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Weekly Money Market Report

06 April 2025

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Tariff Tensions Shake Markets: EUR Surges, U.S. Dollar & Equities Slide, Rate Cut Bets Rise

Market Commentary

Over the past two weeks, the U.S. Dollar Index (DXY) has experienced significant volatility, primarily driven by geopolitical developments and shifting investor sentiments. On April 3, the EUR/USD pair surged to 1.1145, over 300 pips above its weekly opening. This sharp appreciation was attributed to market reactions to U.S. President Donald Trump's announcement of reciprocal tariffs on imports from various countries, including EU nations. While other countries such as China have reacted implementing 34% retaliatory tariffs on the US. The tariffs raised concerns about a potential global economic slowdown, leading to a sell-off in the U.S. Dollar, reaching 102.893. U.S. equities also experienced a sharp sell off, with the S&P 500 falling to 5,074.08, down from 5,680 levels earlier in the week. While the Nasdaq and Dow Jones fell by -5.82% and -5.50% respectively. Despite a strong U.S. jobs report, markets are currently pricing in a 50% probability of a rate cut in May.

United States

Durable Goods Orders

U.S. durable goods orders unexpectedly rose 0.9% ($2.7 billion) to $289.3 billion, beating expectations of a 1% decline. This followed a strong 3.3% increase in January. Transportation equipment led the gains, particularly motor vehicles (4%) and defense aircraft (9.3%). Orders also rose for machinery (0.2%), fabricated metal products (0.9%), computers (1.1%), and electrical equipment (2%). However, capital goods orders fell 1.5%, and non-defense capital goods excluding aircraft an indicator of business investment—declined 0.3%, marking the first drop in four months. Business spending may be constrained by uncertainty over tariffs.

Personal Consumption Expenditures Price Index.

The Federal Reserve's preferred inflation gauge, the core PCE price index, climbed 0.4% in February to its largest monthly jump since January 2024, pushing the annual rate to 2.8%, slightly above forecasts of 0.3% and 2.7%, according to Commerce Department data released Friday. This measure strips out volatile food and energy costs and is seen as a clearer signal of underlying inflation trends. Meanwhile, the broader all-items PCE index rose 0.3% monthly and 2.5% annually, matching expectations. Markets reacted cautiously, with stock futures and Treasury yields dipping briefly after the report. The Fed prioritizes the PCE index because it better reflects shifting consumer habits and downplays housing costs compared to the CPI. Shelter inflation, a persistent driver, rose 0.3% in February. The data arrives amid fears that President Trump's proposed tariffs could reignite inflation, complicating the Fed's slow progress toward its 2% target. After cutting rates by 1% in 2024, the Fed has paused this year, wary of tariffs' price impacts. While tariffs are often seen as temporary shocks, economists warn Trump's sweeping trade policies and the threat of global retaliation could fuel lasting inflation pressures, upending earlier assumptions.

ISM Manufacturing PMI

The Institute for Supply Management (ISM) recently shared its monthly Manufacturing Purchasing Managers' Index (PMI) report, a key measure of U.S. factory activity. This index tracks trends in the manufacturing sector by surveying over 400 industrial companies. The latest PMI reading dropped to 49.0, which is below the critical threshold of 50. A number under 50 means the sector is shrinking rather than growing. This result was worse than what experts had predicted (49.5) and lower than the previous month's reading of 50.3, which had shown slight growth. The decline highlights ongoing struggles in manufacturing, such as delays in supply chains and other operational challenges. The PMI is calculated using five main factors: New Orders, Production, Employment, Supplier Deliveries, and Inventories, each weighted differently. When these areas slow down, the overall index falls. A weaker PMI often signals trouble for the economy, since manufacturing is a major part of U.S. economic activity. A lower-than-expected reading like this could also weaken the U.S. dollar, as investors may worry about the country's economic strength. However, the report notes that monthly data can swing due to temporary factors like weather events, holidays, or logistical hiccups. For example, a harsh winter storm or a factory shutdown during a holiday might distort the numbers. This means the current contraction might not last, it could be a short-term dip rather than a long-term problem. Still, the drop raises concerns, and economists will watch future reports closely to see if this is a one-time issue or the start of a deeper slowdown. For now, the takeaway is that manufacturing is facing pressure, but the full picture will depend on how the sector performs in the coming months.

