

## Weekly Macro Outlook: Assessing Inflation Impacts

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This weekly macro outlook highlights the key economic data releases, central bank events & speeches, and macro themes shaping global markets for the week of May 25, 2026.

Key Focus This Week:

- *Central banks: RBNZ meeting, ECB Minutes, Fed speeches*
  - *Major data: US PCE Inflation, spending, & income Apr, Q1 GDP – second est; Aus CPI Apr*
  - *Key themes: US-Iran negotiation expectations, ceasefire extension*
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### The week ahead: US PCE Inflation and Q2 Growth Momentum

The near-term macro outlook remains contingent on whether a new, tentatively negotiated 60-day ceasefire extension will allow oil to resume flowing through the Strait of Hormuz, and to what extent. So far, global central banks and governments have treated the Middle East conflict as a (hopefully) short-lived event, implementing temporary subsidies to cushion higher energy costs while aiming to look through headline inflation. However, as the conflict persists, the temporary policy response is facing a challenge. Leading indicators and broadening input cost pressures are now testing the viability of a prolonged “wait-and-see” policy posture.

#### Resilient US growth & Input Price Inflation

While growth has been resilient so far into Q2, the May PMI data showed supply-side price pressures continue to build. The latest [Atlanta Fed GDP nowcast](#) for Q2 growth shows the run-rate remained elevated at 4.3% - but is still based on limited data.

However, the US S&P prelim PMIs for May provided a more current survey indicator, showing a combination of still resilient manufacturing activity, but stalling services growth momentum. Reports suggested that manufacturing strength was supported by domestic orders to build safety inventory amid ongoing supply constraints. At the same time, input price pressures continued to build, especially in manufacturing, led by higher energy prices and “supply constraints”. Higher costs were passed on to customers in the form of “sharply higher” selling prices. This cost push coincided with a further decline in US consumer sentiment in May. Headline sentiment measures in the Michigan survey fell to historic lows in May while both near-and long-term consumer inflation expectations increased.

#### FOMC Minutes: Signalling a Guidance Shift

Concern over the firming inflation outlook and the resulting policy friction was clear in the latest FOMC minutes. While there was an 8–4 vote to hold rates steady, the minutes showed that

"many" policymakers supported dropping the easing bias, and a majority indicated that further policy firming could become appropriate if inflation were to "continue to run persistently above 2%".

In a later speech, Fed Governor Waller also shifted his outlook after supporting rate cuts last year, saying that higher energy and commodity prices show that "inflation is not headed in the right direction". With the labor market showing signs of stabilizing, Waller noted that he would support removing the easing bias for now – but making it clear that a cut is no more likely in the future than a rate hike. He maintained that inflation "will largely be determined by the length of this conflict". By actively discussing the removal of the easing bias, the Fed has signalled that the threshold for a rate cut is changing, based on the evolution of the conflict.

### Global CPI & PMI Activity Reports

Across the key global CPI reports last week, several reports showed headline inflation remained elevated, reflecting the more immediate effects of higher energy/gasoline prices, while core measures remained subdued. However, short-term policy measures and temporary factors have affected inflation readings in some cases, especially in the UK and Japan, making it difficult to glean the trend of underlying inflation.

The preliminary global PMIs for May showed a notable slowdown in growth momentum more generally. This was led by services, where several reports showed stalling services growth or outright contraction. The manufacturing headline PMIs were still firm in the US and Japan, while momentum slowed in other markets. Generally, input price inflation continued to be widespread, with notable increases in the US, Eurozone, and Japan.

### RBA Minutes: Signalling a Pause Ahead

The RBA has been the outlier so far, hiking rates in response to inflation that was already elevated ahead of the energy price shock. The latest RBA minutes noted a shift to a posture that provides "space to see how the conflict in the Middle East develops," effectively setting up a pause to assess the lagged effects of this tightening cycle. While the minutes themselves noted the labor market was still "a little tight," the subsequent weaker-than-expected labor market report for April supports a pause here. However, the next round of monthly inflation data this coming week is important for the RBA outlook.

### **The Week Ahead: What We Are Watching**

Diplomatic developments and confirmation of a ceasefire extension will be the important factors to watch this week, and more specifically, whether oil flows restart through the Strait of Hormuz. This remains a key catalyst for the near-term outlook.

