

Weekly Macro Outlook: The Inflation Test

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 13, 2026.

Key Focus This Week:

- *Central banks: Fed Chair Warsh testimony, Governors Waller & Cook – Economic Outlook speeches, BoC Monetary Policy Meeting*
 - *Major data: US CPI, PPI, Retail Sales, Housing, & Output data (June), China GDP*
 - *Key themes: Geopolitical - Risk of US-Iran conflict escalation returns*
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Recap of Last Week

Three important threads converged last week to shape the near-term outlook. The first was the FOMC Minutes, which detailed some division over the degree of policy restriction required to bring inflation back to target, placing hikes on the table. Secondly, last week's limited US data provided little input to change the assessment of US growth, while the PMI's maintained a solid growth outlook through Q2. Finally, the escalation in the US-Iran conflict has reintroduced the threat of supply-side disruptions and energy price spikes, threatening to inject another round of inflation and growth risks back into the policymaker calculus.

FOMC Minutes: The New Baseline

The FOMC Minutes for the June meeting provided a more detailed account of the Fed's assessment of the economy and its policy stance following Warsh's first FOMC meeting – placing policy hikes on the table.

The decision to keep policy settings unchanged at this meeting was unanimous. There was also broad consensus over risks to the mandate: upside risks to price stability remained elevated while downside risks to achieving maximum employment had moderated a bit. However, policymakers differed on their assessment of the stance of policy – between not restrictive and slightly restrictive. This underpins the divided SEP on whether to hold or hike the FFR in the remainder of 2026.

This was driven by differences in the assessment of the economic outlook. There was little disagreement that current inflation remained too high or that labor market conditions were broadly stable, though remaining in a "low dynamism" mode. However, Committee divisions stemmed from two distinct areas: how quickly inflationary pressures would dissipate (driven by tariffs, supply disruptions, AI capex-related expenditures, and sticky non-housing services), and

whether current growth dynamics indicated that policy settings were sufficiently restrictive. Fed Chair Warsh had described policy restriction as “uneven” among key sectors.

Two scenarios for the outlook emerged in the Minutes. The first, that inflationary pressure would dissipate and inflation would begin to return to 2%, allowing policymakers to maintain, and eventually lower the FFR. The second was that if core inflation remained elevated amid the solid growth conditions and a stable labor market, then policy firming would be “warranted” to return inflation to the 2% target.

This establishes a low threshold for a policy hike, where persistent, not even accelerating, inflation could justify tightening. It’s unclear, though, whether this would be a high enough threshold to sway the dovish policymakers to hike and over what timeframe. Markets are currently [pricing in the probability of a hike](#) at the September meeting. Given that forward guidance has been removed, incoming data and even Fed speeches over the next few weeks and months will be crucial to firming the path either way.

US Growth Dynamics: Limited Data

With mostly only second-tier data out last week, there was little change to the view of the growth trajectory for Q2. The latest [Atlanta Fed GDP nowcast](#) improved slightly to +1.3% after the full international trade report for May (net exports subtracted less from growth).

PMI data for June provided some early insight on growth momentum through the final month of Q2. Output growth became more widespread in manufacturing and services output continued to improve from recent lower/modest growth levels. The PMI also provides a guide on inflation pressures. Service firms reported less widespread cost increases due to falling oil prices, but costs continued to rise at a “steep” rate. Similarly, manufacturing firms reported that tariffs and raw materials remained “key drivers” of input cost inflation as the rise in costs remained “historically elevated”, though easing from the May peak. The rate of pass-through of these higher input prices remained mixed. The Jun PMI surveys are indicating that growth likely remained solid and stable through to the end of Q2, while input price inflation remains sticky for firms even as energy prices began falling.

Geopolitical: Escalation Risks

The apparent breakdown in the US-Iran ceasefire agreement last week has reintroduced geopolitical risks. A renewed escalation in conflict threatens the return of higher energy prices and supply disruptions, reversing the recent improvement in tanker flows through the Strait of Hormuz. This volatile backdrop will keep central bankers on edge over the threat of another headline inflation shock, unanchored inflation expectations, and secondary growth risks.

The Week Ahead: What We Are Watching

The week ahead will provide an important update on the Fed's assessment of inflation, growth, and the appropriate policy stance. Fed communication, including testimony from Chair Warsh, may provide further insight into how individual policymakers are interpreting the economic outlook and policy trade-offs outlined in the latest FOMC Minutes.

The key policy question this week is whether cooling headline inflation alongside steady growth supports the case for the Fed to remain on hold, or whether sticky core inflation continues to build the case for a hike.

The key policy question this week is whether easing headline inflation and resilient domestic demand provide sufficient evidence that the current policy stance will return inflation to target, or whether persistent core inflation will continue to support the case for further policy firming.

