MARS CAPITAL PARTNERS

Weekly Macro Outlook

w/c 28 July 2025

Key events this week: FOMC, BoJ, & BoC meetings; US non-farm payrolls, PCE inflation, & Q2 GDP; Aus CPI Q2; Euro area Q2 GDP & CPI prelim Jul; Aug 1 tariffs.

Recap from last week: Easing Uncertainty on the Tariff Outlook

This past week saw the first of several key central bank decisions as well as the latest prelim global PMIs for Jul. These events unfolded against the backdrop of evolving trade negotiations heading towards the next 1 Aug deadline.

Positive news on trade deals emerged during the week, helping to reduce the immediate risks of re-escalation as the next trade deadline approaches. Deals with Japan and the EU were announced, featuring tariff levels lower than previously anticipated, which is contributing to improved sentiment. However, some key details of these deals remain unclear. Meanwhile, negotiations with China appear to be progressing, with more talks scheduled this week and another extension likely. However, the upcoming 1 Aug deadline will likely bring announcements for other trade partners, and some headline risk remains. Once there is at least some certainty over tariff levels, the focus will increasingly shift to the effects of these tariffs on firms, inflation, and growth.

The concern over trade effects from tariffs continued to influence central bank communications last week. However, these communications also reflected a reduced expectation that the 'worst-case' tariff scenario is likely to play out. The ECB kept rates on hold as expected. The decision noted that inflation was at the medium-term target of 2%, prior cuts were bolstering Euro area resilience, and growth was developing in line with, if not better than, expected. ECB President Lagarde noted that “we are in a good place because inflation is at 2%”. Guidance continued to reiterate a meeting-by-meeting, data-dependent approach, with President Lagarde indicating that ‘we are in a ‘wait-and-watch situation’ on further rate cuts. Several changes were made to the guidance. The first reflected this easing in worst-case fears, with previous commentary around ‘exceptional uncertainty’ removed. There was also the addition of a note that interest rate decisions will be based on the assessment of the inflation outlook and risks.

Some easing in tariff uncertainty was also evident in the latest RBA minutes. The RBA minutes outlined key reasons behind the surprise decision to stay on hold at the last meeting. The decision reflected a broad agreement to wait for more information to confirm that inflation remains sustainably on track to reach the 2.5% midpoint target. While acknowledging that underlying inflation was expected to decline further, the majority of members felt it was prudent to wait, given that some recent data had been slightly stronger than expected, especially the monthly inflation indicator suggesting the Jun quarter inflation could be firmer. Lowering the cash rate for a third time in four meetings did not align with their ‘cautious and gradual’ approach to easing policy rates. The reduced likelihood of severe global downside scenarios meant that there was less pressure to cut rates as a pre-emptive measure. Guidance pointed to more rate cuts to come, but the timing and pace will be contingent on incoming economic data, particularly inflation, while taking a cautious approach.

In the latest round of prelim PMIs for Jul, trade and tariff uncertainty remained a key theme; however, conditions broadly improved in Jul. This improvement going into Q3 was led by a strengthening in services activity, while manufacturing momentum remained subdued, led by a notable weakening in manufacturing conditions in the US and Japan. Broadly, inflationary pressures remained persistent/elevated; the exception was easing cost pressures in Japan. The Eurozone report also noted that the stronger euro and US tariffs are likely to exert downward rather than upward pressure on inflation in the coming months. With trade policy and tariffs still a key uncertainty, confidence in the outlook remained subdued, and firms tended to remain cautious around hiring, especially across manufacturing firms (except in Aus).

US data last week was limited. As we close out Q2, growth in new and existing home sales for Jun remained subdued. Durable goods orders in Jun also weakened (even after excluding the effect of large value aircraft orders), while shipment growth continued to improve. The Atlanta Fed GDP nowcast for Q2 US growth remained unchanged at +2.4% this week. The advance Q2 GDP estimate will be released this week. The US prelim S&P PMI for Jul provided a somewhat positive, albeit mixed, view at the start of Q3. According to the flash PMI, growth momentum in the US increased at a faster pace in Jul. However, this growth was driven by a stronger services sector, while manufacturing contracted for the first time this year, partly due to fading "tariff front running." It's worth noting that the manufacturing output PMI continued to expand, though stepped down from the more widespread expansion in Jun.

