

Weekly Macro Outlook: Inflation, Geopolitics, and the Fed

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 11, 2026.

Key Focus This Week:

- *Central banks: Fed Chair Powell's term ends on 15 May, Senate confirmation of Kevin Warsh TBC this week*
 - *Major data: US inflation, consumption, & output – CPI, PPI, Retail Sales, & Industrial Production Apr*
 - *Key themes: Geopolitical headline risks: US-Iran ceasefire deal, President Trump & President Xi Summit 14-15 May*
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The week ahead: US Inflation – CPI & PPI April

As we enter the eleventh week of the conflict with Iran, the near-term macro outlook remains shaped by the **geopolitical impasse**. Despite continued diplomatic posturing, the stalemate remains, leaving global supply chains and oil flows disrupted. With ceasefire proposals currently deadlocked, the effects of the conflict remain the primary lens through which we view the data.

Last week's US economic data continues to track the early stages of this energy price shock. The important update on the US labor market for April showed labor market conditions have continued to stabilize, while growth conditions remain resilient.

- **Labor:** April payrolls (the second full month of the conflict) surprised to the upside at +115k, lifting the 6-month rolling average change to a one-year high of 55k. The household survey shows continued structural shrinking in the labor force, helping the headline unemployment rate to stabilize at 4.3%.
- **Growth:** The [Atlanta Fed's GDP nowcast](#) for Q2 ticked up slightly to 3.7% - but is still based on limited data. Last week's growth update was boosted by solid auto sales, ISM Services PMI, factory orders, and new home sales.

In contrast to this somewhat 'rosier' picture of April data, was the latest **Michigan Consumer Sentiment** survey for May. Amid subdued sentiment, there was a notable 9% drop in the assessment of current economic conditions, as real income expectations continued to decline due to higher gasoline prices and mounting tariff concerns.

With labor market conditions remaining stable in April and little impact on growth so far from the Iran conflict, the focus for the Fed shifts to the inflation side of its mandate. *Based on current conditions* and the recent hawkish Fed tilt (a rising preference for a neutral guidance posture), markets are no longer pricing cuts through 2026, and are pricing a low probability of hikes into 2027 (Source: [CME FedWatch](#)).

While geopolitics continues to dominate the backdrop, the focus this week will be on US inflation and Fed policy outlook.

US inflation will be the key data point early in the week. The CPI and PPI for April will provide a further update on pass-through concerns from higher energy prices.

It will be a historic juncture for the US Fed. On May 15, Jerome Powell's term as Fed Chair ends, with the Senate expected to confirm Kevin Warsh as his successor this week.

Later this week, on 14-15th May, the summit between US President Trump and China's President Xi is scheduled to take place. We expect continued headline generally, as markets weigh the deadlocked ceasefire proposals against the reality of ongoing supply disruption.

Finally, US retail sales and industrial production for April will provide a check on whether weakening consumer sentiment is flowing through to spending and growth.

Key factors & events to watch this week:

US Inflation – CPI & PPI for April

This will be an important CPI report given the backdrop of elevated energy prices and conflict cross-currents. While headline CPI is expected to show continued pressure from higher energy prices, core inflation is expected to be firmer based on a technical catch-up in the imputed shelter price index after the government shutdown affected data collection. While this is expected to affect core CPI, we'll also be looking for pass-through effects from higher energy prices.

Together, the CPI and PPI will be important for guiding the Fed-preferred PCE result for April.

- Headline CPI for April is expected to increase by +0.6% in April, down from +0.9% in March. The annual rate is expected to increase to +3.7%, from +3.3% in March.
- Core CPI is expected to increase by +0.3% over the month in April, from +0.2% in March. Annual core CPI is expected to lift to +2.7% in April, up from +2.6% in March.
- The CPI shelter price increased by +3% over the year in March and increased by +0.3% over the month.
- Headline PPI is expected to increase by +0.4% in April, from +0.5% in March. The annual PPI is expected to lift to +4.7% in April from +4% in March.
- Core PPI is expected to increase by +0.3% in April, up from +0.1% in March. This would lift annual core PPI to +4.3% in April, up from +3.75% in March.
- Other measures of price inflation will include the export and import price indexes for April – both are likely to be impacted by higher energy prices.

US consumption, output, and housing data

- US retail sales growth is expected to slow to +0.6% in Apr, from +1.7% in March. This is measured in nominal terms and needs to be adjusted for price impacts on gasoline in particular.
- US industrial production is expected to increase by +0.2% in April after falling by -0.5% in March.
- Existing Home sales for April are expected to rebound slightly to 4.05m (annualized) in April, from 3.98m in March.
- The NY State Empire Manufacturing Index will be the first May regional manufacturing survey to be released. The headline index is expected to edge slightly lower to 8 in May, from 11 in April.

Central Banks - US Federal Reserve

This will be a historic week for the Fed with the term of Fed Chair Powell ending on 15 May. He is expected to stay on as a Governor for now. The nomination of Kevin Warsh is expected to be confirmed later this week. A Warsh-Fed is expected to lead a narrower focus on the dual mandate and a potential reduction in forward guidance transparency.

There will be several Fed speeches throughout the week.

Geopolitics

The summit between US President Trump and China's President Xi is scheduled to take place on 14-15 May. The conflict with Iran and trade deals will be key items on the agenda. Headline risks will be elevated.

