

## The Macro Outlook: Energy Shock & Inflation Pass-Through

*The key events for the w/c 6 April 2026: US inflation (PCE Feb, CPI Mar), ISM Services PMI, FOMC Minutes, RBNZ Meeting*

### Macro Recap: Testing the Resilience of the US Economy

The geopolitical conflict and uncertainty involving Iran continues to anchor market sentiment, though the nature of the uncertainty is evolving. Beneath the surface of the daily noise, the primary signals remain unchanged: energy production curbs persist, and the Strait of Hormuz remains effectively closed, with Iran managing specific conditions for limited traffic.

The longer these core disruptions remain unresolved, the greater the likelihood of longer-lasting economic damage. As the conflict teeters on the edge of becoming a protracted event, we shift our focus toward tracking its tangible impacts on U.S. and global economic resilience, including the expected inflation shock.

#### Mixed US Labor Market Signals

While last week's US labor market data for March provided mixed signals, there was a more positive edge leading into the conflict. Growth in non-farm payrolls of +178k in March was stronger than expected. Revisions to prior months were small: net -7k. While monthly payroll data has been volatile recently, the March print suggests the labor market may have been on a more positive trajectory before the conflict. Importantly, job growth broadened across industries this month, moving beyond the narrow gains seen last month. However, this strength was tempered by the household survey, where the unemployment rate edged down to 4.3% primarily due to a drop in labor force participation, rather than an increase in employment. This reinforces that the recent "low dynamism" gear has continued.

Other parts of the labor report suggest some pressure for nominal labor income growth in March. Despite the stronger growth in payrolls, aggregate hours worked continued to contract in March, posting two consecutive months of decline. Annual growth in aggregate hours worked remains largely subdued at a mere +0.4% over the year. At the same time, growth in average hourly earnings also slowed to +0.2% over the month, and to a near-term low of +3.5% over the year. With headline inflation set to rise, this may begin to place added pressure on the spending power of that income.

#### Growth Resilience Under Pressure

The US growth resilience appears to be coming under pressure further into Q1. The latest [Atlanta Fed GDP nowcast](#) for Q1 showed growth edging lower to +1.6% based on data released last week:

- US Trade (Feb): The largest contributor to the slower growth run rate was a larger-than-expected trade deficit in Feb.
- Retail Sales (Feb): The contribution from consumer spending edged lower, despite a seemingly rosier retail sales result. The nominal retail control group data (which feeds into the GDP calculation) increased by +0.5% in Feb, but Jan growth was revised lower from +0.3% to +0.2%.
- The ISM Manufacturing PMI (Mar): Demand conditions remained moderate, and the broader headline PMI edged up from 52.4 in Feb to 52.7 in Mar. Unsurprisingly, the ISM prices index began to show the first impact of higher energy prices and supply chain disruption from the conflict, rising to the highest level since 2023. Just under two-thirds of firms reported higher prices this month, while the report also noted a broad range of commodity prices rising this month.

### Global Impact and Inflation

The second pillar for the week involved data points more directly exposed to the geopolitical shock. The Eurozone prelim CPI for Mar showed headline inflation rising by +1% over the month – led by a +4.9% increase in energy prices. Annual headline inflation is expected to increase to +2.5% in March (from +1.9% in Feb). Importantly, core CPI has remained fairly stable at +2.3% in March (from +2.4% in Feb).

The global manufacturing PMI reading edged down slightly, but remained in positive expansion in March. The effects of the conflict were most evident in the sharp rise in the global input price index for March. The remainder of the full suite of global PMIs will be released this week (services).

### **Outlook for the week ahead: US inflation (PCE Feb, CPI Mar), ISM Services PMI, FOMC Minutes, RBNZ Meeting**

A heavy data calendar remains in place this week as markets continue to navigate significant geopolitical uncertainty and headline risk. This week, we continue to focus on evaluating U.S. domestic resilience and tracking the broader global impact of the Middle East conflict.

