

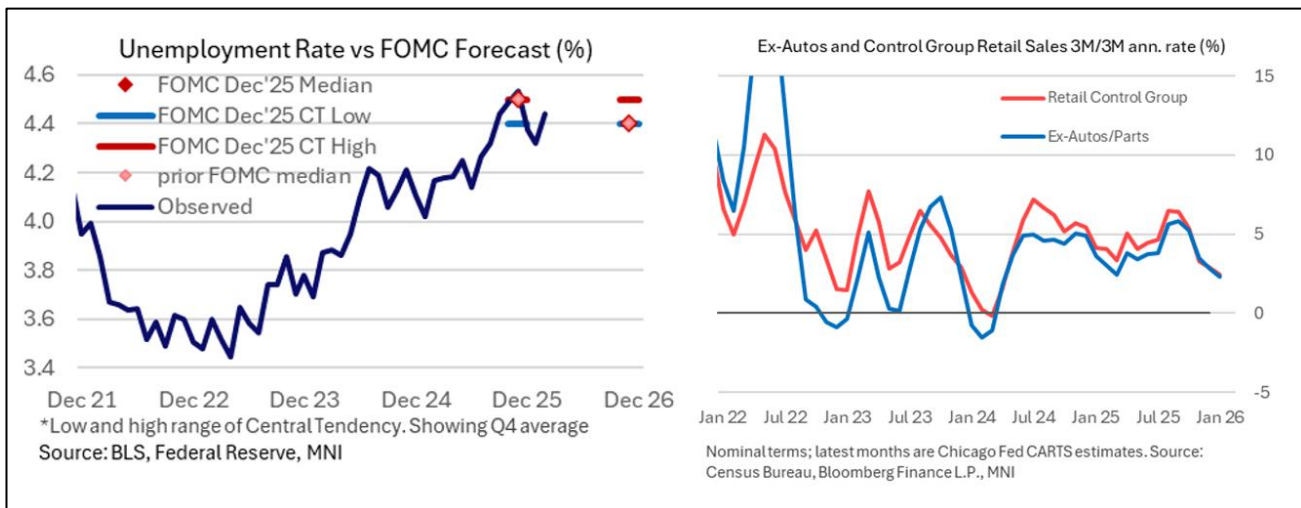
MNI U.S. Macro Weekly

MNI View: War Shock Meets Weak Jobs Data

March 6, 2026 – By Chris Harrison and Tim Cooper

Executive Summary

- In the key release of a tumultuous week that was overshadowed by geopolitical developments, both the establishment and household surveys disappointed in the February Employment report with a 92k NFP drop, an unemployment rate rise to 4.44%, and large lower revisions.
- But survey quirks and one-offs complicate interpretation and it comes after a relatively solid January report. As such it doesn't appear to have greatly impacted FOMC participants' overall views on the rate outlook as we head into the pre-March FOMC blackout period.
- Indeed it sounds as though all of the FOMC participants will have to weigh the surprisingly soft report alongside the potential macro implications of the conflict in the Middle East before coming up with a synthesis and forming March SEP projection updates.
- Soaring energy prices and broader market uncertainty over the war in the Middle East started over the weekend saw rate cut pricing evaporate. Cumulative pricing at one point suggested that a rate cut would have to wait until after the September FOMC, having last Friday pointed to about a 50/50 chance of a second 25bp cut by that point (after July).
- End-2026 pricing briefly touched ~32.5bp of cuts in the hour prior to the release of the February employment report, a 28bp repricing vs prior to the US-Iran conflict. The unexpected drop in payrolls and uptick in the unemployment rate was enough to bring a September rate cut to fully priced (29bp), even if a cut as soon as July remained slightly elusive.
- Otherwise, data were mixed. Import prices remained firm, with ex-petroleum import prices posting their strongest four-month stretch since 2024 amid tariff effects and fading China concessions.
- Growth indicators softened, with GDPNow falling to 2.1% on weaker expected consumption. Business surveys diverged: ISM Manufacturing held gains but saw a sharp jump in Prices Paid, while ISM Services surprised strongly with broad-based strength and cooling prices; S&P PMIs pointed to ~1.5% Q/Q growth.
- Retail sales and consumption signals were mixed, with headline and category breadth softening despite a modest Control Group gain.
- The week ahead features key inflation releases, with February CPI (Wed) and January PCE (Fri) central to shaping expectations before the March 17–18 FOMC meeting and new SEP; additional data in the week to come include GDP revisions, JOLTS, durable goods, and housing indicators.



