

Weekly Macro Outlook: Inflation Risks Build

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 18, 2026.

Key Focus This Week:

- *Central banks: Kevin Warsh to be sworn in as new Fed Chair, FOMC minutes, RBA minutes, Gov Waller speech*
 - *Major data: global CPI: Canada, UK, Japan, Euro area (final) April, S&P prelim PMIS May*
 - *Key themes: US-Iran diplomatic stalemate, renewed military threats, and the Iranian sovereign toll*
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The week ahead: Global CPI's & a New Era at the Fed

What began last week as optimism over AI tailwinds and the Trump-Xi summit gave way to a sobering macro reality by week's end. Against the backdrop of the geopolitical stalemate and a crumbling ceasefire, a sharp surge in global bond yields has left markets toying with a difficult premise: that headline inflation risks from energy could spill into a broader inflation problem.

Last week's inflation data showed continued effects from higher energy prices. Central banks have so far been anchored to the idea that the energy price shock may be short-lived and that they can "look through" headline inflation, as long as core inflation remains benign. However, data last week suggested inflation pressures are broadening – amid persistently above-target inflation and still no change to the geopolitical outlook that would counter these rising risks.

The Inflation Picture

- US CPI: The data came in line with expectations, with headline inflation rising to +3.8% in April and core inflation rising to +2.7%. While a firmer core CPI was impacted by a mechanical reset on shelter prices, there is concern that inflation pressures may be broadening. Core services ex shelter, trimmed mean, and median inflation rates all accelerated over the month and the year. After trending down recently, the upturn in the median inflation rate to +2.8% and trimmed mean inflation rate to +2.8% now suggests that inflation pressures broadened in April.
- US PPI came in notably higher than expected at +6% over the year for headline and +5.2% for core PPI. Export and import price growth was also elevated.
- The outlook for the Fed-preferred PCE deflator in April suggests a more moderate core PCE inflation rate of +0.29% over the month, accelerating to +3.3% over the year (Source: [Cleveland Fed PCE Nowcast](#))

- US Growth: On the surface, US retail sales remained solid at +0.6% over the month – but this looks less impressive considering CPI also printed +0.6% over the month. Industrial production was firmer than expected. The latest [Atlanta Fed GDP Nowcast](#) still shows a resilient growth backdrop with the Q2 growth run-rate lifting to 4%, led mostly by the change in private inventories.
- Global inflation spillover: Japanese PPI for April was also stronger than expected rising to +4.9% (expecting +3%), from +2.9% in March. Higher prices were recorded across a broad range of categories.

The geopolitical backdrop offers no immediate relief. The tentative diplomatic progress between the US and Iran of the last month has dissolved back into threats of military escalation. The conditional ceasefire has broken down, the Strait of Hormuz remains closed, and Tehran is moving to formalize its sovereign maritime traffic mechanism.

While the highly anticipated Trump-Xi summit in Beijing managed to preserve a fragile trade truce, it achieved little else, leaving the geopolitical standoff firmly intact. The primary lens for the incoming data remains anchored to these supply-side disruptions.

The Week Ahead: What We Are Watching

The focus remains on the supply chain pressures building, geopolitical developments, and global inflation dynamics. This week also marks an important institutional transition as **Kevin Warsh** is sworn in as the new Federal Reserve Chair.

The US Federal Reserve

This week's focus on the Fed will be split between the past and the future.

- **FOMC Minutes:** The release of the final Powell-era FOMC minutes this week will frame the policy outlook for a highly uncertain summer. Last week's firm, upside surprises in inflation data, suggest the Fed may no longer have as much time as it thinks to maintain its "wait-and-see" posture. Market participants may also weigh what this means for a new, unknown Fed regime.
- **The New Guard:** New Fed Chair Kevin Warsh will be sworn in.
- **Speeches:** At the end of the week, **Fed Governor Waller** will give a speech on the "economic outlook" – which is a key topic for a potential policy signal. As a steady hand on the Board, his assessment of the economic outlook will be important. Markets will be focused on whether his historically flexible, data-dependent stance is shifting toward a more hawkish bias considering the recent inflation data. Governor Waller will also take part in a policy panel earlier in the week.