Data will be limited this week, but will feature official US PCE inflation and Australian CPI measures. These releases will provide an important assessment of the degree to which high energy prices and supply constraints are beginning to affect broader, core inflation measures. There will also be a larger update to the US growth run rate in Q2 with personal spending, income, and durable goods orders data for April.

## US PCE Inflation - April

The Fed-preferred PCE inflation gauge for April will be released this week.

- Headline PCE inflation is expected to remain firm over the month, rising by +0.5% over the month in April (from +0.7% in March). Headline inflation is expected to increase to +3.8% over the year in April, up from +3.5% in March.
- Core PCE inflation is expected to increase by +0.3% in April, around the same rate as in March. Over the year, core PCE inflation is expected to edge higher to +3.3% in April, up from +3.2% in March.

## US Q2 growth Update: Income, Spending, and Output

- Personal income for April is expected to increase by +0.4% over the month, down from +0.6% in March.
- Personal spending for April is expected to slow to +0.5% over the month, down from +0.9% in March.
- The second estimate for Q1 GDP is expected to confirm the +2% annualized growth rate.
- US durable goods orders are expected to increase by +3.3% over the month in April, up from +0.8% in March.
- New Home sales in April are expected to slow to a 0.66m annualized rate, from a 0.68m rate in March.

## Central Banks

- US Federal Reserve Speeches: There will be a number of speeches this week. Fed Vice Chair Jefferson is expected to speak on the economy. Vice Chair for Supervision, Bowman, is expected to speak on monetary policy. Into the following weekend, Governor Waller will speak on stablecoins, and Governor Powell will give acceptance remarks.
- RBNZ: The RBNZ meets this week and is expected to keep rates unchanged. Given some firmer inflation readings, there is a chance for a change in policy guidance.
- The ECB meeting minutes will be released this week.

## Global CPI Reports: Australia and Tokyo CPI

- The Australia monthly CPI report for April is expected to show some moderation. Headline CPI is expected to slow to +0.6% over the month, from +1.1% in March. While headline CPI is expected to slow to +4.4% from +4.6% in April, a stickier trimmed mean CPI at +3.3% over the year might reaffirm that underlying inflation pressures remain persistent.
- Tokyo CPI for May – a leading indicator for Japanese inflation – is expected to be unchanged at +1.5% for core CPI ex fresh food for May, versus April.
- Germany prelim CPI for May is expected to ease slightly to +2.8%, from +2.9% in April.

## US Treasury Issuance: 25-29 May 2026

This week, the US Treasury will auction and settle approx. \$562bn in ST Bills, 10-year TIPS, and 2-year FRNs, raising approx. \$105bn in new money. The US Treasury will also auction the 2-year, 5-year, and 7-year Notes this week – and will settle next week.

Approx \$20bn in ST Bills will mature on the Fed balance sheet and be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B	Amount Maturing \$B	New Money or (Paydown) \$B	Actual	Prior Auction High Rate %
<b>25 May - Memorial Day Holiday</b>								
25-29 May	21-May	26-May	4 week bill	100			Actual 3.610%	3.605%
	21-May	26-May	8 week bill	95			Actual 3.600%	3.610%
	20-May	26-May	17 week Bill	69			Actual 3.590%	3.615%
				264	221	43		
	26-May	28-May	13 week bill	89			Announced	3.600%
	26-May	28-May	26 week bill	77			Announced	3.615%
	26-May	28-May	6-week Bill	85			Announced	3.580%
				251	236	15		
	21-May	29-May	10yr TIPS	19			Actual 2.169%	1.896%
	27-May	29-May	2yr FRN	28			Announced	0.103%
				47	0	47		
			<b>Total - securities settling this week</b>	562	457	105		
			<b>Net New Cash Raised Qtr to Date</b>	<b>4468</b>	<b>4387</b>	<b>81</b>		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			<i>189</i>		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		26-May	ST Bills	10.3				
		28-May	ST Bills	9.7				
				20.0				
			<b>Upcoming Auctions</b>	<b>\$B</b>				
	26-May	01-Jun	2yr Note	69				
	27-May	01-Jun	5yr Note	70				
	28-May	01-Jun	7yr Note	44				
				183				