JOLTS Job Openings

In February, U.S. job openings declined by 194,000 to 7.568 million, signaling a slowdown in labor demand amid growing economic uncertainty. The drop, reported by the Labor Department's JOLTS survey, comes as businesses react to a wave of tariffs imposed by the Trump administration on imports such as steel, aluminum, and automobiles. January's job openings were revised slightly upward to 7.762 million, while layoffs increased by 116,000 to 1.79 million, still historically low but showing signs of strain. President Trump's announcement of broad tariffs and the upcoming introduction of "reciprocal" global duties, labeled "Liberation Day," have dampened both business and consumer sentiment. Economists now see a higher risk of recession, driven by rising prices and supply chain disruptions. Many warn that these factors, along with a hiring freeze and significant planned federal workforce reductions, could further slow job growth and lead to more layoffs in the coming months.

ADP Non-Farm Employment Change

The ADP National Employment Report, released on the 2nd, showed that the U.S. private sector added 155,000 jobs in March—well above expectations of 118,000 and significantly higher than February's revised total of 84,000. The data, based on payroll information from around 400,000 U.S. businesses, indicates strong growth in non-farm private employment.

President Trump Speaks

President Donald Trump stepped up U.S. trade actions by imposing the highest import taxes in a century, part of his push to change global trade. This move worried investors, who fear it could hurt U.S. growth by sparking a trade war. On Wednesday, Trump ordered a 10% tax on all imports, with even higher taxes on 60 countries including China, the EU, Japan, and Vietnam—claiming they sell more to America than they buy. China now faces over 50% taxes on many products. At a White House event, Trump said American workers had been "left behind" while other nations grew wealthy "at our expense," adding, "Now it's our turn to prosper." This move takes Trump's trade war to a new level, risking that other countries might strike back . Trump sees taxes on imports as a way to boost U.S. power, bring back factory jobs, and pressure other nations—rejecting the old idea that less trade restrictions help countries work together. Experts warn this could raise prices, slow growth, and maybe cause a recession.

Unemployment Claims

The Labor Department reported a slight decline in weekly unemployment claims, with seasonally adjusted initial filings dropping by 6,000 to 219,000 for the week ending March 29. While low layoffs continue to reflect a resilient job market, risks loom from trade tariffs and efforts to reduce federal government staffing. Though large-scale cuts to federal workers and contractors over 280,000 tracked since January across 27 agencies have not yet significantly impacted unemployment data due to legal delays, they signal potential strain. Meanwhile, the number of people continuing to claim jobless benefits rose by 56,000 to 1.903 million for the week ending March 29, hitting the highest level since late 2021. This uptick in ongoing claims suggests hiring has slowed, as fewer new jobs appear to be available.

Non-Farm Payrolls

The U.S. labor market showed unexpected strength in March, with nonfarm payrolls surging by 228,000 jobs far exceeding forecasts of 137,000 and rebounding from a downwardly revised 117,000 in February. However, the unemployment rate ticked up to 4.2% (above the 4.1% estimate) as more workers returned to the labor force. While the headline jobs growth signals resilience, the report comes amid heightened anxiety over President Trump's new tariffs, which have sparked fears of a global trade war and rattled markets. Key details revealed mixed trends: Average hourly wages rose 0.3% monthly (matching expectations), but the annual pace slowed to 3.8%, the lowest since mid-2024. Healthcare led job gains (+54,000), followed by retail, social assistance, and transportation. Federal government jobs dipped slightly (-4,000), though layoffs linked to efficiency efforts (over 275,000 so far) were masked by counting severance-paid workers as employed. Despite the strong headline number, downward revisions to January and February data (now totaling 111,000 and 83,000 jobs, respectively) and ongoing tariff uncertainty cast doubt on future hiring. Markets largely shrugged off the report, with stocks remaining under pressure and investors fleeing to bonds.

The Greenback was last seen trading at 102.893

United Kingdom

United Kingdom Consumer Price Index y/y

In February 2025, the UK's annual inflation rate fell to 2.8% from 3% in January, below the expected 3% but aligning with the Bank of England's forecast. The biggest downward pressure came from clothing prices, which declined for the first time since October 2021 (-0.6% vs. 1.8%), along with slower inflation in recreation and culture (3.4% vs. 3.8%) and housing and utilities (1.9% vs. 2.1%). Food inflation remained steady at 3.3%, while transport (1.8% vs. 1.7%) and restaurant/hotel prices (3.4% vs. 3.3%) rose faster. Core inflation eased to 3.5% from 3.7%, and the monthly CPI increased by 0.4%, rebounding from a 0.1% drop but below the expected 0.5% rise.

