The Weekly Macro Outlook: All Eyes on Jackson Hole (w/c 18 August 2025)

The key events shaping the week commencing 18 August 2025 are: the annual Jackson Hole Symposium on Central Banking, Prelim S&P PMIs August, Global Inflation: UK, Canada, Euro area, and Japan.

Recap from last week: Paving the Way to Jackson Hole

Last week, US economic data provided another important update on tariff impacts feeding into domestic inflation. The latest inflation reports intensified the debate over the trajectory of US inflation and the Fed's response. The US CPI report was mixed, but initially offered some comfort on tariffs, despite rising core inflation. This, however, was followed by a much hotter-than-expected PPI report, which served as a reality check on the potential impact of tariffs. This highlights the Fed's primary challenge: distinguishing between persistent, underlying inflation and the potentially temporary but still-concerning effects of tariffs. While the overall growth picture remained mixed, the full impact of tariffs on the broader economy remains a key unknown. All eyes will now be on the US Fed Chair this week at the Jackson Hole symposium for signals on how the Fed will navigate these unknowns.

To better understand these dynamics, the week's US data provided three key perspectives on domestic inflation, starting with the consumer perspective. Headline CPI came in as expected – with food inflation easing slightly over the year, and energy prices falling - while underlying core inflation accelerated. Core inflation has two factors to disentangle: the impact of tariffs on goods inflation and a further acceleration in services inflation. On the goods front, the tariff effect did not appear to worsen, with core goods prices rising again by +0.2% over the month and increasing to +1.1% over the year. While this seems low, context is important: core goods are no longer providing a deflationary offset like they did before the pandemic. This may complicate the Fed's task of getting inflation back to the 2% target. Core services inflation remained firm at +3.65% and has stalled at this pace for the last five months, despite continued moderation in shelter prices.

Last month, we were concerned that consumer inflation pressure had broadened out among categories. From a shorter-term perspective, the monthly trimmed mean and median inflation rates eased in Jul, despite the firmer core CPI, suggesting somewhat less broad-based inflation pressure compared to Jun. However, the trend in the annual rates of trimmed mean and median inflation accelerated to new YTD highs this month. This could be an important indicator that inflationary pressures have become broader and remained more persistent than at the start of the year. This was also potentially reflected in some of the firming of consumer inflation expectations data from the prelim Michigan survey for Aug. In other words, consumer-facing inflation pressures are likely still persistent.

The second perspective was the PPI. This measures the average change in the selling prices received by domestic producers for their output. This month, the PPI came in much higher than expected, with both headline and core PPI increasing by +0.9% over the month and accelerating to +3.3% and +3.7% respectively. The release of the report provided a reality check on the potential for tariff impacts. All key areas of PPI final demand prices accelerated this month: goods, food, energy, and services prices. This has been the first month since the introduction of tariffs where the increase in the PPI has accelerated in a meaningful way, and potentially marks a shift where tariff and inflation impacts may be feeding into the system.

The final view is the import price index, which we are using as a proxy to understand whether importers, exporters, or both are bearing the cost of tariffs. The import price index measures the price of imported goods before any duties are applied. The index is used to deflate international trade statistics in the National Accounts data. If import prices are falling, then it's likely that exporters are lowering prices to help offset the effect of tariffs on their products. If import prices are rising or little changed, then it's likely that domestic importers are bearing the tariff duty. On aggregate, exporters to the US did not lower prices in Jul. The important index to focus on is the import prices excluding fuels. In Jul, import prices excluding fuels increased by +0.3%, after falling by -0.3% in Jun (revised lower). Over the year, import prices ex fuels were +0.9% in Jul, up slightly from +0.8% in Jun. The 3-month annualized pace is 0%. This suggests, on aggregate, that the burden of tariffs is falling on domestic importers.

Beyond the inflation data, this week's releases provided a crucial read on the state of domestic demand and the labor market, the other side of the Fed's balancing act. For the Fed, broader spending data last week showed a resilient consumer holding things together. Retail sales growth in Jul was relatively good, coming in at +0.5% as expected, with a positive upside revision for Jun to 0.9%. The Atlanta Fed GDPNowcast for the US Q3 GDP growth run rate was steady at +2.5%. The positive contribution from the spending report helped to offset some of the weakness in industrial output in Jul. Initial jobless claims have shown little change in the broad trend of low initial claims, with continuing claims remaining stubbornly elevated.

