Weekly Macro Outlook

w/c 24 August 2026

Weekly Macro Outlook: Jackson Hole

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 24, 2026.

Key Focus This Week:

- *Central banks: Chair Warsh speech - Jackson Hole Symposium, ECB & RBA Minutes*
- *Major data: US - PCE Inflation, Spending, & Income July, US GDP Q2, Aus CPI July*
- *Key themes: Middle East diplomatic progress*

Recap of Last Week

There was a clear theme across the FOMC Minutes, global inflation data, and preliminary PMIs for August: inflation remains elevated and uncertain, with risks skewed to the upside, while growth remains solid. The Fed Minutes reflect a Committee buying time for clearer inflation data, but markets are becoming less comfortable with the longer-term inflation and policy outlook.

The FOMC Minutes

Stripping away Chair Warsh's framework questions from the press conference, the Minutes reveal a fairly recognisable central-bank debate. Where the questions posed in the July press conference may have suggested a more nuanced approach to inflation, the Minutes revealed broader uncertainty and diverging views over the inflation outlook and whether further policy tightening would be necessary.

The decision: hold at 9-3, with three dissents preferring a 25bps hike.

Inflation – Highly Uncertain Outlook & Risks Skewed to the Upside

The Minutes revealed the depth of concern and debate over inflation. This included inflation remaining elevated even excluding some tariff-and energy-affected items; the re-escalation in the Middle East and energy prices; broad-based price increases; persistent core services ex housing inflation; short-term inflation expectations higher since the Middle East conflict; repeated supply shocks delaying the return to 2%; and, crucially, the possibility that several years of above-target inflation could begin affecting expectations and wage/price-setting behaviour. The breadth of this discussion frames why one or two better inflation reports aren't necessarily enough for some on this Committee to stay patiently on hold.

Financial Conditions and Policy Restriction

Given the uncertainty and concern over still elevated inflation and upside inflation risks, amid stable labor markets and solid growth, there was debate over whether policy settings are sufficiently restrictive. **This is broadly the crux of the meeting.**

While the minutes acknowledged that financial conditions had tightened, there was disagreement over whether conditions were *restrictive enough*. The Minutes highlighted that some tightening partly reflected expectations that the Committee would adopt a more restrictive policy stance "before long". At the same time, the staff continued to assess financing conditions as "generally accommodative" for larger businesses, with equities near record highs, credit spreads low, and bank lending standards easing.

Against this backdrop, views differed over whether further tightening would be necessary. Many participants assessed that policy tightening would likely be necessary if inflation did not decline, while some judged that financial conditions were not yet sufficiently restrictive to return inflation to 2%.

Framework Questions

While not explicitly referenced in the Minutes, the substance of several of Chair Warsh's broader questions was reflected in the discussion. However, these issues appeared to remain exploratory and did not have a clear bearing on the July policy decision, which was still driven primarily by the uncertainty over the inflation outlook and the assessment of policy restrictiveness.

- **AI, Shocks, and Inflation** – The inference from the press conference was this: don't automatically interpret highly visible AI-related price increases as requiring monetary restraint ("capex is preparing the ground for future growth"). However, the minutes showed that debate was more balanced among several camps; that AI investment spillovers are concentrated, that AI is already contributing to inflation, and that the outcomes are unknown. The supply-side argument therefore remains unresolved and questions whether the benefits are likely to materialize fast enough to reduce current inflation.
- **The Balance Sheet – How Much Accommodation?** Chair Warsh's press conference question made the balance sheet sound like an open component of the policy-mix discussion. However, the Minutes discussion appeared more exploratory, acknowledging the taskforce input would be helpful on a broad range of balance sheet issues. At the same time, "many participants reaffirmed that the primary means of adjusting the stance of monetary policy should be through changes in the target range for the federal funds rate."

