

The Macro Outlook: Central Bank Meetings and the US Labor Market

The key events for the w/c 2 February 2026: US Labor Market, Central Bank Meetings: RBA, BoE, and ECB, S&P Global PMIs Jan

Macro Recap: Fed Leadership Change & Policy On-Hold

Late last week, the impending change in Fed leadership came into sharp focus with the announcement of Kevin Warsh as the nominee to succeed Fed Chair Powell in May. Markets have begun to digest the implications of this change in Fed leadership for the policy outlook. The change is underscored by a Fed that remains in a delicate holding pattern; while the Jan FOMC meeting saw a second consecutive pause, two dissents highlighted the continued internal debate over the balance between labor market and inflation risks.

The FOMC Hold & Dissent

This leadership announcement arrived after the FOMC signalled a tactical shift in its assessment of the labor market. While the FOMC kept policy settings unchanged as expected, the decision was not unanimous. Governors Waller and Miran dissented, preferring another 25bps rate cut at this meeting. With policy rates now within a 'plausible range of neutral', the committee maintained that policy was "well positioned" to calibrate future adjustments, reinforcing market expectations of an extended hold here until the Jun meeting.

The decision to hold hinges on a subtle realignment of the balance of risks to the Fed's mandate. The Fed now views activity as expanding at a "solid" pace and inflation as "elevated," but crucially sees the labor market as "stabilizing." Chair Powell acknowledged this delicate transition during the Q&A:

"I'd say that the upside—again, the upside risks to inflation and the downside risks to employment, have diminished. But they still exist. So there's still some tension between the mandates. Are they fully in balance? Hard to say." Fed Chair Powell, [Press Conference Q&A](#) 28 Jan 2026.

Governor Waller's [dissent](#) highlighted the tension, as he argued that the labor market remains fundamentally weak, despite the 'solid' growth in economic activity. In his assessment, the labor market remains at significant risk of "substantial deterioration".

US Inflation & Growth Update

Despite a firmer-than-expected PPI print for Dec, the broader inflation trend appears to remain contained. While headline PPI was unchanged at +3%, core PPI accelerated to +3.3% (expecting a slowdown to +2.9%). According to the updated [Cleveland Fed PCE Nowcast](#), these PPI inputs suggest that core PCE likely increased by +2.84% over the year in Dec. This would remain largely

consistent with the +2.8% core PCE print in Nov and sits slightly below Chair Powell's expectation that Dec core PCE is likely to come in "around +3%", also aligning with year-end Fed projections.

Meanwhile, the Atlanta Fed GDP nowcast for US GDP growth in Q4 slowed to +4.2% as the latest US trade data trimmed the large contribution from net exports. With the official advance Q4 GDP estimate to be released mid-Feb, the growth tracking remains elevated into year-end 2025.

Bank of Canada – Next Move "Difficult to Predict"

The Bank of Canada remained on hold for the second consecutive meeting, noting that current settings were still "at about the right level" to support the economy through its structural adjustment. In a notable shift, the Bank described the timing and direction of the next move as "difficult to predict", opting instead to remain nimble and preserve optionality in the face of uncertainty over the structural adjustment underway. While updated forecasts had not changed significantly from the Oct meeting, the upcoming review of the USMCA (trade agreement) was noted as a key risk in the outlook.

Outlook for the week ahead: US Labor Market, Central Bank Meetings: RBA, BoE, and ECB, S&P Global PMIs Jan

With markets continuing to digest the implications of the New Fed Chair nomination, the upcoming week brings a heavy slate of consequential data and central bank policy decisions.

Key factors & events to watch this week:

US Labor Market (Jan) and Annual Benchmarking.

The labor market remains a primary focus following the FOMC's shift characterizing labor market conditions as "stabilizing". Any deviation from this stabilizing trend could see a re-evaluation of the current 'on hold' stance before the Jun meeting.

- Non-farm payroll growth is expected to rebound to +67k in Jan, from +50k in Dec.
- The unemployment rate is expected to be unchanged at a low 4.4%.
- The annual benchmarking process and updated seasonal adjustment factors are likely to complicate the view of the labor market and are expected to show a downward revision to payroll growth.
- JOLTS: Job openings are expected to increase slightly to 7.2m at the end of Dec (from 7.1m at the end of Nov)
- The Challenger Job Cut Announcement survey will remain in focus after the slowing trend in late 2025.
- Initial jobless claims are expected to remain low around 213k for the week ending 31 Jan. Continuing claims have continued to fall.

US Growth and Fed speeches

- ISM PMIs (Jan): Manufacturing activity is expected to remain near a stalled pace (expecting 48.5) while services activity is expected to continue expanding at a moderate pace (expecting 53.8).

- Fed speeches: Vice Chair Jefferson and Governor Cook will both give speeches this week on the Economic Outlook, likely outlining their views on the economy post the FOMC decision last week.

Central Bank Decisions

- RBA: Widely expected to hike. The stronger-than-expected inflation results for Q4, together with firmer economic data, have markets pricing in a potential increase to the cash rate to 3.85% at its meeting this week. Focus will be on updated forecasts and guidance for the future rate path (markets are currently pricing approx. 60bps of hikes through June 2027, source: [ASX](#)).
- The BoE is expected to stay on hold after a slim majority to cut at its Dec meeting. The Bank has shifted toward a more balanced assessment of inflation and growth risks, viewing future cuts as a 'closer call', and conditional on the inflation outlook.
- The ECB is also expected to remain on hold this week. At its last meeting, the ECB stayed on hold, with policy settings at a 'roughly neutral level'. Given the uncertain international environment, the ECB guidance is likely to keep all options on the table.

