

## The Macro Outlook: US Labour Market, Growth, & Inflation

*The key events for the w/c 9 February 2026: US Labor Market, Retail Sales, and CPI*

### Macro Recap: Funding Lapse & Postponed Labor Data

Due to the lapse in US government funding early last week, the release of the US non-farm payroll and broader employment report for Jan were postponed to this week. In the absence of this more consequential data, attention shifted to softening second-tier US labor metrics and the gap between resilient business surveys and a cooling labor market.

The week was also characterized by the trio of key central bank decisions, which highlighted a growing divergence in policy outlooks.

### Softer Labor Market Metrics for January, So Far

While awaiting the full January report, a range of softer metrics reinforced the "low-dynamism" setting of the US labor market.

- **JOLTS:** The Dec survey showed a notable fall in job openings to 6.5m and a revision lower to Nov. The job opening rate fell to 3.9 in Dec – the lowest since the onset of the pandemic (after reaching a brief low of 3.4 in Apr 2020). Falling job openings have acted as the key 'shock absorber' for the Fed as it aimed to cool wage pressure while keeping unemployment low in this cycle. However, with openings relative to the number of unemployed persons falling below a 1:1 ratio (in Dec), the risk of a more notable deterioration remains high. Underlying the fall in job openings, there was a small improvement in hiring relative to separations but no change overall to the low-hiring, low-firing environment.
- **Challenger Report:** The Jan report saw another large increase in job cut announcements, reversing the more subdued readings from the prior two months. Also concerning was the drop in hiring plan announcements, which fell to the lowest level since the survey started in 2009.

### US PMIs: Output and Employment Disconnect

The Jan PMI surveys highlighted the ongoing disconnect between the robust expansion in output and the tepid employment response.

- **Manufacturing and Services:** Both surveys recorded jumps in output and demand growth, while hiring momentum was yet to follow. Selected industry commentary remained downbeat – especially in manufacturing.
- **Price indexes** remained elevated, highlighting more persistent inflationary pressure, though the Jan impulse could be seasonal.

- Sentiment risks remain. Positive sentiment from lower interest rates and government support continues to be offset by tariff-led inflation and political uncertainty stalling consumer spending at the start of the year.

### Central Bank Divergence: RBA, BoE, and ECB

Inflation served as the primary axis of divergence among central bank decisions this week.

#### RBA – Tapping the Brakes (Hike to 3.85%)

The RBA delivered a unanimous 25bps hike in response to concerns of higher and persistent inflation. The Board flagged "excess demand" and signalled that financial conditions may not be as restrictive as previously thought. The projected return to its inflation target has been pushed out to 2028. Forward guidance was again suspended due to high uncertainty over the persistence of inflation. The RBA is remaining in a data-dependent stance, ruling "nothing in or out" regarding future moves.

#### BoE – A Dovish Hold (3.75%)

The razor-thin 5-4 decision to hold reflects a delicate balancing act. The Committee is weighing the risk of easing too much before inflation is sustainably back to target against the risk of easing too little, now that economic slack is judged to be widening amid a subdued outlook for demand. Despite the decision to stay on hold, the Committee is expecting a faster return to the inflation target from April. Guidance was clear: based on current evidence, the Bank Rate is likely to be reduced further. Judgements around further easing will become (or, remain) a closer call.

#### ECB – Watchful Hold (2%)

The ECB maintained current policy settings, signalling they are in a "good place" with inflation remaining consistent with the 2% medium-term inflation target. With no reduction in its assessment of broader risks, specifically regarding tariffs and geopolitical shifts, ECB guidance remained suspended. In the absence of new forecasts, the ECB is focused on the evolution of services inflation and wage growth to confirm that the disinflationary trend is enduring.

## **Outlook for the week ahead: The Big Three – US Labor Market/NFP, Retail Sales, and CPI**

This is a significant week for U.S. macro data, covering the "big three": non-farm payrolls & the employment situation, household spending, and inflation. While the FOMC remains on hold for now, these upcoming data points will provide a critical update to the Fed's 'balance of risks' regarding its dual mandate, and potentially shift market expectations for the timing of the next rate cut.

### **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 clear deviation from the 'stabilizing' trend would likely force a re-evaluation of the current 'on hold' stance well before the market's expected Jun cut window.

- Non-farm payroll growth is expected to rebound to +70k in Jan, from +50k in Dec.
- 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.
- The unemployment rate is expected to be unchanged at a low 4.4%.
- Average weekly hours are expected to be unchanged at 34.2 hours.
- Average hourly earnings are expected to slow to +3.6% in Jan from +3.8% in Dec.
- The Employment Cost Index for Q4 is expected to increase by +0.8% (from +0.8% in Q3).
- After ticking up to 231k last week, initial jobless claims are expected to fall back to 222k for the week ending 7 Feb.

