MARS CAPITAL PARTNERS

Weekly Macro Outlook

w/c 9 March 2026

The Macro Outlook: Inflation Risks

The key events for the w/c 9 March 2026: US CPI (Feb) & PCE Inflation (Jan), Geopolitical Risks

Macro Recap: From Escalation to Shock

Through last week, markets continued to recalibrate the assessment of the Middle East conflict as hopes for a swift de-escalation faded. The situation has transitioned into a broader and potentially more sustained engagement, shifting investor focus from temporary volatility toward the structural risks of a genuine energy price shock - driven by the threat of prolonged production curbs and disruptions to global distribution. With no clear "off-ramp" currently visible (though one remains a strategic possibility), concern is firming over the capacity of an emerging price-shock to de-anchor global inflation expectations, while dealing a blow to global growth.

The FOMC Dilemma: Balancing a Cooling Labor Market

An energy price shock has arrived at a complex moment for the U.S. economy. Last week's payrolls report for Feb provided a stark counter to the stronger job creation reflected in the Jan report, adding to fears of a weakening labor market. In Feb, payroll jobs fell by -92k jobs, which was well below expectations for a +58k increase. The prior two months were also revised lower by -69k jobs; however, the stronger increase in Jan was mostly preserved at +126k after revisions (from +130k). Although the unemployment rate ticked up slightly to 4.4%, the data casts doubt on whether the labor market is "stabilizing" or beginning to trend lower.

The FOMC could face a policy dilemma if there is no meaningful de-escalation in the conflict over the coming week. This dilemma centres on the trade-off between its dual mandate risks: assessing the degree to which it can 'look through' an energy-led inflation spike to support a cooling labor market or whether it needs to adopt a more hawkish stance to keep inflation expectations anchored. As of Monday morning, 9 Mar 2026, following a weekend of escalating tensions, markets are now considering the potential for a "stagflationary" mix of rising costs and falling employment. At its meeting next week, the Fed's messaging will be important in signaling which side of its dual mandate carries the greater weight. This assessment will depend on how the conflict and markets evolve over the coming week.

Outlook for the week ahead: US CPI (Feb) & PCE Inflation (Jan)

Market reaction to the unfolding conflict with Iran will remain at the forefront this week. Let's hope there is a meaningful de-escalation (or, better yet, steps towards a resolution) this week. Both positive and negative headline risks abound.

From a data perspective, US data will be in focus with a mix of inflation and key inputs for the growth backdrop. It's also the blackout period ahead of the FOMC meeting next week.

Key factors & events to watch this week:

Geopolitical Risks

Geopolitical risks remain elevated as markets grapple with the uncertain trajectory and broadening scope of the conflict.

US inflation data – CPI & PCE

There will be several inflation reports this week, continuing to catch up after the government shutdown last year and from the brief partial shutdown earlier this year. While the inflation reports may seem redundant in the face of >$100 oil, the reports will still be important for providing context ahead of the FOMC next week.

US CPI for Feb

- Headline CPI is expected to increase by +0.2% over the month in Feb (unchanged from +0.2% in Jan), while annual headline CPI is expected to increase to +2.5% in Feb, from +2.4% in Jan.
- Core CPI is expected to increase by +0.2% over the month in Feb, down from +0.3% in Jan. Core CPI is expected to increase by +2.5% over the year in Feb (also unchanged from +2.5% in Jan).

US PCE Price Index for Jan

- Headline PCE inflation for Jan is expected to increase by +0.3% in Jan (from +0.4% in Dec). Headline PCE inflation is expected to be unchanged at +2.9% over the year in Jan.
- Core PCE inflation for Jan is expected to remain firm at +0.4% over the month, while annual core PCE inflation is expected to increase to +3.1% in Jan.

US Growth Inputs

After last week's ISM, retail sales, and labor market data, the US growth run-rate tracked by the Atlanta Fed GDP nowcast slowed from +3% to +2.1% so far in Q1. This week, personal spending, income, durable goods orders, and housing data will help to update the broader growth backdrop.

- Growth in US personal spending is expected to be little changed in Jan from +0.4% in Dec.
- Personal income growth is expected to increase by +0.4% in Jan, up from +0.3% in Dec.
- Durable goods orders are expected to increase by +1.2% in Jan, after +1.4% in Dec.
- The second estimate for US GDP in Q4 2025 is expected to remain at +1.4% annualized.
- US building permits are expected to edge lower in Jan to a 1.41m annualized pace (from 1.455m in Dec).
- Housing starts are expected to slow to a 1.34m annualized pace in Jan, from 1.404m in Dec.

US labor market

There will be several data points this week to help round out the labor market view.

- The Conference Board Employment Trends Index for Feb is expected to fall from the 105.06 level recorded in Jan.
- The JOLTS report for Jan is expected to show a small rebound in Job Openings to 6.8m in Jan, from 6.5m in Dec.

