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Weekly Money Market Report
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Energy Shock Meets Growth Headwinds: War Impact Visible in First Flash PMI Readings as Markets Whipsaw on Geopolitical Uncertainty

Market Commentary

This week delivered the most dramatic market swings since the onset of the Middle East conflict, defined by geopolitical developments that transformed investor sentiment across every asset class. After Asian markets opened Monday to sharp broad-based losses, the session reversed course entirely following an announcement from the White House of productive diplomatic engagement with Iran toward a potential resolution of hostilities. The relief rally that followed was the broadest and sharpest of the period, equity markets posted their best single-session performance since the conflict began, oil fell sharply, and the most energy-sensitive consumer names led the recovery. However, the optimism proved measured and short-lived, conflicting signals from both sides kept markets in a cautious, headline-driven range for the remainder of the week. By Friday, the US had extended its diplomatic window to April 6, citing ongoing negotiations, though the absence of any confirmed direct talks and the continued build-up of military assets in the region left participants with little conviction in either direction. US equities closed the week on track for their fifth consecutive weekly loss, the longest losing streak since 2022.

Flash PMI data released mid-week provided the first real-time evidence of how the conflict is affecting underlying economic activity across major economies. Manufacturing sectors surprised to the upside as firms rushed to front-load inventories and hedge against future supply disruptions, while services activity missed expectations across the board as consumer and business confidence deteriorated under the weight of rising energy costs. Inflationary pressures in both sectors intensified, complicating the already difficult position of central banks globally. In fixed income, government bond yields pushed to multi-year highs early in the week before retreating modestly, though the broader trend toward higher-for-longer rates remained firmly intact. In currency markets, the US dollar strengthened on safe-haven demand. The euro held relatively steady, supported by the ECB's hawkish pivot earlier in the month, while sterling remained under pressure. The Japanese yen remained the week's most pressured major currency, reflecting the country's acute vulnerability to elevated energy prices and the central bank's limited room to tighten policy into a slowing economy, with authorities increasingly vocal about their readiness to act at key levels. Gold extended its recent losing streak, falling despite elevated geopolitical risk, as the dominant market narrative continued to shift from safe-haven demand toward rate hike expectations, undermining the non-yielding metal's appeal in a higher-rate environment.

North America

US Flash Manufacturing PMI Rises to 52.4 in March, Beating Expectations as Inventory Build-Up and Supply Chain Hedging Underpin Factory Output

The US Flash Manufacturing PMI rose to 52.4 in March, above the forecast of 51.5 and February's 51.6, continuing a trend of resilience in US factory activity even as macro headwinds intensify. As with Germany and the UK, domestic manufacturers benefited from inventory front-loading by clients seeking to buffer against supply chain disruptions, particularly for goods sourced through Middle East shipping routes. Output and new orders both accelerated. However, input cost inflation also intensified, with price pressures rising toward their highest level in several years as energy and transportation costs feed through the supply chain. The data reinforces the view that the US manufacturing sector is outperforming most global peers, partly aided by the country's status as a net energy exporter.

US Flash Services PMI Softens to 51.1 in March, Marking Weakest Pace of Expansion in Eleven Months Amid Subdued Consumer and Business Demand

The US Flash Services PMI slipped to 51.1 in March, below the consensus of 52.0 and February's 51.7, marking the softest pace of expansion in the services sector in eleven months. Firms cited subdued consumer and business confidence as the war in the Middle East compounded existing concerns around higher deficit spending and persistent price pressures. New work grew at a softer pace, with both domestic and foreign orders decelerating, and firms reduced staffing in response to weakening client margins. The reading adds to the Fed's complex policy calculus, as services disinflation had been a key pillar of the soft-landing narrative, and any broadening of weakness here would increase concerns about a more significant economic slowdown at a time when the Fed has little room to ease.

US Initial Jobless Claims Rise Modestly to 210K in Line with Expectations; Continuing Claims Fall to Lowest Since May 2024, Underscoring Continued Labour Market Resilience

Initial jobless claims for the week ending March 21 rose modestly by 5,000 to 210,000, in line with the market consensus and broadly stable relative to the prior week's 205,000. The four-week moving average edged down slightly to 210,500, signalling continued resilience in the US labour market against a challenging macro backdrop. Notably, continuing claims fell sharply by 32,000 to 1,819,000 , the lowest level since May 2024, and well below expectations, underscoring that layoffs remain contained and the broader jobs market has not yet buckled under the weight of elevated oil prices and hawkish monetary policy. Claims filed by federal government employees, closely watched as a proxy for the impact of government workforce reductions, fell by 59 to 584, reflecting some stabilisation. The data continues to contrast with the weak February non-farm payrolls print of -92,000, reinforcing the view of a low-hire, low-fire labour market rather than an economy entering outright contraction.

The Greenback was last seen trading at 100.151.

