MARS CAPITAL PARTNERS

Weekly Macro Outlook

w/c 10 August 2026

Weekly Macro Outlook: Fed Looks for Disinflation

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 10, 2026.

Key Focus This Week:

- *Central banks: RBA Monetary Policy Meeting*
- *Major data: US CPI, PPI, & Retail Sales (July)*
- *Key themes: Middle East diplomatic progress*

Recap of Last Week

The US labour market remains a low-hire, low-fire environment, reflecting the FOMC's view of "low dynamism". The unexpected fall in payrolls in July, together with notable negative revisions, revealed a clearer loss of momentum in payroll growth since the start of the year. At the same time, the unemployment rate fell to an eighteen-month low of 4.1%, although this was driven primarily by a decline in labour force participation rather than stronger hiring. Overall, the report points to a labour market that remains broadly stable, but is providing less evidence of the strength seen earlier in the year.

Fed Communication: The Policy Framework

Fed speeches last week offered further insight into how officials are balancing their dual mandate objectives. Speeches by Williams, Cook, and Paulson – all of whom voted to hold in July – characterised the labour market as either stable, in a "low-hire, low-fire" equilibrium, or close to full employment. The common thread was that stable labour market conditions are giving policymakers time to wait for further inflation evidence – while also leaving room to act if disinflation does not resume over the next few months.

US Labor Market: Low-Dynamism Gear

Broadly, the low-hire/low-fire labor market conditions still hold. But the unexpected fall in payrolls in July, together with notable negative revisions of -103k to the prior two months, now reveal a clearly slowing trend in payroll growth.

The decline in payrolls of -23k was led by a fall of -53k in govt jobs – which could be seasonal effects and reverse in the following month. The trend in private sector payroll growth has also slowed more notably over the last three months, but remains positive at +30k in July, and averaging +40k over the last three months. This slowing trend marks a clear shift from the stronger reports at the start of the year.

Other labor market indicators suggested that labor income growth likely stalled in July – and did not add to inflation pressure:

- Aggregate Hours Worked – edged only slightly higher by +0.02% over the month, but annual growth remains solid at +0.8%. Average weekly hours remained unchanged at 34.3hrs.
- Average Hourly Earnings - growth stalled over the month at +0.05%, and annual growth slowed to +3.2% from +3.4% in Jun.

But this was not an unambiguously weak report. The unemployment rate fell to 4.1% in July (for 16+yrs), as the decline in the labor force was greater than the decline in employment. The St.Louis Fed noted that "unemployment flow dynamics overall showed no sign for concern", as "Job separations—people losing or leaving employment—contributed less to the change in unemployment in July than they did during June".

Last month we noted with some caution signs of emerging slack in the important core working age group (25-54yrs). Importantly, those negative trends were partly reversed this month. The unemployment rate of the core working age group fell to 3.6%. Employment growth in this group rebounded and was large enough to absorb new entrants into the labor force and reduce unemployment. This suggests some underlying stability returned in the core working age group.

Growth Backdrop: PMIs

The broader growth backdrop remained solid. July PMIs showed continued expansion across manufacturing and services, although input price pressures and supply-chain disruption remained elevated. The Atlanta Fed GDPNowcast has begun to track Q3 growth, running at +5.8% – but tracking remains based on limited data.

Policy Interpretation & Market Reaction

The July employment report likely did not materially change the Fed's assessment that labor market conditions remain "stable". But the slowing in payroll growth may not give the Fed the same degree of comfort it had earlier in the year. At the same time, slower growth in labour-income components indicates little additional inflation pressure, which will continue to factor into its inflation assessment. For now, the labour market still provides sufficient policy latitude for the Fed to keep high inflation as its primary concern. The Fed will have another employment report and several inflation reports before the September meeting to assess whether that balance is changing.

With the labor market remaining stable and a shift back to some positive diplomatic signals in the Middle East conflict last week, the probability of a hike in September has fallen to 50% and rate hike expectations have begun to be pushed out to the end of October – as of 10 Aug 2026 (Source: CME FedWatch).

The Week Ahead: What We Are Watching

The focus in the week ahead shifts back to the latest US CPI and PPI data for July. After the softer-than-expected June inflation readings, Fed policymakers will be looking for continued progress on disinflation ahead of the September meeting. Together, the CPI and PPI reports will provide an important read-through to the Fed-preferred PCE inflation measures.

Also in focus will be US retail sales for July, providing an important update on consumer spending and an input into the Q3 growth run-rate.

The RBA will also meet this week.

US CPI & PPI for July

With labour market conditions still broadly stable, the Fed will continue to focus on its assessment that inflation remains too high. Following the softer-than-expected June CPI reading, policymakers will be looking for continued progress on disinflation, particularly in core measures, to assess whether the current policy stance can remain in place, or whether the inflation outlook warrants a more restrictive path.

- Headline CPI for July is expected to increase by +0.1% over the month, after falling 0.4% over the month in June. Headline CPI is expected to slow to +3.3% over the year in July, from +3.5% in June.
- Core CPI is expected to increase by +0.2% over the month, still relatively benign, from 0% in June. Core CPI is expected to slow to +2.5% over the year in July, from +2.6% in June. This would bring core CPI back down to its cycle low reached in Feb 2026.
- Headline PPI is expected to increase by +0.2% over the month in July, up from a fall of 0.3% in June. Annual PPI is expected to slow to +4.9% in July, from +5.5% in June.
- Core PPI is expected to increase by +0.3% over the month in July, up from +0.2% in June. This would bring the annual rate down to +4.2% in July, from +4.7% in June.