**U.S. Domestic Activity:** The main focus this week is on the key US inflation data. This will include the February PCE (a pre-conflict baseline) inflation report and, importantly, the March CPI report, which will provide the first look at the pass-through of the energy price shock into US domestic inflation. Building out our view of the evolving domestic growth backdrop will be personal spending & income, factory activity, and the Q4 GDP (final release). Additionally, the latest FOMC minutes will offer further insight into the Committee's decision to remain on hold at the March meeting.

**Global Impact:** On the global front, the final suite of S&P Global Services PMIs will be released, providing a view on any initial impacts of the conflict on the services sector.

### **Key factors & events to watch this week:**

#### US Inflation

There will be two inflation reports this week. The first will be pre-conflict: the Fed-preferred PCE price index for Feb. The second will be a more closely watched CPI for March, which is expected to reflect the notable impact of rising energy prices.

- Headline PCE inflation for Feb is expected to increase by +0.4% over the month, up from +0.3% in Jan. This would leave headline PCE inflation unchanged at +2.8% in Feb.
- Core PCE inflation for Feb is also expected to increase by +0.4% over the month in Feb (from +0.4% in Jan). This would see annual core PCE inflation slow to +3% in Feb (from +3.1% in Jan).
- Headline CPI for March is expected to increase by +0.9% over the month, up from +0.3% in Jan. Annual growth in headline CPI is expected to jump to +3.4% in Mar, from +2.4% in Feb.
- Importantly, core CPI is expected to only edge slightly higher to +0.3% over the month in Mar (from +0.2% in Feb). Annual growth in core CPI is expected to increase to +2.7% in Mar, from +2.5% in Feb.

### US Growth Backdrop

The tracking for US GDP growth so far in Q1 has edged lower to a +1.6% run rate based on the latest update of the [Atlanta Fed GDP nowcast](#). Several reports this week will add further to the Q1 tracking:

- Personal spending for Feb is expected to increase by +0.5% (from +0.4% in Jan).
- Personal income for Feb is expected to increase by +0.3% in Feb (down from +0.4% in Jan).
- Factory Orders for Feb are expected to slow, falling by -0.2% in Feb (from +0.1% in Jan).
- The ISM Services PMI is expected to edge lower to 55 in Mar (from 56.1 in Feb).
- The final estimate for Q4 GDP is expected to confirm the +0.7% annualized growth rate.

### US Federal Reserve

- The latest FOMC meeting minutes will be released this week.
- Fed Vice Chair Jefferson will give a speech on the economic outlook this week.

### RBNZ

- The RBNZ meets this week and is expected to keep its policy rate unchanged at 2.25%.

### Global Developments

- China's CPI for Mar is expected to be little changed over the year at +1.2% in Mar (from +1.3% in Feb)
- Canada's labour market survey for March is expected to show a small rebound in employment growth of +12.6k (from -83k in Feb), while the unemployment rate is expected to tick up to 6.8% (from 6.7% in Feb).
- The remainder of the S&P Global Services PMIs for March will be released this week.

## **US Treasury Issuance: 6 - 10 April 2026**

This week, the US Treasury will auction and settle approx \$460bn in ST Bills, with a paydown of \$54bn. The US Treasury will also auction the 3-year and 10-year Notes, and the 30-year Bond this week, to settle next week.

Approx \$18.4bn 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		Prior Auction High Rate %
6-10 Apr	02-Apr	07-Apr	4 week bill	80			Actual 3.620%	3.620%
	02-Apr	07-Apr	8 week bill	75			Actual 3.620%	3.630%
	01-Apr	07-Apr	17-week Bill	69			Actual 3.615%	3.635%
				224	269	-45		
	06-Apr	09-Apr	13 week bill	89			Announced	3.620%
	06-Apr	09-Apr	26 week bill	77			Announced	3.605%
	07-Apr	09-Apr	6-week Bill	70			Announced	3.645%
				236	245	-9		
			<b>Total - securities settling this week</b>	<b>460</b>	<b>514</b>	<b>-54</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>460</b>	<b>514</b>	<b>-54</b>		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			<i>109</i>		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		07-Apr	ST Bills	1.2				
		09-Apr	ST Bills	17.2				
				18.4				
			<b>Upcoming Auctions</b>	<b>\$B</b>				
	07-Apr	15-Apr	3yr Note	58				
	08-Apr	15-Apr	10yr Note	39				
	09-Apr	15-Apr	30yr Bond	22				
				119				

