

Currencies and Commodities React to US-China Trade Truce and Fed Outlook



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Lebanese Forex Market

	16/05/2025	09/05/2025	% Change	YTD
Euro / LBP	100,356.35	100,615.90	-0.26%	7.52%
Euro / Dollar	1.12	1.12	-0.27%	8.34%
NEER Index	237.99	238.06	-0.03%	1.62%

*Prices are as of the time of writing this report

The **Nominal Effective Exchange Rate (NEER)** of the **Lebanese pound** edged down this week by 0.03% against a basket of 21 influential currencies, including the Euro and British pound, and recorded 238 points on May 16th, 2025.

International Forex Market

	16/05/2025	09/05/2025	% Change	Status
Dollars index = DXY	100.70	100.34	0.36%	Strengthened
Chinese Yuan (USD/CNY)	7.21	7.24	-0.44%	Strengthened
Australia \$ (AUD/USD)	0.64	0.64	0.19%	Strengthened
Japanese Yen (USD/JPY)	145.46	145.38	0.06%	Weakened
Euro (EUR/USD)	1.12	1.12	-0.38%	Weakened
U.K. Pound (GBP/USD)	1.33	1.33	0.01%	Strengthened
Swiss Franc (USD/CHF)	0.84	0.83	0.48%	Weakened
Canadian \$ (USD/CAD)	1.40	1.39	0.12%	Weakened

*Prices are as of the time of writing this report

In international currency markets this week, the **US Dollar Index**—a measure of the US currency's strength against a basket of six rivals—rose by 0.36% to 100.7 points. This increase was primarily driven by a temporary 90-day tariff reduction agreement between the US and China, which raised hopes for a broader resolution to ongoing trade tensions.

However, the dollar's gains were partially offset by weaker-than-expected economic data. Retail sales rose by just 0.1% month-over-month in April, according to the Commerce Department, missing expectations of a 1.5% increase from economists polled by Reuters and slowing sharply from a revised 1.7% gain in March. The modest gain suggests consumers were hesitant to spend more following early April's tariff developments. Additionally, the Producer Price Index (PPI) declined 0.5% month-over-month, indicating easing inflationary pressures. These indicators led traders to increase their bets on additional Federal Reserve rate cuts later this year.

The dollar's upward momentum was also eased by speculation that President Donald Trump supports a weaker greenback, potentially encouraging other countries, particularly in Asia, to allow their currencies to strengthen in exchange for favourable trade agreements. According to Bloomberg, US and South Korean officials held discussions on exchange rate policies during a May 5 meeting in Milan, with further talks expected.

Following these developments, most Asian currencies strengthened against the dollar.

The **Chinese Yuan** strengthened to 7.21 per dollar from 7.24 per dollar last Friday. The Yuan was also supported by upward revisions to China's 2025 growth outlook by major banks like Citi and UBS, amid easing trade tensions between the world's two biggest economies.

The risk-sensitive **Australian dollar**, which is commonly used as a liquid substitute for the Yuan, rose by 0.19% reaching 0.64.

In contrast, the **Japanese Yen** slightly weakened to 145.46 from 145.38 per USD as Japanese Finance Minister Katsunobu Kato assured that in his upcoming dialogue with U.S. Treasury Secretary Scott Bessent at the upcoming G7 meeting in Canada, he aims to reinforce the shared view that exchange rates should be market-driven and to address currency volatility.

As the dollar strengthened, the **Euro** weakened against it and fell by 0.38% to 1.12 per dollar this week.

Whereas, the **British Pound** marginally increased against the U.S. dollar by 0.01% this week to 1.33 supported by data showing the UK economy expanded 0.7% in Q1 2025, up from just 0.1% in Q4 2024 and beating both central bank and analyst expectations of 0.6% growth. The stronger-than-expected data reduced expectations for interest rate cuts from the Bank of England.

Commodities

	Currency	16/05/2025	09/05/2025	% Change
Gold (Spot)	USD	3,210.75	3,324.63	-3.43%
Brent Crude Oil	USD	64.58	63.91	1.05%
WTI Crude Oil	USD	61.64	61.02	1.02%

*Prices are as of the time of writing this report

In commodity markets, **gold** fell this week by 3.43% to \$3,210.75 per ounce, on track for its steepest weekly decline in six months. The drop was driven by a stronger U.S. dollar and easing trade war concerns, which reduced demand for the metal as a safe-haven asset. However, the decline was tempered by rising expectations of Federal Reserve rate cuts, which tend to enhance the appeal of the non-yielding metal.

In oil markets, **Brent and West Texas Intermediate (WTI)** prices rose by around 1% this week, with Brent trading at \$64.58 per barrel and WTI at \$61.64. The increase was fueled by optimism surrounding easing US-China trade tensions, which is expected to stimulate global trade activity and, in turn, boost demand for oil. However, gains were limited by persistent supply-side pressures, including OPEC+'s accelerated output hikes and the potential return of Iranian crude amid ongoing nuclear deal negotiations. While President Trump suggested a deal with Iran was close—saying Tehran had 'sort of' agreed to the terms—Iranian Foreign Minister Abbas Araghchi countered that the U.S. was sending 'contradictory and conflicting signals,' raising uncertainty about the prospects of a near-term agreement. Supply concerns intensified after the International Energy Agency raised its 2025 global supply growth forecast by 380,000 barrels per day (bpd), driven by OPEC+ plans to increase June output by 411,000 bpd. Meanwhile, investors are also watching for potential Federal Reserve rate cuts, which could stimulate economic activity and support oil demand.

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