

The Macro Outlook: Renewed Uncertainty

This weekly macro outlook note highlights the key economic, central bank, and geopolitical events shaping the outlook for global markets in the week ahead.

The key events for the w/c 20 April 2026: US retail sales, global CPI reports, Prelim S&P PMIs April

Recap of Last Week: The Leading-Edge Impact

We are starting the week under yet another fresh layer of geopolitical uncertainty. The optimism over Friday's announced reopening of the Strait of Hormuz has been clouded by the Iranian authorities' weekend reversal and subsequent re-closure of the waterway. Further talks between the U.S. and Iran are expected to take place early this week to address the deadlock. While markets have been pricing in a successful de-escalation, we are now entering the eighth week of the closure, and the flow of oil production remains severely disrupted. The risk of structural damage to a global supply chain that is steadily losing its cushion remains elevated.

If the evolution of this conflict is now a primary driver for the macro outlook, then the latest data for March and April represents the leading edge of a transmission that is tracking the Strait's closure in real-time. Whether these impacts become enduring or become more widespread will depend on the duration of the conflict. So far, the data is continuing to reflect a sharp reaction in headline inflation alongside notable declines in both business and consumer sentiment.

US PPI Indicates Higher PCE Inflation for March

While the U.S. PPI rose by less than expected in March (+4% over the year vs. +4.7% expected), it still marked an acceleration from February's +3.4%. There was a notable increase in energy and goods prices, while services (final demand) price growth slowed. Based on the March CPI and PPI report, the latest [Cleveland Fed PCE inflation nowcast](#) shows headline PCE inflation is expected to increase to +3.4% in March (from +2.8% in Feb), while core PCE inflation is also expected to edge higher to +3.2% in March, from +3% in Feb. The FOMC will be increasingly concerned about the duration of this conflict and will be monitoring for evidence that these headline spikes are beginning to bleed into core inflation.

Fed's Beige Book: Widespread Uncertainty as Margins Compress

The [Beige Book for April](#) will be a key input for the FOMC meeting next week, and inflation concerns were a key highlight. Unsurprisingly, the "vast majority" of districts reported moderate increases in inflation due to higher energy prices. Input price growth is currently outpacing increases in selling prices, suggesting that firms are absorbing costs through margin compression rather than full consumer pass-through at this stage. However, cost pressures are broadening beyond energy to

include tariffs, technology, and healthcare. Employment remained in its low-hire, low-fire dynamic, as contacts expressed widespread uncertainty about future conditions.

Activity: Housing & Industrial Output Slowing

Growth signals remained lacklustre last week. US housing market activity remained at or near pandemic lows, as existing home sales fell to a 3.98m annualized pace in March, while the home builder sentiment index for April fell to 34, approaching the Covid-lows.

Industrial output for March fell by -0.5% as manufacturing output fell by -0.1% in March (from +0.4% in Feb). More notable falls in output were recorded across the mining and utilities sectors. Headwinds continue to weigh on small business owners; the NFIB Small Business Optimism Index fell again in March, with a sharp 11-point decline in earnings trends highlighting the impact of elevated input costs.

FOMC Policy Implications: The Waller Framework

[Fed Governor Waller](#) provided a clear framework for navigating this conflict last week. The policy outlook currently hinges heavily on how this conflict evolves. He presented two scenarios:

Normalization: if the Strait reopens and oil flows start to normalize, he could look through a short-lived impact from energy prices on inflation. With his concern over the labor market still elevated, he would expect a possible rate cut late in the year as the outlook 'steadies'. At the time of writing, and likely reflecting the optimism from the Strait reopening late last week, the market has begun to reflect that scenario in the FFR probability distribution – shifting further toward a Dec/late 2026 rate cut (source: [CME FedWatch](#)).

Risk of a Longer Duration Conflict: His second scenario, though, highlights the core concern for most central bankers related to this conflict:

*"But the longer energy prices remain elevated and the Strait is constrained, the greater the chances that **higher inflation gets embedded** across a wide variety of goods and services, various supply chain effects start to emerge, and **real activity and employment start to slow.**"*

Balancing the Fed's dual mandate risks would likely mean maintaining the policy rate at the current target range for longer. In other words, due to the downside risks of the labor market, Waller doesn't see rate hikes on the table at this point.

Global Central Bank Context

Based on the uncertainty over the conflict in the Middle East, now into its eighth week, several central bankers signalled a more cautious stance for upcoming meetings.