Labor: Weak And Volatile Payrolls But Trend U/E Rate Broadly Stable

- Key figures in both the establishment and household surveys disappointed in the February payrolls report although it must be seen in the context of strong January report. Indeed, even the most dovish FOMC member, Governor Miran, cautioned against reading too much into one month's job report.
- It still acts as a dovish surprise though as it firmly pushes back on any more optimistic views of the labor market going into this report.
- The themes broadly flagged ahead of the report were as expected although the magnitude was surprising. There were two healthcare-related hits, one fully expected (31k strikes) and one less so (potential reversal after a severe flu season in January), whilst adverse weather might well have played a role but was still hard to square away the extent of industries reporting job losses.
- Nonfarm payrolls fell -92k (cons 55k) after 126k as part of heavy negative revisions of -69k, leaving a three-month average of 6k and six-month average of -1k. Private payrolls fell -86k (cons 60k) after 146k with a three-month average of 18k and six-month average of 34k, whilst private ex health & social assistance sees a three-month average of -29k and six-month of -16k after sizeable declines last year.
- The household survey brought some meaningful surprises and oddities, in terms of both the monthly data and the annual population control revisions. Understanding February dynamics depends largely on figuring in the annual revisions, though overall February's household report looked largely weak.
- For a household survey bottom line, the u/e rate surprised higher in Feb at 4.44% (cons 4.3 with dovish risk tilted to a 4.4) after an upward revised but what would still have surprised lower 4.32% in Jan. The latter was first reported at 4.28% vs then consensus of 4.4%, before unusually being revised with the delayed population control back on January levels.
- Average the two monthly prints and the 4.38% sits between the heavily caveated 4.47% averaged in Q4 (government shutdown disruption) and 4.34% in Q3.
- That broad stability continues to defy a scenario that the most dovish FOMC members had envisaged back in the December SEP (seven members pencilled in an u/e rate at 4.6-4.7% in 4Q25), with some of these prominent members since dialling back cut calls/rhetoric over the past month.
- In a reminder of the risk in putting too much weight on single reports, response rates were at best mixed. The household survey response rate increased from three months of record lows but remains depressed and leaves it prone to higher than usual month-to-month volatility, whilst first responses for payrolls data slid back to very low levels and leave scope for larger revisions.
- Whilst heavily clouded by today's surge in WTI futures and two-way swings in rates since the release, there has been a net dovish shift with June Fed Funds implied rates 4bp lower post-release and Dec 8bp lower. A next Fed cut is seen in September in a close call with July (22bp) and with 45bp of cuts seen for 2026.
- Our review of the latest labor market data, including February's employment report is available [Here](#)

