



بيت التمويل الكويتي  
Kuwait Finance House



# Market Commentary

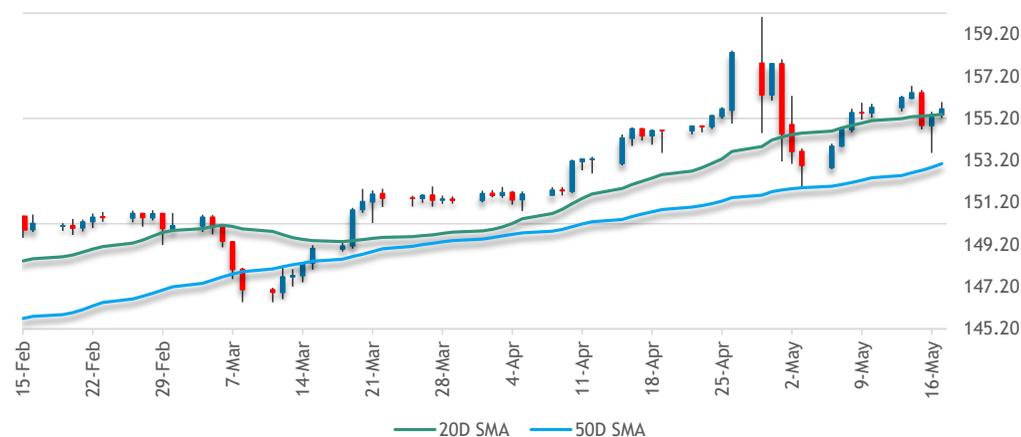
## KFH Treasury



*Report produced on*  
**Sun, 19-May-2024**

# Forex Market

## JAPANESE YEN



CLOSE  
**155.65**

1M %chg  
**0.82%**

3M %chg  
**3.62%**

### COMMENT-Dollar uptrend vs yen only slowed by pace of Fed-BoJ convergence

17 May 2024 07:43:19 PM

May 17 (Reuters) - USD/JPY fell from Friday's highs after a dive in U.S. leading indicators, though further weakening of hard U.S. data is needed to reverse USD/JPY's broader uptrend. Friday's peak was near levels that traded before Wednesday's soft U.S. data, while a close well below 152 would be needed to signal a major reversal. USD/JPY's broader uptrend has persevered despite tightening Treasury-JGB yields spreads and late April-early May dive from 160.245 to 151.86 on suspected intervention. If the U.S. economy and financial markets were to begin showing increased signs of stress from the Fed's high real rates, then the chances of USD/JPY clearing April's 160.245 peak by 1990's 160.35 high would weaken dramatically.

## EURO



CLOSE  
**1.0870**

1M %chg  
**1.86%**

3M %chg  
**0.89%**

### COMMENT-EUR/USD's range and the divergence trade

17 May 2024 02:06:22 PM

May 17 (Reuters) - If European Central Bank monetary policy becomes more transparent and the Federal Reserve's first-rate cut can be kicked further down the road the path for EUR/USD should also become clearer, but price action suggests otherwise. At present there is little indication to suggest EUR/USD's long-term range is under threat. Since January 2023, the EUR has panned out sideways between 1.1276 and 1.0448, on the very wide. Price action since December has been contained within a tighter 1.1139-1.0601 range. EUR/USD should begin to edge lower once policy divergence is confirmed by an ECB rate cut next month. The chances of the ECB cutting rates more than once before the Fed starts any easing cycle are good. Indeed, the base case scenario is for three ECB quarterly cuts - June, September, and December.