The broader global growth backdrop stepped down last week. Euro area and UK GDP growth slowed in Q2 as expected – likely reflecting a slowdown after tariff front-running activity in Q1. Japan's GDP firmed at +0.3% after 0% in Q1. Key data out of China also reflected slower investment growth, slower retail sales growth, and slower industrial output growth for Jul. Even the latest RBA decision cautioned that trade policy developments were "expected to have an adverse effect on global activity". With new reciprocal tariffs and trade agreements now in place for many, but not all, key trading partners, the crucial question for markets is how economies will adapt to the new tariff regime.

The overall inflation picture still poses a challenge for the Fed, with inflation remaining persistent and additional tariff effects likely due to their lagged introduction and business uncertainty over final rates. Last week, a rising chorus of calls for a 50bps rate cut by the Fed in Sep was quickly swept aside after the hotter PPI data. The market is still holding onto more aggressive pricing for a rate cut, but the probability has been pared back markedly (Source: CME FedWatch). This diverges from the Fed's cautious stance, though even within the Fed, there is dissent – mostly over the timing of the path forward. Our focus now shifts to the important Jackson Hole symposium this week.

Outlook for the week ahead: Jackson Hole, Prelim S&P PMIs August, Global Inflation: UK, Canada, Euro area, & Japan.

This week, the focus will shift from data to commentary. The market will be looking to Fed Chair Powell for clarity and guidance on the path of monetary policy. His speech at the annual Jackson Hole Symposium will provide an important lens for how the Fed is thinking about the inflation-labor market dual mandate amid the still notable unknowns on tariffs and complicated by dissent within the Committee and a hostile political backdrop.

Key factors & events to watch this week:

Jackson Hole Symposium, the US Federal Reserve, and the Monetary Policy Outlook

- The Jackson Hole Symposium is the key event this week from 21-23 August, with the theme "Labor Markets in Transition: Demographics, Productivity, and Macroeconomic Policy".
- US Fed Chair Powell's speech is the key highlight, and this is scheduled for Friday, 22 August – the topic of his speech is the Economic Outlook and Policy Framework review. While he is

unlikely to give explicit forward guidance, it will be an opportunity to explain how he is weighing the recent data (persistent inflation versus weaker payrolls), the uncertainty over tariffs, and signalling on the path of policy settings.

- Other central bank speeches may also provide some context for expectations of a global slowdown amid rising tariffs.
- The FOMC Minutes of the last meeting will be released. Of interest in the last meeting was the dissent among committee members regarding the policy decision.
- Other speeches; notably, Vice Chair (Supervision) Bowman and Governor Waller will be speaking earlier in the week at the Blockchain Symposium.

US domestic demand and activity; key housing data for Jul will be released this week and will provide an important input into the view of Q3 growth momentum.

- Building permits for Jul are expected to be little changed at 1.39m annualized, from 1.39m in Jun.
- Housing starts (will feed into the GDP nowcast run rate) are expected to moderate further in Jul to 1.3m annualized, from 1.32m in Jun.
- Existing home sales for Jul are expected to be little changed at 3.92m annualized, down slightly from 3.39m in Jun.
- Of note has been the recent rebound in mortgage applications – last week increasing by +10.9% as mortgage rates have begun to moderate. Most of this increase was led by refinance applications.
- US initial claims are expected to remain low at 227k for the wk ending 16 Aug, up slightly from 224k in the prior week. We will continue to watch the level of continuing claims, which remain elevated at 1.953m people.

Global Central Banks and Inflation.

- The RBNZ will meet this week and is expected to cut rates by a further 25bps.
- Global CPI reports will be in focus for several important central banks.
- Canada's headline CPI for Jul is expected to be little changed at +1.9% over the year, with the monthly rate expected to increase by +0.4% in Jul from +0.2% in Jun. Measures of core inflation are expected to stay firm with the trimmed mean at +3% and the median at +3.1%.
- UK CPI for Jul is expected to edge higher to +3.7% in Jul, after rising to +3.6% in Jun. Rising domestic inflation has been led by key government policy changes.
- The Euro area final CPI for Jul is expected to confirm the prelim headline inflation rate at +2%, with core inflation remaining at +2.3%. Services inflation is expected to slow to +3.1% in Jul.
- Japan National CPI for July is expected to show that the main BoJ measure of underlying inflation, core CPI ex fresh food, moderated from +3.3% in Jun to +3% in Jul.

S&P Flash PMIs for August will be released later in the week, providing further insight into tariffs' effects on global output, trade, prices, and business sentiment.