The Policy Debate - Summary

- **Hold camp (most members):** inflation is too high; the inflation outlook remains uncertain with risks skewed to the upside; labour market is stable; growth is solid; more information will arrive before September (short interval between meetings, so no change in assessment); therefore wait.
- **Hike camp (several members):** inflation has been above target too long; policy/financial conditions may not be sufficiently restrictive; acting modestly now could avoid harsher tightening later; therefore hike 25bps.
- **Conditional middle (across the Committee):** if inflation doesn't decline, additional tightening will likely be necessary.

For now, the Minutes reinforce the decision to remain on hold while the Committee waits for further evidence on inflation. Subsequent softer US July CPI, labour-market and retail-sales data have reduced near-term hike expectations, with markets pushing the expected timing of a hike towards December for now (Source: CME Fedwatch).

Long Bond Yields – A Different Story

However, bond markets have continued to send a different set of signals. While near-term US hike expectations have been pushed out, longer-dated Treasury yields have continued rising - as part of a broader pattern across developed economies. Last week, the US 30-year reached a multi-decade high near or above 5.3% (highest since 2007).

The divergence is important: the rise in long-term yields captures a broader market repricing of longer-term inflation, policy, and fiscal uncertainty. This increase in longer-term yields has been driven by several potential forces operating in the background, including persistent inflation risks, renewed energy-price pressures, structural demand changes, fiscal concerns, and strong corporate investment.

The US Treasury's announcement last week that it would at least double long-end buybacks underscores its concern about conditions at the long end.

Rising Headline Inflation – Canada, the UK, Euro area, & Japan

The latest global inflation data provide some context for the pressure building at the long end. Headline inflation accelerated across Canada, the UK, the Euro area, and Japan in July, largely, but not entirely, reflecting higher energy prices. While core inflation remained broadly contained, central banks have remained worried about the second-round effects from persistently higher headline inflation on core/underlying inflation and inflation expectations.

- Canada: Headline CPI increased to +3% in July, from +2.8% in June – led by higher energy prices. Core CPI stayed at 2.2%, and BoC core measures also remained around the +1.9% to +2% rate.
- The UK: Headline inflation increased to +2.9% in Jul, up from +2.6% in June – led by higher gas and electricity pricing, and partly offset by a downward contribution from transport prices. Core CPI remained unchanged at +2.6%, still elevated.
- Euro area: Headline inflation increased to +2.9% in July, up from +2.8%, but still below the May peak of +3.2%. This was led by a +2.7% increase in energy prices over the month. Core inflation edged up to +2.5% from +2.4% in June, remaining near the May peak of +2.6%.
- Japan: Headline CPI increased by +1.9% in July, up from +1.6% in June. Both core measures also increased: Core ex fresh food increased to +1.8% in July from +1.6% in June, and core CPI ex fresh food and energy increased to +1.9% in July from +1.7% in June.

PMI Momentum in August

The prelim PMIs across the key developed markets reflected a continued moderate pace of expansion in activity in August. It was a solid start to Q3 with a more notable uplift in services activity, while manufacturing continued to expand at a similar moderate pace.

Where manufacturing remains exceptionally strong, growth was tied to two specific global trends: AI infrastructure and defense spending. Services growth has also taken the lead in some regions. In the US, "growth momentum has meanwhile shifted from manufacturing to services," while the Eurozone highlights that "rising tourism spending is helping boost economic growth." In keeping with recent themes, all regions identified ongoing supply chain delays, longer transit times, and freight bottlenecks stemming directly from the Middle East conflict. Underlying input costs are re-accelerating or staying elevated, putting direct pressure on corporate profit margins. In particular, the

UK and US note that cost pressures remain high due to energy prices, supply disruptions, and high staffing/labor costs.

Overall, the PMI data reinforce the view of a resilient global growth backdrop at the start of Q3.

The Week Ahead: What We Are Watching

The focus in the week ahead is on the July PCE inflation report and Chair Warsh's keynote speech at Jackson Hole.