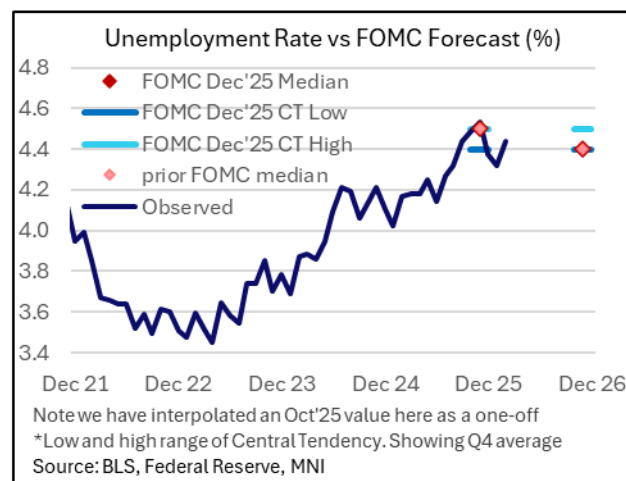
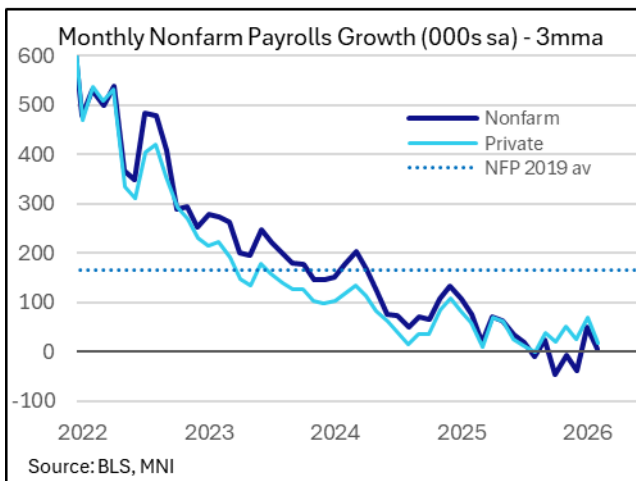
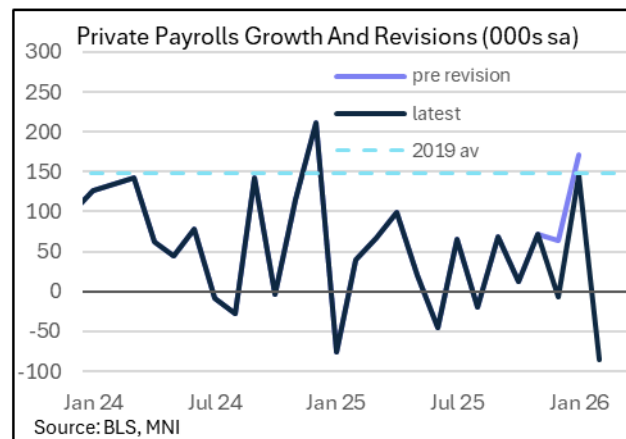
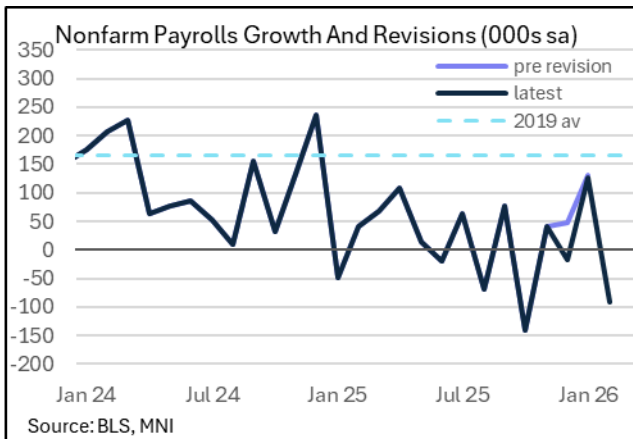
Payrolls Summary Statistics For February 2026

	Actual	Cons.	Surprise on mth	2-mth Rev	Jan	Dec	Net Surprise
Monthly growth (000s)							
NFP	-92	55	-147	-69	-4	-65	-216
Private	-86	60	-146	-97	-26	-71	-243

	Actual	Cons.	Prior mth	Cycle low	2019 av	
U/E rate (%)	4.44	4.3	4.32	3.45	Apr'23	3.67