US Treasury Issuance; 18 - 22 Aug 2025

This week, the US Treasury will auction and settle approx. $490bn in ST Bills, raising approx. $89bn in new money. The US Treasury will also auction the 20-year Bond and 30-year TIPS this week, and both to settle at the end of the month.

QT this week: Approx $12bn of ST Bills will mature on the Fed balance sheet and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B (TBAC)	Amount Maturing $B	New Money $B		Prior Auction High Rate %
18-22 Aug 2025	14-Aug	19-Aug	4 week Bill	100			Actual 4.280%	4.300%
	14-Aug	19-Aug	8 week Bill	85			Actual 4.185%	4.235%
	13-Aug	19-Aug	17-week Bill	65			Actual 4.050%	4.105%
				250	205	45		
	18-Aug	21-Aug	13 week Bill	82			Announced	4.150%
	18-Aug	21-Aug	26 week Bill	73			Announced	3.970%
	19-Aug	21-Aug	6-week Bill	85			Announced	4.265%
				240	196	44		
		Total - securities settling this week		490	401	89		
		QTR to date total		**4,309**	**3,650**	**659**		
		Estimated Net Cash to be Raised Q3 ($ Bn)				*1,007*		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		19-Aug	ST Bills	0.7				
		21-Aug	ST Bills	11.3				
				12.0				
	Upcoming Auctions			**$B**				
	20-Aug	02-Sep	20yr Bond	16				
	21-Aug	29-Aug	30yr TIPS	8				
				24				

Quantitative Tightening Overview – Aug 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

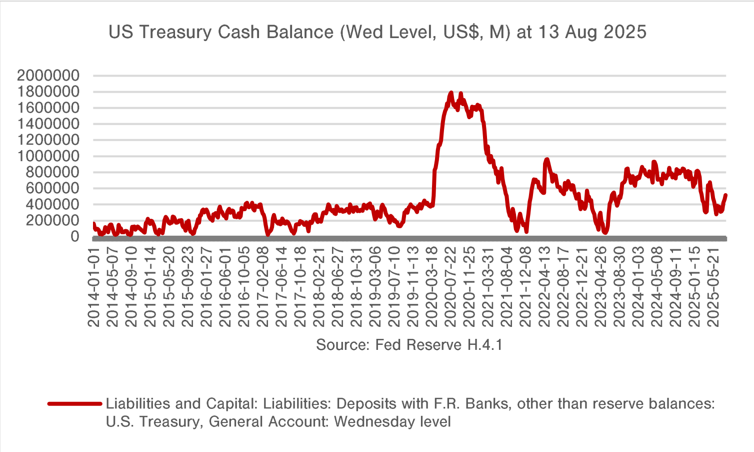
Recommended US Treasury Financing Q2 2025 and Est Q3 2025

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 13 Aug 2025, the level of the TGA increased to $515bn (+$51bn compared to the week prior). The TGA balance is approx. $273bn *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 18 August 2025

MONDAY 18 AUGUST (US Eastern Time, unless stated otherwise)

US	NAHB Housing Market Index (Aug)

TUESDAY 19 AUGUST

Canada	CPI (Jul)
US	Building Permits & Housing Starts (Jul), Fed speeches; Vice Chair (Supervision) Bowman at the Blockchain Symposium
Japan	Merchandise Trade Balance, Exports, and Imports (Jul)
China	PBoC meeting – tbc
NZ	RBNZ Monetary Policy Meeting

WEDNESDAY 20 AUGUST

UK	CPI (Jul)
Europe	Euro area CPI – Final (Jul)
US	MBA Mortgage Applications wk ending 16 Aug, FOMC Minutes, Fed speeches: Gov Waller at the Blockchain Symposium
Australia	S&P Prelim Manufacturing & Services PMI (Aug)
Japan	S&P Prelim Manufacturing & Services PMI (Aug)

THURSDAY 21 AUGUST

Europe	Eurozone S&P Prelim Manufacturing & Services PMI (Aug)
UK	S&P Prelim Manufacturing & Services PMI (Aug)
US	Initial Jobless Claims wk ending 16 Aug, S&P Prelim Manufacturing & Services PMI (Aug), Philadelphia Fed Manufacturing Survey (Aug), Existing Home Sales (Jul), Annual Jackson Hole Symposium on Central Banking 21-23 Aug

FRIDAY 22 AUGUST

UK	Retail Sales (Jul)
Canada	Retail Sales (Jun)
US	Fed Chair Powell speech; Jackson Hole Symposium