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Weekly Money Market Report

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Dollar Softens as Warsh Tempers Hike Bets Despite Hotter US Inflation

Market Commentary

Global markets spent the week digesting a fresh round of energy-driven inflation data and a busy run of central bank commentary from the IMF annual meetings in Bangkok. In the US, headline CPI rose 0.6% m/m in September, while core CPI came in at 0.3% against expectations of 0.2% and producer prices jumped 1.3%, the sharpest monthly rise since March 2022. The hotter core print pushed 2-year Treasury yields up about 14 bp within the hour and lifted the dollar index to 102.95 on Wednesday, but the greenback gave back that gain over Thursday and Friday. Fed Chair Warsh's speech on Friday morning, in which he kept the October decision open and stressed data dependence, added to the dollar's slide. As of Friday midday, the dollar index stood near 101.7, down 0.4% on the week. NZD led the majors (+1.3%), ahead of NOK (+1.0%), CHF (+0.9%), GBP (+0.8%) and SEK (+0.8%), while CAD (+0.4%) and EUR (+0.4%) lagged, with EUR/USD dipping to 1.1113 after the CPI release before recovering to around 1.1255. AUD finished broadly flat (+0.1%) in a week that saw Australian unemployment hold at a four-year high, after touching a marginal new low of 0.6894 on Thursday and rebounding to about 0.6960. The yen was the only major to weaken against the dollar (−0.1%), with USD/JPY pinned near 158 and barely reacting to BoJ board member Koeda's remark that the BoJ should not be too cautious about raising rates. Gold fell hardest immediately after the CPI print but is still up 1.4% on the week, trading near $4,190.

United States

US Inflation Accelerates in September as Energy Prices Surge

US consumer prices rose by 0.6% month-on-month in September 2026, accelerating from 0.4% in August and marking the largest increase since April, in line with market expectations. The rise was primarily driven by a 5.2% surge in energy prices, with gasoline prices jumping 9.1% and accounting for more than half of the overall CPI increase. Meanwhile, core CPI, excluding food and energy, increased by 0.3% month-on-month, exceeding expectations of 0.2%, while annual core inflation accelerated to 2.6% from 2.4% in August, above forecasts of 2.5%. Shelter costs rose 0.4% during the month, while transportation services increased 0.6%, reflecting the impact of higher energy costs. Medical care services also rebounded by 0.3%, while food prices remained unchanged. Overall, the data highlighted renewed inflationary pressures across the US economy, potentially reinforcing expectations that the Federal Reserve will maintain a cautious monetary policy stance.

US Producer Prices Surge in September

US producer prices surged 1.3% month-over-month in September 2026, marking the sharpest increase since March 2022 and significantly exceeding market expectations of 0.5%. The rise was primarily driven by a 10.8% jump in energy costs amid the ongoing Middle East conflict, pushing transportation and warehousing costs up 3.4% and trade costs up 1.4%. Meanwhile, food prices increased 1.2% due to geopolitical tensions and adverse weather conditions. Core PPI, excluding food and energy, rose 0.7%, highlighting broader inflationary pressures. On an annual basis, headline PPI accelerated to 6.3%, its highest level since December 2022, reinforcing concerns over persistent inflation.

US Retail Sales Rise More Than Expected in September

US retail sales rose 0.8% month-over-month in September 2026, following an upwardly revised 1.3% increase in August and exceeding market expectations of 0.3%. The increase was largely driven by a 6.4% surge in gasoline station sales due to higher fuel prices, while sales excluding gasoline rose just 0.2%. Other notable gains were recorded in furniture stores (+1.3%), food services and drinking places (+1.1%), and health and personal care stores (+0.7%). Meanwhile, sales declined at miscellaneous retailers (-3.0%), building materials (-0.6%), and sporting goods (-0.5%). The GDP-related retail sales control group edged up just 0.1%, slowing sharply from August's 1.2% gain, suggesting that underlying consumer spending momentum weakened despite the stronger-than-expected headline figure.

Fed Chair Warsh Keeps October Rate Decision Open

Fed Chair Kevin Warsh avoided signalling the outcome of October's FOMC meeting, stating that stronger-than-expected inflation had not changed his outlook for the US economy. Speaking at an IMF summit in Bangkok, Warsh emphasized that future policy decisions would remain data-dependent, prompting markets to further reduce

expectations of an October rate hike. He also reiterated concerns over persistently elevated inflation in the US and globally. The Fed raised interest rates by 25 basis points to 3.75%–4.00% in September, its first hike since 2023, with all 19 policymakers supporting the decision and a majority projecting another increase before year-end.

The Greenback was last seen trading at 101.837.