BoJ: Governor Ueda's speech indicated risks remain "two-sided," shifting the April meeting to a toss-up between a hold and a hike.

ECB: Various ECB speakers signalled a growing preference not to 'rush' an April decision, leaning toward a more cautious timeline.

RBA (the exception): [Pricing for another RBA rate hike](#) in early May increased after the March labour market report (source: ASX RBA Rate Tracker). The unemployment rate stayed unchanged at 4.3%. The latest business and consumer confidence reports show notable falls in confidence amid fuel price

increases and interest rate rises. For the most part, this souring in sentiment is yet to flow through to broader business conditions (as of March).

Outlook for the week ahead: US retail sales, global CPI reports, Prelim S&P PMIs for April

The week ahead will continue to focus on the elevated geopolitical headline risk – will the Strait be open or closed?

It will remain a relatively quiet week on the data front. We continue to track the transmission of the energy price shock: this week through US retail sales for March and through global CPI reports for Japan, the UK, NZ, and Canada for March.

The preliminary S&P PMIs for April will also provide further insight into the evolution of activity, prices, and sentiment in the second month of the conflict and at the start of Q2.

It's the blackout week ahead of the FOMC meeting next week, although there will be a speech by Fed Governor Waller. He is not likely to cover the economic outlook or monetary policy in this speech.

The confirmation hearing for the new Fed Chair nominee is expected to take place this week.

Key factors & events to watch this week:

US Retail Sales

The key highlight will be US retail sales for March, which is still early in the conflict. US retail sales are presented in nominal terms and are likely to be 'inflated' due to the higher gasoline prices.

- US retail sales for March are expected to increase by +1.4% over the month, up from +0.6% in Feb. The growth ex-gasoline versus the prior month should provide a consistent view of retail sales growth.
- The retail control measure increased by +0.5% in Feb, and this will be a key measure for how retail sales flow through to GDP expenditure measures.

The FOMC and Central Bank Speeches

- It's the blackout period ahead of the FOMC meeting next week.
- However, there is [one speech scheduled](#) this week: Fed Governor Waller: Modernizing Reserve Bank Operations, Brookings Institution Event, Washington, D.C.
- The confirmation hearing for Kevin Warsh is scheduled for 21 April.

Global CPI reports – March

Again, headline inflation rates are expected to increase, while core inflation is expected to be little changed, reflecting still an early stage of the energy price shock.

- **Canada CPI:** headline CPI is expected to increase by +1.1% over the month in March, up from +0.5% in Feb. Headline inflation is expected to increase from +1.8% in Feb. Annual core

inflation: the trimmed mean is expected to remain unchanged at +2.3% over the year, while the median inflation rate is expected to edge higher to +2.4% over the year, up from +2.3%.

- **NZ CPI for Q1:** CPI is expected to increase by +0.8% over the quarter, up from +0.6% in Q4 2025. The annual rate is expected to slow to +2.9% in Q1 from +3.1% in Q4.
- **UK CPI:** headline CPI is expected to increase to +3.3% in March, up from +3% in Feb. Core CPI in the UK is expected to be unchanged at +3.2%.
- **Japan National CPI:** the headline CPI had slowed to +1.3% in February, and the March result may reflect both the rise in energy prices as well as government subsidies. The BoJ-preferred core CPI ex fresh food is expected to edge slightly higher to +1.7% in March, from +1.6% in Feb.

The preliminary round of S&P Global PMIs for April will be released for key economies, providing some insight into the evolution of growth momentum, prices, and sentiment as we head into the second month of the conflict.

US Treasury Issuance: 20 - 24 April 2026

This week, the US Treasury will auction and settle approx. \$460bn in ST Bills with a paydown of \$44bn. The US Treasury will also auction the 5-Year TIPS and 20-Year Bond this week – both to settle next week.

