40
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Kuwait Finance House

Market Commentary

KFH Treasury

Report produced on

Wed, 08-May-2024

Forex Market

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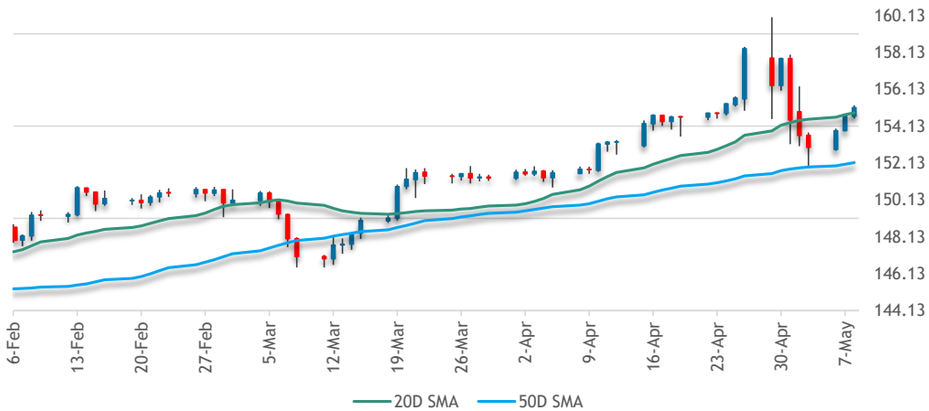
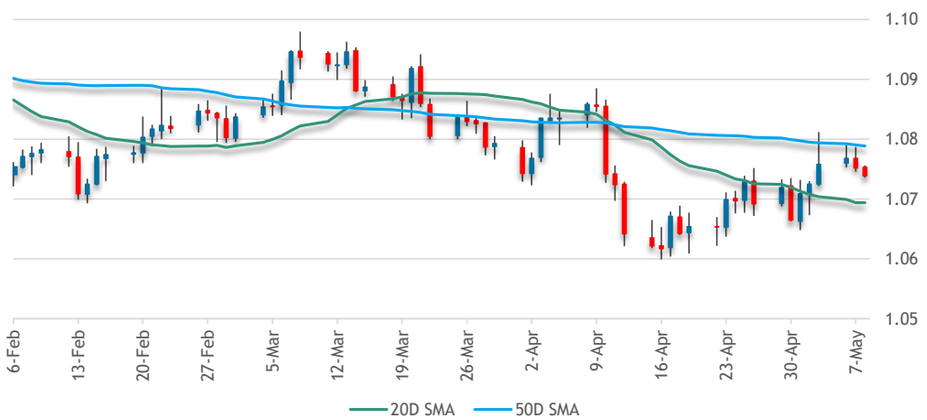
JAPANESE YEN



CLOSE	1M %chg	3M %chg
154.69	2.03%	4.39%

USD/JPY, JPY crosses bid, importer demand and Ueda-speak - Reuters
08 May 2024 08:20:30 AM
* USD/JPY, JPY crosses bid in Asia on Japanese importer demand, Ueda-speak
* USD/JPY 154.60 through 155.00 to 155.26 EBS, towards 155.50-60 resistance
* Japanese importer demand good again, many forced to buy with options KO-ed
* Lower level buys with KOs at 152.00, 155.00 and 160.00 recently taken out
* BOJ Gov Ueda also said yen moves not having big impact on inflation yet
* USD/JPY holding for now below 155.50 200-HMA, 155.52 daily Ichi kijun
* EUR/JPY 166.35-72 EBS, towards daily Ichi kijun at 166.95, 167.00 just above
* GBP/JPY 193.27-86 and AUD/JPY 101.78-102.07, consolidating gains yesterday

