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Weekly Macro Outlook

w/c 14 September 2026

# Weekly Macro Outlook: Fed Doctrine Test

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This Weekly Macro Outlook highlights the key economic data releases, central bank events & speeches, and macro themes shaping global markets for the week of September 14, 2026.

Key Focus This Week:

- *Central banks: FOMC, BoE, & BoJ Monetary Policy Decisions*
- *Major data: US Retail Sales, Global CPI reports: Canada, the UK, Euro area, and Japan*
- *Key themes: Middle East conflict developments*

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## Recap of Last Week

This week, the Fed will assess whether the inflation data in the inter-meeting period will begin to change its view on the trajectory toward – and risks to – achieving its 2% inflation target. At the last Fed meeting, the decision to stay on hold partly reflected the lack of a clear signal on inflation, given the short interval between meetings. Last week, US CPI and PPI data for August provided a second month of inflation data for the Fed's decision this week – and the signal is mixed. Headline CPI remains elevated. However, while disinflation progress on core CPI stalled, it remains well below the core inflation rate from a year ago. More importantly, the read-through from the CPI and PPI reports to the Fed-preferred PCE inflation gauge for August points to a potentially less favourable inflation trend, highlighting a divergence among the CPI, PPI, and PCE measures. Against the backdrop of upside inflation risks, markets are currently pricing a higher probability of a Fed rate hike this week.

Rising US Headline CPI

Headline CPI came in as expected in August, accelerating by +0.4% over the month and increasing slightly over the year to +3.4%, from +3.3% in July. Headline CPI is still below the peak of +4.2% reached in May, but disinflation has not progressed much since then. Upside risks to inflation remain elevated now that energy price increases have resumed. On a broader timescale, headline inflation remains well above the +2.9% rate from a year ago, in August 2025.

Core CPI – Disinflation Momentum Slowed

Core CPI increased as expected in August by +0.3% over the month, while the annual rate remained unchanged at +2.5%. Core CPI reached a near-term peak of +2.8% in May when energy prices first peaked, and has averaged around +2.5% over the last three months. On the broader timescale, *this is still the slowest reading for core CPI in this part of the cycle*, and is down from +3.1% a year ago in August 2025.

The underlying drivers of core CPI are mixed:

- Core goods: There is a clear disinflation trend, now down to +0.7% over the year, from the recent peak of +1.5% in September 2025.
- Core services: Progress on disinflation has stalled at around +3% over the last three months, and the sideways trajectory remains largely unchanged since November 2025.

Other measures of underlying CPI suggest that inflation is not broadening. Trimmed mean and median measures have been little changed over the last three months, both averaging between +2.6% and +2.7%. While there has been some recent loss of disinflation momentum, both measures are still at their lowest rates for this cycle.

US PPI & The PCE Transmission Mechanism

This is where the addition of the PPI data provides an important link between the relatively contained CPI signal and the potentially more concerning trajectory for PCE inflation.

Headline PPI (final demand) increased over the month by +0.4% and by +5.4% over the year, up from +4.8% in July.  Higher energy prices were a larger contributor to the acceleration; however, both final demand goods and final demand services contributed to the increase.

Key components within this PPI acceleration flow directly into the Fed's preferred PCE calculation, providing a direct pipeline for PCE inflation to heat up even as CPI appears flat.

Implications for PCE Inflation

What matters for the FOMC is how both the CPI and PPI feed into the PCE inflation measure. Based on the latest Cleveland Fed inflation nowcast, both headline and core PCE are expected to increase over the year and over the month. Headline PCE inflation is projected to increase by +3.8% in August, up from +3.7% in July. Similarly, core PCE inflation is expected to increase by +3.4% in August, up from +3.3% in July. *Unlike CPI, the PCE inflation trend shows both headline and core metrics on a clearly rising trajectory that began well before the onset of this energy price shock.*

