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Weekly Macro Outlook

w/c 23 March 2026

The Macro Outlook: Central Banks Assess an Evolving Shock

The key events for the w/c 23 March 2026: Prelim S&P PMIs March, global CPI reports: Japan, Aus, and the UK

Macro Recap: The Central Bank Response

The conflict in the Middle East has now entered its fourth week, with the Strait of Hormuz remaining closed. Markets are closely watching developments around the US ultimatum to reopen the Strait, with headline risk elevated in both directions.

Against this backdrop, last week's central bank meetings provided important insight into how policymakers are assessing the risks of this evolving shock. While policy decisions diverged, a common theme emerged: central banks have shifted into a more conditional stance, balancing rising inflation risks from energy prices against uncertainty around the duration and impact of the conflict.

But as policymakers moved to manage expectations, global bond markets responded with a notable sell-off, pushing yields higher as investors began to price in the inflationary implications of a prolonged energy shock.

RBA: +25bps Hike

This was the second consecutive hike by the RBA, which signalled a pull-forward of its expected May hike. The primary driver of the decision was the further upside risk to inflation due to the energy price shock, occurring against a backdrop where inflation was already "too high". The 5-4 decision in favour of a hike (versus hold) reflected a Board split on when to hike, not whether to hike.

*"The Board concluded that the cash rate was **not at a level consistent with returning inflation to target** within a reasonable time frame."* RBA Governor Bullock

BoE: Hawkish Hold

The decision to stay on hold was unanimous. Before the onset of hostilities, markets had priced the possibility of a cut at this meeting. The decision to hold reflected a sharp pivot from the "continued disinflation" narrative to the expected inflation risk "caused" by this conflict. As a result, guidance shifted from "expecting more cuts" to "stand ready to act". The key friction, however, stems from a growth and labour market backdrop that is far more subdued than during the energy price shock in 2022, a point noted by Governor Bailey.

*"The recent experience of high inflation may also make households and businesses more sensitive to a new inflationary shock. At the same time, **the starting point for***

__this shock is a real economy with limited pricing power__. Holding Bank Rate at this meeting is appropriate." BoE Governor Bailey

BoJ: Hawkish Hold

The BoJ retained its guidance for hikes and policy normalisation. The decision to hold maintained the balance between achieving its inflation target through the "virtuous cycle" of wages and prices while the economy continues to recover. Governor Ueda expects that downward growth impacts from the conflict would likely be temporary; if so, rate hikes remain on the table. He also noted concern among Board members that inflation risks were skewed to the upside by energy prices. Furthermore, Takata's dissent explicitly highlighted a key friction: upside risks to inflation against an inflation backdrop already largely at target with inflation expectations rising 'moderately'.

"Even if economic growth were to decline, if that development is temporary and there's not so much impact on the trajectory of the price trend then of course it will be __possible to raise interest rates__," BoJ Governor Ueda

FOMC: Hold

A more neutral decision by the FOMC, albeit with hawkish undertones. The hold was based on the ongoing tension in the Fed's dual mandate goals, where upside risks to inflation exist against the backdrop of downside risks to the labor market. While Chair Powell noted several times that it was "too soon" to establish the scope and duration of the conflict's impact, committee members upgraded their growth and inflation outlooks. During the press conference, Chair Powell highlighted a lack of progress on core goods inflation. The FOMC maintained its easing bias, but trimmed expectations to a median of one cut this year.

"Not as much as we had hoped, but some progress on inflation. It should come as we start to see in __the middle of the year__, progress on tariffs going through once and then tariff inflation coming down. That's -- we should be seeing that. And the rate forecast is conditional on the performance of the economy. So if we don't see that progress, __then you won't see a rate cut__." Fed Chair Powell

ECB: Hawkish Hold

The decision to stay on hold maintained its "Three Times Two" (2% Target, 2% Expectations, 2% Rates) baseline. However, risks have diverged, with forecast revisions for higher inflation and lower growth due to energy prices. Europe is at the forefront of this unfolding energy price shock, and uncertainty remains elevated. The ECB outlined two key scenarios for action and signalled greater agility and preparedness in the face of this latest shock.