Approx \$18.6bn in ST Bills will mature on the Fed balance sheet and be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
20-24 Apr	16-Apr	21-Apr	4 week bill	80			Actual 3.595%	3.560%
	16-Apr	21-Apr	8 week bill	75			Actual 3.615%	3.575%
	15-Apr	21-Apr	17 week Bill	69			Actual 3.625%	3.600%
				224	253	-29		
	20-Apr	23-Apr	13 week bill	89			Announced	3.620%
	20-Apr	23-Apr	26 week bill	77			Announced	3.610%
	21-Apr	23-Apr	6-week Bill	70			Announced	3.630%
				236	251	-15		
			Total - securities settling this week	460	504	-44		
			Net New Cash Raised Qtr to Date	1549	1652	-103		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			109		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		21-Apr	ST Bills	1.6				
		23-Apr	ST Bills	17.0				
				18.6				
			Upcoming Auctions	\$B				
	23-Apr	30-Apr	5-Year TIPS	26				
	22-Apr	30-Apr	20-Year Bond	13				
				39				

Reserve Management Purchase (RMP) Operations

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

SOMA Reinvestment – April 2026

The program of Quantitative Tightening (QT), or balance sheet roll-off, ended as of 1 December 2025. 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: Est Q2 2026

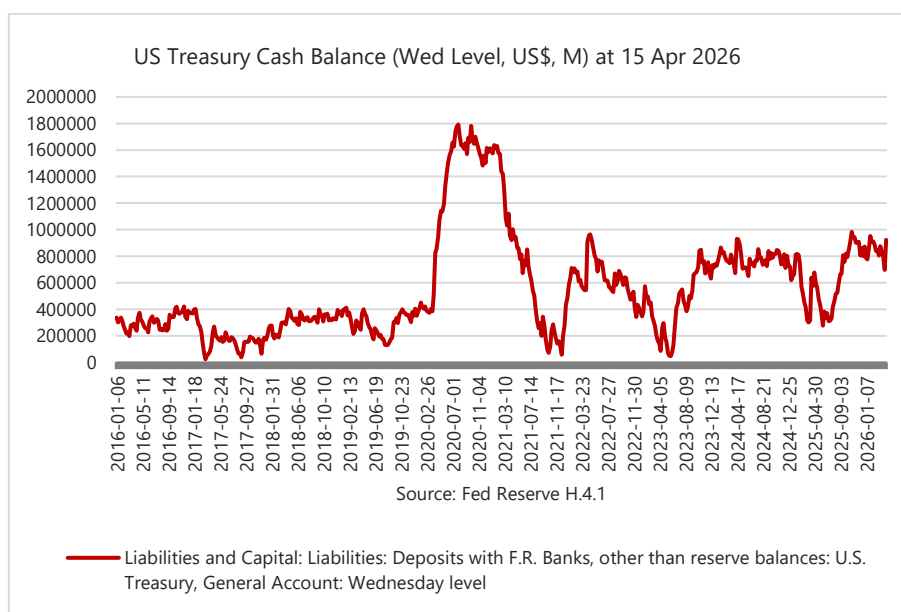
The latest update of the US Treasury borrowing requirements for Q1 and Q2 2026 (estimate) can be found on the US Treasury website [here](#). The next update will be on 4 May 2026.

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 15 Apr 2026 (US Tax Day), the level of the TGA increased to \$924bn (+\$227bn compared to the week prior). The TGA balance is now approx. \$285bn *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 20 April 2026

MONDAY 20 APRIL (US Eastern Time, unless stated otherwise)

Canada	CPI (Mar), BoC Business Outlook Survey
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NZ	CPI (Q1)
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TUESDAY 21 APRIL

UK	Labour Market Report (3mths Feb)
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US	Retail Sales (Mar), Pending Home Sales (Mar), Fed Gov Waller speech
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Japan	Merchandise Trade, Exports, and Imports (Mar)
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WEDNESDAY 22 APRIL

UK	CPI (Mar)
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US	MBA Mortgage Applications wk ending 18 Apr
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Europe	ECB speeches
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Australia	S&P Prelim Global PMIs – Manufacturing & Services (Apr)
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Japan	S&P Prelim Global PMIs – Manufacturing & Services (Apr)
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THURSDAY 23 APRIL

Europe	S&P Eurozone Prelim Global PMIs – Manufacturing & Services (Apr)
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UK	S&P Prelim Global PMIs – Manufacturing & Services (Apr)
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US	Initial Jobless Claims wk ending 18 Apr, S&P Prelim Global PMIs – Manufacturing & Services (Apr), Kansas City Fed Manufacturing Index (Apr)
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Japan	National CPI (Mar)
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FRIDAY 24 APRIL

UK	Retail Sales (Mar)
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Canada	Retail Sales (Feb)
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US	Michigan Consumer Sentiment – Final (Apr)
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