

The Macro Outlook: Macro Crosscurrents: Labor Signals & Geopolitical Risks

The key events for the w/c 2 March 2026: US: payrolls Feb, retail sales Jan, ISM surveys, & Fed Beige Book, Aus GDP Q4, S&P Global PMIs Feb

Macro Recap: Escalation

Events over the past week reinforced the economic and geopolitical crosscurrents facing markets right now. While we noted that broader uncertainty was being shaped by trade policy upheaval and structural technological change, the weekend's developments have seen heightened geopolitical risk move to the forefront. Beyond the headlines in Washington and the Middle East, the economic backdrop remains caught between "signal and noise" while market sentiment continues to grapple with the structural implications of AI and the continued uncertainty over trade policy.

Geopolitical Risks Shift from Ultimatum to Action

With the transition to active engagement marking a new phase in regional tensions, focus has shifted to the immediate energy and security implications. Markets will need to assess the risk of a prolonged disruption against the possibility of Iran returning to talks with US President Trump ([Bloomberg](#)). US and Iranian envoys are expected to continue talks this week on the sidelines of the [IAEA Board of Governors meeting in Vienna](#) – in other words, the diplomatic window remains open.

The US Domestic Outlook: Trade Uncertainty and the Economy

Amid the geopolitical tension, several factors are clouding the view of the US domestic outlook. Firstly, US trade policy remains in a state of flux following the successful challenge to emergency tariff powers. For now, the administration's pivot to a temporary 15% blanket tariff has left businesses navigating an unsettled regulatory landscape.

This policy uncertainty adds a layer of complexity to the broader economic question currently facing the Fed: is the U.S. labor market beginning to stabilize, or was the strength in Jan just "noise"? Last week, Gov Waller was cautious over the Jan labor market 'signal' of a stronger labor market (given low hiring, weak JOLTS, narrow payroll breadth, likelihood of downward revisions to Jan data), highlighting the risk of 'noisy' data. Gov Waller dissented at the last FOMC meeting, preferring another rate cut – due to still elevated risks of a 'substantial' downturn in the labor market, combined with a 'limited' risk of higher inflation. His latest assessment still sees this balance. The US labor market data this week will be crucial to whether he'll shift his outlook; if this week's Feb report confirms the Jan labor market strength, then he could be more comfortable with a hold in March. However, he said that he could support further cuts even if the labor market improves, due to

what he has described in the past as “good news” rate cuts, if inflation continues to make progress toward the 2% target.

Last week, US PPI data for Jan was firmer than expected, but remained below a year ago. While the headline monthly rate increased by more than expected to +0.5% in Jan (from +0.4%), the annual rate fell to +2.8% (from +3% in Dec). Food and energy producer prices were notably lower this month, helping to offset firmer core goods and services producer prices. Core PPI increased by +0.8% over the month, up from +0.6% in Dec. While annual core PPI continued its recent acceleration to +3.6% in Jan (from +3.3% in Dec), it remains below a year ago. Most important is how some of the PPI prices ‘map’ into the Fed-preferred PCE inflation measure. For now, the [Cleveland Fed PCE nowcast](#) for Jan (as of 27/2) remains somewhat subdued, with headline PCE at +0.2% over the month in Jan and core PCE rising by +0.27% over the month in Jan. Both estimates are below Dec and below (or just below) the monthly PCE rates in Jan a year ago.

Australia CPI: Headline vs. Underlying Divergence

Aus CPI continued to firm as headline CPI increased to +3.8% in Jan (from +3.7% in Dec), while the monthly pace also increased to +0.5% in Jan (from +0.2% in Dec). Both measures of core inflation (trimmed mean and median) edged higher over the year to +3.4% and +3.6%, respectively. However, the median and trimmed mean inflation rates are now below the headline (SA) rate. So while the headline inflation rate has increased over the last several months, underlying inflation, while still elevated, has not worsened to the same degree, suggesting that **the increase in the headline rate has likely been influenced by outlier effects rather than a further broadening of inflation pressures**. However, inflation through the centre of the distribution remains persistent. Over the week, market expectations for further rate hikes remained little changed.

Outlook for the week ahead

While markets will continue to assess and digest the unfolding conflict in Iran, it will be a busy week of important US data.

