

The Macro Outlook: A Cautious Rebalancing

The key events for the w/c 16 February 2026: US PCE inflation, Q4 GDP, & FOMC Minutes, Global CPI data, RBNZ Policy Meeting, S&P Prelim PMIs Feb

Macro Recap: Constructive Data for the Fed Mandate

US data last week provided a solid update to the Federal Reserve's "balance of risks." The results reflected a constructive shift on both sides of the mandate: disinflation in the CPI continued, though it is not yet back to the 2% target, while signs of stabilization in the labor market helped to alleviate more immediate concerns over near-term weakness. While these trends remain to be fully confirmed, both metrics moved in the right direction, providing a constructive enough backdrop to keep the Fed on hold. The broader context for Q4 growth did shift lower, as weak retail sales in Dec confirmed a softer spending trajectory to end the year. However, the outlook remains resilient, especially given the Fed's existing expectation for a shutdown-related disruption to Q4 activity.

US Labor Market: Signs of Stabilizing

The Jan labor report likely aligns with the Fed's view of signs that the labor market is stabilising. This was seen across several key indicators in Jan:

- **Non-farm payrolls increased by a notably higher-than-expected +130k**, with only a minor downward revision to the prior month. This marked the largest increase in non-farm payrolls since Dec 2024. The gains were led by the private sector (+172k in Jan), while government payrolls contracted by -42k. While the private hiring trajectory has been more encouraging since the shutdown, the direction of future revisions will be important in determining if this forms an enduring trend.
- After the annual benchmark revisions, the annual growth in private payrolls for 2025 was revised from +733k to +367k, bringing the data in line with the weaker labor market conditions throughout the year.
- **The unemployment rate edged lower to 4.3%**, despite an increase in participation. This is a welcome undershoot of the latest Fed projection of the year-end unemployment rate of 4.5%.
- **Growth in hours & wages supported nominal income growth in Jan.** Average weekly earnings growth rebounded in Jan to +0.4% (from a softer 0% in Dec), while aggregate hours worked increased by a solid +0.4% in Jan (after a fall of -0.2% in Dec). Growth in hours aligns with some of the stronger activity (output) reports for Jan.

Retail Sales: Real Spending Slowdown in Q4

While the stabilizing labor market supported the income side of the equation for Jan, the consumption side showed a more cautious, trend-like deceleration in Dec.

- **Nominal stalling:** Headline nominal retail sales growth stalled in Dec after increasing by +0.6% in Nov. The result was led mostly by a fall in motor vehicle sales and smaller falls in clothing, misc., and foodservice.
- **In real terms, sales fell by -0.3%** in Dec, after increasing by +0.4% in Nov – which brings the Dec qtr. change to -0.2% in real terms, versus +0.6% in the Sept qtr.
- **GDP Implications:** This softer spending result aligns with the Fed's expectation of a shutdown-related slowdown. Consequently, the contribution from consumer spending in the [Atlanta Fed's GDPNow](#) forecast for Q4 was reduced, with the overall growth run rate slowing to +3.7% in Q4.

Jan CPI: Downside Surprise Amid Underlying Stickiness

- **Headline CPI was lower than expected**, slowing to +0.2% over the month in Jan (expecting +0.3%) and slowing to +2.4% over the year in Jan (from +2.7% in Dec). The main contributors to the headline deceleration were the fall in gasoline and used car and truck prices.
- **Core CPI came in as expected**, accelerating to +0.3% over the month (from +0.2% in Dec), while annual core CPI slowed to +2.5% in Jan (from +2.7% in Dec). The fall in used car prices slowed core goods inflation to 0% in the month, which was more than offset by an increase in core services inflation, possibly related to annual corporate price increases.
- **Underlying Trends:** The relatively higher trimmed mean (+2.7%) and median (+3.0%) inflation rates suggest that underlying pressure remains stickier than the core CPI indicates. In other words, there is still some persistence in underlying inflation through the middle of the distribution. Both measures, however, remain on a clear disinflationary trajectory.

While the larger improvement in CPI since Sept could be related to the restart of the data collection post-shutdown disruption, the broader disinflation trend remains in place. The focus now shifts to how the Fed's preferred PCE price index evolves; the Dec PCE inflation data due this week is expected to show some firming. For the moment, market expectations for a Jun rate cut remain unchanged (source: [CME Fedwatch](#)).

Outlook for the week ahead: US PCE inflation, Q4 GDP, & FOMC Minutes, Global CPI data, RBNZ Policy Meeting, S&P Prelim PMIs

The coming week presents another important slate of US data as we close out the 2025 picture. While Jan's CPI provided a welcome reprieve, the upcoming Fed-preferred PCE report for Dec is expected to reflect a firmer year-end inflation profile. Personal income and spending data will feed into the Advance Q4 GDP report, which is expected to offer a view of resilient economic activity despite the government shutdown disruption. This combination of sticky inflation and resilient growth data doesn't necessarily shift the goalposts for the Fed, but it does reinforce the "solid" economic conditions. Rather than signalling a pivot, these prints would likely confirm that the Fed can afford to remain patient, as the lack of a growth "cliff" removes the urgency for aggressive easing. Globally, the focus shifts to Jan CPI reports for the UK, Canada, and Japan, while the Feb prelim S&P PMIs will provide further insight into momentum across key markets at the start of the new year.