"I think we are both well positioned and __well equipped__ to deal with the development of a __major shock__ that is unfolding, and we will continue doing that." ECB President Lagarde

BoC: Dovish Hold

The decision to stay on hold primarily cited recent weaker activity and downside growth risks, while remaining alert to the inflationary risks from rising energy prices. The BoC has been lowering rates (now at the lower floor of 'neutral') to support the economy through structural trade and tariff adjustments; inflation slowed to +1.8% in Feb. While the Bank would look through the immediate impact on inflation, it remains committed to preventing those effects from broadening and becoming persistent. The BoC appears alert to a policy error - hiking into weakening economy in early 2026 – and shifted guidance, removing "the policy rate remains appropriate".

"With inflation close to target and the economy in excess supply, the ***risk that higher energy prices quickly spread*** *to the prices of other goods and services* ***looks contained****."* *BoC Governor Macklem*

Outlook for the week ahead: Prelim S&P PMIs March, global CPI reports: Japan, Aus, and the UK.

The week ahead is relatively light on data, but the macro backdrop remains dominated by geopolitical developments and their implications for energy prices and inflation.

Geopolitical risks will remain elevated, as the start of the week remains within the US 48-hour ultimatum window for Iran to reopen the Strait of Hormuz. Headline risks remain elevated in both directions.

Of most interest on the data front this week will be the S&P preliminary PMIs for key developed markets at the start of March. These releases may provide some of the first indications of how the conflict is beginning to impact business activity, pricing, and sentiment.

There will also be several important CPI reports for Japan, Aus, and the UK for Feb.

Key factors & events to watch this week:

S&P Prelim PMI's for March

- While it may be too early for a broad view, the PMI reports may provide some of the first insights into business impacts as the conflict began. Specifically: prices, business outlook sentiment, and supply chain impacts.

FOMC speeches

There will be several Fed speeches this week. Of note will be Vice Chair Jefferson speaking on the Economic Outlook and Energy Effects on 26 Mar. Governor Barr will also speak on the Economy on the same day. Other scheduled speeches will be noted in the calendar.

Global CPI reports - Feb

- Japan: National Core CPI ex fresh food is expected to slow to +1.7% in Feb, from +2% in Jan.
- Australia: Headline CPI is expected to be unchanged at +3.8% in Feb.
- UK: Headline CPI is expected to be unchanged at +3% in Feb, while core CPI is also expected to be unchanged at +3.1% in Feb.

US Treasury Issuance: 23 - 27 March 2026

This week, the US Treasury will auction and settle approx $518bn in ST Bills & FRNs, raising approx. $1bn in new money. Approx $14bn in ST Bills will mature on the Fed balance sheet and will be reinvested. The US Treasury will also auction the 2-year, 5-year, and 7-year Notes this week – to settle on 31 Mar/next week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B (TBAC)	Amount Maturing $B	New Money $B		Prior Auction High Rate %
23 - 27 Mar	19-Mar	24-Mar	4 week Bill	90			Actual 3.615%	3.640%
	19-Mar	24-Mar	8 week Bill	85			Actual 3.635%	3.625%
	18-Mar	24-Mar	17 week Bill	69			Actual 3.610%	3.600%
				244	268	-24		
	23-Mar	26-Mar	13 week Bill	89			Announced	3.610%
	23-Mar	26-Mar	26 week Bill	77			Announced	3.570%
	24-Mar	26-Mar	6-week Bill	80			Announced	3.635%
				246	249	-3		
	25-Mar	27-Mar	2yr FRN	28	0	28	Announced	0.099%
		Total - securities settling this week		518	517	1		
		Net New Cash Raised Qtr to Date		***7376***	***6784***	***592***		
		Estimated Net Cash to be Raised Q1 ($ Bn)				***574***		
	Face value of US Federal Reserve SOMA securities matu			**$B**				
		Maturing & reinvestment						
		24-Mar	ST Bills	1.7				
		26-Mar	ST Bills	12.2				
				13.9				
	Upcoming Auctions			**$B**				
	24-Mar	31-Mar	2yr Note	69				
	25-Mar	31-Mar	5yr Note	70				
	26-Mar	31-Mar	7yr Note	44				
				183				

Reserve Management Purchase (RMP) Operations

Operations commenced on 12 Dec 2025. See announcement here. See operation details and announcements here and here.

