

Key events this week: US inflation; CPI, PPI, Import Price Index, US Retail Sales, Global Growth; UK, Japan, and Euro area GDP Q2, and the RBA Monetary Policy Meeting

Recap from last week: Testing US Economic Resilience at the Start of Q3

While it was a light data week last week, economic releases continued to point to a cautious, moderating US economy at the start of Q3. Further US labor market data showed signs of softening, and divergence in key surveys pointed to an economy with uneven momentum. The backdrop of business hesitation and moderating activity sets the stage for the next critical phase, as the effects of the new tariff regime begin to manifest in official data.

The US PMI surveys for Jul showed more of a two-speed economy, with manufacturing activity continuing to weaken, but offset by expansion in the services sector. However, the two services PMI reports differed somewhat: the ISM survey showed an almost stalled services sector in Jul while the S&P survey showed an accelerated expansion in output. Diving deeper into the [S&P US composite PMI](#) for Jul, showed output growth “narrowly led by surging demand in the tech sector alongside rising financial services activity”. The details underlying the stronger services report, and all the PMI reports for July, showed continued subdued optimism in the outlook, caution over hiring, and firmer input and output price increases amid rising tariffs.

This cautious business outlook was reflected in lending standards and demand for credit in the latest US Senior Loan Officer Survey for Q2. Tighter lending standards and weaker demand for credit were reported for commercial and industrial loans and commercial real estate loans. On the consumer front, demand for household mortgages was weaker, standards for credit card loans tightened, and demand for credit card and other consumer loans softened. Demand for auto loans, however, strengthened, consistent with the spike in auto purchases in March and April to front-run tariffs.

Last week's limited labor market data continued to show a cautious, low-hiring, slow-firing environment. [The Conference Board Employment Trends](#) report for Jul reflected that companies have “become hesitant” amid tariff uncertainty, noting, though, that firms have been “pressing pause” rather than leaning into layoffs. The latest initial claims report supports this, but the report shows a concerning trend. While initial claims have fallen back to lower levels, the pool of continuing claims increased further in the latest week, indicating that it still may be difficult to find new work. This increase in continuing claims, which began in late May/June, has not yet cleared, and the number reached another near-term high since 2021, of 1.974m in the prior week ending 26 Jul.

A key driver of this elevated caution and moderating activity has been related to the uncertainty around the new tariff regime. Last week, reciprocal tariff rates went into effect, which may reduce some of the uncertainty for firms. The crucial question will be how firms will respond and adapt to tariffs, especially regarding pricing, margins, and sourcing decisions. However, there are still many moving parts on the tariff front. This includes the important trade agreement still under negotiation with China, sectoral tariffs under investigation by the U.S. Trade Representative, and the likely announcement of more sectoral tariffs in the next week or two. In addition, there is the threat of additional tariffs being used as sanctions to achieve geopolitical objectives.

In light of the recent weaker labor market data, moderating activity, and continued uncertainty, it wasn't surprising that the tone of Fed officials shifted this week. Some speeches noted that the weak jobs data was "concerning" and could signal a "turning point" in the economy. They explicitly discussed the challenges of making policy in a world of tariffs and a two-sided risk of both slowing growth and persistent inflation. Markets are continuing to price in at least two rate cuts by the FOMC for the remainder of the year (source: [CME FedWatch](#)).

Outlook for the week ahead: US inflation; CPI, PPI, Import Price Index, US Retail Sales, Global Growth; UK, Japan, and Euro area GDP Q2, and the RBA Monetary Policy Meeting

This week's focus will be on the central narrative around the tug of war between persistent US inflation and slowing growth. US data will provide further insight into how tariffs are impacting inflation, as well as the first robust input for the Q3 GDP outlook, with key spending and output data for July. Outside of the US, economic growth will also be in focus, offering a view of the tariff impact from a global perspective.

Key factors & events to watch this week:

US inflation will be the most important theme of the week. The US CPI, PPI, and import price index reports will provide three important perspectives on inflation, a detailed update on how tariff effects may be rippling through inflation data, and who is bearing the burden of those tariffs. It will likely be too early to get a read on the 'finalised' reciprocal tariffs announced last week.