Headline risks are expected to remain elevated, generally given the geopolitical backdrop. Markets will continue to weigh the deadlocked ceasefire proposals against the reality of ongoing oil supply disruption.

China Inflation data – April

China's headline CPI and PPI both came in higher than expected in April. Headline CPI increased by +0.3%, from -0.7% in March. The annual rate increased to +1.2% from 1% in March. The annual PPI increased more notably, to +2.8% in April, from +0.5% in March.

US Treasury Issuance: 11 - 15 May 2026

This week, the US Treasury will auction and settle approx. \$665bn in ST Bills, Notes, and Bonds, raising approx. \$54bn in new money.

Approx \$50.5bn in ST Bills, Notes, and Bonds 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 %
11-15 May	07-May	12-May	4 week bill	90			Actual 3.610%	3.600%
	07-May	12-May	8 week bill	85			Actual 3.595%	3.620%
	06-May	12-May	17 week Bill	69			Actual 3.605%	3.620%
				244	238	6		
	11-May	14-May	13 week bill	89			Announced	3.610%
	01-May	14-May	26 week bill	77			Announced	3.610%
	12-May	14-May	6-week Bill	80			Announced	3.595%
	12-May	14-May	52 week bill	50			Announced	3.560%
				296	289	7		
	11-May	15-May	3yr Note	58			Announced	3.897%
	12-May	15-May	10yr Note	42			Announced	4.282%
	13-May	15-May	30yr Bond	25			Announced	4.876%
				125	83.3	42		
			Total - securities settling this week	665	611	54		
			Net New Cash Raised Qtr to Date	3391	3472	-81		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			<i>189</i>		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		12-May	ST Bills	2.3				
		14-May	ST Bills	18.6				
		15-May	Notes & Bonds	29.7				
				50.5				

Reserve Management Purchase (RMP) Operations

Operations commenced 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

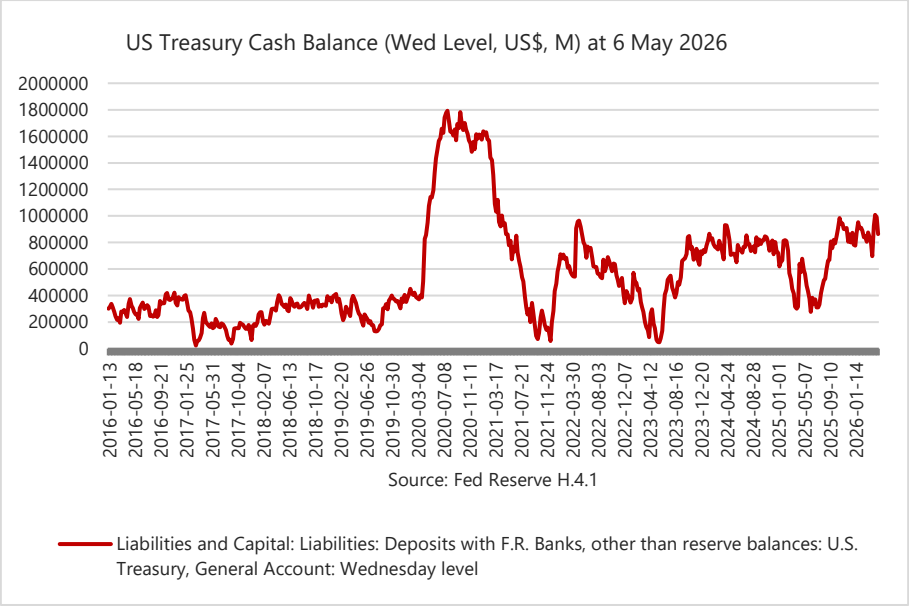
The latest update of the US Treasury borrowing requirements for Q2 and Q3 2026 (estimate) can be found on the US Treasury website [here](#). The next update will be w/c 3 Aug 2026.

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 6 May 2026, the level of the TGA decreased to \$863bn (-\$125bn compared to the week prior). The TGA balance is now approx. \$267bn *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 11 May 2026

MONDAY 11 MAY (US Eastern Time, unless stated otherwise)

China	CPI & PPI (Apr) – Sunday Night
US	Existing Home Sales (Apr)
Australia	Westpac Consumer Sentiment (May), NAB Business Conditions & Confidence (Apr) Federal Budget Announcement

TUESDAY 12 MAY

US	NFIB Small Business Optimism Index (Apr), CPI (Apr) , Fed speeches: Williams, Goolsbee
Australia	Wage Price Index Q1

WEDNESDAY 13 MAY

Europe	Euro Area GDP and Employment (first prelim) Q1, Industrial Production (Mar)
US	MBA Mortgage Applications wk ending 9 May, PPI (Apr)

THURSDAY 14 MAY

UK	GDP Q1, Monthly GDP (Mar)
US	Initial Jobless Claims wk ending 9 May, Retail Sales (Apr) , Export & Import Price Indexes (Apr), Fed speeches: Williams, Schmid, Hammack, Barr Start: Trump/Xi Summit
Japan	PPI (Apr)

FRIDAY 15 MAY

US	NY Fed Empire State Manufacturing Index (May), Industrial Production (Apr) End: Trump/Xi Summit
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