EURO



CLOSE	1M %chg	3M %chg
1.0752	-0.77%	-0.18%

EUR/USD-Drifts lower, as the USD finds broad support in Asia - Reuters
08 May 2024 06:31:36 AM
* Off 0.15% as USD/JPY +0.3%, AUD -0.4% leads the USD higher -EUR/JPY up 0.15%
* BOJ's Ueda signals chance of policy action if yen moves affect inflation
* USD gaining broad support from Fed expecting yields to be higher for longer
* ECB to cut rates in June, ECBWATCH prices another in September or October
* Central banks will be data-driven, but sentiment and yields support the USD
* 1.0888 upper 21-day Bolli band and last week's 1.0812 high key resistance
* Friday's 1.0724 base and then Thursday's 1.0675 low are initial supports

Forex Market

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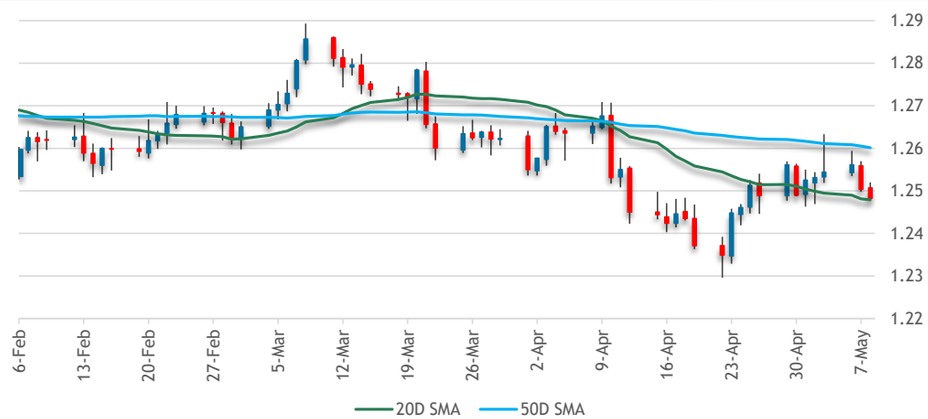
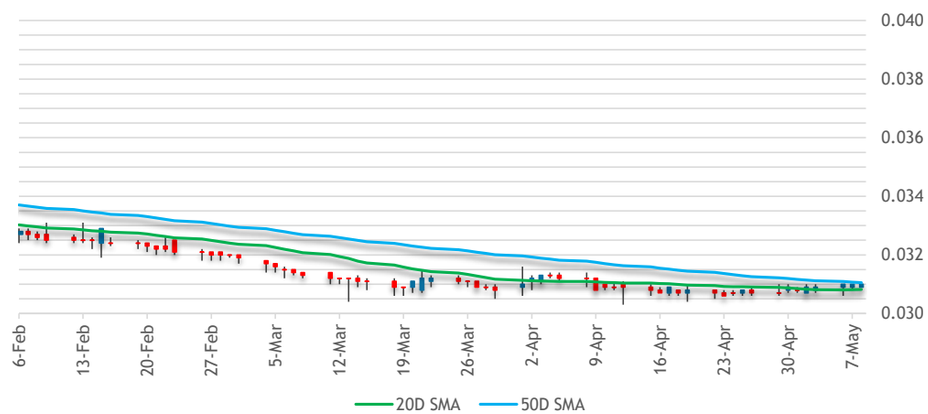
POUND STERLING



CLOSE	1M %chg	3M %chg
1.2504	-1.04%	-0.96%

Sterling eyes 21-DMA support by 1.2504 as BoE rate cut odds rise - Reuters
07 May 2024 09:40:51 PM
* GBP$ slips into NorAm close, -0.31% at 1.2523; Tuesday range 1.2569-1.2511
* Pair dips below Fri's flash low at 1.2530, finds supt ahead of 21-DMA 1.2504
* Below 1.2504 the May 1 low at 1.2467 and April 26 low at 1.2449 targeted
* Res at 1.2546 the 200-DMA, 1.2569 Tues high, 1.2593 Monday high
* Sterling bulls beware the BoE
* Longs cautious pre-BoE Thurs; BoE to hold, presser in focus for policy view
* Polling indicates growing expectations of more dovish BoE policy
* IRPR shows more than 40% odds for June hike, -52bp by Dec 19 BoE meeting

