

Highlights include US/China meet, NVDA GTC, FOMC, BoJ, BoE, ECB, RBA, and SNB

- **WEEKEND:** US/China Meeting
- **MON:** Chinese Retail Sales (Jan-Feb), Canadian Inflation (Feb)
- **TUE:** RBA Policy Announcement, German ZEW Survey (Mar), Japanese Trade Balance (Feb)
- **WED:** BoC Policy Announcement, FOMC Policy Announcement and Press Conference, CBRT Minutes (Mar), US PPI (Feb), Japan Shunto Response
- **THU:** BoE Policy Announcement, BoJ Policy Announcement, ECB Policy Announcement, Riksbank Policy Announcement, SNB Policy Announcement, RBA FSR, Norges Bank Regional Network Survey, Eurogroup summit, European Council (1/2), UK Jobs Data (Jan/Feb)
- **FRI:** PBoC LPR (Mar), CBR Policy Announcement, European Council (2/2), Canadian Retail Sales (Feb), Quad Witching; Market Holiday - Japan; DBRS on France

US-CHINA MEETING: Senior US and Chinese officials will meet in Paris on March 15-16, 2026, to lay the groundwork for President Trump's planned state visit to Beijing from March 31 to April 2, the first by a US president since 2017. The US delegation will be led by Treasury Secretary Scott Bessent and USTR Jamieson Greer, while China will be represented by Vice Premier He Lifeng. Talks are expected to focus on extending and formalising the existing tariff truce, managing the current US tariff structure - including the 15% Section 122 global tariff, in place until July, legacy Section 301 duties and 50% Section 232 tariffs on strategic sectors - and preventing renewed escalation. The meeting follows a Feb. 20, 2026 US Supreme Court ruling that struck down certain "reciprocal" tariffs, prompting the administration to pivot to the Section 122 measure, while a new Section 301 investigation launched on March 11 into "structural excess capacity" adds fresh tension. Trade deliverables under discussion reportedly include China committing to purchase 25 million metric tons (MMT) of US soybeans annually from 2026-2028, potential Boeing (BA) and semiconductor deals, and assurances on rare earth export flows through late 2026. Broader geopolitical factors, including Middle East instability and its implications for energy flows, are also expected to feature as both sides seek to maintain stability ahead of the Beijing summit.

NVIDIA GTC PREVIEW (MON-THURS): Will host its annual GTC next week, with CEO Huang due to give his keynote address at 14:00 EDT/18:00 GMT, as participants await details on a range of topics including supply and demand, production, market growth, software, emerging AI models and businesses, commentary on China and geopolitics, among others. Heading into the conference, BofA reaffirmed a Buy rating with a price target of USD 300. The firm highlighted three specific areas of focus that it believes could provide the clearest signals on Nvidia's trajectory through 2027/28: 1) product roadmap, with BofA expecting Nvidia to outline its full pipeline from the current Vera Rubin platform to Feynman GPUs; 2) co-designed inference portfolio, with announcements expected across a new range of customised products including CPX chips and a Language Processing Unit, or LPU; and 3) proprietary optics in scale-up networks. Beyond the product roadmap, BofA makes a straightforward valuation argument, noting that at 17x forward earnings, NVDA is trading at the low end of its historical 25-56x range. BofA's price target is based on 28x CY27 earnings and reflects Nvidia's dominance across AI compute, networking and software. Data-centre revenue projections underpinning the target are significant, with Wall Street already calling for Nvidia's data-centre business to reach about USD 750bn across 2026/27 and rise to about USD 1tn in 2027/28. BofA also believes any colour Huang provides on the Rubin ramp could push those estimates even higher. Looking ahead, NVDA has already committed USD 95bn in supply agreements for FY27, giving BofA confidence that the revenue pipeline is real rather than speculative. While Wall Street remains bullish on Nvidia, investors will be looking for clarity at GTC on several areas: 1) the impact, if any, of the Middle East conflict; 2) the ability to source enough wafers, memory, substrates and optics to support an annual product cadence; and 3) as BofA notes, how Vera Rubin's cost per token, estimated at roughly 10x cheaper than Grace Blackwell, translates into real-world customer economics. Outside Nvidia, Truist expects architecture commentary to be constructive for TTMI (Buy) and optical components, but potentially negative for connector names APH (Buy) and TEL (Hold).

