MARS CAPITAL PARTNERS

Weekly Macro Outlook

w/c 17 August 2026

Weekly Macro Outlook: FOMC Minutes

This Weekly Macro Outlook highlights the key economic data releases, central bank events & speeches, and macro themes shaping global markets for the week of August 17, 2026.

Key Focus This Week:

- *Central banks: FOMC Minutes, ECB Minutes*
- *Major data: US output & housing data July, global CPI reports July (Canada, UK, Euro area, & Japan), Aussie labour market July, S&P Prelim PMIs August*
- *Key themes: Middle East diplomatic progress*

Recap of Last Week

While US headline and core CPI showed a second month of disinflation progress in July, that progress remains slow, incomplete, and not clearly broad-based. The details were less constructive, with early signs that underlying inflation pressures may be resurfacing across core goods and core services ex-shelter – two recently concerning categories of persistent inflation for the Fed.

With both headline and core measures remaining above the Fed's 2% target, the July data likely provided limited resolution on the policy debate. The near-term outlook for PCE inflation in July and August is also becoming less constructive, with progress on disinflation likely stalling as energy prices are expected to push up headline and core inflation through August.

For now, the July data do not appear sufficient to materially alter the FOMC's policy stance. The question remains how long officials are willing to maintain current settings while waiting for clearer evidence that inflation is on a sustainable path to the 2% target.

US CPI & PPI July – Slow Progress

- Headline CPI: Eased over the year as expected to +3.3% in July (from +3.5%), but remains well above the pre-conflict rate and above a year ago (+2.7%). The slowdown in headline inflation was led by a fall in energy prices over the month. Energy prices remain 14% above a year ago – and the outlook for energy prices remains highly uncertain.
- Core CPI: Given the volatility in energy prices, Fed officials have signalled the importance of core inflation to gauge the trend in underlying inflation. The recent progress on disinflation in core CPI to +2.6% in June and to +2.5% in July has only reversed the effects since the onset of the Middle East conflict, but remains below the +3% rate from a year ago.

- Sticky Core Components – a Red Flag: Core goods and core services ex-shelter inflation firmed notably over the month. While potentially monthly noise, both prints may reinforce Fed fears that tariffs, spillover from AI investment, and persistent underlying service costs may again affect core inflation.
- Trimmed Mean & Median CPI – Stalled Progress: Both measures firmed over the month, and were unchanged at +2.7% and +2.6% over the year, respectively. This suggests that the slowdown in core CPI to +2.5% was largely driven by downside outliers rather than broad-based disinflation. That said, all three annual measures remain clustered near their cycle lows.
- The PPI measures slowed more than expected, but headline PPI (final demand) remains elevated at +4.7% and core PPI (ex-food & energy) also remained elevated at +4.2% in July, slowing from +4.7% in June.

PCE Inflation Projections: Stall in July and Firm in August

Based on the CPI and PPI for July, the Fed's preferred PCE inflation measures show progress on disinflation is likely to stall in July and August. The headline PCE inflation rate is expected to be *unchanged* in July at +3.65%. Core PCE is also expected to be unchanged in July at +3.3%. The outlook for August shows both headline and core PCE inflation is likely to remain firm at +3.73% and +3.34%, respectively (Source: Cleveland Fed Inflation Nowcast). This suggests that the improvement in the July CPI may provide only limited reassurance on disinflation progress.

Fed President Hammack – Hawkish Dissent in July

Last week, Cleveland Fed President Hammack, one of three dissenters at the July meeting, put this inflation outlook into the more hawkish context. She noted that the improvement in inflation over the last two months was welcomed, but not enough to say that the "tide had turned" on inflation.

> *"The job is to make sure that we are making progress towards that 2%. And then the question is how quickly do we need to deliver on that 2% objective and maybe we'd get there, but if it takes us another three or four years to get there, is that OK?"*
> *(Source: Reuters 13 Aug 2026)*

US Q3 Growth Tracking

Data remains limited for the current Q3 growth run rate tracking. However, the first major consumer spending data point, retail sales for July, disappointed by falling by -0.6% over the month. Sales in the retail control group also fell by -0.4%, while June was revised lower. The early Atlanta Fed GDP Nowcast shows Q3 GDP running at +4.3%, with further important data inputs this week.

Fed Implications

The July inflation data provided some further evidence of disinflation, but not enough to clearly establish a renewed trend. Importantly for now, inflation has also not reaccelerated, although the outlook remains cautious. Combined with the retail sales miss and recent softer payrolls, the data have reduced the urgency around further tightening. At the time of writing, rate hike expectations have been pushed out from September to December (Source: CME FedWatch).

The upcoming release of the latest FOMC Minutes should provide broader insight into the balance of views on how Fed officials were weighing these inflation and labor market risks.

The Week Ahead: What We Are Watching

The focus in the week ahead shifts to the Fed Minutes, US growth inputs for Q3, global CPI reports, and the prelim S&P PMI's for August.