The Fed and Market Implications

Through the PCE lens, the case for a hike is clearer. Revisiting Fed Chair Warsh's Jackson Hole speech may provide a guide for how the new Fed Chair may lead the Committee to frame its assessment of inflation. At Jackson Hole, Chair Warsh offered his personal standard: "*We must be confident that underlying inflation is moving to our objective, clearly, and at sufficient speed*". Measured against this threshold, the important question for the FOMC will be whether the latest inflation data provide enough confidence that the trend of PCE inflation has meaningfully improved. Based on the latest inflation data, together with the continued pressure on energy prices, markets are now pricing in a higher probability of a rate hike this week.

ECB Hike – A "No-Brainer"

The ECB's decision last week also reflected the firming inflation backdrop as higher energy prices increase the risk of more embedded inflation. The ECB increased its benchmark rates by 25bps, with inflation expected to remain above target for "an extended period". For now, core inflation remains contained; however, higher energy prices are expected to feed gradually through to core and food price inflation, increasing the risk of second-round effects.

Despite the resurgence in energy-led inflation, the Euro area economy has been more resilient than expected. This has provided the ECB with room to hike rates to contain inflation risks without triggering a more severe downturn.

## The Week Ahead: What We Are Watching

Against a backdrop of rising global bond yields, the main focus in the week ahead will be central bank meetings and decisions from the FOMC, the BoE, and the BoJ.

The FOMC decision will take centre stage. This will be the first important test of how Chair Warsh's approach to removing forward guidance and allowing markets to reprice rate expectations based on the growth, inflation, and labor market conditions operates in practice. Following last week's US inflation data, and with renewed pressure from rising energy prices, markets have been pricing a higher probability of a rate hike by the Fed this week.

Alongside these policy decisions will be the next round of CPI data for August across Canada, the UK, the Euro area, and Japan. Broadly, headline CPI is expected to remain firm amid resurgent energy prices, while policymakers will be alert to any broadening into core/underlying inflation.

Also, US retail sales for August will provide further input into the broader US growth backdrop.

**CENTRAL BANK DECISIONS**

**FOMC – market pricing in a high probability of a hike**

There are several aspects of the decision that will be in focus:

- The decision: whether a hike or a hold, and dissents.
- How the framework responds to inflation and market signals in practice. Specifically, how the FOMC members will balance the weight between their own assessment of inflation, growth, and labor market conditions with market expectations for hikes.
- Updated projections will be presented at this meeting. Of importance will be the near-term inflation outlook, but also changes to growth and labor market metrics.

**The BoE – Expected to Hold**

Policymakers have aimed to "look through" higher energy prices, while remaining vigilant to second-round effects. At the last meeting, there had been little evidence of material second-round effects on inflation – though the risk around this may change as energy prices have again been rising and while the Middle East conflict remains unresolved.

**The BoJ – Expected to hike by 25bps to 1.25%**

The BoJ has signalled that it may hike rates by 25bps at this meeting. The BOJ explicitly stated that given underlying CPI inflation is approaching 2%, it must prevent inflation from deviating upward above target to avoid harming the economy later. GDP growth in Q2 was revised higher, and reporting by Bloomberg noted "wages in July rising at the fastest clip in almost 30-years". The BoJ has previously estimated the "neutral rate" to be somewhere between 1% and 2.5% - so a decision to hike above 1% would likely represent a shift away from a substantial policy accommodation bias (though remains accommodative in real terms).

**GLOBAL CPI REPORTS**

- Canada CPI (Aug): Headline CPI is expected to be little changed at +3% over the year. The BoC core measures are also expected to be little changed at +1.9% (trimmed) and +2% (median) – remaining consistent with the 2% inflation target.
- UK CPI (Aug): Headline CPI is expected to edge higher to +3.1%, from +2.9% in July. Core CPI is expected to be unchanged at +2.6% in Aug.
- Euro area CPI – Final (Aug): Euro area headline CPI is expected to be confirmed at +3.3% over the year in Aug, and core CPI is expected to be confirmed at +2.2% over the year.
- Japan National CPI (Aug): The main BoJ-preferred core CPI ex fresh food measure is expected to be unchanged at +1.8% over the year in Aug.