US Growth & Housing Data

Housing data, consumer sentiment, and activity survey data will be the main data focus this week.

- Building permits for April are expected to edge higher to 1.38m (annualized) from 1.36m in March.

- Housing starts are expected to edge lower to 1.42m (annualized) in April, from 1.5m in March.
- Pending home sales for April are expected to slow to +1.2% over the month, from +1.5% in March.
- Michigan consumer sentiment for May (final) is expected to be little changed from the prelim reading of 48.2, a notable fall from April.
- The Philadelphia Fed and Kansas City Fed manufacturing activity surveys will provide an update on regional manufacturing conditions and activity in May.

Global Inflation Prints

A range of global CPI data will be released this week, providing a comprehensive look at the migration of the energy shock through April. Core inflation readings are expected to remain subdued.

- **UK CPI:** Headline CPI for April is expected to slow to +3%, from +3.3% in March. Core CPI is expected to slow to +2.6% in April, from +3.1% in March. The UK domestic political backdrop remains a volatile one. Also out this week will be UK labour market report (3mths to Mar) – and the unemployment rate is expected to remain unchanged at 4.9%, while wage growth continues to slow.
- **Canada CPI:** The core measures are expected to be little changed overall: the BoC median inflation rate is expected to slow to +2.2% in April (from +2.3%), while the trimmed mean is expected to increase to +2.3% in April (from +2.2%). The monthly headline CPI is expected to slow to +0.6% over the month, from +0.9% in March.
- **Japan National CPI:** The BoJ preferred core CPI ex fresh food is expected to slow slightly to +1.7% over the year in April, from +1.8% in March. Inflation rates continue to be distorted by government subsidies. The growth backdrop is expected to remain firm – with Q1 GDP growth lifting to +0.4% over the quarter (from +0.3%).
- **Euro-area CPI (final):** Headline CPI is expected to be confirmed at +3% over the year, while core CPI is expected to be confirmed at +2.2% over the year.

Aussie Labour Market for April & the RBA

The Aussie labour market data will be important for the RBA as it tracks the impacts of recent policy tightening on the labour market (and growth) outlook. For now, markets are not expecting a hike at the next meeting, though one further hike is priced by the end of the year.

- The RBA minutes will provide some further insight behind the decision to hike again at the last meeting.
- The labour market survey for April is expected to show continued, subdued net employment growth of +17.5k in April, (+17.9k in March). The unemployment rate is expected to be unchanged at 4.3%.

S&P Prelim PMIS in May - Growth Impulse

Flash PMIs will provide a further update on global manufacturing vs. service sector resilience at the start of May.

Energy & Chokepoints

Headline risks are expected to remain elevated given the volatile geopolitical backdrop. Markets will continue to weigh the broken ceasefire, the new sovereign toll for the Strait, and the escalating military rhetoric against the reality of ongoing oil supply disruptions and falling global inventories.

US Treasury Issuance: 18 - 22 May 2026

This week, the US Treasury will auction and settle approx. \$515bn in ST Bills, raising approx. \$57bn in new money. The US Treasury will also auction the 10-year TIPS and 20-year Bond this week – both to settle at the end of the month.

Approx \$26bn 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 %	
18-22 May	14-May	19-May	4 week bill	100			Actual 3.605%	3.610%	
	14-May	19-May	8 week bill	95			Actual 3.610%	3.595%	
	13-May	19-May	17 week Bill	69			Actual 3.615%	3.605%	
				264	224	40			
	18-May	21-May	13 week bill	89			Announced	3.610%	
	18-May	21-May	26 week bill	77			Announced	3.615%	
	19-May	21-May	6-week Bill	85			Announced	3.615%	
				251	234	17			
				Total - securities settling this week	515	458	57		
				Net New Cash Raised Qtr to Date	3906	3930	-24		
			<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						
		19-May	ST Bills	11					
		21-May	ST Bills	15					
				26					
			Upcoming Auctions	\$B					
	21-May	29-May	10yr TIPS	19					
	20-May	01-Jun	20yr Bond	16					
				35					