There are several things we'll be looking for in the latest Fed Minutes. The Minutes should provide an important input to our understanding of the decision to stay on hold at the latest meeting amid three dissents. There was notably less detail provided in the post-meeting statement on the Committee's assessment of current economic conditions. Post-meeting speeches have instead provided some detail around individual assessments and conditional reaction functions. The Minutes may now fill some of those gaps and provide a broader picture of how the Committee's internal assessment is evolving, as well as the debate around the framework questions and their implications for the Fed's outlook.

The July press conference elevated the discussion to a broader framework – how the Fed may be thinking about inflation, the potential productivity benefits of AI investment, shocks, and the balance sheet. The market reaction at the time also suggested a more nuanced signal from the July FOMC meeting itself. As we noted after the meeting, Chair Warsh's shift in emphasis to possibly distinguishing between different sources of inflation, particularly where productive investment may be expanding future supply, may have reduced the perceived likelihood that the Fed would respond to every persistent source of inflation with higher interest rates. The Minutes may provide broader insight into the debate around this framework and how it was considered alongside the prevailing economic conditions.

There will be a range of US output and housing data for July – providing a solid update to the Q3 growth run rate.

Global CPI reports will be released for Canada, the UK, the Euro area, and Japan – all with central bank policy implications.

The latest prelim S&P PMIs for August will be released this week.

Central Bank Minutes

FOMC Minutes

We are expecting to see the distribution of views from the FOMC at the July meeting, especially how officials weighed the inflation risks against labor market conditions. Of interest will be how extensively the four framework questions raised by Chair Warsh were debated, and whether the discussion provides any further indication of how they may influence the Committee's assessment of policy restriction.

ECB Minutes

The ECB left rates on hold at the last meeting in a unanimous decision. Forward guidance remained suspended given the uncertainty over the geopolitical situation and second-round risks to inflation from the persistence of higher energy prices.

US Growth Inputs for Q3 – Output and Housing Data for July

- Building Permits are expected to be little changed at 1.37m (annualized pace) in July, from 1.374m in June.

- Housing starts are expected to slow to 1.35m (annualized) from 1.427m in June.
- Industrial production for July is expected to increase by +0.3%, up from +0.1% in June.
- Pending Home sales are expected to increase by +0.1% in July, up from -0.4% in June.
- The Export and Import price indexes for July will also feed into the latest PCE inflation nowcast.

Global CPI Reports - July

- Canada CPI for July is expected to rebound to +0.4% over the month from -0.4% in June. Headline CPI is expected to be little changed at +2.8% over the year. The BoC measures of core CPI, the trimmed mean and median, are expected to increase by +1.8% and +2% respectively in July.
- Both UK headline and core CPI for July are expected to edge lower to +2.5% over the year, from +2.6% in June.
- Euro area headline CPI – final for July is expected to be confirmed at +2.9% over the year, while core CPI is expected to be confirmed at +2.5%.
- Japan's National CPI for July: the BoJ preferred measure of core CPI ex fresh food is expected to increase to +1.8% over the year, from +1.6% in June.

Australia Labour Market – July & Q2

RBA Context: The RBA kept policy settings unchanged at its meeting last week, but discussed both a hike and a hold at the meeting. The Board continues to prioritise inflation, with risks skewed to the upside. After three hikes earlier in the year, the Board is pausing to allow time for those hikes to take effect, assessing policy settings as "somewhat restrictive". The decision noted that the labour market had eased by more than expected, but leading indicators only point to limited further easing in the near future.

- Aus labour market survey for July: Employment growth is expected to slow to 11k in July, from 76k in June. The unemployment rate is expected to be unchanged at 4.4%.
- The Q2 Wage Price Index is expected to increase by +0.8% over Q2, unchanged from +0.8% in Q1.

S&P Global PMIs Preliminary August

The prelim S&P PMIs for August will be released late this week across the major economies, providing an update on private sector activity momentum through the middle of Q3.

US Treasury Issuance: 17 – 21 August 2026

This week, the US Treasury will auction and settle approx. $673bn in T-Bills, Notes, and Bonds, raising approx. $82bn in new money. The US Treasury will also auction the 20-year Bond and 30-year TIPS to settle on 31st August. Approx $72bn in T-Bills, Notes, & Bonds will mature on the Fed's balance sheet and be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B	Amount Maturing $B	New Money or (Paydown) $B	Actual	Prior Auction High Rate %
17-21 Aug	13-Aug	18-Aug	4 week Bill	110			Actual 3.625%	3.640%
	13-Aug	18-Aug	8 week Bill	100			Actual 3.665%	3.710%
	12-Aug	18-Aug	17-week Bill	72			Actual 3.755%	3.785%
				282	245	37		
	17-Aug	20-Aug	13 week Bill	92			Announced	3.735%
	17-Aug	20-Aug	26 week Bill	79			Announced	3.830%
	18-Aug	20-Aug	6-week Bill	95			Announced	3.670%
				266	250	16		
	11-Aug	17-Aug	3yr Note	58			Actual 4.291%	4.179%
	12-Aug	17-Aug	10yr Note	42			Actual 4.683%	4.580%
	13-Aug	17-Aug	30yr Bond	25			Actual 5.216%	5.058%
				125	96	29		
			Total - securities settling this week	673	591	82		
			QTR to date total	**4,622**	**4,007**	**615**		
			Estimated Net Cash to be Raised Q3 ($ Bn)			*739*		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		18-Aug	Tbills	21.0				
		20-Aug	Tbills	19.4				
		15-Aug	Notes & Bonds	31.6				
				72.0				
	Upcoming Auctions			**$B**				
	19-Aug	31-Aug	20-Year Bond	16				
	20-Aug	31-Aug	30yr TIPS (R)	8				
				24				