	M/M Growth		Y/Y Growth	
	Actual	Cons.	Actual	Cons.
AHE (%)	0.40	0.3	3.84	3.7

Source: Bloomberg Finance L.P., BLS, MNI



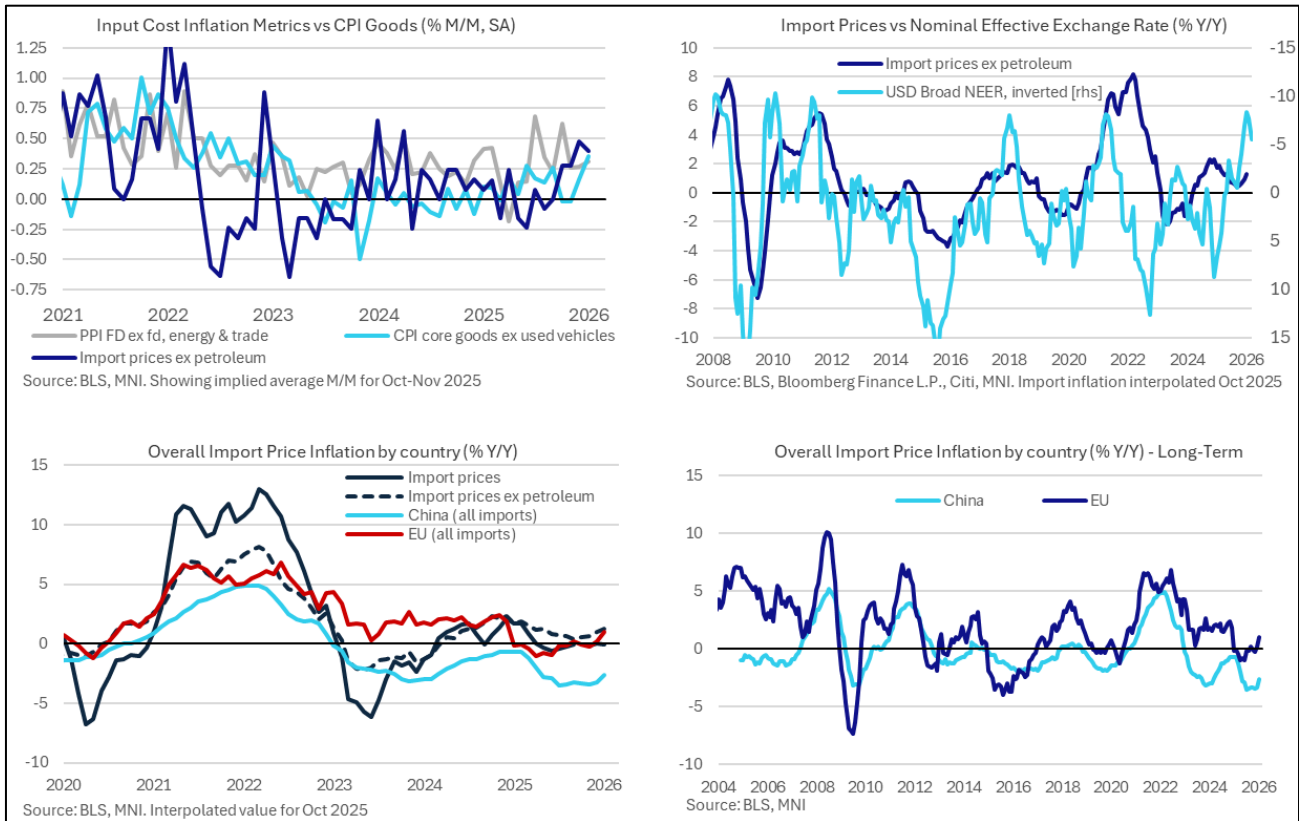
Inflation:

Solid Import Prices With Tariff Concessions In Rear View Mirror

Import price inflation was broadly as expected in the January report, a little softer than consensus in January itself but offset by an upward revision to December, with still solid monthly rates. It continues a trend of more recent import inflation after China-led tariff concessions last year.

- Overall import prices increased 0.2% M/M (NSA, cons 0.3) in Jan after an upward revised 0.2% (initial 0.1) in Dec.
- Import prices ex petroleum, our preferred metric, increased 0.4% M/M (cons 0.5) in Jan after an upward revised 0.5% M/M in Dec (initial 0.4) following an average 0.3% M/M through Oct-Nov.
- Whilst a tenuous comparison being a NSA series, these past four months have all seen the strongest monthly increases since Apr 2024. Indeed, the 0.36% averaged over Oct-Jan compares with an average 0.14% from a year ago.
- It left ex-oil import prices up 1.3% Y/Y for the fastest pace since May having bottomed at 0.4% in Sept.
- Country-level revisions were on the small side for this release this month, continuing to suggest that China stood out with concessions made in the face of US tariffs last year but with this broadly stopping in recent months.
- Specifically, overall import prices from China increased 0.3% M/M vs -0.4% in Jan 2025, -0.4% in Jan 2024 and -0.5% in Jan 2023. It followed a more typical 0.0% M/M in Dec considering the -0.1% in Dec 2024, -0.1% in Dec 2023 and -0.2% in Dec 2022.
- This is a big change from the heavy declines of -0.8% M/M in both April and May in the face of US trade policy escalation. It's starting to be reflected by the Y/Y rates although they remain firmly negative at -2.6% Y/Y in Jan after -3.3% in Dec, -3.4% in Nov and a record low of -3.5% in July for a series going back to 2004.

- Elsewhere, prices of imports from the EU climbed 1.0% Y/Y in January for a fresh high since Dec 2024 having bottomed at -1.0% Y/Y in April. Attempting to strip out oil price effects from major oil producers, prices of manufactured imports from Canada increased 2.4% Y/Y (highest since Dec 2022) and from Mexico increased 1.4% Y/Y (eased from 2.0% in Dec). These USMCA countries have seen the smallest adjustments in trade balances with the US since the start of the second Trump administration, although pressures of course remain on the trade body.