The PCE report will be particularly important following the softer July CPI data. With markets having pushed out expectations for near-term Fed tightening, a hotter-than-expected PCE report could challenge the current pricing of the policy path and renew focus on the persistence of underlying inflation.

Chair Warsh's Jackson Hole speech is likely to be more focused on the broader framework for monetary policy. The theme of the Jackson Hole Symposium this year is “Financial Innovation: Implications for Payments & Policy”. In his first two meetings, Chair Warsh has already shown a preference to talk about the architecture of monetary policy, rather than tell markets what the Fed will do at the next meeting.

Also of importance this week will be the RBA and ECB Minutes, US GDP for Q2, US PCE spending and income data for July, and Aus CPI for July.

We continue to watch for further developments on the US-Iran conflict with threats of “economic warfare” tactics to be announced by the US this week.

Central Banks

Jackson Hole Symposium

- The Symposium runs from 27 – 29 August. Fed Chair Warsh will give his keynote speech on Friday 28 August.

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.

RBA Minutes

- The RBA kept policy settings unchanged at its last meeting, but discussed both a hike and a hold. 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.

US PCE Inflation - July

- Based on the latest Cleveland Fed Inflation Nowcast, headline PCE inflation is expected to increase by +0.15% over the month in July (from -0.1% in June), and remain unchanged at +3.7% over the year in July.
- Core PCE inflation is expected to increase by +0.25% over the month in July, up from +0.1% in June. Core PCE inflation is also expected to remain unchanged at +3.3% over the year in July.

US Growth Inputs for Q3 – PCE Spending, Income, Durable Goods Orders July

Key US data inputs will feed directly into a more robust update of the latest Atlanta Fed GDP Nowcast for US Q3 growth. Last week, the growth run rate edged slightly lower to 4% based on a downward contribution from residential investment spending in July.

- US personal income for July is expected to increase by +0.2% over the month, unchanged from June.
- Personal spending growth for July is expected to slow to +0.1% over the month, from +0.3% in June.
- US Durable Goods Orders are expected to increase by +0.5% over the month in July, unchanged from June.
- The second estimate for Q2 GDP growth is expected to be unchanged at a +1.5% annualized rate.

Aussie CPI – July

The key measure of underlying inflation is the trimmed mean. This is expected to increase by +0.38% over the month, with the annual rate slowing to +3.5% in July, from +3.6% in June.

US Treasury Issuance: 24 – 28 August 2026

This week, the US Treasury will auction and settle approx. $576bn in T-Bills & FRNs, raising approx. $67bn in new money. The US Treasury will also auction the 2-year, 5-year, and 7-year Notes this week – to settle on 31 August. Approx $30bn 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) $B	Actual	Prior Auction High Rate %
24-28 Aug	20-Aug	25-Aug	4 week Bill	110			Actual 3.640%	3.625%
	20-Aug	25-Aug	8 week bill	100			Actual 3.655%	3.665%
	19-Aug	25-Aug	17-week bill	72			Actual 3.750%	3.755%
				282	249.368	32.632		
	24-Aug	27-Aug	13 week bill	92			Announced	3.715%
	24-Aug	27-Aug	26 week bill	79			Announced	3.780%
	25-Aug	27-Aug	6 week bill	95			Announced	3.645%
				266	259.182	6.818		
	26-Aug	28-Aug	2Yr FRN (r)	28			Announced	0.050%
				28		28		
			Total - securities settling this week	576	509	67		
			QTR to date totals	**5,198**	**4,516**	**682**		
			Estimated Net Cash to be Raised Q3 ($ Bn)			*739*		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		25-Aug	T-Bills	18.0				
		27-Aug	T-Bills	12.0				
				30.0				
	Upcoming Auctions			**$B**				
	25-Aug	31-Aug	2yr Note	69				
	26-Aug	31-Aug	5yr Note	70				
	27-Aug	31-Aug	7yr Note	44				
				183				

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.