Euro Area CPI – prelim Jan

- The latest prelim Euro area CPI for Jan will be released before the ECB decision. Headline CPI is expected to slow to +1.8% in Jan (from +1.9% in Dec), and core CPI is also expected to slow to +2.2% in Jan (from +2.3% in Dec).

The full suite of S&P Global PMIs for Jan will be released this week, providing the first view of private sector momentum at the start of 2026.

US Treasury Issuance; 2 – 6 February 2026

This week, the US Treasury will auction and settle approx. \$751bn in ST Bills, Notes, FRNs, and Bonds, raising approx. \$64bn in new money. Approx \$28.5bn 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	Prior Auction High Rate %
2-6 Feb	29-Jan	03-Feb	4 week Bill	105			Actual 3.630%
	29-Jan	03-Feb	8 week Bill	95			Actual 3.635%
	28-Jan	03-Feb	17 week Bill	69			Actual 3.590%
				269	227	42	
	02-Feb	05-Feb	13 week Bill	89			Announced
	02-Feb	05-Feb	26 week Bill	77			Announced
	03-Feb	05-Feb	6-week Bill	90			Announced
				256	234	22	
	21-Jan	02-Feb	20-Year Bond	13			Actual 4.846%
	28-Jan	02-Feb	2yr FRN	30			Actual 0.099%
	26-Jan	02-Feb	2yr Note	69			Actual 3.580%
	27-Jan	02-Feb	5yr Note	70			Actual 3.823%
	29-Jan	02-Feb	7yr Note	44			Actual 4.018%
				226	226	0.1	
			Total - securities settling this week	751	687	64	
			Net New Cash Raised Qtr to Date	3143	2986	157	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			578	
			Face value of US Federal Reserve SOMA securi	\$B			
			Maturing & reinvestment				
		02-Feb	ST Bills	1.0			
		05-Feb	ST Bills	11.6			
		02-Feb	Notes & Bonds	15.9			
				28.5			

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, has 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 Q4 2025 and Est Q1 2026

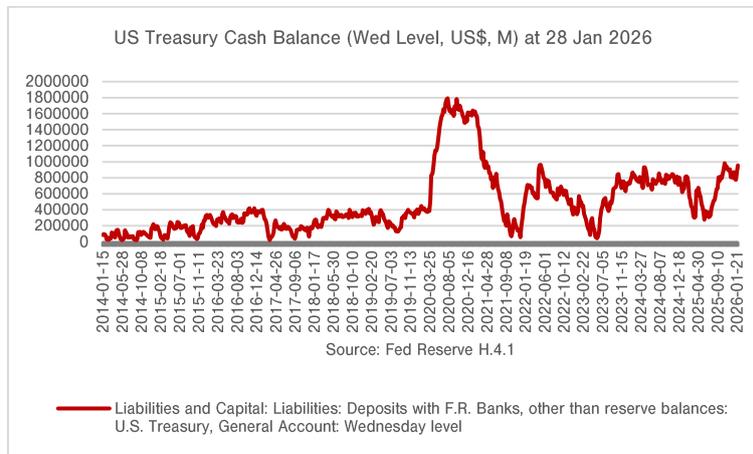
The next update will be this week on 2 and 4 Feb 2026. At the last meeting, the US Treasury noted that it "has begun to preliminarily consider future increases to nominal coupon and FRN auction sizes." The latest update of the US Treasury borrowing requirements for Q4 and Q1 2026 (estimate) can be found on the US Treasury website [here](#).

Updated Q4 estimates: Treasury expects to borrow \$569 billion in privately held net marketable debt (only -\$21bn lower than initially estimated), assuming an end-of-December cash balance of \$850 billion.

At the prior announcements, for the January–March 2026 quarter, the US Treasury expected to borrow \$578 billion in privately-held net marketable debt, assuming an end-of-March cash balance of \$850 billion.

US Treasury Cash Levels (TGA)

As of Wed 28 Jan 2026, the level of the TGA increased to \$953bn (+\$81bn compared to the week prior). The TGA balance is now approx. \$141bn *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 2 February 2026

MONDAY 2 FEBRUARY (US Eastern Time, unless stated otherwise)

US	ISM Manufacturing PMI (Jan), S&P Manufacturing PMI - Final (Jan), Fed Senior Loan Officer Survey (Q4)
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Australia	RBA Monetary Policy Meeting
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TUESDAY 3 FEBRUARY

US	JOLTS (Dec), Fed speeches: Barkin, Bowman
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NZ	Labour Market Survey Q4
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WEDNESDAY 4 FEBRUARY

Europe	Euro Area CPI – Prelim (Jan)
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US	MBA Mortgage Applications wk/ending 31 Jan, ADP Employment Change (Jan), ISM Services PMI (Jan), S&P Services PMI – Final (Jan), Fed speeches: Governor Cook
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THURSDAY 5 FEBRUARY

Europe	Germany Factory Orders (Dec) ECB Monetary Policy Meeting
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UK	BoE Monetary Policy Meeting
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US	Initial Jobless Claims wk ending 31 Jan, Challenger Job Cut Announcement Survey (Jan)
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FRIDAY 6 FEBRUARY

Europe	Germany Industrial Production (Dec)
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Canada	Labour Market Survey (Jan)
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US	Non-Farm Payrolls & Labor Market Survey (Jan), Michigan Consumer Sentiment – Prelim (Feb), Consumer Credit Change (Dec), Fed speeches: Vice Chair Jefferson
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Japan	(Weekend) Election 8 Feb
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