Outlook for the week ahead: FOMC, BoJ, & BoC meetings; US non-farm payrolls, PCE inflation, & Q2 GDP; Aus CPI Q2; Euro area Q2 GDP & CPI prelim Jul; Aug 1 tariffs.

Our attention will be divided across multiple fronts this week: further major central bank decisions, important US economic data, a busy lineup of corporate earnings, and headline risk from another looming tariff and trade-deal deadline.

Key factors & events to watch this week;

There will be three key central bank decisions this week, following on from the ECB last week. In all cases, policy settings are expected to remain unchanged; however, we'll be alert to any shifts in signalling, especially as it relates to uncertainty in the outlook.

- The FOMC is expected to keep policy settings unchanged. Data this week, including non-farm payrolls, Q2 growth, and PCE inflation, are expected to be important in the lead-up to the Sept meeting, when markets are expecting/pricing in the next rate cut.
- The BoC is expected to stay on hold at this meeting. At the past few meetings, the BoC has maintained its "less forward-looking than usual" guidance. At the last meeting, an easing in tariff rhetoric was noted, but this was against a backdrop of significant uncertainty.
- The BoJ is also expected to stay on hold at this meeting. A trade deal between the US and Japan was announced last week, helping to alleviate some trade uncertainty, even amidst domestic political complexities. It's been noted that the BoJ may consider adjusting its inflation outlook at this meeting, given that inflation has remained above its 2% target for several years. Depending on the broader impact of tariffs on domestic activity, markets are anticipating a potential rate hike late in 2025 or early in 2026 (Source: Bloomberg)

US data will feature a comprehensive suite of top-tier US economic data, offering important insights into the state of the labor market, inflation, growth, spending, incomes, and trade. These releases will be pivotal in assessing inflation and the economy's resilience amid rising tariffs and guiding expectations for the path of Fed policy.

- One of the key reports this week will be the US labor market reports. US non-farm payrolls are expected to grow at a slower pace of 108k in Jul, down from 147k in Jun. The previous month's report showed a smaller contribution from private sector payroll growth, and this will be an important indicator to watch.
- The unemployment rate is expected to increase to 4.2% from 4.1% in Jun.

- The Fed preferred PCE inflation measure is expected to increase in Jun. Headline PCE inflation is expected to increase by +2.5% in Jun, up from +2.3% in May, with the monthly rate increasing by +0.3% in Jun, up from +0.1% in May.
- Core PCE inflation is expected to increase by +2.8% in Jun, up from +2.7% in May. The monthly rate is also expected to increase by +0.3% in Jun, up from +0.2% in May.
- US personal spending is expected to rebound in Jun by +0.4% after falling by -0.1% in May. Personal income is also expected to rebound by +0.2% after falling by -0.4% in May.
- The advance Q2 GDP will be released this week; growth is expected to reflect trade and inventory volatility due to tariffs. Q2 growth is expected to rebound to +2.4% annualized, after a -0.5% annualized fall in Q1. The view of underlying domestic growth will be in focus, especially the contribution from personal consumption.
- Other important data releases will include; the employment cost index for Q2 (expected to ease to +0.8% over the quarter), JOLTS – with job openings also expected to slow again to 7.5m in Jun, and the ISM manufacturing PMI for Jul which is expected to show little change with conditions remaining at a subdued 49.5 in Jul, from 49 in Jun.

Euro area growth and inflation

- Euro area prelim GDP for Q2 is expected to slow to 0%, from +0.6% in Q1, likely affected by trade disruptions.
- The prelim headline Euro area CPI for Jul is expected to ease to +1.9%, from +2% in Jun. Core CPI is expected to be unchanged at +2.3%.