CHINESE ACTIVITY DATA (MON): China will release combined January-February activity data on March 16, with expectations for a mixed but still sluggish start to 2026. Consensus sees Industrial Production at around 5.0-5.1% Y/Y (prev. 5.2%), supported by strong export demand, particularly in semiconductors and EVs, despite February's contractionary PMI print of 49.0 reflecting Lunar New Year disruptions. Retail Sales are forecast to rebound to roughly 2.4-2.5% Y/Y (prev. 0.9%), helped by government trade-in subsidies, though underlying consumer confidence remains weak. Fixed Asset Investment is expected to remain soft as property investment continues to contract sharply, near -19%, partly offset by spending on AI infrastructure, power grids and data centres. ING expects overall growth to remain subdued, with retail nearer 1.5% Y/Y, FAI around 2.0% Y/Y and IP at 5.0%, while NBS 70-city housing data is likely to show further deterioration. Markets will also watch unemployment and property price trends for signs of strain in domestic demand.

CANADIAN INFLATION (MON): The February Canadian inflation report will be watched to see if the current monetary policy rate of 2.25% keeps inflation close to the 2% target while helping the economy through this period of structural adjustment, as the BoC expects. The BoC forecasts trade-related cost pressures to be offset by excess supply. In January, headline Y/Y printed 2.3% (prev. 2.4%), core Y/Y was 2.6% (prev. 2.8%), and BoC average was 2.53% (prev. 2.67%). Minutes from the January meeting unveiled that members acknowledged that food price inflation and rent inflation were areas of concern for Canadians. Additionally, short-term consumer inflation expectations remained somewhat elevated, even as longer-term expectations had softened.

Members added that while spillovers to other sectors remained limited, production and employment could still decline more sharply than expected, weakening the broader economy and putting downward pressure on inflation. The January MPR saw core CPI forecasts for Q4 2025 revised up to 2.2% from 2.0% while Q1 2026 is seen at 2.0%. Elsewhere, the surge in oil prices from the Middle East conflict is likely to have a lesser effect on Canadian inflation compared to its peers as Canada given it is a net exporter of oil.

RBA POLICY ANNOUNCEMENT (TUE): RBA Governor Bullock struck a hawkish tone during the press conference, saying the pulse of inflation is too strong and that high inflation hurts all Australians. She added that the Board expects inflation will take longer to return to target and cannot allow inflation to get away from it. Bullock also kept her options open, saying she did not know whether this would become a tightening cycle and that nothing could be ruled in or out. She separately noted the central bank would monitor incoming data and act if inflation becomes entrenched, warning that further rate hikes may be needed. As the central bank had only just raised rates last month, it was initially seen as likely to wait before adjusting policy again to gauge the impact of previous tightening. However, calls for a back-to-back hike have grown amid inflationary pressures from the recent rise in oil prices linked to the Iran war and shipping disruptions in the Strait of Hormuz. Bullock recently said there is a live chance of a March hike given the inflation risks tied to the Iran war, while Deputy Governor Hauser said there would be a genuine policy debate at the board meeting with arguments on both sides. Nonetheless, some oil-related pressures have eased from recent extremes and US President Trump has hinted the war could end "very soon", although there has been little sign of the conflict abating. Several banks have since shifted their calls, with Goldman Sachs, Bank of America, UBS and at least three of Australia's big four banks now expecting a rate hike next week.

SHUNTO MAIN RESPONSE (WED): This year's Shunto spring wage negotiations will see most companies respond to union demands on March 18th, with new wage levels taking effect in April, the start of Japan's fiscal year. Rengo will announce the first round of wage negotiation results on March 23 and the second round on March 27, while final data is typically released in early July. Heading into the talks, the union's chair said there was a "favourable environment for upcoming wage negotiations". So far, Japan's largest union Rengo has demanded a 5.94% wage hike in 2026, compared with 6.09% in 2025. It was previously reported that the union was aiming for "at least 5%", including a base increase of at least 3% in monthly wages alongside regular pay rises. Unions representing smaller firms are seeking even larger increases. Markets will watch how companies respond, although some have already accepted wage demands, including Nissan. The automaker agreed fully to its union's request, raising monthly salaries by JPY 10,000. Following the release of Rengo's demands, Mizuho's macro team forecast that wage increases will average 5% in total and 3.4% for base pay, suggesting gains would be only "slightly smaller" than last year. Goldman Sachs noted that the BoJ raised rates in December and had already confirmed wage growth momentum among large companies, meaning a flat or slightly higher outcome would likely not surprise policymakers. However, risks remain given recent commentary. In February, Governor Ueda said, "if the outcome of spring wage talks are stronger than expected and prompt firms to pass on costs swiftly, there is a chance we could achieve the price target sooner than expected." As for the BoJ, no move expected in March; a 25bps hike is fully priced in for September, while Goldman Sachs expects the BoJ to raise rates in July after "confirming the implementation and broadening of wage hikes in the services sector and among SMEs".