## Reserve Management Purchase (RMP) Operations

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

## SOMA Reinvestment – May 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 & Q3 2026

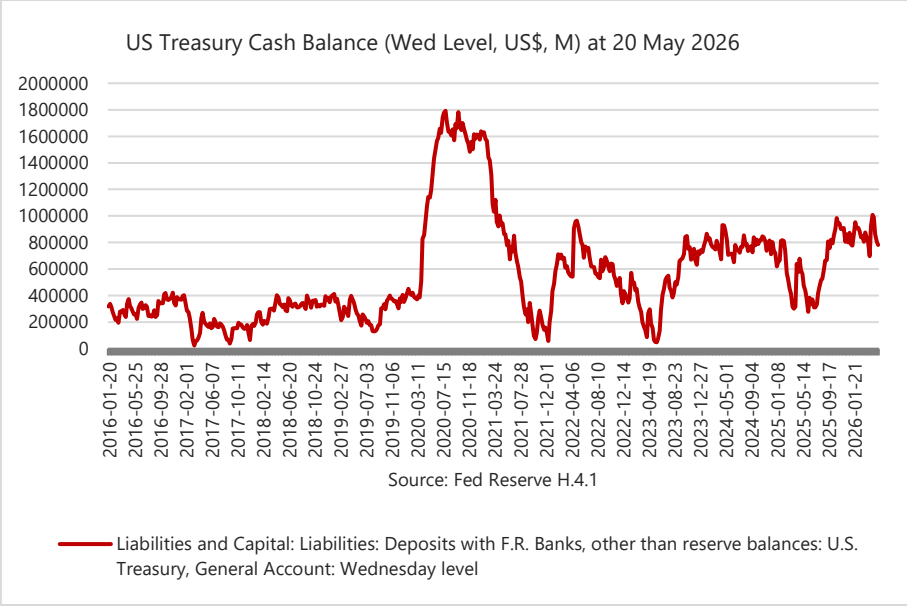
The latest update of the US Treasury borrowing requirements for Q2 (final) and Q3 2026 (estimate) can be found on the US Treasury website [here](#). The next update will be w/c 3 Aug 2026.

Updated Q2 estimates: Treasury expects to borrow \$189 billion in privately held net marketable debt (+\$79bn higher than initial estimates), assuming an end-of-Jun cash balance of \$900 billion.

Estimated Q3 borrowing requirement: Treasury expects to borrow \$671 billion in privately-held net marketable debt, assuming an end-of-September cash balance of \$950 billion.

## US Treasury Cash Levels (TGA)

As of Wed 20 May 2026, the level of the TGA decreased to \$782bn (-\$25bn compared to the week prior). The TGA balance is now approx. \$306bn *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>

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**MONDAY 25 MAY (US Eastern Time, unless stated otherwise)**

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US Memorial Day Holiday

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**TUESDAY 26 MAY**

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US Chicago Fed National Activity Index (Apr), Case-Shiller House Price Index (Mar), CB Consumer Sentiment (May), Dallas Fed Manufacturing Index (May), Fed speeches: Kashkari

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Japan BoJ Governor Ueda speech - tbc

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Australia Construction Work Done Q1, **Monthly CPI (Apr)**

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NZ **RBNZ Monetary Policy Meeting**

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**WEDNESDAY 27 MAY**

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US MBA Mortgage Applications wk ending 23 May, Richmond Fed Manufacturing Index (May), Fed speeches: Logan, Cook, Goolsbee, **Jefferson (economy)**

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Australia Private Capex Q1

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**THURSDAY 28 MAY**

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Europe ECB Monetary Policy Minutes

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US Initial Jobless Claims wk ending 23 May, **PCE Price Index (Apr)**, Personal Spending & Income (Apr), Durable Goods Orders (Apr), GDP Q1 – Second Est, New Home Sales (Apr), Fed speeches: Williams, Musalem

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Japan **Tokyo CPI (May)**, Industrial Production – Prelim (Apr), Retail Trade (Apr)

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Australia Private Sector Credit (Apr)

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**FRIDAY 29 MAY**

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Europe Germany CPI – Prelim (May)

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Canada GDP Q1

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US Goods Trade Balance – prelim (Apr), Chicago PMI (May)  
Fed speeches: Bowman (Mon pol), Paulson. Weekend: Waller (stablecoins), Powell (acceptance remarks)

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China Weekend: NBS Manufacturing & Services PMI (May)

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