Australia CPI

- The important quarterly CPI report for Q2 will be released this week. This report takes on added significance in light of the RBA's latest decision to hold, rather than cut, interest rates. This decision was partially based on a series of monthly inflation readings that had suggested that inflation could come in slightly higher than expected in Q2. Headline CPI for Q2 is expected to ease slightly to +0.8% in Q2, from +0.9% in Q1. Annual inflation is expected to ease to +2.2% from +2.4%. However, it will be the trimmed mean measure (core inflation) that will be in focus. Trimmed mean CPI is expected to be unchanged at +0.7% in Q2. This would see annual trimmed mean inflation slow to +2.75%, from +2.9% in Q1.

The full suite of S&P Global PMIs for Jul will begin to be released, starting with manufacturing this week.

The next deadline for trade deals and tariff announcements is 1 Aug this week.

It will also be a busy week of US corporate earnings.

US Treasury Issuance; 28 Jul – 1 Aug 2025

This week, the US Treasury will auction and/or settle approx. $727bn in ST Bills, Notes, Bonds, FRNs, and TIPS, raising approx. $170bn in new money.

The latest quarterly refunding announcements will be made on 28 and 30 Jul this week.

QT this week: Approx $31.6bn of ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx $2.7bn of Notes and Bonds will mature on the Fed balance sheet and will be redeemed/roll off the balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B (TBAC)	Amount Maturing $B	New Money $B		Prior Auction High Rate %
28 Jul - 1 Aug	24-Jul	29-Jul	4 week bill	95			Actual 4.245%	4.230%
	24-Jul	29-Jul	8 week bill	85			Actual 4.265%	4.270%
	23-Jul	29-Jul	17-week bill	65			Actual 4.225%	4.230%
				245	185	60		
	28-Jul	31-Jul	13 week bill	82			Announced	4.240%
	28-Jul	31-Jul	26 week bill	73			Announced	4.115%
	29-Jul	31-Jul	6-week bill	80			Announced	4.260%
				235	203	32		
	24-Jul	31-Jul	10yr TIPS	21			Actual 1.985%	2.220%
	23-Jul	31-Jul	20-Year Bond	13			Actual 4.935%	4.942%
	29-Jul	31-Jul	7-Year Note	44			Announced	4.022%
	28-Jul	31-Jul	5-Year Note	70			Announced	3.879%
	28-Jul	31-Jul	2-Year Note	69			Announced	3.786%
	29-Jul	31-Jul	2-Year FRN	30			Announced	0.160%
				247	169	78		
			Total - securities settling this week	727	557	170		
			QTR to date totals	**2,669**	**2,348**	**321**		
			Estimated Net Cash to be Raised Q3 ($ Bn)			*554*		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		29-Jul	ST Bills	0.7				
		31-Jul	ST Bills	14.0				
		31-Jul	Notes & Bonds	16.8				
				31.6				
		Maturing & redemption (balance sheet roll-off)						
		31-Jul	Notes & Bonds	2.7				

Quantitative Tightening Overview – July 2025

The cap on US Treasury redemptions was lowered to $5bn effective Apr 2025. In Jul, the face value of Coupons maturing on the Fed balance sheet is approx. $36bn. This is more than the new $5bn monthly cap on Treasury redemptions. So of the $36bn of Coupons maturing in Jul, $5bn will roll off the Fed balance sheet (redeemed) and $31bn will be reinvested. It also means that all ST Bills maturing in Jul will be reinvested.

Summary of Total Coupons & Bills to Redeem at the $5bn redemption cap - Jul			
			$5
		Redeem $Bn	**Reinvest $ Bn**
15-Jul-25	Notes, Bonds, and TIPS	2.3	14.1
31-Jul-25	Notes and Bonds	2.7	16.8
	ST Bills	0.0	64.0
	Total Notes & Bonds	**5**	**95**

July 2025 ST Bill maturity schedule;