- US headline CPI is expected to ease over the month to +0.2% in Jul, from +0.3% in Jun. Over the year, headline CPI is expected to edge higher to +2.8% in Jul from +2.7% in Jun.
- Core CPI is expected to increase over the month to +0.3% in Jul from +0.2% in Jun. Annual core CPI is also expected to increase to +3% in Jul from +2.9% in Jun.
- US headline PPI is expected to increase by +0.2% over the month in Jul, from 0% in Jun. Annual headline PPI is expected to increase to +2.5% in Jul from +2.3% in Jun.
- Core PPI is expected to increase by +0.2% over the month in Jul, up from 0% in Jun. Annual core PPI is expected to increase by +2.9% in Jul, up from +2.6% in Jun.
- The import price index is expected to be unchanged at 0% in Jul, after increasing by +0.1% in Jun. Annual import prices would then fall by -0.4%. However, the more important measure of import prices is excluding fuels. This has remained firm over the last few months, with the 3-month annualized rising to +1.9%, now above the annual rate of +1.2% growth in import prices ex fuel imports.
- The export price index is expected to moderate slightly over the month to +0.3% in Jul from +0.5% in Jun.

US domestic demand and activity; key data releases will provide a further update on the health of the US consumer and manufacturing activity.

- US retail sales for Jul are expected to increase by +0.5% in Jul, after increasing by +0.6% in Jun. Last week, US vehicle sales for Jul came in stronger than expected, likely helping to boost retail sales. The core retail control group, which feeds into the GDP result, will be important: in Jun this increased by a more robust +0.5%.
- US industrial production growth is expected to be flat in Jul at 0%, after increasing by +0.3% in Jun.
- Initial claims are expected to moderate to 220k last week from 226k in the week prior. The direction of continuing claims will be important after reaching a near-term high of 1.974m in the prior week.

US Fed speeches will be limited this week.

Global growth will also be in focus this week, helping to provide insight into growth headwinds from the new trade and tariff regime.

- The prelim Euro area GDP for Q2 is expected to be unchanged at +0.1% over the quarter.
- The prelim GDP for Japan in Q2 is expected to increase by +0.1% over the quarter, up from 0% in Q1.
- The UK GDP for Q2 is expected to moderate to +0.1% growth from +0.7% in Q1.

Aussie data and the RBA monetary policy meeting.

- The RBA will meet this week and is expected to cut rates by 25bps. Last week's CPI data for Q2 likely helped to ease some of the inflation concerns, with underlying trimmed mean inflation coming in lower than expected, and the annual rate moving further into the RBA's target band of 2-3% inflation for the second quarter in a row. The RBA outlook and guidance for the path of rate cuts will be a key focus.
- After the meeting, the Aus labour market data for Jul is expected to show some improvement, with net employment increasing by +25k after a more modest +2k increase in Jun. The unemployment rate is also expected to ease from 4.3% in Jun to 4.2% in Jul.

US Treasury Issuance; 11 - 15 Aug 2025

This week, the US Treasury will auction and settle approx. \$615bn in ST Bills, Notes, and Bonds, raising approx. \$132bn in new money.

QT this week: Approx \$60bn of ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$3.2bn in Notes and Bonds will be redeemed and roll off the Fed balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
11 - 15 Aug	07-Aug	12-Aug	4 week bill	100		Actual 4.300%	4.290%
	07-Aug	12-Aug	8 week bill	85		Actual 4.235%	4.290%
	06-Aug	12-Aug	17-week bill	65		Actual 4.105%	4.210%
				250	195	55	
	11-Aug	14-Aug	13 week bill	82		Announced	4.165%
	11-Aug	14-Aug	26 week bill	73		Announced	3.980%
	12-Aug	14-Aug	6-week bill	85		Announced	4.300%
				240	198	42	
	05-Aug	15-Aug	3yr Note	58		Actual 3.669%	3.891%
	06-Aug	15-Aug	10yr Note	42		Actual 4.255%	4.362%
	07-Aug	15-Aug	30yr Bond	25		Actual 4.813%	4.889%
				125	89.80	35	
			Total - securities selling this week	615	483	132	
			QTR to date totals	3,819	3,249	570	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>1,007</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		12-Aug	ST Bills	0.7			
		14-Aug	ST Bills	16.4			
		15-Aug	Notes & Bonds	42.4			
				59.5			
			Maturing & redemption (balance sheet roll-off)				
		15-Aug	Notes & Bonds	3.2			