The key focus this week is US labor market data including non-farm payroll growth for Feb. This will be an important release to assess whether the Jan strength was a genuine “signal” of a labor market on firmer footing or merely statistical noise.

Beyond the labor market, several key indicators will provide an early read on Q1 momentum: the Feb ISM surveys, the Jan retail sales report, and the release of the Fed’s Beige Book ahead of its meeting in the middle of this month.

Key factors & events to watch this week:

Geopolitical Risks

- Iran: Now that military action has commenced, uncertainty over the outlook and scope of this conflict remains elevated. Early reporting indicated that US President Trump was “open to dropping sanctions on Iran if its new leader was “pragmatic”. Iran also made a fresh push to resume talks with the US, the Wall Street Journal reported” (source: [Bloomberg](#)).

US Labor Market Data – Feb

The broad suite of US labor market data will be released this week, providing the Fed with a comprehensive update on labor market conditions.

- Non-farm payrolls are expected to increase by 58k in Feb, a notable step down from +130k in Jan, but still above the weaker trajectory through to the end of 2025. The direction of revisions to the Jan growth will also be important.
- Early in the week, the ADP employment change is expected to increase by +49k, up from +22k in Jan.
- The unemployment rate is expected to stay unchanged at 4.3%, while the participation rate is also expected to be little changed.
- Average weekly hours are expected to be unchanged at 34.3 hours/week.
- Average weekly earnings are expected to slow to +0.3% over the month (from +0.4% in Jan).
- The Challenger Job Cut Announcements survey will also remain in focus after the notable increase in Jan to 108k announcements, while hiring announcements had remained subdued.
- The JOLTS report for Jan is due out on 13 Mar 2026.
- The non-farm productivity for Q4 is expected to increase by +1.7% in Q4, down from +4.9% in Q3. Unit labor costs for Q4 are expected to increase by +2.1% after falling by 1.9% in Q3.
- Initial claims are expected to remain lower at 215k in the wk ended 28 Feb (from 212k in the prior week).

US growth momentum for Q1

The employment, ISM, and retail trade data will provide an early update for the [Atlanta Fed GDP nowcast](#) for Q1. The current nowcast (based on limited data) shows the US GDP growth run rate at +3%.

- The ISM PMIs for Feb are expected to move somewhat lower for manufacturing to 51.7, while the ISM services PMI is expected to be little changed at 53.5.
- Retail sales for Jan are expected to fall by -0.3% after a flat result in Dec. The retail control measure, which feeds into the GDP calculation, will be important, and fell marginally in Dec by -0.1%.

Fed speeches & data

- The latest Fed Beige Book will be released this week and will provide an anecdotal update on changes in activity over the last six weeks. This is usually an important input into the FOMC meeting. Fed speeches will be limited this week.

Global Data

- Australia: Q4 GDP is expected to increase by +0.7%, up from +0.4% in Q3. Annual growth is expected to be unchanged at +2.1%.
- Euro area CPI (prelim) for Feb is expected to be unchanged at +1.7% for headline CPI and +2.2% for core CPI.
- The full suite of S&P Global PMIs for Feb will be released through the early part of the week.

US Treasury Issuance; 2 – 6 March 2026

This week, the US Treasury will auction and settle approx \$724bn in ST Bills, Notes, and Bonds, raising approx. \$91bn in new money. Approx \$37bn 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	Amount Maturing \$B	New Money \$B	Actual	Prior Auction High Rate %
2-6 Mar	26-Feb	03-Mar	4 week Bill	105			Actual 3.625%	3.625%
	26-Feb	03-Mar	8 week Bill	95			Actual 3.630%	3.630%
	25-Feb	03-Mar	17 week Bill	69			Actual 3.590%	3.595%
				269	250	19		
	02-Mar	05-Mar	13 week Bill	89			Announced	3.590%
	02-Mar	05-Mar	26 week Bill	77			Announced	3.525%
	03-Mar	05-Mar	6 week Bill	90			Announced	3.635%
				256	243	13		
	18-Feb	02-Mar	20yr Bond	16			Actual 4.664%	4.846%
	24-Feb	02-Mar	2yr Note	69			Actual 3.455%	3.580%
	25-Feb	02-Mar	5yr Note	70			Actual 3.615%	3.823%
	26-Feb	02-Mar	7yr Note	44			Actual 3.790%	4.018%
				199	140	59		
			Total - securities settling this week	724	633	91		
			Net New Cash Raised Qtr to Date	5654	5186	468		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			574		
			Face value of US Fed SOMA securities maturing	\$B				
			Maturing & reinvestment					
		03-Mar	ST Bills	4.6				
		05-Mar	ST Bills	8.6				
		02-Mar	Notes & Bonds	23.8				
				37.1				