#### US Retail Sales - Dec

- Headline retail sales growth is expected to slow to +0.4% in Dec from +0.6% in Nov. The retail control group (which factors into the GDP calculation) increased by +0.4% in Nov and is expected to remain little changed.

#### US Inflation – CPI Jan

- Annual headline and core CPI are expected to moderate in Jan. Headline CPI is expected to increase by +0.3% over the month in Jan, from +0.3% in Dec. The annual rate is expected to slow to +2.5% in Jan, from +2.7% in Dec.
- Core CPI is expected to increase by +0.3% over the month in Jan, from +0.2% in Dec. Annual core CPI is expected to slow to +2.5% in Jan, from +2.7% in Dec.

#### US Fed Speeches

- There will be a wide range of Fed speeches this week. Of note will be Fed Governor Waller: while his topic is 'digital assets', he may speak on the economy.

### **US Treasury Issuance; 9 – 13 February 2026**

This week, the US Treasury will auction and settle approx. \$525bn in ST Bills, raising approx. \$62bn in new money. The US Treasury will also auction the 3-year Note, the 10-year Note, and the 30-year Bond this week, to settle next week. Approx \$16bn in 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	Result	Prior Auction High Rate %
9-13 Feb	05-Feb	10-Feb	4 week Bill	105			Actual 3.630%	3.630%
	05-Feb	10-Feb	8 week Bill	95			Actual 3.630%	3.635%
	04-Feb	10-Feb	17 week Bill	69			Actual 3.595%	3.590%
				269	229	40		
	09-Feb	12-Feb	13 week Bill	89			Announced	3.600%
	09-Feb	12-Feb	26 week Bill	77			Announced	3.525%
	10-Feb	12-Feb	6-week Bill	90			Announced	3.640%
				256	234	22		
			<b>Total - securities settling this week</b>	<b>525</b>	<b>462.875</b>	<b>62</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>3668</b>	<b>3449</b>	<b>219</b>		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			<b>574</b>		
			<b>Upcoming Auctions</b>	<b>\$B</b>				
	10-Feb	17-Feb	3yr Note	58				
	11-Feb	17-Feb	10yr Note	42				
	12-Feb	17-Feb	30yr Bond	25				
				125				
			<b>Face value of US Fed SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
	10-Feb		ST Bills	0.8				
	12-Feb		ST Bills	14.9				
				15.7				

## 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

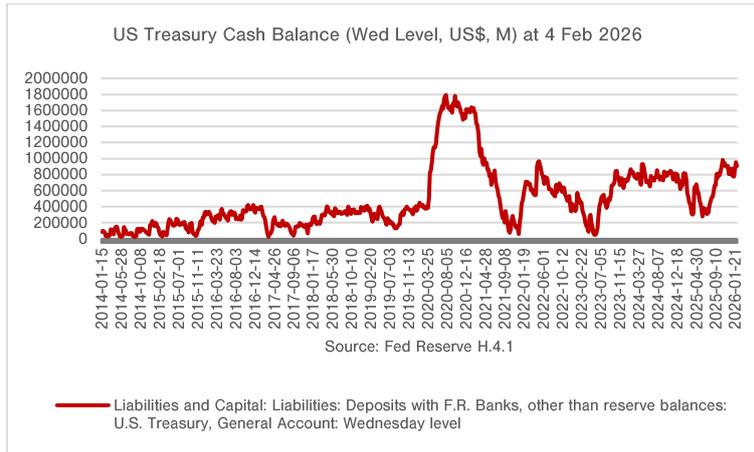
The latest update of the US Treasury borrowing requirements for Q1 and Q2 2026 (estimate) can be found on the US Treasury website [here](#).

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 4 Feb 2026, the level of the TGA decreased to \$908bn (-\$44bn compared to the week prior). The TGA balance is now approx. \$90bn *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 9 February 2026

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### MONDAY 9 FEBRUARY (US Eastern Time, unless stated otherwise)

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US	Fed speeches: Waller, Miran, Bostic
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### TUESDAY 10 FEBRUARY

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US	NFIB Business Optimism Index (Jan), Employment Cost Index (Q4), Retail Sales (Dec), Export & Import Price Index (Dec), Fed speeches: Hammack, Logan
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Australia	Housing Finance Q4
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China	CPI & PPI (Jan)
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### WEDNESDAY 11 FEBRUARY

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US	MBA Mortgage Applications wk ending 7 Feb, Non-Farm Payrolls (Jan), Employment Situation (Jan), Fed speeches: Bowman, Hammack
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### THURSDAY 12 FEBRUARY

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UK	GDP – Prelim (Q4), Monthly GDP (Dec)
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US	Initial Jobless Claims wk ending 7 Feb, Existing Home Sales (Jan), Fed speeches: Miran, Logan
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### FRIDAY 13 FEBRUARY

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Europe	Euro area GDP & Employment (Q4)
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US	CPI (Jan)
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