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Weekly Macro Outlook
w/c 20 July 2026

Weekly Macro Outlook: Inflation Risks Persist

This Weekly Macro Outlook highlights the key economic data releases, central bank events & speeches, and macro themes shaping global markets for the week of July 20, 2026.

Key Focus This Week:

- *Central banks: ECB Monetary Policy Meeting*
- *Major data: Global CPI Reports: Canada, NZ, the UK, & Japan, S&P flash PMI's July*
- *Key themes: US-Iran conflict escalation returns, Q2 tech earnings*

Recap of Last Week

Fed communication last week reinforced that the balance of risks within the mandate has shifted toward price stability, amid rising concerns over more persistent inflation. The key policy question this week was the degree to which the Jun CPI and PPI inflation prints would provide the first evidence that inflation persistence was beginning to ease. While headline CPI and PPI for Jun were lower than expected, the more important question was what they implied for the Fed's preferred PCE inflation measure, which has been firming over the last year. In particular, core PCE for June is likely to show a marginal moderation in underlying inflation – encouraging, but likely insufficient on its own to materially change the Committee's assessment of inflation persistence.

<u>Fed Communication: Less Runway for Tightening</u>

Fed communication this week provided further context around the latest Fed Minutes. Speeches emphasized that US inflation remains too high, noting that concerns over the trajectory of PCE inflation began well before the recent energy price shock. Fed officials need to see a series of lower inflation prints to build confidence that inflation has peaked and could keep policy unchanged while disinflation continues. But if inflation doesn't improve over the next few months, some policy firming may be appropriate. Several highlights added further colour to the Fed assessment:

- AI Boom as an Inflation Risk: Commentary reflected broader concern over the spillover from the AI boom into near-term inflation risks, rather than just as a productivity driver. NY Fed President Williams noted that "if the AI-driven demand was sustained, the Fed wouldn't be able to 'look through' its results" (Bloomberg) - an important signal from one of the more dovish members, acknowledging the risks to the inflation outlook.
- Fed Governor Waller articulated the broader balancing act facing the Fed. Inflation has been persistent, broad-based, and is moving in the wrong direction. While he is prepared to hike if

needed, he noted that there is less runway now for hikes, given that the labor market is not as tight as it was in 2022.

Even the most hawkish speeches were not, at this stage, calling for more than "modestly" higher rates, a view also reflected in the SEP projections. While the policy bias has shifted materially over the past year, Governor Waller's speech in particular was a reminder that the Committee still faces a trade-off within its dual mandate, suggesting that any further tightening is likely to be measured.

US Headline CPI and PPI Undershoot

The CPI report for June was encouraging. Headline CPI inflation fell by more than expected over the month, by 0.4% (expecting -0.1%), led by a 5.7% fall in energy prices. Annual headline inflation slowed to +3.5% in June (from +4.2%), remaining elevated and still only partially reversing the recent energy-led spike. The risk now is that the unstable geopolitical backdrop and rising energy prices will again lead to a renewed rise in headline inflation.

Annual core CPI slowed to +2.6% in June from +2.8% in May, fully reversing the modest increase recorded through April and May. The June core CPI reading remains above the Fed's 2% inflation objective, but unlike the Fed-preferred core PCE inflation measure, it remains on a consistent disinflation trajectory.

Importantly, the measures of broader underlying CPI continue to tell a similarly constructive story. Core, median, and trimmed mean CPI all fell back to around +2.6% to +2.7% on an annual basis. The convergence of these measures suggests that the June moderation was likely broadly based rather than driven by a small number of volatile outliers.

The PPI was somewhat less encouraging, pointing to more persistent inflation pressures for domestic producers. While headline PPI fell by more than expected in Jun by -0.3%, and annual PPI slowed to +5.5% in Jun (from +6% in May), measures excluding the effect of the fall in energy prices remained firm, suggesting that underlying price pressures have yet to ease.

PCE Nowcast for June

Although the headline June CPI and PPI data were encouraging, the key question is whether they will translate into a similar moderation in **the Fed's preferred PCE measure**. This distinction matters because core PCE has followed a materially firmer trend than core CPI, and this has been central to the Committee's renewed concerns around inflation persistence. Disinflation in core PCE stalled in mid-2024 and, since the second half of 2025, has begun to firm, moving in the "wrong direction". As Fed Governor Waller noted, this began well before the energy price shock.

The latest Cleveland Fed nowcast for PCE inflation in Jun (based on this CPI & PPI data) indicates that headline PCE is expected to fall by 0.12%, and this would reduce headline PCE to +3.7% in June (from +4.1% in May). Core PCE is expected to remain somewhat sticky at +0.19% over the month in June, and due to base effects, would only reduce annual core PCE to +3.3% (from +3.4% in May). While this result removes the likelihood of another "hot" inflation print for Jun (and removes any expectation for a Jul hike), a single softer monthly print isn't enough with core inflation still well above target. The Fed will need to see a series of lower prints before they have confidence in a more durable disinflation trend.