# Forex Market

## POUND STERLING



CLOSE

**1.2699**

1M %chg

**2.03%**

3M %chg

**0.80%**

### Bulls lift sterling to April highs ahead of key UK CPI Wednesday

17 May 2024 09:43:56 PM

\* GBP\$ boosted into NorAm close, +0.3% at 1.2705; Friday range 1.2711-1.2646

\* Early GBP weakness reversed after soft U.S. leading Idx hints at soft Fed

\* Transfixed by looming inflation test, sterling holds familiar ground

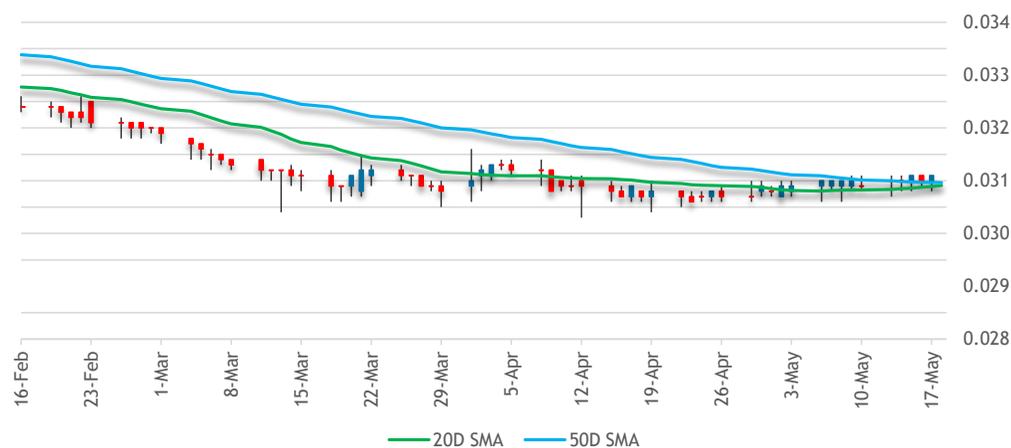
\* Pair flirts w/res at Apr 9/10 high by 1.2709, close above bullish for GBP

\* Res at 1.2741 38.2% of 1.3144-1.2090, 1.2803 wkly high Mar 18, 200DMA 1.2862

\* Supt 1.2660 the daily cloud top, 1.2646 Friday low, 100-DMA at 1.2633

\* Wednesday's UK CPI in focus after dovish MPC Greene comment, recent MPC vote

## TURKISH LIRA



CLOSE

**0.0311**

1M %chg

**0.65%**

3M %chg

**-4.01%**

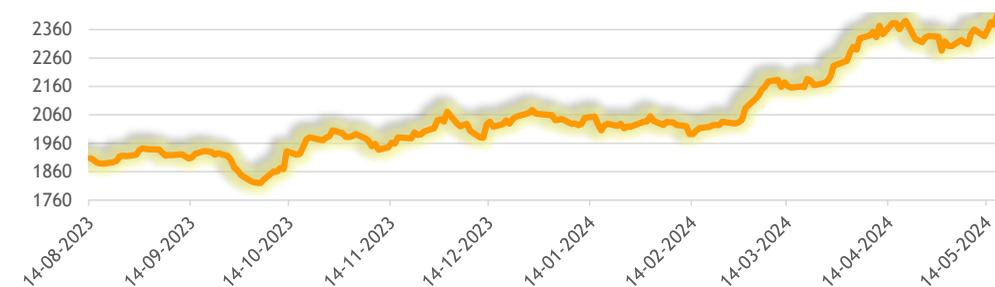
### Turkey cenbank net FX reserves jump to \$30.87 bln on May 10

16 May 2024 03:53:56 PM

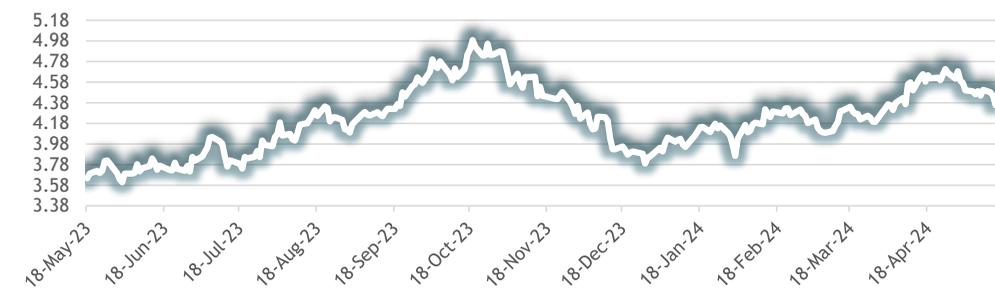
ISTANBUL, May 16 (Reuters) - The Turkish central bank's net international reserves surged some \$10 billion to \$30.87 billion in the week to May 10, its highest level since the beginning of the year, official data showed on Thursday. Reserves have slipped back this year after rebounding sharply since early June - just after presidential and parliamentary elections in 2023 - when they were down to minus \$5.7 billion, their lowest since data publication began in 2002. Earlier this week, bankers calculated a rise of some \$10 billion in net foreign currency reserves in the central bank's balance sheet. The rate used by Reuters on Thursday was 32.177 lira to the dollar.