Quantitative Tightening Overview – August 2025

The cap on US Treasury redemptions was lowered to \$5bn effective Apr 2025. In Aug, the face value of Coupons maturing on the Fed balance sheet is approx. \$71bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$71bn of Coupons maturing in Aug, \$5bn will roll off the Fed balance sheet (redeemed) and \$66bn will be reinvested. It also means that all ST Bills maturing in Aug will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - Aug			
		\$5	
		Redeem \$Bn	Reinvest \$ Bn
15-Aug-25	Notes & Bonds	3.2	42.4
31-Aug-25	Notes & Bonds	1.8	24.0
	Bills	0.0	56.9
Total Notes & Bonds		5.0	123.4

Aug 2025 ST Bill maturity schedule;

Bill Maturity Schedule - Aug		Weekly Totals \$Bn			
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
	2025/08/05	0.66	1%	0.00	0.66
	2025/08/07	16.17	28%	0.00	16.17
	2025/08/12	0.67	1%	0.00	0.67
	2025/08/14	16.40	29%	0.00	16.40
	2025/08/19	0.68	1%	0.00	0.68
	2025/08/21	11.29	20%	0.00	11.29
	2025/08/26	0.68	1%	0.00	0.68
	2025/08/28	10.39	18%	0.00	10.39
		56.9	1.0	0.0	56.9

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

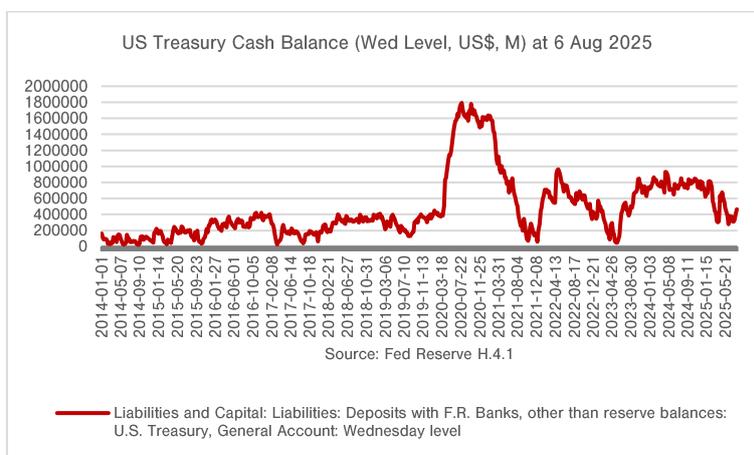
Recommended US Treasury Financing Q2 2025 and Est Q3 2025

The latest update of the US Treasury borrowing requirements for Q3 and Q4 (estimate) was announced last week. Details can be found on the US Treasury website [here](#). There was a notable upward revision to the Q3 net borrowing requirement due to the lower opening cash balance for Q3; Treasury expects to borrow \$1.007 trillion in privately held net marketable debt, assuming an end-of-Q3 cash balance of \$850 billion. This borrowing estimate is \$453 billion higher than announced in April 2025, primarily due to the lower beginning-of-quarter cash balance and projected lower net cash flows.

Est Q4: Over Q4, the US Treasury expects to borrow \$590 billion in privately held net marketable debt, assuming an end-of-December cash balance of \$850 billion.

US Treasury Cash Levels (TGA)

As of Wed 6 Aug 2025, the level of the TGA increased to \$464bn (+\$45bn compared to the week prior). The TGA balance is approx. \$321bn lower than the same week a year ago.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheetml&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/ombs_operation_schedule

CALENDAR W/C 11 August 2025

MONDAY 11 AUGUST (US Eastern Time, unless stated otherwise)

TUESDAY 12 AUGUST

Australia	RBA Monetary Policy Decision, Wage Price Index Q2
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UK	Labor Market Survey (3-mths Jun)
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US	CPI (Jul), OPEC Monthly Report, Fed speeches: Barkin
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Japan	PPI (Jul)
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WEDNESDAY 13 AUGUST

US	MBA Mortgage Applications wk ending 9 Aug, Fed speeches: Goolsbee
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Australia	Labour Market Survey (Jul)
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THURSDAY 14 AUGUST

UK	GDP Q2 – prelim
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Europe	Euro area GDP Q2 – prelim, Industrial Production (Jun)
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US	Initial Jobless Claims wk ending 9 Aug, PPI (Jul), Fed speeches: Barkin
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Japan	GDP Q2 – prelim
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China	New Loans, Industrial Production, and Retail Sales (Jul) - tbc
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FRIDAY 15 AUGUST

Japan	Industrial Production – final (Jun)
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US	Retail Sales (Jul), Export & Import Price Indexes (Jul), Industrial Production (Jul), NY Empire State Manufacturing Survey (Aug), Michigan Consumer Sentiment Survey prelim (Aug)
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