TURKISH LIRA



CLOSE	1M %chg	3M %chg
0.0310	-0.64%	-5.20%

Turkey central bank net reserves jump record $7 bln in U-turn, bankers say - Reuters
07 May 2024 01:30:39 PM
ANKARA, May 7 (Reuters) - The Turkish Central Bank's net foreign reserves rose by a record $7 billion last week, bankers said on Tuesday, sustaining a strong turnaround in its financial buffer as it steps up efforts to accumulate foreign currency. The bank's net reserves rose to $21 billion from $14 billion a week earlier, according to four bankers' calculations based on preliminary data. The strong rise was muted by a $3-billion decrease in the volume of swaps. Excluding swaps, net reserves leapt a record $10 billion, marking a fifth straight week of rises since March 31 local elections and reflecting increased foreign interest. Total reserves rose some $3 billion to $127 billion in that period.

Gold, US Treasury & Dollar Index

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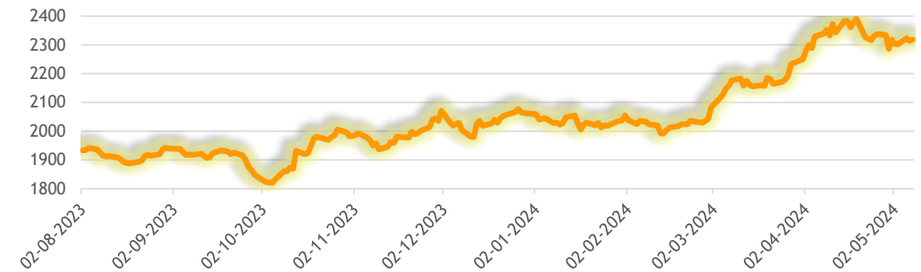
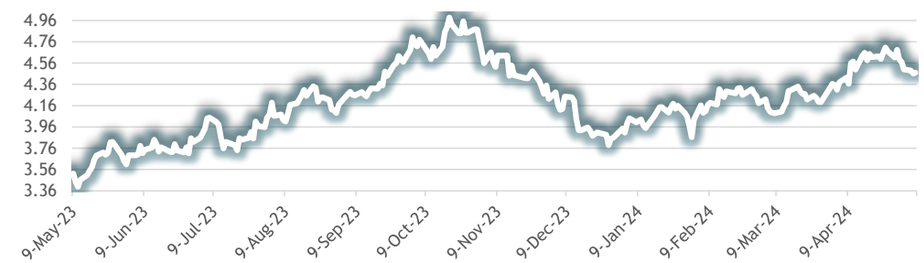
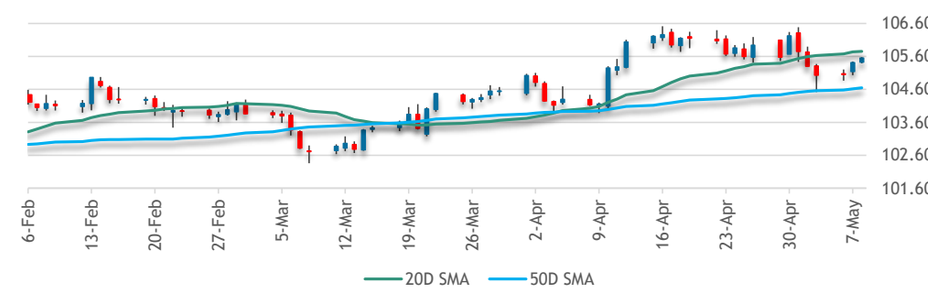
GOLD