Key factors & events to watch this week:

US PCE Inflation (Dec) will be a key report for the Fed and is expected to show inflation remaining firm at the end of 2025.

- Headline PCE inflation is expected to increase by +0.4% in Dec, up from +0.2% in Nov. Over the year, headline inflation is expected to increase to +2.9%, up from +2.8% in Nov.
- Core PCE inflation is expected to increase by +0.3% in Dec, up from +0.2% in Nov. Annual core PCE inflation is expected to increase by +3% in Dec, up from +2.8% in Nov.
- The current FOMC year-end projection for core PCE inflation is +3%.

US growth at year-end 2025

- The advance estimate for Q4 GDP in 2025 is expected to be +2.8% annualized, down from +4.4% in Q4. This would translate into year over year growth of +2.6% at the end of 2025, well above the current Fed projection for year-end growth of +1.7%.
- Personal spending growth for Dec is expected to slow to +0.4% from +0.5% in Nov.
- Personal income growth for Dec is expected to be +0.3% in Dec, unchanged from +0.3% in Nov.
- Durable Goods Orders for Dec are expected to fall by -1.8% after the stronger +5% in Nov.
- Housing data will continue to catch up with Building Permits and Housing Starts for Nov and Dec to be released this week.

FOMC Minutes & Fed speeches

- The minutes of the Fed meeting in Jan will be released this week. At the last meeting, the Fed kept rates on hold while signalling a subtle realignment in the balance of risks to its mandate. Two Committee members dissented.
- There will be several Fed speeches this week – though none so far on the economic outlook.

Global CPI reports (Jan)

- **Canada's CPI** for Jan is expected to increase to +0.1% over the month after falling by -0.2% in Dec. Over the year, headline inflation is expected to ease back from +2.4% as the base effects from last year's GST holiday fall away. BoC measures of core inflation: trimmed mean is expected to continue to moderate to +2.6% in Jan, from +2.7% in Dec, while the median is expected to remain unchanged at +2.5%.
- **UK CPI** is expected to ease to +3% in Jan, from +3.4% in Dec, while core CPI is expected to continue to ease to +3.1% in Jan, from +3.2% in Dec. The latest BoE inflation forecasts show a faster return to the 2% target.
- **Japan's National Core CPI** (ex-fresh food) for Jan is expected to slow to +2% over the year, from +2.4% in Dec. This slowing is in line with BoJ expectations that inflation will slow to below 2% in H1 2026, due to "waning food prices", while the latest inflation forecasts were upgraded.

Australia – RBA Minutes & Labour Market for Jan

- The minutes of the latest RBA meeting will be released this week, providing some insight into the decision to hike the cash rate by 25bps.
- The Jan labour market survey is expected to show somewhat softer employment growth of +20k this month (from +65k in Dec), and the unemployment rate to edge back up to a still

historically low 4.2%. Growth in the Q4 wage price index is expected to be unchanged at +0.8%.

The RBNZ will meet for the first time this year, under the new leadership of Governor Breman. The RBNZ is expected to stay on hold at 2.25%.

Finally, the suite of global prelim S&P PMIs will be released for Feb, providing insight into whether the Jan expansion was maintained.

US Treasury Issuance; 16 - 20 February 2026

This week, the US Treasury will auction and settle approx \$700bn in ST Bills, Notes, and Bonds, raising approx. \$84bn in new money. The US Treasury will also auction the 20-year Bond and 30-year TIPS this week. Approx \$50bn in ST Bills, Notes, and Bonds 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	Result	Prior Auction High Rate %
16 Feb - President's Day Holiday								
16-20 Feb	12-Feb	17-Feb	4 week Bill	105			Actual 3.630%	3.630%
	12-Feb	17-Feb	8 week Bill	95			Actual 3.630%	3.630%
	11-Feb	17-Feb	17 week Bill	69			Actual 3.595%	3.595%
				269	244	25		
	17-Feb	19-Feb	13 week Bill	89			Announced	3.600%
	17-Feb	19-Feb	26 week Bill	77			Announced	3.500%
	17-Feb	19-Feb	6-week Bill	90			Announced	3.635%
	17-Feb	19-Feb	52 week Bill	50			Announced	3.390%
				306	282	24		
	10-Feb	17-Feb	3yr Note	58			Actual 3.518%	3.609%
	11-Feb	17-Feb	10yr Note	42			Actual 4.177%	4.173%
	12-Feb	17-Feb	30yr Bond	25			Actual 4.750%	4.825%
				125	90	35		
	Total - securities settling this week			700	616	84		
	Net New Cash Raised Qtr to Date			4368	4065	303		
	<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>					574		
Upcoming Auctions				\$B				
	18-Feb	02-Mar	20yr Bond	16				
	19-Feb	27-Feb	30yr TIPS	9				
				25				
Face value of US Fed SOMA securities maturing				\$B				
Maturing & reinvestment								
	17-Feb		ST Bills	0.7				
	19-Feb		ST Bills	14.0				
	17-Feb		Notes & Bonds	35.4				
				50.1				

Reserve Management Purchase (RMP) Operations

Operations commenced on 12 Dec 2025. See announcement [here](#). See operation details and announcements [here](#) and [here](#).