Reserve Management Purchase (RMP) Operations

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

SOMA Reinvestment – August 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: Q3 2026

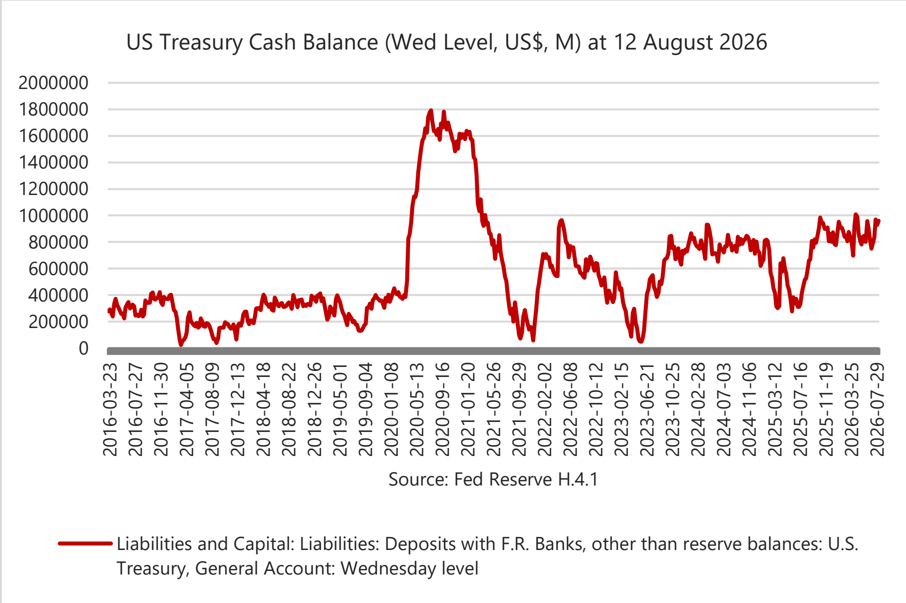
The latest update on US Treasury borrowing requirements for Q3 (final) and Q4 2026 (estimate) was released w/c 3 Aug and can be found on the US Treasury website here.

Updated Q3 2026 borrowing requirement: The US Treasury expects to borrow $739 billion in privately-held net marketable debt, assuming an end-of-September cash balance of $950 billion. The borrowing estimate for Q3 is $68 billion higher than announced in May 2026, primarily due to lower projected net cash flows, partially offset by the higher-than-assumed beginning-of-quarter cash balance.

Estimated Q4: Treasury expects to borrow $628 billion in privately-held net marketable debt, assuming an end-of-December cash balance of $850 billion.

US Treasury Cash Levels (TGA)

As of Wed 12 August 2026, the level of the TGA increased to $959bn (+$30bn compared to the week prior). The TGA balance is now approx. $444bn *higher* than the same week a year ago.



https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=spreadsheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021

CALENDAR W/C 17 August 2026

MONDAY 17 AUGUST (US Eastern Time, unless stated otherwise)	
Japan	GDP Q2
China	Fixed Asset Investment, Industrial Production, Retail Sales (Jul) - tbc
US	NY Empire State Manufacturing Index (Aug), NAHB Housing Market Index (Aug)
Canada	CPI (Jul)

TUESDAY 18 AUGUST	
UK	Labour Market (3mth Jun)
US	Building Permits & Housing Starts (Jul), Import & Export Prices (Jul), Industrial Production (Jul), Pending Home Sales (Jul)
Australia	Wage Price Index Q2

WEDNESDAY 19 AUGUST	
UK	CPI (Jul)
Europe	Euro area CPI – Final (Jul)
US	MBA Mortgage Applications wk ending 15 Aug, **FOMC Minutes**
Australia	Labour Market Survey (Jul)

THURSDAY 20 AUGUST	
Europe	ECB Minutes
US	Initial Jobless Claims wk/end 15 Aug, Philadelphia Fed Manufacturing Index (Aug)
Australia	S&P Manufacturing & Services PMIs – Prelim (Aug)
Japan	National CPI (Jul), S&P Manufacturing & Services PMIs – Prelim (Aug)

FRIDAY 21 AUGUST	
UK	S&P Manufacturing & Services PMIs – Prelim (Aug), Retail Sales (Jul)
Europe	Eurozone S&P Manufacturing & Services PMIs – Prelim (Aug)
US	S&P Manufacturing & Services PMIs – Prelim (Aug)