BOC POLICY ANNOUNCEMENT (WED): The BoC are widely expected to hold rates at 2.25%, according to money market pricing. Data since the last meeting, showed the biggest monthly decline in employment since January 2022, -83.9k in February (exp. +10k) after an unexpected drop in unemployment in January, -24.8k (exp. 7k); the unemployment rate in February jumped more than expected to 6.7% from 6.5% alongside a downtick in the participation rate to 64.9% from 65%. Meanwhile, inflation progress in January will be welcomed with the core Y/Y easing to 2.6% from 2.8% and more importantly the BoC average easing to 2.53% from 2.67%. On trade, positive developments on the USMCA since the last meeting have been lacklustre with NYT reports in February noting that US President Trump and his advisors have reportedly indicated that the USMCA could be scrapped, potentially opting for bilateral deals with Canada and Mexico. Canadian officials were cited as having very low expectations for a full renewal of the USMCA. Participants will be attentive to how the central bank approaches the Middle-East conflict and whether the increased uncertainty will leave the current rate at the low end of the neutral estimate for longer than expected. The poor February jobs report pushed back bets of tightening in 2026, with money markets now pricing in the first 25bps hike by October (prev. September) with 41bps of tightening by year end (prev. 43bps).

FOMC PREVIEW (WED): The FOMC is expected to keep rates unchanged at 3.50-3.75% in March. Money markets do not expect a rate cut before Q4 2026, but pricing may have been influenced by a rise in short-term yields after the recent energy price surge stemming from the Middle East conflict, which is lifting inflation expectations. Only one rate cut is being priced in for this year, versus about two before the conflict. While some Fed officials have previously suggested they can look through one-off spikes, inflation is already well above the Fed's 2% goal, which analysts say could tie the Committee's hands. The inflation upside comes amid reports suggesting the U.S. labour market was already coming under pressure before the conflict, with the January jobs report showing a -92k change in nonfarm payrolls. This is likely to raise questions about stagnation at the post-meeting press conference. Economists surveyed by Reuters expect the FOMC to lower rates in June, after Fed Chair Jerome Powell's term ends in May, despite disruption from the Middle East conflict, which has pushed up energy, metal and food crop prices. Senator Thom Tillis has said the nomination of incoming Chair Kevin Warsh may stay before the Senate Banking Committee for some time because of his objections to advancing Fed nominees before the DoJ probe related to Powell has been concluded.

US PPI (WED): January's PPI was firmer than expected, driven mainly by services rather than broad-based goods inflation. The data showed a sharp rise in trade services margins, notably in professional and commercial equipment wholesaling, pointing to some tariff pass-through. Airfares, portfolio management and parts of healthcare also rose, supporting a firmer core PCE read-through. By contrast, headline goods were softened by falls in energy and food, including gasoline, fruit and eggs, although core goods still rose sharply. Traders will watch whether January's margin-led, tariff-related strength persists in February. A repeat would keep core pipeline inflation sticky and support a more hawkish Fed interpretation, while any unwind in trade margins or softer PCE-linked services components would point to a less threatening February print. In addition, as with the CPI and PCE data released this week, traders may take less of a Fed policy signal from the figures; the conflict in the Middle East has pushed energy, metals and crop prices higher, and this will not show up in the February PPI release. Still, any upside surprise in the data would show that price pressures remained elevated even before the shock, making it harder for the Fed to endorse lower rates. NOTE: The PPI data is due on the same day as the March FOMC.