## 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

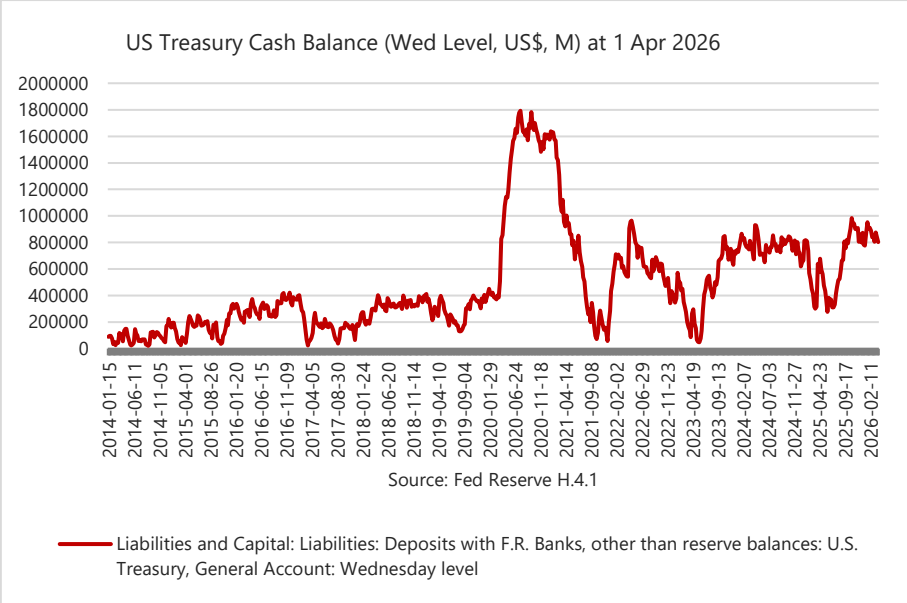
The latest update of the US Treasury borrowing requirements for Q1 and Q2 2026 (estimate) can be found on the US Treasury website [here](#). The next update will be on 4 May 2026.

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 1 Apr 2026, the level of the TGA decreased to \$803bn (-\$33bn compared to the week prior). The TGA balance is now approx. \$501bn *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 6 April 2026

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### MONDAY 6 APRIL (US Eastern Time, unless stated otherwise)

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US	ISM Services PMI (Mar), Conference Board Employment Trends Index (Mar)
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### TUESDAY 7 APRIL

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Europe	Eurozone Services PMI – Final (Mar)
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US	Durable Goods Orders (Feb), Consumer Credit Change (Feb), Fed speeches: Vice Chair Jefferson (economic outlook), Goolsbee
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NZ	RBNZ Monetary Policy Meeting
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### WEDNESDAY 8 APRIL

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Europe	Germany Factory Orders (Feb), Eurozone PPI & Retail Sales (Feb),
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US	MBA Mortgage Applications wk ending 4 Apr, FOMC Minutes
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### THURSDAY 9 APRIL

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Europe	Germany Industrial Production (Feb)
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US	Initial Jobless Claims wk ending 4 Apr, PCE Price Index (Feb), Personal Spending & Income (Feb), GDP Q4 (final)
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China	CPI & PPI (Mar)
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### FRIDAY 10 APRIL

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Europe	Germany CPI – Final (Mar)
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Canada	Labour Market Report (Mar)
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US	CPI (Mar), Factory Orders (Mar), Michigan Consumer Sentiment – Prelim (Apr)
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