US Q2 Growth Outlook Firms

The US growth backdrop remains positive, with a solid retail sales result for June firming the Q2 growth outlook. The latest Atlanta Fed GDP nowcast for Q2 GDP run rate increased to +1.7% (from +1.3%) after the latest June data.

- Retail Sales: Nominal retail sales increased by +0.2% in Jun and May was revised higher to +1%. In real terms, retail sales growth was solid at +0.6% over the month.
- Industrial Output & Housing Starts: Industrial output growth was modest, and a moderate improvement in new housing starts resulted in little change to the contribution to domestic growth and staying positive on the whole.
- Overall, personal spending, previously one of the weaker components, provided a welcome boost to the overall growth run rate in the data last week.

Outlook for the FFR

For now, markets are still pricing in a slight chance of a hike in September (Source: CME FedWatch). The re-escalation in the US-Iran conflict is causing energy prices to increase again, placing upward pressure on headline inflation and rate hike expectations.

The Week Ahead: What We Are Watching

Attention now turns to the next round of evidence that will shape the global policy outlook. While the Fed enters its pre-FOMC blackout period, this week's focus shifts to inflation data across several major economies and the implications for upcoming central bank meetings.

Central Bank Calendar: The ECB meets this week, followed next week by the FOMC (Jul 28–29), the BoE (Jul 30), and the BoJ (Jul 30–31).

Global CPI Focus (Jun): Key inflation prints from Canada, NZ, the UK, and Japan will set the stage for upcoming central bank rate path adjustments.

Growth Tracking: With light US domestic data, the preliminary S&P Global PMIs for Jul will provide the first clear glimpse into Q3 private sector momentum across major developed economies.

Geopolitical and Energy Watch: Re-emerging geopolitical risks and firming energy prices remain key cross-currents for global growth and inflation forecasts.

ECB Monetary Policy Meeting

- After hiking rates by 25bps at its last meeting citing “broadening inflation”, the ECB is expected to keep settings unchanged at this meeting.

Global CPI Reports June

Canada CPI Jun

The June CPI will be important for the BoC's outlook on core inflation. Last week, the BoC kept rates on hold to balance the inflation backdrop between exogenous headline inflation shock and slack in the domestic economy. However, it noted that it will “not allow higher oil prices to become persistent inflation" – so changes in core inflation will be important for the BoC's assessment. The BoC's projection of a gradual path back to 2% inflation by early 2027 may be challenged as oil prices begin to rise again.

- Headline CPI is expected to fall by -0.2% in Jun (from +1% in May).
- The BoC measures of underlying inflation – the median and trimmed mean- are both expected to be unchanged at +2.1% and +2% respectively.

NZ CPI – Q2

The RBNZ recently increased rates for the first time, citing persistent underlying inflation in the domestic economy (non-tradable inflation), despite some slack remaining in the economy. Higher headline inflation in Q2 is likely to be the result of higher energy prices. This inflation print is expected to confirm those firmer underlying inflation readings.

- Headline CPI Q2 – QoQ +1.5%, from +0.9% in Q1.
- Annual CPI is expected to increase to +4% in Q2, from +3.1% in Q1.

UK CPI Jun

The BoE will meet next week on 30 Jul.

- Headline CPI is expected to moderate slightly to +2.7% over the year in Jun, from +2.8% in May.
- Core CPI is expected to also slow slightly to +2.5% in Jun, from +2.6% in May.

Japan CPI Jun

The BoJ will meet next week, 30-31 Jul.

- The BoJ's preferred measure of core inflation, core CPI ex-fresh food, is expected to increase slightly to +1.6% in Jun, from +1.4% in May.

<u>Australia – Labour Market Report Jun</u>

Solid labour market conditions will continue to support the RBA outlook as it maintains more restrictive policy settings to address persistent core domestic inflation. The next RBA meeting is 10-11 Aug.

- Net employment growth is expected to moderate to +15k over Jun, from +40k in May.
- The unemployment rate is expected to be unchanged at 4.4%.

<u>S&P Global PMIs – Prelim Jul</u>

The suite of preliminary S&P PMIs for July will provide the first view of growth momentum across the larger economies at the start of Q3.

