

Weekly Money Market Report

18 January 2026



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Markets Steady as Mixed Inflation Data and Policy Uncertainty Shape Sentiment

Market Commentary

Global markets traded with a cautious yet constructive tone over the week, as U.S. data showed mixed progress on inflation alongside continued economic resilience and rising political uncertainty. Headline and core CPI held at 2.7% y/y, while producer prices rose 0.2% m/m, lifting annual PPI to 3.0% and highlighting persistent upstream price pressures, particularly from energy. Consumer demand remained firm, with retail sales exceeding expectations, and jobless claims declined, reinforcing the “low hire, low fire” labor market narrative. Meanwhile, renewed concerns over Federal Reserve independence following political pressure on Chair Jerome Powell added to policy uncertainty. Amid these developments, the dollar index edged higher, U.S. equities finished mixed on the week, and commodities outperformed, with gold and silver surging to record highs as investors sought safe-haven exposure amid elevated geopolitical and economic risks.

United States

Fed Chair Jerome Powell Threatened with Criminal Investigation

Federal prosecutors have launched a criminal investigation into Federal Reserve Chair Jerome Powell over the \$2.5 billion renovation of the Fed’s Washington headquarters and his related testimony to Congress, which Powell said reflects President Donald Trump’s long-standing frustration with the central bank’s reluctance to cut interest rates as aggressively as demanded. Observers warn the probe could undermine the Fed’s independence, weaken confidence in the U.S. economy, and increase risks of higher inflation, pressure on the dollar’s reserve-currency status, and higher government borrowing costs, concerns echoed by some Republicans, including Senator Thom Tillis, who vowed to oppose future Fed nominees, and Senator Lisa Murkowski, who called for a Justice Department investigation. Despite these risks, financial markets remain largely calm, with U.S. equities recovering from early losses to close higher, suggesting investors are not yet pricing in a serious threat to Fed independence.

CPI Numbers Broadly In Line with Expectations

U.S. consumer prices rose 2.7% y/y in December, capping a year of modest inflation progress but ongoing cost-of-living pressures. Headline inflation was unchanged from November, while monthly CPI accelerated to 0.3%, driven by persistent housing costs alongside higher food prices (+0.7% m/m) and energy prices (+0.3%). Core inflation rose 0.2% on the month, bringing the annual core rate to 2.7%, broadly in line with expectations. While inflation remained above pre-pandemic norms at year-end, both headline and core measures eased from earlier in the year, marking an improvement from January’s higher inflation readings.

PPI Accelerates in November

U.S. producer prices rose 0.2% m/m in November 2025, accelerating from October’s 0.1% increase and in line with expectations. The gain was driven by a 0.9% rise in goods prices, the strongest increase since February 2024, largely reflecting a 4.6% surge in energy costs. Food prices were unchanged, while services prices were flat after rising 0.3% in October. Core PPI was unchanged on the month, undershooting forecasts. On a year-over-year basis, both headline and core producer inflation increased to 3.0%, exceeding market expectations.

Retail Sales Print Shows Consumer Resilience

U.S. retail sales increased at a robust pace in November, highlighting continued consumer resilience despite economic uncertainty and a cooling labor market. Headline sales rose 0.6% m/m, rebounding from a downwardly revised 0.1% decline in October and exceeding market expectations of a 0.4% increase. Gains were broad-based at the start of the holiday season, led by specialty retailers, gas stations, and home improvement stores, while the control group measure rose a strong 0.4%, well above forecasts. Only furniture and department stores posted declines, underscoring the overall strength of consumer spending and the U.S. economy through 2025 despite policy uncertainty and disruptions such as the government shutdown.

Unemployment Claims Falls Amid “Low Hire. Low Fire” Economy

U.S. initial jobless claims fell last week, signaling that layoffs remain subdued despite concerns about a softening labor market. New filings declined by 9,000 to 198,000 in the week ending January 10, well below expectations and the prior week’s level. The data reinforce the picture of a “low hire, low fire” economy, where hiring remains sluggish, but layoffs and unemployment continue to stay low. Markets continue to price in two rate cuts by year-end.

The Greenback was last seen trading at 99.39.

United Kingdom

GDP Print Comes in Better than Anticipated

The pound weakened against major peers despite stronger-than-expected UK GDP data for November, as market focus shifted to expectations that the Federal Reserve will keep interest rates unchanged at its upcoming meeting. UK GDP expanded by 0.3% m/m, well above forecasts of 0.1%, marking a clear rebound after contractions in September and October following a flat August. In response to the upbeat growth data, markets are only pricing in 45 bps worth of easing by year end.

The GBP/USD currency pair was last seen trading at 1.3381.

Commodities

Gold, and Silver surge to Record Highs

Gold rallied to a fresh record over the week, topping out at \$4,642.72, with silver surging alongside it as heightened geopolitical and economic uncertainty boosted demand for safe-haven assets. Investor caution was reinforced by renewed concerns over Federal Reserve independence, after global central bank leaders publicly backed Fed Chair Jerome Powell following threats of a criminal indictment by the Trump administration. Spot silver also climbed to record levels, peaking at \$93.57 during the week.

The XAU/USD pair was last seen trading at 4,594.94, while the XAG/USD pair was last seen trading at 89.90.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30580.

Rates – January 18th, 2026

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1629	1.1583	1.1698	1.1597	1.1555	1.1700	1.1646
GBP	1.3394	1.3359	1.3494	1.3381	1.3340	1.3500	1.3379
JPY	158.00	157.52	159.45	158.09	157.50	160.00	156.88
CHF	0.8006	0.7953	0.8040	0.8029	0.7900	0.8125	0.7952

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