# Gold, US Treasury & Dollar Index

## GOLD



## 10Y US-TREASURY



## DOLLAR INDEX



US 10YT YIELD

**4.42**

1M %chg

**-3.60%**

3M %chg

**2.91%**

### PRECIOUS-China stimulus, US rate cut bets lift gold, silver soars above \$30 mark

17 May 2024 09:57:56 PM

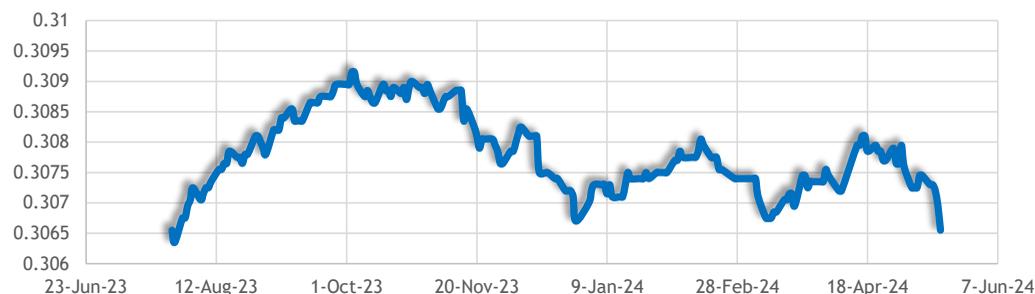
May 17 (Reuters) - Gold prices, aided by China's stimulus measures, looked poised to clock their second consecutive weekly gain on renewed hopes for U.S. interest rate cuts, with silver breaking the \$30 barrier to hit an 11-year high. Spot gold XAU= rose 1.5% to \$2,412.83 per ounce, closing in towards an all-time high of \$2,431.29 hit on April 12. U.S. gold futures GCcv1 settled 1.3% higher at \$2417.40 per ounce. "Gold is moving higher despite (an uptick in) the dollar and yields. I think in this instance, China stimulus has helped as we're also seeing other (base) metals do very well," said Bart Melek, head of commodity strategies at TD Securities. Spot gold prices are up over 2% so far this week. Meanwhile, London's gold price benchmark ended the week at a record high of \$2402.60 per troy ounce, the London Bullion Market Association (LBMA) said. Spot silver XAG= jumped 4.8% to \$31.02 per ounce after breaking above a major resistance level of \$30.

### UPCOMING KEY ECONOMIC INDICATOR RELEASES

INDICATOR	Ctry / Regn	Time	For	Prior	Consensus
Tertiary Ind Act NSA*	JP	20-May 10:00	Mar	0.6	
Reuters Tankan N-Man Idx	JP	21-May 04:30	May	25	
Reuters Tankan Man'f Idx	JP	21-May 04:30	May	9	
Exports YY	JP	21-May 05:20	Apr	7.3	11.1
Imports YY	JP	21-May 05:20	Apr	-5.1	9.0
Machinery Orders MM *	JP	21-May 05:20	Mar	7.7	-2.2
Machinery Orders YY *	JP	21-May 05:20	Mar	-1.8	2.3
Trade Balance Total Yen	JP	21-May 05:20	Apr	387.0	-339.5
Current Account NSA, EUR*	EU	21-May 13:30	Mar	31.64	
Current Account SA, EUR*	EU	21-May 13:30	Mar	29.450	
Construction Output MM*	EU	21-May 14:30	Mar	1.83	

# Daily Market Report

## KWD - CBK FIX



## MARKET SUMMARY

INSTRUMENT	OPEN	HIGH	LOW	CLOSE	%CHG 1D
EUR	1.0884	1.0894	1.0853	1.087	-0.16%
GBP	1.2679	1.27	1.264	1.2699	0.26%
JPY	154.86	155.52	153.57	155.65	0.17%
TRY	0.0311	0.0311	0.0309	0.0311	0.32%
Dollar Idx	104.206	104.626	104.08	104.445	-0.02%
Brent	83.03	83.78	82.31	83.98	0.85%
WTC	80.53	81.45	80.52	81.66	1.00%
Gold	2386.0632	2397.32	2370.79	2414.89	1.62%
KWSE Index	7186.34	7202.85	7159.88	7163.23	-0.17%

## KIBOR RATES

Tenor	Value	Tenor	Value
ON	2.38	3M	4.31
SW	3.81	6M	4.50
1M	4.06	1Y	4.69

## CENTRAL BANK OF KUWAIT

KWD (CBK FIX) CLOSE

3M% CHG

**0.30655**

**-0.45%**

POLICY RATES INDICATOR	As of	Value	Prior	Change
ON Repo Rate	27-Jul-'23	3.88	3.63	0.25
1W Repo Rate	27-Jul-'23	4.13	3.88	0.25
1M Repo Rate	27-Jul-'23	4.38	4.38	0.00
KWD ON Rate	27-Jul-'23	10.00	10.00	0.00
Discount Rate	27-Jul-'23	4.25	4.00	0.25