Global Data

- Canada: Labor market survey for Feb ahead of its meeting next week, also on 18 Mar. Employment growth is expected to rebound from -24k to +9k; however, the unemployment rate is expected to edge higher to 6.6% in Feb, from 6.5% in Jan.

US Treasury Issuance; 9 – 13 March 2026

This week, the US Treasury will auction and settle approx $525bn in ST Bills, raising approx. $26bn in new money. Approx $15.4bn 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 $B	Actual	Prior Auction High Rate %
9 - 13 Mar	05-Mar	10-Mar	4 week Bill	105			Actual 3.640%	3.625%
	05-Mar	10-Mar	8 week Bill	95			Actual 3.630%	3.630%
	04-Mar	10-Mar	17 week Bill	69			Actual 3.590%	3.590%
				269	254	15		
	09-Mar	12-Mar	13 week Bill	89			Announced	3.610%
	09-Mar	12-Mar	26 week Bill	77			Announced	3.535%
	10-Mar	12-Mar	6-week Bill	90			Announced	3.640%
				256	245	11		
		Total - securities settling this week		525	499	26		
		Net New Cash Raised Qtr to Date		***6179***	***5685***	***494***		
		Estimated Net Cash to be Raised Q1 ($ Bn)				***574***		
	Upcoming Auctions			**$B**				
	10-Mar	16-Mar	3yr Note	58				
	11-Mar	16-Mar	10yr Note	39				
	12-Mar	16-Mar	30yr Bond	22				
				119				
	Face value of US Federal Reserve SOMA securities matu			**$B**				
		Maturing & reinvestment						
		10-Mar	ST Bills	0.8				
		12-Mar	ST Bills	14.6				
				15.4				

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

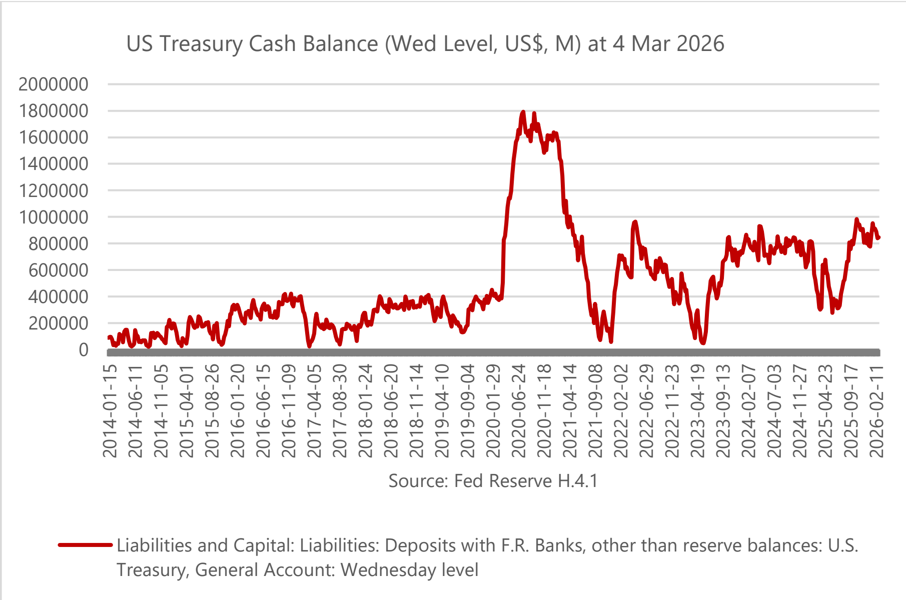
The latest update of the US Treasury borrowing requirements for Q1 and Q2 2026 (estimate) can be found on the US Treasury website here.

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 Mar 2026, the level of the TGA increased to $847bn (+$8bn compared to the week prior). The TGA balance is now approx. $324bn *higher* than the same week a year ago.



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CALENDAR W/C 9 March 2026

MONDAY 9 MARCH (US Eastern Time, unless stated otherwise)	
China	CPI & PPI (Feb) – Sunday night, Trade balance, Exports & Imports (Feb)
Europe	Germany Factory Orders & Industrial Production (Jan)
US	CB Employment Trends Index (Feb)
Australia	Westpac Consumer Confidence (Feb), NAB Business Conditions & Confidence (Feb)
Japan	GDP Q4 - final

TUESDAY 10 MARCH	
US	NFIB Business Optimism Index (Feb), Existing Home Sales (Feb)

WEDNESDAY 11 MARCH	
US	MBA Mortgage Applications wk ending 7 Mar, CPI (Feb)

THURSDAY 12 MARCH	
US	Initial Jobless Claims wk ending 7 Mar, Building Permits & Housing Starts (Feb)

FRIDAY 13 MARCH	
UK	GDP – Monthly (Jan)
Europe	Eurozone Industrial Production (Jan)
Canada	Labour Market Survey (Feb)
US	PCE Inflation (Jan), Personal Spending & Income (Jan), second est GDP Q4, Durable Goods Orders (Jan), JOLTS (Jan), Michigan Consumer Sentiment – prelim (Mar)