SOMA Reinvestment – March 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 Q2 2026

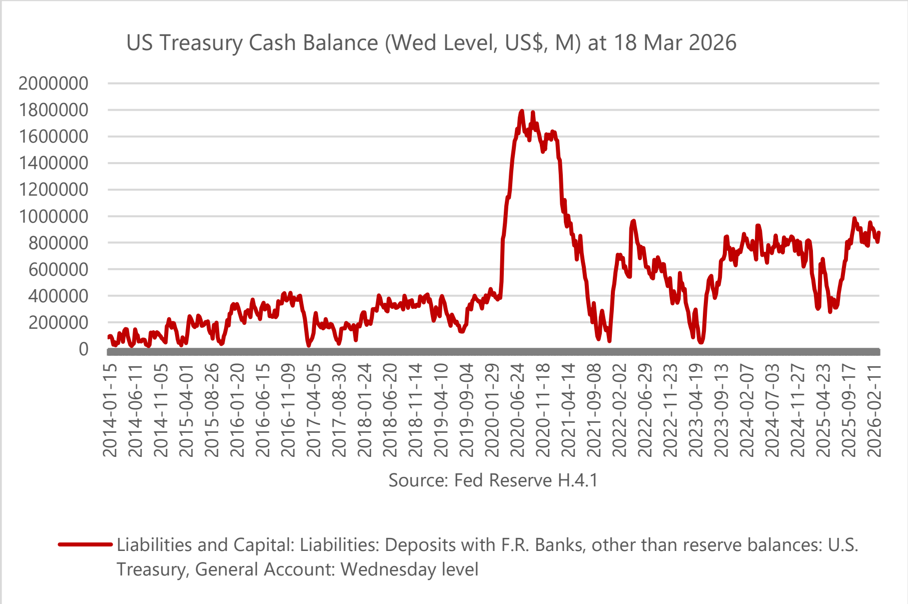
The latest update of the US Treasury borrowing requirements for Q1 and Q2 2026 (estimate) can be found on the US Treasury website here. The next update will be on 4 May 2026.

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 18 Mar 2026, the level of the TGA increased to $876bn (+$70bn compared to the week prior). The TGA balance is now approx. $460bn *higher* than the same week a year ago.



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MONDAY 23 MARCH (US Eastern Time, unless stated otherwise)	
US	Chicago Fed National Activity Index (Feb), Construction Spending (Jan)
Australia	S&P Prelim Manufacturing & Services PMI (Mar)
Japan	S&P Prelim Manufacturing & Services PMI (Mar), National CPI (Feb)

TUESDAY 24 MARCH	
Europe	S&P Eurozone Prelim Manufacturing & Services PMI (Mar)
UK	S&P Prelim Manufacturing & Services PMI (Mar)
US	S&P Prelim Manufacturing & Services PMI (Mar), Non-Farm Productivity & Unit Labor Costs (Final - Q4), Richmond Fed Manufacturing Index (Mar)
Australia	Monthly CPI Series (Feb)

WEDNESDAY 25 MARCH	
UK	CPI (Feb)
US	MBA Mortgage Applications wk ending 21 Mar, Export & Import Price Indexes (Feb), Fed speeches: Miran

THURSDAY 26 MARCH	
US	Initial Jobless Claims wk ending 21 Mar, Kansas City Fed Manufacturing Index (Mar), Fed speeches: Vice Chair Jefferson, Cook, Miran, Logan, Barr

FRIDAY 27 MARCH	
UK	Retail Sales (Feb)
US	Michigan Consumer Sentiment – Final (Mar), Fed speeches: Paulson, Daly