AUSTRALIAN JOBS (THU): January employment rose by 50.5k, with the unemployment rate at 4.1% and participation at 66.7%. For

February, Westpac expects employment to rise by around 20k (market median also 20k, range 10k-41.2k), suggesting jobs growth is moving past its trough after late-2025 volatility. Gains are expected across consumer-facing services, construction and business services, while earlier slowing in "care economy" roles appear to have normalised, the desk said. The unemployment rate is forecast to hold at 4.1%, though recent declines have largely reflected lower participation rather than materially stronger hiring; absent the drop in participation, unemployment would be closer to 4.5%. Westpac expects participation to remain steady at 66.7%, implying a stable jobless rate alongside modest employment growth.

UK JOBS (THU): December's report had a clear dovish skew with the unemployment rate ticking up and wages moderating from the prior rate. January's series is expected to see the unemployment rate remain at 5.2% with steady or slightly cooler wage metrics. However, the January growth series (see review section for more) showed no growth at the start of the year and potentially exerts a downward-bias to the period's jobs data. For the BoE, the series will be overshadowed by the ongoing Middle East situation and associated energy upside, which has sparked a hawkish reassessment in recent days. However, a soft or in-line report would keep the bias for at least one 2026 cut alive. Overall, the series is unlikely to factor in March deliberations but will add to the discussion around when the BoE will eventually ease in 2026.

BOE POLICY ANNOUNCEMENT (THU): Expected to maintain the Bank Rate at 3.75%, as recent energy price movements have, despite being somewhat pared back at the time of writing, sparked a hawkish reassessment of the UK's pricing backdrop. In short, the energy shock presents a sufficient inflationary risk that Governor Bailey and enough of his peers will likely want some time to develop an assessment of how lasting the shock will prove to be. Despite this, and recent market pricing moves, the bias for the BoE remains to further easing with the economy's performance, particularly referencing the labour market, merit some further accommodation. The key from the press release and MPC statements will be to gauge when a cut is likely to occur and just how much further accommodation should be priced; as a reminder, Bailey seemingly endorsed pricing for two cuts at the last meeting. As it stands, markets imply around 10bps of tightening in 2026. From a desk perspective, banks have been changing their calls in quick succession in recent days given the Middle East conflict; as it stands, UBS expects cuts in April and July (prev. forecast March & June), while Morgan Stanley expects cuts in April and November this year (prev. forecast March, July & November) followed by a final move in February 2026.

BOJ POLICY ANNOUNCEMENT (THU): BoJ is expected to refrain from policy adjustments at its two-day meeting next week, with a recent Reuters poll showing all 64 economists surveyed unanimously forecast the BoJ will keep rates unchanged at 0.75%. Money markets currently price a 100% likelihood the central bank remains on hold, although 60% expect a hike by the end of June. The BoJ also refrained from policy tweaks at its January meeting, as widely expected, given it had raised rates only a month earlier in December. The January decision to pause was taken by an 8-1 vote, with board member Takata voting for a 25bps hike. The BoJ reiterated that real interest rates remain significantly low and reaffirmed its intention to continue raising the policy rate and adjusting the degree of monetary accommodation if the outlook for growth and prices is realised, consistent with achieving the 2% inflation target in a sustainable and stable manner. Governor Ueda also said during the post-meeting press conference that April price behaviour would be an important factor when considering a rate hike. This is because April is when companies typically adjust prices, supporting the view that the central bank may wait until fiscal Q1 before any meaningful deliberation on whether to raise rates, when it will also have a clearer picture of the outcome of the Shunto spring wage negotiations. Another factor likely to keep the central bank on hold at the upcoming meeting is heightened uncertainty stemming from the Iran war, which has brought shipping close to a standstill and triggered recent historic volatility in oil prices. That has clouded the policy outlook for central banks globally. Policymakers may therefore prefer to take a patient approach and gauge the impact of the conflict and oil price volatility on the domestic economy and inflation before making any adjustments to interest rates.