**US GROWTH INPUTS – Q3**

- US retail sales growth in Aug is expected to rebound strongly by +0.8% after falling -0.6% in Jul. The retail control group growth is also expected to rebound from -0.4% in Jul.
- Housing/residential investment spending data is expected to be mixed. Building permits are expected to slow to 1.4m (annualized) in Aug from 1.433m in Jul. Housing starts (what feeds into the GDP calculation) are expected to increase slightly to 1.32m (annualized) in Aug from 1.24m in Jul.
- Industrial production for Aug is expected to slow to +0.1% over the month from +0.2% in Jul.

## US Treasury Issuance: 14 - 18 September 2026

This week, the US Treasury will auction and settle approx. $625bn in T-Bills, Notes, and Bonds, raising approx. $45bn in new money. The US Treasury will auction the 10-yr TIPS this week and will settle at the end of the month. Approx. $41.3bn in T-Bills will mature on the Fed's balance sheet and will be reinvested.

| WEEK | Auction Date | Settlement Date | Marketable Securities | Auction Amount $B (TBAC) | Amount Maturing $B | New Money $B | | Prior Auction High Rate % |
|---|---|---|---|---|---|---|---|---|
| 14-18 Sep | 10-Sep | 15-Sep | 4 week bill | 90 | | | Actual 3.775% | 3.700% |
| | 10-Sep | 15-Sep | 8 week bill | 85 | | | Actual 3.845% | 3.750% |
| | 09-Sep | 15-Sep | 17-week Bill | 72 | | | Actual 3.895% | 3.855% |
| | | | | 247 | 276.542 | -29.542 | | |
| | | | | | | | | |
| | 14-Sep | 17-Sep | 13 week bill | 92 | | | Announced | 3.800% |
| | 14-Sep | 17-Sep | 26 week bill | 79 | | | Announced | 3.890% |
| | 15-Sep | 17-Sep | 6-week Bill | 75 | | | Announced | 3.740% |
| | | | | 246 | 260.196 | -14.196 | | |
| | | | | | | | | |
| | 08-Sep | 15-Sep | 3yr Note | 58 | | | Actual 4.474% | 4.291% |
| | 09-Sep | 15-Sep | 10yr Note (R) | 39 | | | Actual 4.834% | 4.683% |
| | 10-Sep | 15-Sep | 30yr Bond (R) | 22 | | | Actual 5.308% | 5.216% |
| | 15-Sep | 18-Sep | 20yr Bond (R) | 13 | | | Announced | 5.204% |
| | | | | 132 | 43.08 | 88.92 | | |
| | | | | | | | | |
| | | **Total - securities settling this week** | | 625 | 580 | 45 | | |
| | | | | | | | | |
| | | **QTR to date totals** | | **7,093** | **6,318** | **775** | | |
| | | *Estimated Net Cash to be Raised Q3 ($ Bn)* | | | | 739 | | |
| | | | | | | | | |
| | **Face value of US Federal Reserve SOMA securities maturing** | | | **$B** | | | | |
| | | | | | | | | |
| | | **Maturing & reinvestment** | | | | | | |
| | | 15-Sep | T-Bills | 19.4 | | | | |
| | | 17-Sep | T-Bills | 22.0 | | | | |
| | | | | 41.3 | | | | |
| | | | | | | | | |
| | **Upcoming Auctions** | | | **$B** | | | | |
| | 17-Sep | 30-Sep | 10yr TIPS (r) | 19 | | | | |

## Reserve Management Purchase (RMP) Operations

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

## SOMA Reinvestment – September 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 August and can be found on the US Treasury website here.