Europe

Germany Flash Manufacturing PMI Surges to 45-Month High of 51.7 in March, Significantly Beating Forecasts as Firms Front-Load Orders Amid Supply Chain Fears

Germany's Flash Manufacturing PMI surged to 51.7 in March, far above the consensus forecast of 49.6 and up from 50.9 in February, marking the strongest expansion in Germany's manufacturing sector since June 2022. The beat was partly driven by a front-loading effect, firms reported that customers were bringing forward orders to build inventories and hedge against potential supply disruptions stemming from the Middle East conflict. New orders rose at the fastest pace in four years and output accelerated to a 45-month high. However, the headline strength masks building stagflationary pressures, input cost inflation surged to its highest since October 2022, fueled by rising energy, fuel, transportation, and raw material costs, while factory gate price inflation hit a three-year peak. Supply chain lead times lengthened for a seventh consecutive month. Business expectations deteriorated sharply as firms grew more cautious about the sustained economic impact of the war, suggesting the current manufacturing surge may prove short-lived.

Germany Flash Services PMI Falls to 51.2 in March, Missing Expectations as War Uncertainty and Rising Energy Costs Dampen Business Activity and Confidence

Germany's Flash Services PMI fell to 51.2 in March, well below the consensus of 52.5 and a notable step down from February's 53.5, signaling that the services sector is bearing the initial brunt of the war's economic impact. Growth in business activity slowed to its weakest since the current upturn began in September 2025, weighed down by a drop in new work inflows reflecting a combination of rising price pressures and increased uncertainty among both consumers and business clients.

Employment declined for the first time in several months as lower client margins drove firms to reduce headcount. The Composite PMI for Germany fell to 51.9 from 53.2, its weakest in three months, reflecting the diverging fortunes of manufacturing, boosted by front-loading, and a services sector absorbing the near-term demand shock from elevated energy costs and dampened confidence.

The EUR/USD currency pair was last seen trading at 1.1508.

United Kingdom

UK Flash Manufacturing PMI Holds at 51.4 in March, Beating Consensus as Front-Loading Effect Provides Near-Term Support to Factory Output

The UK Flash Manufacturing PMI came in at 51.4 in March, modestly above the consensus of 50.0 and broadly in line with February's 51.7, indicating continued expansion in the factory sector. Similar to Germany, UK manufacturers reported some demand pull-forward as clients sought to secure supply chains ahead of potential further disruptions from the conflict. Input cost pressures remain elevated, with energy and transportation costs contributing to persistent margin pressure. The reading signals that the manufacturing sector has so far held its footing amid the energy shock, though business confidence has deteriorated and the durability of current activity levels is uncertain given the lack of resolution to the Strait of Hormuz crisis.

UK Flash Services PMI Drops Sharply to 51.2 in March, Missing Forecasts as Elevated Energy Costs and Weakening Client Demand Weigh on Private Sector Activity

UK Services PMI fell to 51.2 in March, well below the 52.8 consensus and down sharply from February's 53.5, reflecting the immediate drag on activity from higher energy costs, weakened consumer confidence, and rising uncertainty linked to the middle east war. The reading marks the softest pace of expansion in the services sector in several months, with inflows of new work slowing as both household and business clients pull back on discretionary spending. Price pressures remained acute, with services firms continuing to pass on higher input costs. The Composite PMI fell accordingly, and the data reinforce the Bank of England's dilemma, the economy is slowing while inflation risks are building, complicating any future policy pivot. Markets are now pricing rate hikes rather than cuts from the BoE for 2026.

The GBP/USD currency pair was last seen trading at 1.3256.

Asia-Pacific

Australian CPI Eases Marginally to 3.7% YoY in February, Slightly Below Forecasts but Well Above RBA's Target Band Ahead of Potential Energy-Driven Inflation Spike

Australia's headline CPI rose 3.7% year-on-year in February, below both the forecast and prior reading of 3.8%, providing a modest degree of relief. However, the figure remains well above the Reserve Bank of Australia's 2-3% target band, and the softening is expected to prove temporary. The RBA hiked its cash rate by 25 basis points to 4.10% the previous week, and Governor Bullock explicitly warned that the rise in global oil prices was not the primary driver of the decision, noting that underlying inflation was already too high. With energy prices having surged significantly since the February CPI figure, market consensus anticipates a meaningful upward spike in the March and April readings as fuel costs feed into transport, utilities, and broader goods pricing. The RBA's hawkish stance is therefore likely to be sustained regardless of this softer print.

The AUD/USD currency pair was last seen trading at 0.6870.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30665.

Rates – March 29th, 2026

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1527	1.1501	1.1547	1.1508	1.1400	1.1630	1.1559
GBP	1.3326	1.3255	1.3347	1.3256	1.3150	1.3350	1.3255
JPY	159.66	159.43	160.41	160.31	159.00	162.00	159.10
CHF	0.7877	0.7832	0.7993	0.7985	0.7900	0.8200	0.7909