ECB POLICY ANNOUNCEMENT (THU): The ECB is expected to leave rates unchanged at 2.0%. This has been widely expected for some time, even before the surge in oil prices. In response to higher energy prices, year-end pricing has shifted in a more hawkish direction, with markets now fully pricing in a 25bp hike and a near 50-50 chance of 50bps before 2027. Morgan Stanley has also shifted its stance on the ECB's rate trajectory and now expects the Bank to keep rates steady throughout 2026, from a previous forecast of 25bps cuts in June and September. Despite being outdated, February's inflation reading was hotter than expected, with services inflation hotter, which would be of concern to doves on the Governing Council. A fresh set of projections is expected at the meeting, though ING says these may be less relevant than usual due to the many input variables. Policymaker comments have been broadly similar since the outbreak of the Iran conflict, with Schnabel saying the Bank remains in a good place but that the war has created upside risks to inflation. On the future rate path Kazimir, which sparked a hawkish reaction at the time, said a hike on Iran could be closer than thought, though there is no reason to act in March. Looking ahead, participants will focus on how President Lagarde and the Governing Council position themselves to keep inflation expectations in check. ING says the most likely outcome is a hawkish tilt, with the ECB signalling it "stands ready to act" and "is monitoring the situation very closely".

RIKSBANK POLICY ANNOUNCEMENT (THU): Riksbank is widely expected to keep rates steady at 1.75%, in-fitting with recent guidance which suggested that the "policy rate is expected to remain at this level for some time to come". Focus will also be on the updated MPR, which currently shows some chance (4bps) of a hike by end-2026 and sees the policy rate rising to 1.97% by end-2027. SEB believes policymakers will remove any chance of a hike in 2026 and lower the rate path in 2027, reflecting the downward trend in inflation. On that note, inflation has undershot its target for a couple of months, with both headline and core measures in February coming in cooler than expected. On the growth front, GDP in Q4 was revised slightly higher and broadly in line with the Bank's forecast. The labour market remains volatile but continues to show signs of improvement. Data aside, SEB and Nordea both noted that the recent Gulf war is likely to keep policymakers cautious about materially adjusting policy or guidance, given the potential inflationary implications. However, Nordea said that if the war ends "soon", the focus would return to persistently low inflation, raising the odds of a rate cut this year. Elsewhere, Goldman Sachs sees a lower chance of a near-term cut after the latest spike in energy prices, with analysts instead expecting the Bank to remain on hold until H2 2027. To recap the January meeting, it was a non-event whereby the Bank kept rates on hold and highlighted the downward trend in inflation.

SNB POLICY ANNOUNCEMENT (THU): The SNB will hold rates at 0.00%, given the high bar to return to NIRP and slightly firmer-than-expected inflation metrics. February's series printed at 0.1% Y/Y (exp. -0.1%, prev. 0.1%), while the M/M print came in at 0.6% (exp. 0.5%, prev. -0.1%). The print should be positive for the SNB, with inflation currently running in line with its forecasts. The Bank's key focus remains the strong CHF and its assessment of the impact of energy prices on the economy and inflation. Furthermore, the SNB continues to monitor the CHF and has made clear the Middle East situation has lowered the bar to intervening. Nonetheless, using recent sight deposits as a proxy, there is no significant evidence to suggest that the SNB is currently

intervening. Analysts at Citi and Bank of America both believe that the Bank will keep rates on hold in March, though the latter sees some risk that it might “formalise” the above intervention language into the accompanying statement. On the geopolitical situation, analysts at Goldman Sachs say rising energy prices could lift headline inflation by 0.15-0.30%, while real GDP is expected to be largely unaffected in Switzerland. To briefly recap December’s gathering, rates were held at the zero lower bound (ZLB) as expected and FX language was reiterated. In terms of inflation projections, 2025 was unchanged, whilst 2026 and 2027 were revised a touch lower.

PBOC LPR (FRI): China will likely maintain its benchmark Loan Prime Rates next week for a 10th consecutive month, with the 1-year LPR currently at 3.00%, which most new loans are based on, and the 5-year LPR at 3.50%, the reference rate for mortgages. There have been few signs of urgency for the central bank to adjust rates, as it has kept daily open market operations relatively small so far this month. Although PBoC Governor Pan reiterated at the recent annual “Two Sessions” that the central bank will flexibly use various monetary policy tools, including interest rates and RRR cuts, PBoC adviser Huang said investors should dampen expectations for “aggressive” stimulus as the government does not view the situation as a “crisis time”. Furthermore, Beijing officials have said there is a solid foundation to achieve the 2026 growth target of 4.5%-5.0%, the slowest target on record since 1991. China also emphasised boosting consumption at the political gathering and unveiled plans to issue CNY 4.4tln in special local government bonds, CNY 300bln in special sovereign bonds for banks and CNY 800bln of new policy financing tools, while establishing a CNY 100bln fiscal-financial coordination fund to support domestic demand, which provides scope for the central bank to bide its time.