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

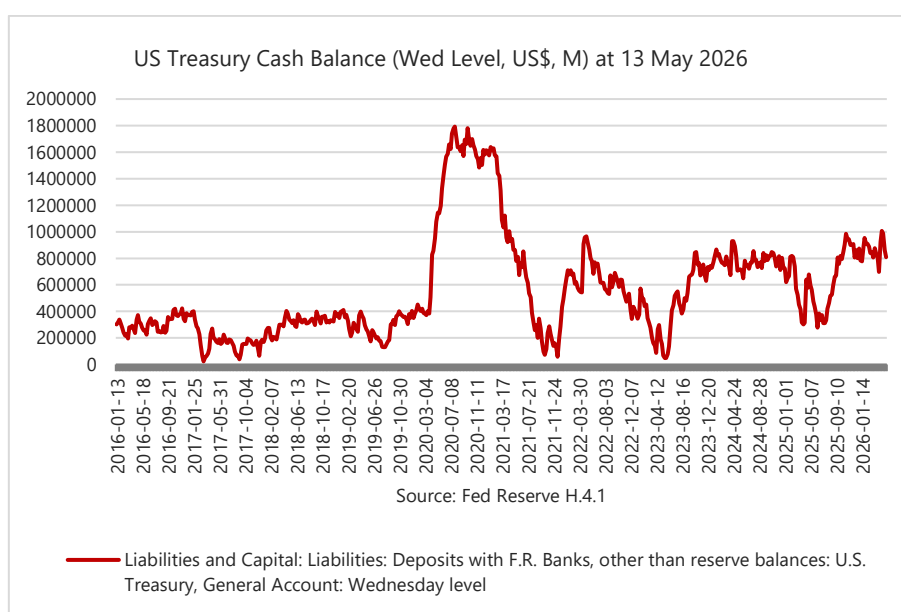
The latest update of the US Treasury borrowing requirements for Q2 (final) and Q3 2026 (estimate) can be found on the US Treasury website [here](#). The next update will be w/c 3 Aug 2026.

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 13 May 2026, the level of the TGA decreased to \$807bn (-\$55bn compared to the week prior). The TGA balance is now approx. \$245bn *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 18 May 2026

MONDAY 18 MAY (US Eastern Time, unless stated otherwise)

China	(Sun) House Price Index, F/A Invest YTD, Industrial Production, Retail Sales (Apr)
US	NAHB Housing Market Index (May)
Japan	GDP Q1 – Prelim , Industrial Production – Final (Mar)
Australia	Westpac Consumer Sentiment (May), RBA Minutes

TUESDAY 19 MAY

UK	Labor Market Survey (3mth to Mar)
US	Pending Home Sales (Apr), Fed speeches: Gov Waller (policy panel)
Canada	CPI (Apr)

WEDNESDAY 20 MAY

UK	CPI (Apr)
Europe	Euro area CPI – Final (Apr)
US	MBA Mortgage Applications wk ending 16 May, FOMC Minutes , Fed speeches: Barr
Australia	S&P Prelim Manufacturing & Services PMI (May)
Japan	Trade Bal, Exports, & Imports(Apr), S&P Prelim Manufacturing & Services PMI (May)
Australia	Labour Market Survey (Apr)

THURSDAY 21 MAY

Europe	Eurozone S&P Prelim Manufacturing & Services PMI (May)
UK	S&P Prelim Manufacturing & Services PMI (May)
US	Initial Jobless Claims wk ending 16 May, Building Permits & Housing Starts (Apr), Philadelphia Fed Manufacturing Index (May), Kansas City Fed Manufacturing Index (May), S&P Prelim Manufacturing & Services PMI (May)
Japan	National CPI (Apr)

FRIDAY 22 MAY

US	Michigan Consumer Sentiment – Final (May), Fed speeches: Gov Waller – Econ Outlook
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