US CPI & PPI for June are expected to show easing headline prints due to falling energy prices. However, the central question for the Fed is ***whether core inflation retreats with energy prices or remains structurally firm***. Persistent core inflation would likely reinforce the case for policy firming, including the possibility of a September hike. The CPI & PPI prints will both feed into the Fed's preferred June PCE measure.

US consumption & activity for June: The Q2 growth run-rate will receive a comprehensive update via June retail sales, industrial output, and residential construction data. If domestic demand remains resilient, it may support the case for maintaining the current policy stance while the Committee assesses whether inflation returns towards target or whether further policy firming becomes necessary.

Outside of the US, the Bank of Canada meets this week and is expected to keep rates on hold.

Meanwhile, the geopolitical backdrop is likely to remain highly unstable. With the path back toward genuine diplomatic negotiations highly uncertain, we will continue to watch the response in energy markets and supply chains for re-emerging threats to global headline inflation.

US CPI & PPI June

- Headline CPI is expected to fall by -0.1% over the month in Jun due to falling energy prices, from +0.5% in May. This would see annual headline CPI slow to +3.8% in Jun, from +4.2% in May.
- Core CPI is expected to increase by +0.3% over the month in Jun, up slightly from +0.2% in May. This would see core CPI increase to +2.9% in Jun, from +2.8% in May.
- Headline PPI is expected to slow to 0% over the month, from +0.8% in May. This would see headline PPI slow to +6.2% in Jun, from +6.4% in May.
- Core PPI is expected to increase by +0.3% in Jun from +0.4% in May. This would see annual core PPI increase to +5.1% in Jun, from 4.9% in May.

US Growth Drivers: Q2 GDP Inputs

There will be a broad update to the current Q2 growth run-rate this week across consumption, residential construction, and industrial output.

- US nominal retail sales are expected to increase by +0.3% in Jun, down from +0.9% in May. Part of this slowdown is likely to be driven by the fall in energy/gasoline prices during Jun.
- The retail control measure will feed directly into the GDP measure. Last month, this measure increased by +0.7%.
- Building Permits for Jun are expected to remain stable around a 1.4m annualized rate, from 1.41m in May.
- Housing Starts for Jun are expected to rebound slightly to a 1.32m annualized pace in Jun, from 1.17m in May.

- Industrial production is expected to increase by +0.2% in Jun, up from +0.1% in May.

US Federal Reserve: Testimony & Speeches

- New Fed Chair Warsh will give two days of testimony this week to Congress and the Senate. This will be important testimony examining the Fed Chair's reform agenda, his assessment of the economy, and his outlook. This testimony may be another important moment in assessing the new Fed Chair's market credibility.
- There will be a range of other Fed speeches this week. Three speeches may highlight where several Committee members stand on the hike or hold scale; Fed Governor Waller and Fed Governor Cook will both give speeches on the 'Economic Outlook'. Fed Governor Waller has been slowly shifting away from supporting further cuts, and his analysis is usually quite informative. Vice Chair Jefferson will also give a speech on Navigating Economic Shocks.
- The latest Fed Beige Book will be released ahead of the next FOMC meeting later this month. This will provide anecdotes from regional Fed contacts on growth, consumption, sentiment, and inflation trends over the last six weeks.

Bank of Canada Monetary Policy Meeting

- The Bank of Canada will meet this week and is expected to keep policy settings unchanged.
- At the last policy meeting, even though the headline inflation had increased to nearly 3%, the BoC noted that there was limited evidence that high energy prices were passing through more broadly to consumer prices. The BoC stayed on hold at that meeting to balance its policy risks, noting that "economic weakness combined with rising inflation is a dilemma for monetary policy."
- Last week's labour market report for June remained positive. Despite employment growth moderating, the unemployment rate ticked down further to 6.5% in Jun, from 6.6%, while participation remained unchanged.

China Data

- GDP Q2 is expected to increase by +0.9%, down from +1.3% in Q1.
- There will be the full range of June data out this week: retail sales, fixed asset investment, industrial production, trade, and financing.