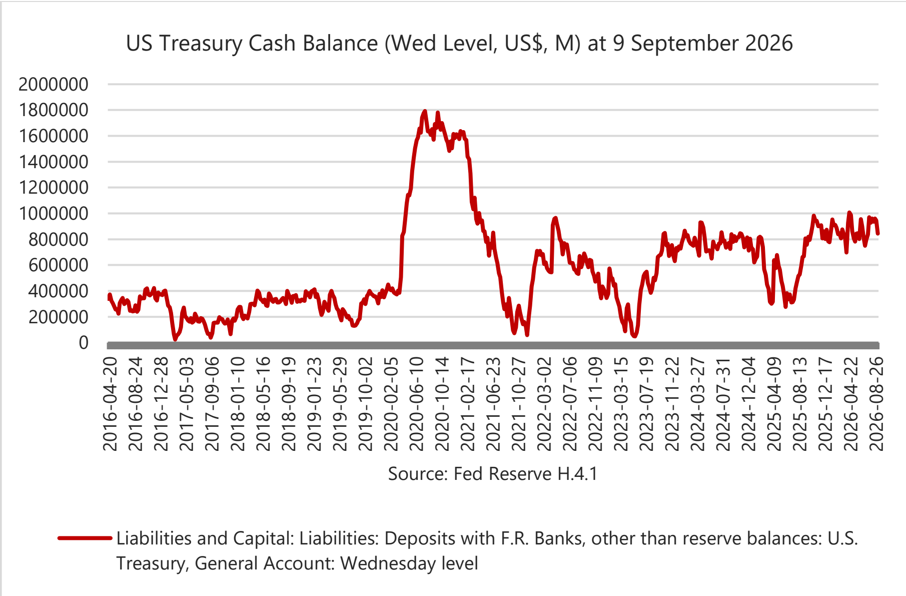
Updated Q3 2026 borrowing requirement: The US Treasury expects to borrow $739 billion in privately-held net marketable debt, assuming an end-of-September cash balance of $950 billion. The borrowing estimate for Q3 is $68 billion higher than announced in May 2026, primarily due to lower projected net 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 from 9 September 2026.

## US Treasury Cash Levels (TGA)

As of Wed 9 September 2026, the level of the TGA decreased to $844bn (-$101bn compared to the week prior). The TGA balance is now approx. $176bn *higher* than the same week a year ago. (Source: US Fed)



## CALENDAR W/C 14 September 2026

| MONDAY 14 SEPTEMBER (US Eastern Time, unless stated otherwise) | |
|---|---|
| Canada | CPI (Aug) |
| China | F/A Investment, Industrial Production, & Retail Sales (Aug) |

| TUESDAY 15 SEPTEMBER | |
|---|---|
| UK | Labour Market (3-month – July) |
| US | NY Empire State Manufacturing Index (Sep) |
| Japan | Trade Balance, Exports, & Imports (Aug) |

| WEDNESDAY 16 SEPTEMBER | |
|---|---|
| UK | CPI (Augt) |
| Europe | Industrial Production (Jul), Labour Cost Index Q2 |
| US | MBA Mortgage Applications wk ending 12 Sep, Retail Sales (Aug), Export & Import Price Indexes (Aug), NAHB Housing Market Index (Sep)<br>**FOMC Monetary Policy Meeting** |
| NZ | GDP Q2 |

| THURSDAY 17 SEPTEMBER | |
|---|---|
| Europe | Euro area CPI – Final (Aug) |
| UK | **BoE Monetary Policy Meeting** |
| US | Initial Jobless Claims wk ending 12 Sep, Building Permits & Housing Starts (Aug), Pending Home Sales (Aug), Philadelphia Fed Manufacturing Index (Sep) |
| Japan | National CPI (Aug)<br>**BoJ Monetary Policy Meeting** |

| FRIDAY 18 SEPTEMBER | |
|---|---|
| UK | Retail Sales (Aug) |
| US | Industrial Production (Aug) |