US Treasury Issuance: 20 - 24 July 2026

This week, the US Treasury will auction and settle approx. $561bn in ST Bills and the 20-Year Bond raising approx. $106bn in new money. Approx $32.7bn in ST Bills will mature on the Fed balance sheet and will be reinvested. The US Treasury will also auction the 10-Year TIPS this week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B	Amount Maturing $B	New Money or (Paydown) $B	Actual	Prior Auction High Rate %
20-24 Jul	16-Jul	21-Jul	4 week bill	110			Actual 3.660%	3.630%
	16-Jul	21-Jul	8 week bill	100			Actual 3.650%	3.635%
	15-Jul	21-Jul	17-week bill	72			Actual 3.745%	3.790%
				282	225.993	56		
	20-Jul	23-Jul	13 week bill	92			Announced	3.760%
	20-Jul	23-Jul	26 week bill	79			Announced	3.860%
	21-Jul	23-Jul	6-week bill	95			Announced	3.640%
				266	229	37		
	22-Jul	24-Jul	20-Year Bond	13			Announced	4.927%
				13	0	13		
			Total - securities settling this week	561	455	106		
			QTR to date totals	**2,019**	**1,773**	**246**		
			Estimated Net Cash to be Raised Q3 ($ Bn)			*671*		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		21-Jul	ST Bills	16.5				
		23-Jul	ST Bills	16.2				
				32.7				
	Upcoming Auctions			**$B**				
	23-Jul	31-Jul	10yr TIPS	21				
				21				

Reserve Management Purchase (RMP) Operations

Operations began on 12 Dec 2025. See announcement here. See operation details and announcements here and here.

SOMA Reinvestment – July 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 Q3 2026

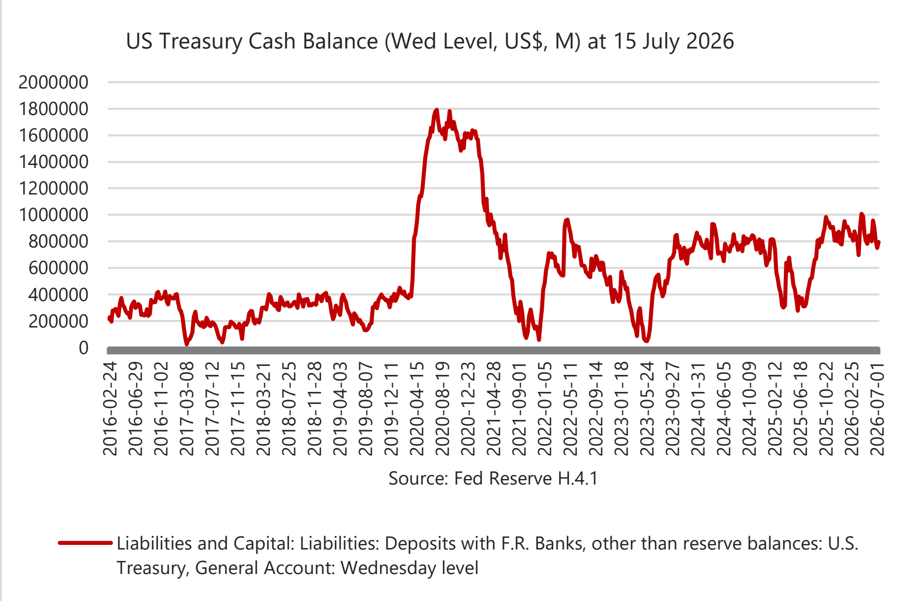
Estimated Q3 2026 borrowing requirement: The US Treasury expects to borrow $671 billion in privately-held net marketable debt, assuming an end-of-September cash balance of $950 billion.

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. As of Wednesday, 1 July, the level of the TGA was $807bn.

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.

US Treasury Cash Levels (TGA)

As of Wed 15 July 2026, the level of the TGA increased further to $796bn (+$46bn compared to the week prior). The TGA balance is now approx. $434bn *higher* than the same week a year ago.



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

Canada	CPI (Jun)
NZ	CPI Q2

TUESDAY 21 JULY

UK	Labour Market Survey (3mth May)
Japan	Merchandise Trade, Exports, & Imports (Jun)

WEDNESDAY 22 JULY

UK	CPI (Jun)
US	MBA Mortgage Applications wk ending 18 Jul
Australia	Labour Market Survey (Jun)

THURSDAY 23 JULY

Europe	**ECB Monetary Policy Meeting**
US	Initial Jobless Claims wk ending 18 Jul, Kansas City Fed Manufacturing Survey (Jul)
Canada	Retail Sales (May)
Australia	S&P Manufacturing & Services PMI - Prelim (Jul)
Japan	CPI (Jun), S&P Manufacturing & Services PMI - Prelim (Jul)

FRIDAY 24 JULY

UK	Retail Sales (Jun), S&P Manufacturing & Services PMI - Prelim (Jul)
Europe	S&P Eurozone Manufacturing & Services PMI - Prelim (Jul)
US	S&P Manufacturing & Services PMI - Prelim (Jul), New Home Sales (Jun)