US Treasury Issuance: 13 - 17 July 2026

This week, the US Treasury will auction and settle approx. \$652bn in ST Bills, Notes, and Bonds raising approx. \$109bn in new money. Approx \$40bn in ST Bills, Notes, Bonds, and TIPS will mature on the Fed balance sheet and will 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 %
13 - 17 Jul	09-Jul	14-Jul	4 week bill	100			Actual 3.630%	3.605%
	09-Jul	14-Jul	8 week bill	95			Actual 3.635%	3.650%
	08-Jul	14-Jul	17-Week Bill	72			Actual 3.790%	3.795%
				267	227	40		
	13-Jul	16-Jul	13 week bill	92			Announced	3.735%
	13-Jul	16-Jul	26 week bill	79			Announced	3.830%
	14-Jul	16-Jul	6-week Bill	95			Announced	3.635%
				266	241	25		
	07-Jul	15-Jul	3yr Note	58			Actual 4.179%	4.192%
	08-Jul	15-Jul	10yr Note	39			Actual 4.580%	4.538%
	09-Jul	15-Jul	30yr Bond	22			Actual 5.058%	5.020%
				119	75	44		
			Total - securities settling this week	652	543	109		
			Net New Cash Raised Qtr to Date	1458	1318	140		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>671</i>		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		15-Jul	Notes, Bonds, and TIPS	12.4				
		14-Jul	ST Bills	16.5				
		16-Jul	ST Bills	10.8				
				39.7				

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

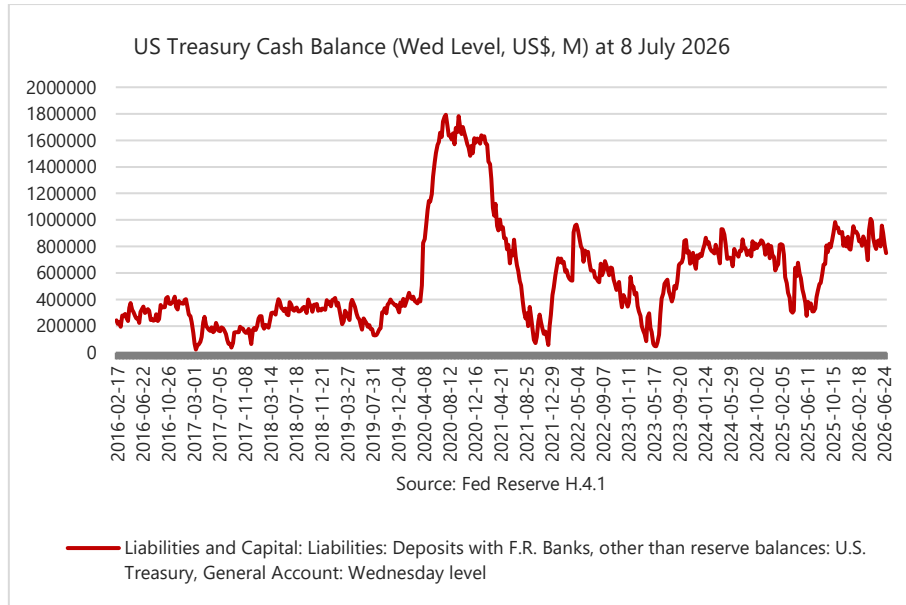
Estimated Q3 2026 borrowing requirement: The US Treasury expects to borrow \$671 billion in privately-held net marketable debt, assuming an end-of-September cash balance of \$950 billion.

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 8 July 2026, the level of the TGA decreased further to \$749bn (-\$58bn compared to the week prior). The TGA balance is now approx. \$438bn *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 13 JULY 2026

MONDAY 13 JULY (US Eastern Time, unless stated otherwise)

US	Fed speeches: Gov Waller – Economic Outlook , Bowman
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Australia	NAB Business Conditions and Confidence (Jun)
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TUESDAY 14 JULY

China	Trade Balance, Exports, and Imports (Jun), New Loans (Jun) - TBC
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US	NFIB Small Business Optimism Index (Jun), CPI (Jun) , Fed speeches (Financial Inclusion Conference): Barr, Goolsbee, Cook, Bowman Fed Chair Warsh: Semi-annual Monetary Policy Report to Congress Testimony
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China	GDP Q2, Fixed Asset Investment, Industrial Production, and Retail Sales (Jun)
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WEDNESDAY 15 JULY

Europe	Eurozone Industrial Production (May)
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US	MBA Mortgage Applications wk ending 11 Jul, PPI (Jun), NY Empire State Manufacturing Index (Jul), Fed Beige Book , Fed speeches: Williams, Cook (Economic Outlook) Fed Chair Warsh: Semi-annual Monetary Policy Report to the Senate Testimony
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Canada	BoC Monetary Policy Meeting
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THURSDAY 16 JULY

UK	Monthly GDP (May), Industrial Production (May)
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US	Initial Jobless Claims wk ending 11 Jul, Retail Sales (Jun) , Philadelphia Fed Manufacturing Survey (Jul), NAHB Housing Market Survey (Jul), Pending Home Sales (Jun), Fed speeches: Logan, Schmid, Jefferson (Navigating Economic Shocks)
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FRIDAY 17 JULY

Europe	Euro area CPI – Final (Jun)
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US	Building Permits and Housing Starts (Jun), Export and Import Price Indexes (Jun), Industrial Production (Jun) , Michigan Consumer Sentiment – Prelim (Jul)
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