asia-Pacific

**Australia's RBA Keeps Rates Unchanged, Signals Caution**

The Reserve Bank of Australia (RBA) left the cash rate unchanged at 3.6% after its September meeting, with the board unanimously agreeing it was prudent to remain cautious amid signs that inflation may be more persistent than expected. While inflation has eased significantly since its 2022 peak, recent data, described as "partial and volatile", indicates September-quarter inflation could surprise to the upside. Successive reports from the Australian Bureau of Statistics showed the consumer price index rising 2.8% year-on-year in July and 3% in August, the highest since July 2024, while the trimmed mean also remains above the RBA's 2–3% target midpoint, ruling out near-term rate cuts. The board stressed it remains alert to heightened uncertainty, citing both domestic and global factors shaping the outlook for growth and inflation.

The AUD/USD currency pair closed the week at 0.6601.

**China Manufacturing Activity Remains in Contraction**
China's official manufacturing activity contracted less than expected in September, with the Purchasing Managers' Index (PMI) rising to 49.8 versus forecasts of 49.6, its strongest level since March. Although the PMI has remained below the 50-threshold separating growth from contraction since April, production climbed to a six-month high of 51.9, while new orders improved to 49.7 and inventories contracted more slowly at 48.5. Gains were led by equipment, high-tech, and consumer goods manufacturing, according to the National Bureau of Statistics. However, non-manufacturing activity weakened, with the services PMI slipping to 50.0, its lowest this year and close to contraction, as most sub-indexes declined except for export orders, which matched the year's peak at 49.8. While Beijing's push to curb over capacity and external demand have provided some support, recent data on third-quarter activity and inflation underscore the case for further policy easing ahead.

The USD/CNY currency pair closed the week at 7.1190.

**Japan Yields Hit 16-yr High on Ueda Remarks**
Japan's 10-year government bond yield held above 1.66% on Friday, its highest since 2008, after BOJ Governor Kazuo Ueda reiterated that rate hikes remain on the table if economic and price conditions align with forecasts. Ueda noted that US tariffs are hurting Japanese exporters, particularly in the auto sector, but the broader effects on investment, employment, and wages remain contained. Meanwhile, unemployment ticked up to 2.6% in August, the highest in over a year and above forecasts of 2.4%. Political uncertainty also weighed on sentiment, as markets awaited the ruling party's leadership vote to determine the next prime minister. The Liberal Democratic Party is set to choose a successor to former PM Shigeru Ishiba, who resigned last month, with debates centering on fiscal restraint versus household relief. The outcome is likely to shape both fiscal priorities and central bank guidance in the months ahead.

The USD/JPY currency pair closed the week at 147.44.

## Kuwait

### Kuwaiti Dinar

USD/KWD closed last week at 0.30485.

## Rates – 5th October 2025

| | Previous Week Levels | | | | This Week's Expected Range | | 3-Month |
|---|---|---|---|---|---|---|---|
| Currencies | Open | Low | High | Close | Minimum | Maximum | Forward |
| EUR | 1.1697 | 1.1681 | 1.1778 | 1.1741 | 1.1700 | 1.1780 | 1.1802 |
| GBP | 1.3389 | 1.3387 | 1.3527 | 1.3478 | 1.3400 | 1.3530 | 1.3478 |
| JPY | 149.39 | 146.57 | 149.51 | 147.44 | 145.50 | 148.20 | 146.09 |
| CHF | 0.7968 | 0.7925 | 0.8000 | 0.7953 | 0.7830 | 0.8000 | 0.7869 |