Bill Maturity Schedule - Jul			**Weekly Totals $Bn**	
	Par Value of Bills Maturing	**% Maturity by Wk**	**Bill Redemption**	**Bill Reinvestment**
2025/07/01	0.72	1%	0.00	0.72
2025/07/03	13.49	21%	0.00	13.49
2025/07/08	0.72	1%	0.00	0.72
2025/07/10	14.68	23%	0.00	14.68
2025/07/15	0.70	1%	0.00	0.70
2025/07/17	9.18	14%	0.00	9.18
2025/07/22	0.70	1%	0.00	0.70
2025/07/24	9.05	14%	0.00	9.05
2025/07/29	0.69	1%	0.00	0.69
2025/07/31	14.04	22%	0.00	14.04
	64.0	100%	0.0	64.0

https://www.newyorkfed.org/markets/treasury-rollover-faq

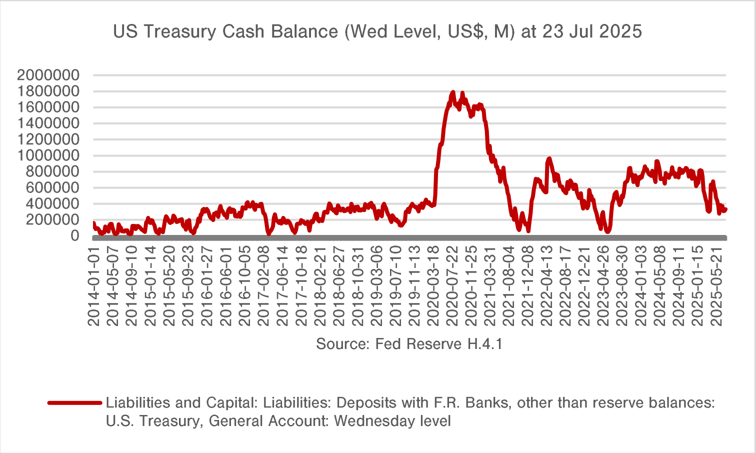
Recommended US Treasury Financing Q2 2025 and Est Q3 2025

The latest update of the US Treasury borrowing requirements for Q3 and Q4 (estimate) will be announced this week, on 28 and 30 July 2025. Details can be found on the US Treasury website here.

The current estimate: In Q3, the US Treasury is expected to borrow $554bn in privately held net marketable debt, assuming an end-of-Q3 cash balance of $850bn. The end-of-June and end-of-September cash balances assume the enactment of a debt limit suspension or increase.

US Treasury Cash Levels (TGA)

As of Wed 23 Jul 2025, the level of the TGA increased to $333bn (+$21bn compared to the week prior). The TGA balance is approx. $433bn *lower* than the same week a year ago.



https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=spreadsheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021

QE Program

There are no Treasury or MBS purchase operations scheduled at this time. Links to historical operation schedules: - https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details

https://www.newyorkfed.org/markets/ambs_operation_schedule

CALENDAR W/C 28 July 2025

MONDAY 28 JULY (US Eastern Time, unless stated otherwise)

US	Dallas Fed Manufacturing Index (Jul)

TUESDAY 29 JULY

US	Prelim Goods Trade Balance & Wholesale Inventories (Jun), Case/Shiller House Price Index (May), CB Consumer Confidence (Jul), JOLTS (Jun)
Australia	CPI (Q2)

WEDNESDAY 30 JULY

Europe	Euro area GDP - Prelim Q2
Canada	BoC Monetary Policy Meeting
US	MBA Mortgage Applications wk ending 26 Jul, ADP Employment Change (Jul), Advance GDP (Q2), Pending Home Sales (Jun) FOMC Monetary Policy Meeting
Japan	BoJ Monetary Policy Meeting
Australia	Retail Sales (Jun), Private Sector Credit (Jun), Import/Export Price Index (Q2)
China	NBS Manufacturing & Non-Manufacturing PMI (Jul)

THURSDAY 31 JULY

US	Initial Jobless Claims wk ending 26 Jul, Challenger Job Cut Announcements (Jul), PCE Inflation (Jul), Personal Spending & Income (Jul), ECI (Q2), Chicago PMI (Jul)

FRIDAY 1 AUGUST

Europe	Euro area CPI – Prelim (Jul)
US	Non-farm Payrolls (Jul), Labour Market Report (Jul), ISM Manufacturing PMI (Jul), Michigan Consumer Sentiment – Final (Jul)