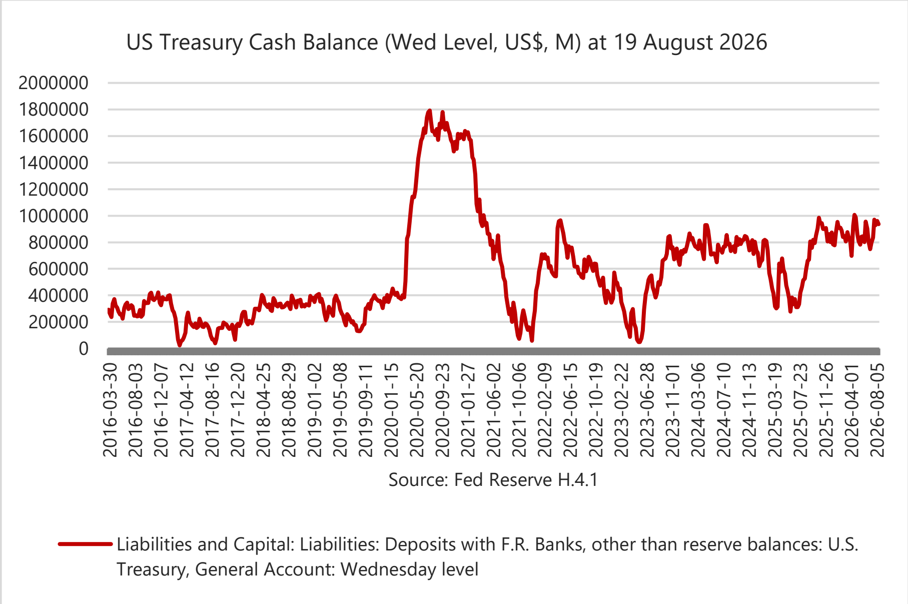
Updated Q3 2026 borrowing requirement: The US Treasury expects to borrow $739 billion in privately-held net marketable debt, assuming an end-of-September cash balance of $950 billion. The borrowing estimate for Q3 is $68 billion higher than announced in May 2026, primarily due to lower projected net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

Buybacks – A further change to the buyback schedule was announced on 19 August. The US Treasury announced it would increase the size of liquidity support buyback operations for longer-dated nominal coupon securities (the 10-year to 20-year sector and the 20-year to 30-year sector). The current maximum size of $2 billion per operation will be at least $4 billion per operation. This will come into effect on 9 September 2026.

US Treasury Cash Levels (TGA)

As of Wed 19 August 2026, the level of the TGA decreased to $936bn (-$23bn compared to the week prior). The TGA balance is now approx. $410bn *higher* than the same week a year ago.



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CALENDAR W/C 24 August 2026

MONDAY 24 AUGUST (US Eastern Time, unless stated otherwise)	
Australia	RBA Minutes

TUESDAY 25 AUGUST	
US	Case-Shiller House Price Index (Jun), CB Consumer Confidence (Aug), New Home Sales (Jul), Richmond Fed Manufacturing Index (Aug)
Australia	Construction Work Done Q2, **CPI (Jul)**

WEDNESDAY 26 AUGUST	
US	MBA Mortgage Applications wk ending 22 Aug, **PCE Price Index (Jul),** Personal Income & Spending (Jul), GDP Q2 – Second Est, Durable Goods Orders (Jul)
Australia	Private Capex Q2

THURSDAY 27 AUGUST	
Europe	ECB Minutes
US	Jackson Hole Economic Policy Symposium Commences Initial Jobless Claims wk ending 22 Aug, Kansas City Fed Manufacturing Index (Aug)
Japan	Tokyo CPI (Aug)

FRIDAY 28 AUGUST	
Canada	GDP Q2, GDP (Jun)
US	**Jackson Hole Symposium – Fed Chair Warsh keynote speech** Chicago PMI (Aug), Michigan Consumer Sentiment – Final (Aug)