10Y US-TREASURY



DOLLAR INDEX



US 10YT YIELD	1M %chg	3M %chg
4.47	1.90%	8.59%

PRECIOUS-Gold slips as dollar firms, traders brood on rate cut timing - Reuters News
08 May 2024 06:50:52 AM
May 8 (Reuters) - Gold prices dipped on Wednesday as the dollar edged up, while market participants assessed the timeline for potential U.S. interest rate cuts and were on the lookout for fresh cues for further clarity on monetary policy. Spot gold XAU= was down 0.1% at $2,311.07 per ounce. U.S. gold futures GCcv1 fell 0.3% to $2,316.60. The dollar index =USD rose 0.1%, making greenback-priced gold more expensive for other currency holders. Bullion is used as a hedge against inflation, but higher rates reduce the appeal of holding the non-yielding asset. Markets are currently seeing a 65% chance of a U.S. rate cut in September, as per CME's FedWatch Tool. Elsewhere, China's central bank added 60,000 troy ounces of bullion to its reserves in April, official data showed on Tuesday, extending the period of consecutive purchases to 18 months. Spot silver fell 0.2% to $27.23 per ounce, platinum eased 0.2% to $974.24 and palladium steadied at $970.84.

UPCOMING KEY ECONOMIC INDICATOR RELEASES

INDICATOR	Ctry / Regn	Time	For	Prior	Consensus
RICS Housing Survey*	GB	08-May 04:31	Apr	-4	-2
Overall Lab Cash Earnings	JP	08-May 05:00	Mar	1.8	
Overtime Pay*	JP	08-May 05:00	Mar	-1	
Foreign Reserves	JP	08-May 05:20	Apr	1290.6	
MBA 30-Yr Mortgage Rate	US	08-May 16:30	w/e	7.29	
MBA Mortgage Applications	US	08-May 16:30	w/e	-2.3	
Mortgage Market Index	US	08-May 16:30	w/e	192.1	
MBA Purchase Index	US	08-May 16:30	w/e	141.7	
Mortgage Refinance Index	US	08-May 16:30	w/e	456.9	
Wholesale Sales MM *	US	08-May 19:30	Mar	2.3	
Wholesale Sales MM *	US	08-May 19:30	Mar	2.3	

Daily Market Report

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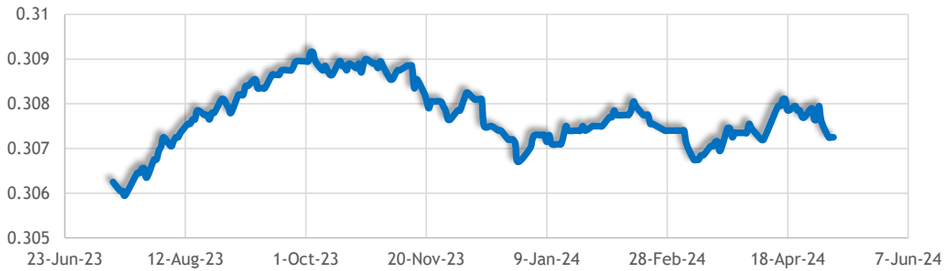
KWD - CBK FIX



MARKET SUMMARY

INSTRUMENT	OPEN	HIGH	LOW	CLOSE	%CHG 1D
EUR	1.0768	1.0787	1.0746	1.0752	-0.15%
GBP	1.2559	1.257	1.2498	1.2504	-0.45%
JPY	153.89	154.75	153.85	154.69	0.53%
TRY	0.0309	0.031	0.0308	0.031	0.00%
Dollar Idx	105.144	105.446	105.033	105.412	0.34%
Brent	83.72	83.88	82.41	83.16	-0.20%
WTC	79.82	80.77	79.15	79.97	-0.16%
Gold	2322.13	2329.93	2309.89	2313.7852	-0.42%
KWSE Index	7043.31	7048.77	7006.07	7026.4	-0.20%

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
0.30725	-0.16%

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	5.74
1M	5.44	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	21-Mar-'24	5.25	5.25	0.00
BOJ Prime Rate	08-Mar-'24	1.60	1.50	0.10
TRY ON Lending Rate	21-Mar-'24	53.00	46.50	6.50