US Retail Sales

- Retail sales growth is expected to slow to +0.1% over the month in July, from +0.2% in June. These are in nominal terms.
- The retail control group – which feeds directly into the GDP calculation- was stronger in June at +0.5% over the month.

RBA Meeting

- The RBA meets this week and is expected to keep policy settings unchanged.
- While recent Q2 inflation came in slightly lower than RBA May forecasts, it remains high, and the Board is likely to keep the door open for further tightening, especially if energy shocks continue to threaten second-round price pressures.
- The latest set of forecasts (Statement on Monetary Policy - SoMP) will be released at this meeting. The previous May SoMP assumed inflation would peak in Q2, but ongoing non-labour cost pressures and sticky service inflation threaten to delay the return to target.

US Treasury Issuance: 10 – 14 August 2026

This week, the US Treasury will auction and settle approx. $548bn in T-Bills, raising approx. $60bn in new money. The US Treasury will also auction the 3-year Note, 10-year Note, and the 30-year Bond this week – all to settle next week.

Approx $29.3bn in T-Bills 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) $B	Actual	Prior Auction High Rate %
10 - 14 Aug	06-Aug	11-Aug	4 week bill	110			Actual 3.640%	3.630%
	06-Aug	11-Aug	8 week bill	100			Actual 3.710%	3.675%
	05-Aug	11-Aug	17-week bill	72			Actual 3.785%	3.875%
				282	243	39		
	10-Aug	13-Aug	13 week bill	92			Announced	3.750%
	10-Aug	13-Aug	26 week bill	79			Announced	3.855%
	11-Aug	13-Aug	6-week bill	95			Announced	3.640%
				266	245	21		
			Total - securities settling this week	548	488	60		
			QTR to date totals	**3,949**	**3,416**	**533**		
			Estimated Net Cash to be Raised Q3 ($ Bn)			*739*		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		11-Aug	T-Bills	13.1				
		13-Aug	T-Bills	16.1				
				29.3				
	Upcoming Auctions			**$B**				
	11-Aug	17-Aug	3yr Note	58				
	12-Aug	17-Aug	10yr Note	42				
	13-Aug	17-Aug	30yr Bond	25				
				125				

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

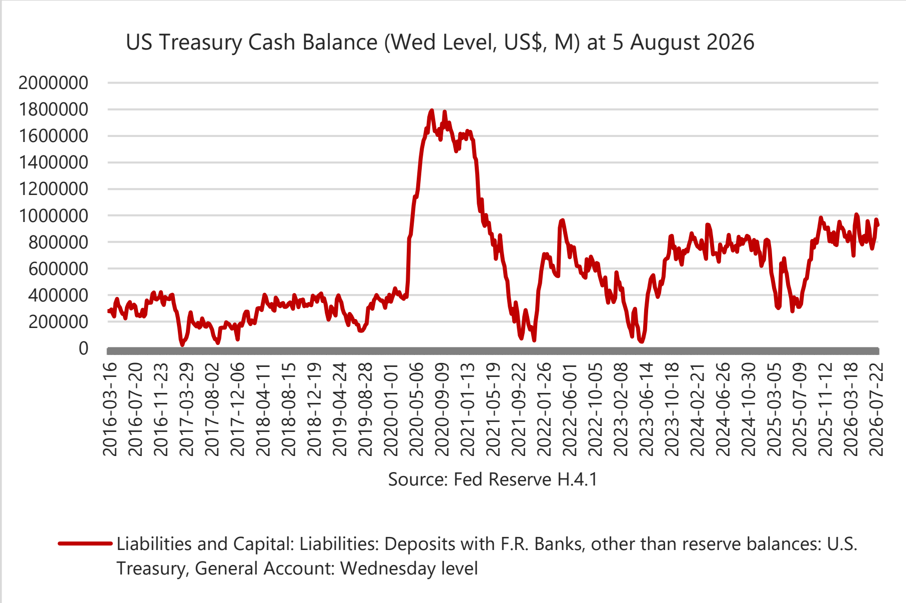
The latest update on US Treasury borrowing requirements for Q3 (final) and Q4 2026 (estimate) was released w/c 3 Aug and can be found on the US Treasury website here.

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 5 August 2026, the level of the TGA decreased to $929bn (-$41bn compared to the week prior). The TGA balance is now approx. $465bn *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

MONDAY 10 AUGUST (US Eastern Time, unless stated otherwise)

US	Conference Board Employment Trends Index (Jul)

TUESDAY 11 AUGUST

Australia	NAB Business Conditions & Confidence (Jul) **RBA Monetary Policy Meeting**
US	NFIB Small Business Optimism Index (Jul), Existing Home Sales (Jul)

WEDNESDAY 12 AUGUST

US	MBA Mortgage Applications wk ending 8 Aug, **CPI (Jul)**
Japan	PPI (Jul)

THURSDAY 13 AUGUST

Uk	GDP Q2
US	Initial Jobless Claims wk ending 8 Aug, **PPI (Jul)**, Fed speeches: Barkin
Australia	Housing Lending Q2

FRIDAY 14 AUGUST

Europe	GDP & Employment – Second Est Q2
US	**Retail Sales (Jul)**, Michigan Consumer Sentiment – Prelim (Aug)