SOMA Reinvestment – Feb 2026

The program of Quantitative Tightening (QT), or balance sheet roll-off, ended as of 1 December. See note [here](#). All principal payments from the Fed’s holdings of Treasury securities will be rolled over, and all principal payments from the Fed’s holdings of agency securities will be reinvested into Treasury bills through secondary market purchases.

Recommended US Treasury Financing Q1 2026 and Est Q1 2026

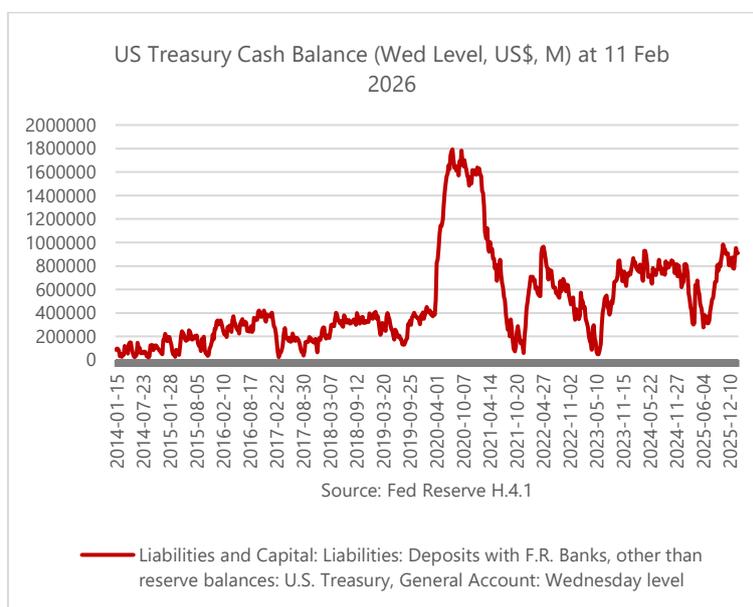
The latest update of the US Treasury borrowing requirements for Q1 and Q2 2026 (estimate) can be found on the US Treasury website [here](#).

Updated Q1 estimates: Treasury expects to borrow \$574 billion in privately held net marketable debt (only \$3bn lower than initially estimated), assuming an end-of-December cash balance of \$850 billion.

Estimated Q2 borrowing requirement: Treasury expects to borrow \$109 billion in privately-held net marketable debt, assuming an end-of-June cash balance of \$900 billion.

US Treasury Cash Levels (TGA)

As of Wed 11 Feb 2026, the level of the TGA increased to \$910bn (+\$3bn compared to the week prior). The TGA balance is now approx. \$101bn *higher* 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>

CALENDAR W/C 16 February 2026

MONDAY 16 FEBRUARY (US Eastern Time, unless stated otherwise)

Japan	GDP Q4 - prelim
US	Presidents Day Holiday
Australia	RBA Minutes

TUESDAY 17 FEBRUARY

UK	Labour Market Survey (3mth Dec)
US	NY Empire State Manufacturing Index (Feb), NAHB Housing Market Index (Feb), Fed speeches: Barr, Daly
Canada	CPI (Jan)
Japan	Merchandise Trade, Exports, and Imports (Jan)
Australia	Wage Price Index Q4

WEDNESDAY 18 FEBRUARY

UK	CPI (Jan)
US	MBA Mortgage Applications wk ending 14 Feb, Building Permits & Housing Starts (Nov & Dec), Durable Goods Orders (Dec), Industrial Production (Jan), Fed speeches: Bowman, FOMC Minutes
Australia	Labour Market Survey (Jan)

THURSDAY 19 FEBRUARY

US	Initial Jobless Claims wk ending 14 Feb, Goods & Services Trade Balance (Dec), Philadelphia Fed Manufacturing Index (Feb), Pending Homes Sales (Jan), Fed speeches: Bostic, Bowman, Kashkari, Goolsbee
Australia	S&P Prelim Manufacturing & Services PMI (Feb)
Japan	National CPI (Jan), S&P Prelim Manufacturing & Services PMI (Feb)

FRIDAY 20 FEBRUARY

UK	S&P Prelim Manufacturing & Services PMI (Feb), Retail Sales (Jan)
Europe	S&P Eurozone Prelim Manufacturing & Services PMI (Feb), Wages (Q4)
US	PCE Price Index (Dec), Personal Spending & Income (Dec), Advance Q4 GDP, S&P Prelim Manufacturing & Services PMI (Feb), New Home Sales (Nov & Dec), Michigan Consumer Sentiment – final (Feb), Fed speeches: Bostic, Logan