WEEK IN REVIEW

GEOPOLITICS

IRANIAN WAR REVIEW: The conflict intensified between March 6-13, 2026, expanding from direct strikes into a broader energy-driven crisis. Last weekend, Mojtaba Khamanei was confirmed as Supreme Leader, signalling continuity in the war and reducing the likelihood of a structural change within the regime. Israel escalated operations under “Operation Roar of the Lion”. Tehran has effectively closed the Strait of Hormuz, threatening shipping and using the blockade as leverage, sharply tightening global supply expectations. Oil prices rebounded above USD 100/bbl amid fears of prolonged disruption. US President Trump sought to ease those fears by suggesting the war would end soon, though the situation on the ground does not support that view. The IEA agreed to jointly release 400mln barrels to cushion supply losses caused by the Strait of Hormuz disruption. The US also ordered a 172mln barrel Strategic Petroleum Reserve release to stabilise markets, albeit with delivery in 120 days, and as a loan where it wants 200mln bbls back within a year. Treasury Secretary Scott Bessent issued a 30-day waiver permitting sales of sanctioned Russian oil stranded at sea to ease supply pressures, and Washington is considering a naval escort coalition for tankers once conditions allow.

ASIA

CHINESE INFLATION REVIEW: China’s CPI inflation rose to 1.3% Y/Y in February (exp. 0.9%, prev. 0.2%), the highest reading since January 2023 and above expectations, largely driven by Lunar New Year effects. Food inflation rebounded to 1.7% Y/Y (prev. -0.7%), with notable M/M gains in pork (+4.0%), aquatic products (+6.9%) and fresh fruit (+4.0%), though pork remained in Y/Y contraction (-8.6%). Services inflation strengthened sharply, with tourism and travel up 11.7% Y/Y and airfares up 29.1%, while miscellaneous services rose 15.4%. Core CPI accelerated to 1.8%, the fastest pace since March 2019. On the producer side, PPI remained in deflation but improved to -0.9% Y/Y (exp. -1.1%, prev. -1.4%), a 19-month high, supported by gains in non-ferrous metals and energy-related sectors. Policymakers maintained a 2% CPI target at the Two Sessions and reiterated efforts to steer prices back into positive territory. ING said inflation pressures may build further amid rising oil prices, though the PBoC is still seen as retaining room for easing later in 2026, provided energy shocks do not intensify materially.

CHINESE TRADE BALANCE REVIEW: China’s combined January-February trade data significantly exceeded expectations, with exports rising 21.8% Y/Y (exp. 7.1%, prev. 6.6%) and imports surging 19.8% Y/Y (exp. 6.3%, prev. 5.7%), lifting the trade surplus to USD 213.62bln (exp. USD 177.40bln, prev. USD 114.11bln). ING said this marked the strongest export growth since January 2022, with strength broad-based and not attributable to Lunar New Year distortions. By destination, exports to the US fell -11.0% Y/Y, though the decline was less severe than in 2025, ahead of US-China talks this weekend. ING said the sharp expansion in the surplus should support Q1 growth, though it cautioned that momentum may moderate later in 2026 amid geopolitical and energy-related risks.