Reserve Management Purchase (RMP) Operations

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

SOMA Reinvestment – 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 Q1 2026

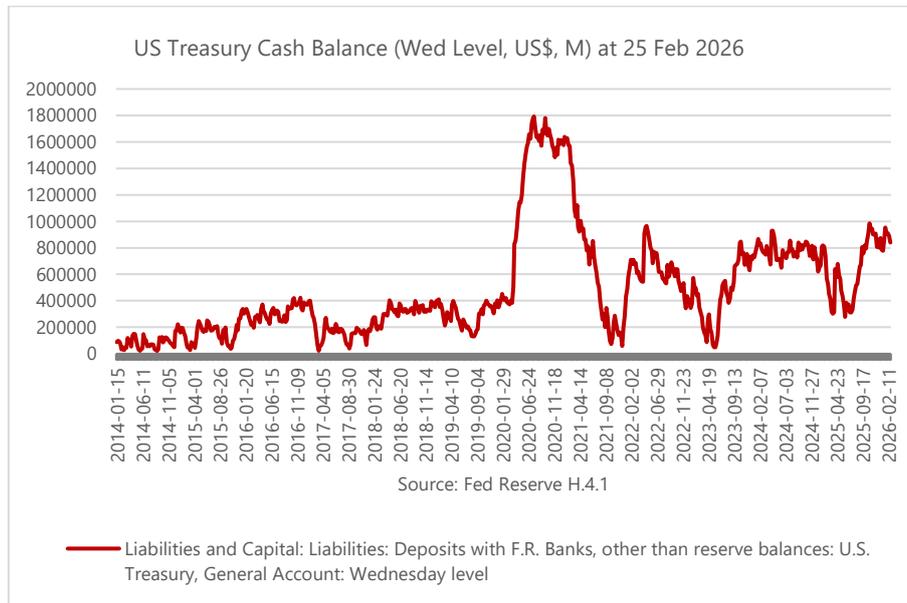
The latest update of the US Treasury borrowing requirements for Q1 and Q2 2026 (estimate) can be found on the US Treasury website [here](#).

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 25 Feb 2026, the level of the TGA decreased to \$839bn (-\$50bn compared to the week prior). The TGA balance is now approx. \$270bn *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 March 2026

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

US	ISM Manufacturing PMI (Feb), S&P Manufacturing PMI – Final (Feb)
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TUESDAY 3 MARCH

Japan	BoJ Governor Ueda – speech
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Europe	Euro area CPI – Prelim (Feb)
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US	Total Vehicle Sales (Feb), Fed speeches: Williams, Kashkari
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Australia	GDP Q4
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China	NBS Manufacturing and Non-Manufacturing PMI (Feb)
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WEDNESDAY 4 MARCH

US	MBA Mortgage Applications wk ending 28 Feb, ADP Employment Change (Feb), ISM Services PMI (Feb), S&P Services PMI – Final (Feb) Fed Beige Book
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THURSDAY 5 MARCH

Europe	ECB Monetary Policy Meeting Minutes
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US	Initial Jobless Claims wk ending 28 Feb, Challenger Job Cut Announcements (Feb), Export & Import Price Indexes (Jan), Non-Farm Productivity & Unit Labor Costs Q4, Fed speeches: Vice Chair (Supervision) Bowman
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FRIDAY 6 MARCH

Europe	Germany Factory Orders (Jan), Euro area GDP & Employment Q4, ECB President Lagarde Speech.
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US	Non-Farm Payrolls & Labor Market Report (Feb), Retail Sales (Jan), Consumer Credit Change (Jan), Fed speeches: Daly, Hammack, Paulson
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