## LIBOR RATES

Tenor	Value	Tenor	Value
ON	0.00	3M	5.59
SW	0.00	6M	5.71
1M	5.43	1Y	0.00
2M	0.00		

## OTHER C-BANK RATES

INDICATOR	As of	Value	Prior	Change
FED Target Rate	26-Jul-'23	5.50	4.25	1.25
ECB Refinancing Rate	11-Apr-'24	4.50	4.50	0.00
BOE Bank Rate	09-May-'24	5.25	5.25	0.00
BOJ Prime Rate	10-May-'24	1.70	1.60	0.10
TRY ON Lending Rate	21-Mar-'24	53.00	46.50	6.50

## KEY INTERNATIONAL STORIES

### US manufacturing output unexpectedly falls in April

WASHINGTON, May 16 (Reuters) - Production at U.S. factories unexpectedly fell in April amid a decline in motor vehicle output, data showed on Thursday. Manufacturing output dropped 0.3% last month following a downwardly revised 0.2% increase in March, the Federal Reserve said. Economists polled by Reuters had forecast factory output rising 0.1% after a previously reported 0.5% advance in March. Production at factories fell 0.5% year-on-year in April. Manufacturing, which accounts for 10.4% of the economy, remains constrained by higher borrowing costs. Mining output fell 0.6% after dropping 1.1% in March.

### BoE's Greene says she wants more evidence of waning inflation persistence

LONDON, May 16 (Reuters) - The Bank of England should wait for more conclusive evidence that strong inflation pressures in Britain are becoming less stubborn before it moves to cut interest rates, BoE policymaker Megan Greene said on Thursday. Financial markets see a roughly 50% chance of a first quarter-point rate cut next month and a reduction in August is seen as a certainty, followed by another cut before the end of the year. Official data next week is expected to show British consumer price inflation slowed to close to the BoE's 2% target in April, helped by falling energy costs and way down from a peak of 11.1% in October 2022.

### German experts cut their tax revenue forecasts for 2024-28 by 1.5%

BERLIN, May 16 (Reuters) - Germany's council of tax experts cut their forecast for total tax revenue over the next five years by 1.5% on Thursday, which could add another layer of complexity to already challenging negotiations for next year's budget. The council now expects 80.7 billion euros (\$87.7 billion) less in total tax revenue in the 2024-2028 period compared with its October forecast. For the federal government alone, the council expects 41.6 billion euros less in tax revenues in the five-year period, according to its updated estimates. The government forecasts only 0.3% economic growth this year.

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### BOJ may face more pressure to hike rates as weak yen hits consumer spending

TOKYO, May 17 (Reuters) - Japan's weak consumption may heighten, rather than tame, already growing political pressure on the central bank to raise interest rates to slow the yen's declines blamed for hurting households via higher import costs. Such pressure will likely prod Bank of Japan Governor Kazuo Ueda to keep dropping hawkish signals on the policy outlook, but with plenty of caveats to hedge against the chance consumption may take longer than expected to rebound, analysts say. Data released on Thursday showed Japan's economy shrank more than expected in the first quarter, partly as rising living costs from the weak yen hurt consumption.

### Brazil's central bank chief says he cannot anticipate future rate cuts

BRASILIA, May 17 (Reuters) - Brazil's central bank chief Roberto Campos Neto said he cannot anticipate future interest rate cuts in the country, after the monetary authority earlier this month voted to slow the pace of its easing cycle citing local and global uncertainties. Policymakers last week cut rates by 25 basis points to 10.50% after six reductions twice that size, in a split decision that saw all four board members appointed by President Luiz Inacio Lula da Silva back a larger cut. Campos Neto, who led the group sealing the 25-basis-point outcome, said that policymakers debated that the division could affect markets.

### Oil gains 1% on hopes of firmer demand

NEW YORK, May 17 (Reuters) - Oil prices settled about 1% higher on Friday, with global benchmark Brent crude recording its first weekly gain in three weeks, after economic indicators from the world's top two oil consumers - China and the U.S. - bolstered hopes for higher demand. Brent LCOc1 settled 71 cents higher, or 0.9%, at \$83.98 a barrel. U.S. West Texas Intermediate crude (WTI) CLc1 gained 83 cents, or 1.1%, to \$80.06. For the week, Brent gained about 1%, while WTI rose 2%. China's industrial output rose 6.7% year-on-year in April as a recovery in its manufacturing sector gathered pace, pointing to possibly stronger demand to come.