United Kingdom

UK Economic Growth Slows but Beats Expectations

The UK economy expanded by 0.1% month-on-month in August 2026, slowing from 0.4% growth in July and June but exceeding expectations of a 0.1% contraction. Growth was primarily driven by a 0.8% increase in industrial production, supported by gains in manufacturing (+1.2%) and mining and quarrying (+1.4%). Meanwhile, services output remained flat, as stronger wholesale and retail activity was offset by declines in administrative services and food and beverage services. Construction contracted by 0.2%, marking its fourth consecutive monthly decline. On an annual basis, GDP growth accelerated to 2.1% from 1.8% in July, reaching its strongest pace since October 2022 and surpassing market expectations of 1.7%.

The GBP/USD currency pair last seen trading at 1.3328.

Eurozone

Euro Area Industrial Production Declines for a Third Consecutive Month

Industrial production in the Euro Area contracted by 0.5% month-on-month in August 2026, following a 0.3% decline in July and missing market expectations of a flat reading. This marked the third consecutive monthly decline, driven by weaker output in intermediate goods (-0.8%), energy (-0.6%), and non-durable consumer goods (-2.7%). Meanwhile, growth in capital goods and durable consumer goods slowed to 0.4% and 0.2%, respectively. Among major economies, production declined in Italy (-1.3%), Spain (-0.8%), and France (-0.3%), while Germany recorded a modest increase of 0.4%. On an annual basis, industrial production fell 1.1%, extending the previous month's 0.3% decline and highlighting continued weakness in the region's industrial sector.

ECB's Lagarde Rules Out Bond Market Intervention as Inflation Risks Persist

On Wednesday, at CNN's Global Perspectives event in Bangkok on the sidelines of the IMF annual meetings, ECB President Christine Lagarde played down speculation that the ECB would intervene in the bond market to help France. She said the first and main solution has to come from Paris through fiscal policy, while noting that rising bond yields are not unique to France. On inflation, she said the current high euro-area rate has been driven mainly, though not entirely, by the energy-price surge from the Iran war. She added that it has not yet fed into the wider economy, and the ECB is assessing how indirect effects are spreading so it can anticipate any second-round effects. She flagged large wage increases as the main emerging risk because they could trigger a wage-price spiral, warning that such effects are already too late to act on by the time they become visible, and she said the ECB remains focused on its treaty mandate of price stability. On growth, she called the IMF's projected 1.1% euro-zone expansion this year not brilliant but not a bad outcome and said German government spending on infrastructure and the military should keep supporting the economy.

The EUR/USD currency pair last seen trading at 1.1239.

Asia-Pacific

China Inflation Rises as Producer Prices Reach a Four-Year High

China's inflationary pressures strengthened in September 2026, with annual consumer price inflation edging up to 0.9% from 0.8% in August, slightly below market expectations of 1.0%, while producer price inflation accelerated sharply to 5.0% from 3.8%, exceeding forecasts of 4.5% and reaching its highest level since June 2022. The increase was primarily driven by higher fuel and raw material costs, with producer prices for mining rising 25.4%, raw materials 9.4%, and processing 3.4%. Meanwhile, non-food consumer inflation accelerated to 1.5% from 1.2%, supported by rising transportation costs (+4.3%) amid higher gasoline prices and stronger travel demand ahead of the Golden Week holiday. However, food prices declined 1.7%, marking their sixth consecutive monthly decline, largely due to falling pork prices amid abundant supply and weak demand. Core consumer inflation remained unchanged at 1.0% annually, highlighting subdued underlying consumer price pressures despite rising production costs. On a monthly basis, producer prices increased 1.2%, accelerating from 0.4% in August, while consumer prices rose just 0.2%, slowing from 0.4% in the previous month.

The USD/CNY currency pair last seen trading at 6.6861.

Australia's Unemployment Rate Holds at a Four-Year High
Australia's unemployment rate remained at 4.7% in September, its highest since October 2021 and above market expectations of 4.6%. The number of unemployed increased by 8,900 to 732,000, while employment unexpectedly declined by 39,300, compared to expectations of a 20,000 increase. The decline was driven by a sharp loss of 73,700 part-time jobs, partially offset by a gain of 34,400 full-time positions. Meanwhile, the participation rate fell to 66.8% from 67.0%, its lowest in four months, while underemployment edged up to 6.3% from 6.2%. Despite weaker employment figures, total monthly hours worked increased slightly to 2.011 billion, highlighting mixed signals in Australia's labor market.

The AUD/USD currency pair last seen trading at 0.6944.

Kuwait

USD/KWD closed last week at 0.30815.

FX Rates – October 18, 2026

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1197	1.1112	1.1269	1.1239	1.1150	1.1325	1.1280
GBP	1.3233	1.3132	1.3371	1.3328	1.3250	1.3400	1.3333
JPY	158.12	157.53	158.94	157.99	156.40	158.95	156.80
CHF	0.8286	0.8215	0.8394	0.8239	0.8140	0.8395	0.8145

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