NORTH AMERICA

US CPI: US headline CPI rose 0.3% M/M in February, or 0.267% on an unrounded basis, in line with expectations and up from 0.2% previously, while the annual rate held at 2.4% Y/Y, also matching forecasts. Core CPI rose 0.2% M/M, or 0.216% on an unrounded basis, in line with expectations and down from 0.3% previously, while the annual rate was unchanged at 2.5% Y/Y, also as expected. Core goods prices were little changed at 0.08% versus 0.04%, while core services cooled to 0.27% M/M from 0.39%. A measure of super core CPI rose to 2.74% Y/Y from 2.67%. The Wall Street Journal’s Fedwatcher Timiraos highlighted that the very favourable data imputation in the October report due to the government shutdown unwinds after March. Analysts said the data continued to show inflation was sticky around these levels, though they saw potential upside risks ahead from the Middle East conflict, rising oil prices and the risk of severe supply chain disruptions in the Persian Gulf. Barclays analysts said underlying price pressures were benign, with softer services and gradual shelter disinflation offsetting some tariff pass-through in import-heavy goods. However, they said core PCE was likely to print materially firmer than CPI, suggesting underlying inflation was less benign than the headline implied. For the Fed, Barclays said that argued for continued caution rather than an imminent easing signal, and its analysts still see core CPI remaining relatively subdued, but higher oil and gasoline prices raise near-term headline risks and, if sustained, could also lift core inflation and inflation expectations, reinforcing a higher-for-longer policy stance.

US PCE (Jan): Headline M/M was in line with expectations at 0.3%, easing slightly from December’s 0.4%, while Y/Y came in at

2.8% (exp. 2.8%, prev. 2.9%). Core PCE M/M printed 0.4% (exp. & prev. 0.4%), while Y/Y topped Wall Street consensus at 3.1% (exp. & prev. 3.0%). Reminder, Core PCE is the Fed's preferred gauge of inflation. The Fed's December median projection sees 2026 core PCE inflation at 2.5%, although an updated figure will be released on Wednesday at the next FOMC meeting. Attention will focus on the projections, although the ongoing Middle East conflict presents the potential for energy-led inflation. Fed officials have already indicated they expect any impact to be a one-off effect and not something that will materially feed into policy decisions at this stage. Looking at other recent inflation metrics, January US CPI was in line with expectations for core but slightly cooler for the headline, while January PPI came in much hotter than forecast. The February CPI was largely in line with expectations but had hot implications for the February PCE. On the Fed, the Committee remains split, albeit unevenly, between labour market and inflation risks. Governor Waller is among those more focused on the labour market, and this dataset is unlikely to materially alter his view. However, the hawks are concerned about elevated inflation. Further in the report, personal income M/M rose 0.4% (exp. 0.4%, prev. 0.3%), while personal spending increased 0.4% (exp. 0.3%, prev. 0.4%).

CANADA JOBS REVIEW: Overall, the report was very weak. The Canadian economy lost 84k jobs in February, well below the expected gain of 10k and adding to the recent losses of 24.8k. The breakdown of jobs was worrying. Full-time jobs were down by 108k, while part-time rose by 24.5k. The unemployment rate jumped to 4.7% from 4.5%, above the 4.6% forecast, but the participation rate eased to 64.9% from 65.0%. The BoC is now in a difficult position, with rates at the current bottom estimate of neutral, further cuts may be required to help support the labour market, but inflation risks are currently high amid the rise in oil prices. However, amid the structural changes the economy is facing at the moment due to trade tensions with the US, Governor Macklem has warned the restructuring could be very painful. He said they have to be careful not to misdiagnose economic weakness, noting monetary policy should not try to compensate for lost supply. Macklem added there is also a risk that overstimulating demand when the problem is structural could delay needed structural change.

UK/EUROPE

UK GDP REVIEW: A softer than expected series which showed the UK starting 2026 off with no growth. A series that may have otherwise cemented a March cut by the BoE. However, the recent Middle East related energy disruption and associated moves mean a near-term cut is entirely off the table, though the MPC will likely remain divided next week in another split decision. Nonetheless, the data does factor in favour of calls for the BoE to still ease at some point in 2026, and perhaps on more than one occasion.

EM

CBRT REVIEW: The CBRT kept its policy rate unchanged at 37% and maintained the corridor, as expected. The Bank said higher energy prices stemming from the Iran conflict could worsen the inflation outlook going forward, potentially prompting policy tightening. The statement also contained a notably hawkish shift, saying "monetary decisions will be determined with a prudent approach on a meeting-by-meeting basis", replacing earlier language referring to "the size of the steps" regarding rate cuts. So far, the impact of higher energy prices on inflation has been muted by the sliding scale mechanism and the bank's FX reserve policy. On future policy, analysts at Goldman Sachs expect the CBRT to raise the main policy rate to the level of the ON rate, currently at 40%, if energy prices remain elevated or if reserves decline further by the April meeting. ING added that the Bank could widen the corridor as an alternative way of tightening policy.

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