Middle East Escalation Boosts Commodities as Monetary Policy Expectations Weigh on Currencies

BLOMINVEST BANK

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Lebanese Forex Market

	24/07/2026	17/07/2026	% Change	YTD
Euro / LBP	101,905	102,379	-0.46%	-3.06%
Euro / Dollar	1.1386	1.1439	-0.46%	-3.06%
NEER Index	124.65	124.22	0.35%	-44.71%

*prices are as of the time of writing this report

The Nominal Effective Exchange Rate (NEER) of the Lebanese pound rose by 0.35% this week, reaching 124.65 points on July 24th, 2026, against a basket of 21 influential currencies – including the Euro and British pound.

International Forex Market

	24/07/2026	17/07/2026	% Change	Status
Dollars index = DXY	101.34	100.77	0.57%	Strengthened
Euro (EUR/USD)	1.1386	1.1439	-0.46%	Weakened
U.K. Pound (GBP/USD)	1.3328	1.3452	-0.92%	Weakened
Swiss Franc (USD/CHF)	0.8163	0.8073	1.11%	Weakened
Chinese Yuan (USD/CNY)	6.7736	6.7762	-0.04%	Strengthened
Japanese Yen (USD/JPY)	163.77	162.40	0.84%	Weakened
Australia $ (AUD/USD)	0.6988	0.6984	0.06%	Strengthened
Canadian $ (USD/CAD)	1.4078	1.4022	0.40%	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 strengthened against a basket of six rivals – rose by 0.54% to 101.34 points. The currency strengthened over the week supported by heightened safe-haven demand amid escalating geopolitical tensions in the Middle East. Rising oil prices reinforced concerns that inflationary pressures could persist, leading markets to increasingly expect the Federal Reserve to maintain a tighter monetary policy stance or implement additional interest rate hikes later this year. Expectations of higher borrowing costs, together with resilient US labor market conditions, continued to underpin the greenback, allowing it to trade near a three week high against most major currencies.

The **Euro** weakened by 0.46% during the week after the European Central Bank kept interest rates unchanged and maintained a cautious, data-dependent policy stance. Softer inflation, weaker wage growth, and slowing economic activity reduced the urgency for further monetary tightening, while higher oil prices linked to Middle East tensions renewed concerns over inflation. Despite these risks, market expectations for future policy easing continued to weigh on the common currency.

The **British Pound** weakened by 0.92% over the week, reaching its lowest level in around ten days as investors assessed new fiscal measures and the evolving political landscape under the UK’s new leadership. Softer inflation initially reduced expectations of an immediate Bank of England rate increase, while rising oil prices and persistent inflation risks reinforced expectations that interest rates could remain higher for longer. Ongoing government efforts to balance fiscal discipline with support for businesses and households also influenced market sentiment toward sterling.

The **Japanese Yen** weakened by 0.84% over the week, reflecting continued pressure from broad US dollar strength despite repeated warnings from Japanese authorities about potential foreign exchange intervention. Market sentiment remained weighed down by Japan’s relatively low interest rates, uncertainty surrounding Prime Minister Sanae Takaichi’s fiscal policy, and concerns that escalating Middle East tensions could increase energy costs for the import-dependent economy. At the same time, stronger inflation data supported expectations of further Bank of Japan rate hikes, although these developments were insufficient to reverse the yen's downward trend.

The **Chinese Yuan** strengthened by 0.04% during the week, supported by continued progress in China's efforts to expand the international use of its currency. Record offshore yuan deposits and increased clearing activity in Hong Kong highlighted growing demand for yuan-denominated financing, while the People's Bank of China injected substantial liquidity into the financial system to support economic growth ahead of the upcoming Politburo meeting. Although geopolitical tensions briefly boosted demand for the US dollar, the yuan remained relatively resilient throughout the week.

Commodities

	24/07/2026	17/07/2026	% Change
Gold	4,052.69	4,017.39	0.88%
Silver	58.23	55.91	4.15%
Brent Crude Oil	98.09	88.1	11.34%
WTI Crude Oil	89.91	82.49	9.00%

*prices are as of the time of writing this report

In commodity markets, Gold gained 0.88% during the week to reach $4,052.69, although it retreated toward the end of the period as surging oil prices increased inflation concerns and reinforced expectations of tighter US monetary policy. The precious metal initially benefited from safe-haven demand amid escalating Middle East tensions and uncertainty surrounding US-Iran relations. However, stronger expectations that the Federal Reserve may keep interest rates elevated reduced demand for non-yielding assets, limiting gold's gains. Market sentiment was further dampened by the announcement of fresh US tariffs on imports from major trading partners.

Silver advanced by 4.15% over the week despite ending Friday on a weaker note, as investors balanced safe-haven demand against expectations of tighter US monetary policy. Early gains were supported by escalating geopolitical tensions in the Middle East, particularly the conflict between the US and Iran and concerns over disruptions to shipping through the Strait of Hormuz. However, rising oil prices fueled inflation concerns, strengthening expectations that the Federal

Reserve could keep interest rates higher for longer or raise them later this year, reducing the appeal of non-yielding assets such as silver. Moreover, uncertainty from new US tariffs on major trading partners also weighed on sentiment toward the end of the week.

Brent Crude oil and **West Texas Intermediate** (WTI) posted strong weekly gains of 11.34% and 9.00%, respectively, as escalating geopolitical tensions in the Middle East heightened fears of significant disruptions to global oil supplies. Prices were driven higher by continued US military strikes on Iran, attacks by Iran-backed Houthi militants on Saudi oil tankers in the Red Sea, and ongoing threats to shipping through the Strait of Hormuz. Supply concerns were further amplified by disruptions to Kazakhstan’s crude exports through the Caspian Pipeline Consortium terminal, while uncertainty surrounding the prospects for US-Iran negotiations kept markets volatile. Despite occasional optimism over possible diplomatic talks, fears of tighter global oil supplies remained the dominant driver, pushing Brent above the $100 per barrel mark during the week.

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