

Weekly Money Market Report

19 October 2025



Trade War Tensions Resurface: Global Markets on Edge

Market Commentary

Global markets were rattled this week as U.S.-China trade tensions flared again, with President Trump announcing tariffs as high as 130% on Chinese goods and threatening an additional 100% levy, while Beijing tightened export controls on rare earth minerals critical to defense and technology supply chains. The escalation, which ends months of relative calm, has heightened fears of supply disruptions ahead of a planned meeting between Trump and President Xi later this month. In Japan, political uncertainty following Komeito's coalition exit pressured equities, even as the Bank of Japan kept rates at 0.5% and moved cautiously toward policy normalization. Meanwhile, gold surged back toward record highs above \$4,200/oz, fueled by safe-haven demand, central bank buying, and expectations of U.S. rate cuts amid mounting financial and political uncertainty. While U.S. Equities saw a sharp decline earlier in the week following tariff announcements.

North America

Fed Chair Powell Speaks

At the NABE meeting in Philadelphia, Fed Chair Jerome Powell said U.S. economic activity is slightly stronger than expected but warned that risks to employment are increasing. He noted that while unemployment remains low, job growth has slowed sharply due to weaker labor force expansion from lower immigration and participation rates. Powell described the labor market as "less dynamic and somewhat softer," signaling greater downside risks to jobs. He also suggested the Fed may end its balance-sheet runoff soon as liquidity tightens, cautioning the delaying policy adjustments could worsen the effects of tariffs and job losses amid growing data uncertainty.

Trump Escalates Tariff War with China

President Donald Trump has reignited U.S.-China trade tensions by announcing a sweeping 130% tariff on Chinese imports, a dramatic escalation that threatens to upend months of fragile truce between the two economies. The new measure, revealed in an Oct. 11 statement, adds to the 30% tariffs already in effect and signals Washington's hardening stance amid Beijing's tightening export controls on rare earths and critical technology inputs. Markets reacted sharply, with fears of renewed supply chain disruptions and rising consumer costs. While Trump has occasionally softened his approach in the past, this move underscores the ongoing volatility in the global trade landscape and highlights the deep interdependence between the world's two largest economies.

The Greenback was last seen trading at 98.433

Europe

Lagarde Says ECB Well Positioned for Future Shocks

European Central Bank President Christine Lagarde signaled confidence in the eurozone's policy stance, saying borrowing costs are at appropriate levels to withstand global turbulence. Speaking at the IMF's annual meetings in Washington, Lagarde noted that risks to inflation and growth have become more balanced, with both inflation and interest rates currently at 2%. She emphasized that the ECB is "in a good place" and well prepared to face future shocks, underscoring that policymakers

are comfortable with the current economic backdrop even amid heightened trade tensions and global uncertainty.

The EUR/USD currency pair was last seen trading at 1.1651

United Kingdom

UK GDP Shows Minimal Growth Amid Slow Services Sector

UK GDP grew by a minimal 0.1% in August, matching low expectations. This sluggish performance was a mix, with growth in production offset by a decline in construction and no growth in the services sector. This continues a trend of slowing growth throughout 2025, following a stronger start to the year. Economists predict this weaker momentum will persist for the rest of the year. A key question is how the Bank of England (BOE) will respond. While there is an argument for cutting interest rates to stimulate the economy, the bank is cautious because inflation remains stubbornly high. Officials are likely to wait for clear signs that inflation, particularly in the services sector, is falling more significantly before cutting rates again. Furthermore, the government's upcoming Autumn Budget, which may include tax rises and spending cuts, adds another layer of uncertainty that could further dampen economic growth.

The GBP/USD currency pair was last seen trading at 1.3424

Asia-Pacific

Australia Unemployment Rate Rises in September

Australia's unemployment rate rose to 4.5% in September 2025, the highest since November 2021 and above market expectations of 4.3%, as the number of jobseekers climbed by 33,900 to 684,000. Both part-time (+23,500) and full-time (+10,400) unemployment increased. Employment grew modestly by 14,900 to a record 14.64 million, below forecasts of a 17,000 gain, following a revised 11,800 drop in August. Full-time jobs rose by 8,700 and part-time by 6,300, while the participation rate ticked up to 67.0%, slightly above expectations. The underemployment rate also edged higher to 5.9% from 5.7%, indicating lingering labor market softness despite record employment levels.

The AUD/USD currency pair was last seen trading at 0.6494

China Consumer Price Index Falls Below Expectations

China's consumer prices fell 0.3% year-on-year in September 2025, marking a deeper decline than expected but a slight improvement from August's 0.4% drop. The fall was driven mainly by a sharp 4.4% slump in food prices, the largest since January 2024. Non-food inflation accelerated to 0.7%, aided by government trade-in programs and modest gains across housing, clothing, healthcare, and education, while transport costs declined at a slower pace. Core inflation (excluding food and energy) rose to 1.0%, the highest in 19 months, signaling underlying price stability. Month-on-month, CPI edged up 0.1%, below forecasts of a 0.2% increase.

The USD/CNY currency pair was last seen trading at 7.1264

Japan Faces Political Uncertainty Amid BoJ Steady Policy

Japanese markets weakened this week as political instability added pressure on sentiment, with the Nikkei 225 down 1% and the Topix off 0.7% following Komeito's exit from the ruling coalition. The Bank of Japan recently held rates steady at 0.5%, its highest level since 2008, while signaling gradual policy normalization through asset sales. Despite moderate recovery supported by employment and consumption, exports and industrial output remain subdued, and inflation continues to hover between 2.5% and 3%. Uncertainty around Prime Minister candidate Sanae Takaichi's agenda,

combined with U.S. tariff risks, has tempered optimism, leaving investors cautious over Japan’s growth outlook.
The USD/JPY currency pair was last seen trading at 150.62

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30525.

Rates – Oct 19th, 2025

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1686	1.1650	1.1728	1.1651	1.1540	1.1730	1.1711
GBP	1.3436	1.3388	1.3471	1.3424	1.3250	1.3500	1.3423
JPY	150.39	149.36	150.63	150.62	150.00	152.60	149.26
CHF	0.7924	0.7870	0.7936	0.7929	0.7900	0.8080	0.7847

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