The GBP/USD currency pair was last seen trading at 1.2890

Europe

ECB President Lagarde Speaks

European Central Bank (ECB) President Christine Lagarde stressed the need for ongoing vigilance against inflation, despite growing uncertainty linked to U.S. trade policies under President Donald Trump. Speaking to France Inter Radio on March 31, she described the fight to stabilize prices as a "daily struggle," emphasizing that while the ECB is nearing its 2% inflation target, policymakers must remain steadfast. "We are almost where we should be, but we have to stay there it's a constant battle," she said. The ECB has lowered interest rates six times since June, but disagreements persist ahead of its April 17 meeting, partly due to Trump's announcement on retaliatory tariffs and their uncertain global impact. Lagarde acknowledged differing views among policymakers: Some advocate faster rate cuts, while others urge caution to assess risks. "Some want to gallop ahead; others prefer a slow trot," she remarked. With March eurozone inflation data due soon expected to show minimal improvement Lagarde urged patience, advising against speculation. "Let's analyze the data as it comes, without forecasting. Our focus must remain on price stability it's our compass," she said. She also criticized Trump's trade measures, warning that tariffs on sectors like autos would potentially harm the global economy. "Trade wars leave no winners, not even the U.S.," she stated. However, Lagarde framed the turmoil as an opportunity for Europe to assert independence in energy, finance, and strategic sectors. "We're two days away from a major geopolitical shift driven by U.S. decisions. Europe must seize this moment to take control of its future," she said, calling it an "existential moment" for the bloc to strengthen self-reliance and secure its economic sovereignty.

The EUR/USD currency pair was last seen trading at 1.0955

Asia-Pacific

China have reacted by implementing 34% retaliatory tariffs on the US

China has imposed extensive 34% tariffs on all U.S. imports, retaliating against President Donald Trump's latest trade measures and escalating fears of a global trade war. The move, effective April 10 one day after U.S. "reciprocal" tariffs take effect sent global markets tumbling, with the S&P 500 dropping 3.3% and Europe's Stoxx 600 falling 4.4% right after the news release. Trump, undeterred by the market instability, vowed on Truth Social, "CHINA PLAYED IT WRONG; THEY PANICKED THE ONE THING THEY CANNOT AFFORD TO DO!" The new Chinese tariffs match Trump's recent hike, which raised average U.S. duties on Chinese goods to a historic high surpassing his campaign threats. Beijing condemned the U.S. actions as "unilateral bullying," while also restricting rare earth exports and launching an investigation into DuPont's China operations. Analysts note China's retaliatory tariffs now average 50% on U.S. imports, marking a "significant escalation" in the conflict. Trump doubled down on his stance, insisting his policies "WILL NEVER CHANGE" and urging investors to capitalize on the moment: "THIS IS A GREAT TIME TO GET RICH, RICHER THAN EVER BEFORE!" However, experts warn the tit-for-tat measures risk destabilizing global trade norms, with Beijing accusing the U.S. of violating international rules and harming China's economic interests. As markets reel, neither side shows signs of backing down, deepening uncertainty for businesses and investors worldwide.

The USD/CNY currency pair was last seen trading at 7.2813

The Reserve bank of Australia

The Reserve Bank of Australia kept its key interest rate steady at 4.1% on Tuesday, despite faster-than-expected progress in lowering inflation, which fell to 2.4% in February. The RBA said it needs more assurance that inflation will stay on track to reach its target sustainably. It also expressed caution about the global outlook, noting that recent U.S. tariff actions are weakening global confidence, with potential for broader negative effects if trade tensions escalate or trigger retaliation.

The AUD/USD currency pair was last seen trading at 0.6041

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30800

Rates – April 6th, 2025

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0821	1.0776	1.1144	1.0955	1.0860	1.1150	1.1014
GBP	1.2923	1.2850	1.3207	1.2890	1.2800	1.3200	1.2892
JPY	149.79	144.54	150.48	146.90	144.00	148.50	145.45
CHF	0.8805	0.8474	0.8855	0.8605	0.8400	0.8710	0.8515