Global Top News

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KEY INTERNATIONAL STORIES

Inflation "settling" high could pose new risks for the Fed, economy

WASHINGTON, May 7 (Reuters) - Inflation lodged above the U.S. Federal Reserve's 2% target could leave policymakers saddled with the difficult choice in coming months of how much risk to take with economic growth and the job market for what may only be modest further improvements in the pace of price increases. Inflation has been largely stalled for the first three months of the year at a rate, roughly 2.7%, that policymakers regard as still too far above their target to declare the job finished, but also so close to it they've been reluctant to yet say that further rate increases may be likely.

UK house prices inch up as high rates squeeze buyers, Halifax says - Reuters News

LONDON, May 7 (Reuters) - British house prices edged 0.1% higher in April to stand 1.1% up on a year earlier, figures from mortgage lender Halifax showed on Tuesday, a slight pick-up from March's 0.4% annual growth as interest rates remain high. Tuesday's data marks a return to monthly growth after prices fell 0.9% in March - the first decline since September - and comes after rival mortgage lender Nationwide reported an unexpected 0.4% April price drop last week. Economists polled by Reuters expect the Bank of England to keep interest rates at a 16-year high of 5.25% when it announces its May rate decision on Thursday.

German economy likely to stagnate in 2024, IW forecasts

BERLIN, May 8 (Reuters) - Germany's economy will stagnate in 2024 despite a stronger than expected start to the year, and will continue to lag behind European peers, according to German economic institute IW. The German economy shrank by 0.2% last year, the weakest performance among big euro zone economies, as high energy costs, lacklustre global orders and record high interest rates took their toll. IW forecasts 0% growth for Europe's biggest economy this year, lagging again as France, Italy, Britain and the United States are all expected to expand. The German government forecasts 0.3% GDP growth this year.

Australia's RBA sees no need to hike rates but wary of price risks

SYDNEY, May 7 (Reuters) - Australia's central bank chief said on Tuesday interest rates were at the right level after holding steady for a sixth month, but cautioned that inflation risks were on the upside in a sign policy was unlikely to be eased anytime soon. Wrapping up its two-day May policy meeting, the Reserve Bank of Australia (RBA) kept rates at a 12-year high of 4.35%. The board also appeared to have looked past hawkish forecasts from the bank's economists that showed inflation is expected to pick up to 3.8% and stay there until the end of the year, from 3.6% in the first quarter, even assuming no rate cuts until mid 2025.

Mexico central bank seen holding rate at 11%

MEXICO CITY, May 7 (Reuters) - Mexico's central bank is expected to hold its benchmark interest rate MXCBIR=ECI at 11% in its decision on Thursday, a Reuters poll showed on Tuesday, as persistent inflation remains above the bank's target range. All 17 analysts polled by Reuters said they expect the Bank of Mexico, or Banxico, to maintain its rate at the current level, following a cut in March which marked the first rate reduction since it began its tightening cycle in 2021. Mexico's headline inflation has ticked up after hitting a low of 4.26% in October and remains above the official target of 3%, plus or minus 1 percentage point.

Oil slip on rising US stockpiles, cautious supply expectations

May 8 (Reuters) - Oil prices fell in early Asian trade as industry data showed a pile up in both crude and fuel inventories in the U.S., a sign of weak demand, and cautious supply expectations emerged ahead of an OPEC+ policy meeting next month. Brent crude oil futures fell 30 cents, or 0.36%, to $82.86 a barrel. U.S. West Texas Intermediate crude futures fell 25 cents, or 0.32%, to $78.13 a barrel. Both benchmarks fell marginally in the previous session on signs of easing supply tightness and weaker global oil demand from an EIA forecast report on Tuesday. U.S. crude stocks rose by 509,000 barrels in week ended May 3, market sources said citing American Petroleum Institute figures.

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