Growth:

Atlanta Fed GDPNow Est For Q1 Drops 1.1pp After Payrolls, Retail Sales

The Atlanta Fed's GDPNow estimate of Q1 GDP fell to 2.1% Q/Q SAAR Friday from the previous 3.2%.

- 0.8pp of the 1.1pp decline was due to a weaker real PCE nowcast, of 1.8% vs 3.0% in the prior estimate, with the decline appearing to stem from weak nonfarm payrolls data (with downward revisions) and continued softness in retail sales momentum in reports released this morning.
- That would mark the weakest quarterly consumption figure since Q1 2025, and a clear deceleration from 2.4% in Q4 and 3.5% in Q3.
- We also note weaker contributions from business and residential investment and inventories.

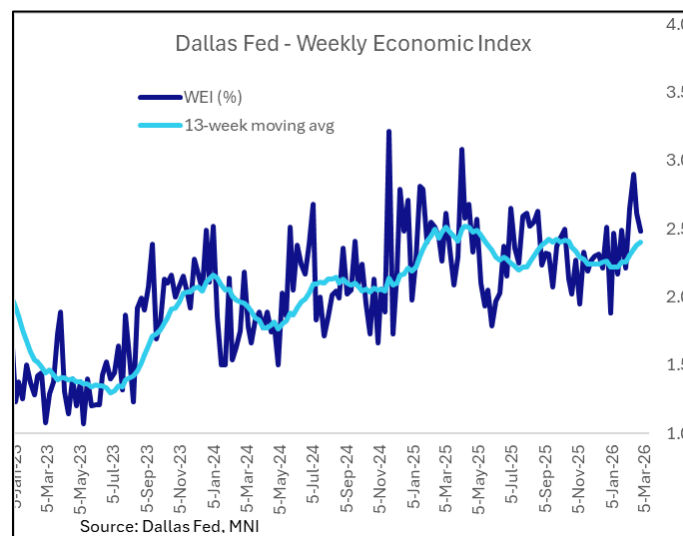
Atlanta Fed GDPNow estimates for 2026: Q1, growth rates and changes

Date	Major Releases	GDP	PCE	Equip-ment	Intell. prop. prod.	Nonres. struct.	Resid. inves.	Govt.	Exports	Imports	Change in net exp.	Change in CIPI
20-Feb	Latest BEA estimate for 25:Q3	4.4	3.5	5.3	5.6	-5.0	-7.1	2.2	9.6	-4.4	103	-6
20-Feb	Latest BEA estimate for 25:Q4	1.4	2.4	3.2	7.4	-2.4	-1.5	-5.1	-0.9	-1.3	6	10
20-Feb	Initial GDPNow 26:Q1 forecast	3.1	2.9	7.5	6.6	-0.4	-2.4	1.6	5.6	8.6	-39	45
23-Feb	M3-2 Manufacturing	3.1	2.8	5.6	6.6	-0.4	1.6	1.6	5.6	8.6	-39	45
24-Feb	Wholesale trade	3.1	2.8	5.7	6.6	-0.4	1.6	1.6	5.6	8.7	-40	44
27-Feb	Construction spending, PPI	3.0	2.8	5.7	6.6	-2.2	0.6	1.5	5.6	8.7	-40	44
2-Mar	ISM Manufacturing Index	3.0	2.8	5.6	6.5	-2.2	0.6	1.5	5.6	8.7	-40	44
4-Mar	ISM Services, Auto sales	3.2	3.0	6.3	6.6	-2.1	0.8	1.5	5.7	8.8	-40	45
5-Mar	Import and export prices	3.2	3.0	6.2	6.6	-2.1	0.8	1.5	5.6	8.8	-40	45
6-Mar	Retail trade, Employment situation	2.1	1.8	5.1	5.9	-2.7	-0.5	1.5	5.2	8.2	-38	39

Dallas Fed Weekly Economic Index Sees Steady Q1 Growth

The Dallas Fed's Weekly Economic Index (WEI) printed 2.48% in the week to Feb 28 (scaled to 4-quarter growth), cooler than the 2.61% prior and the 2.90% the week before that (which had been the best since April 2025).

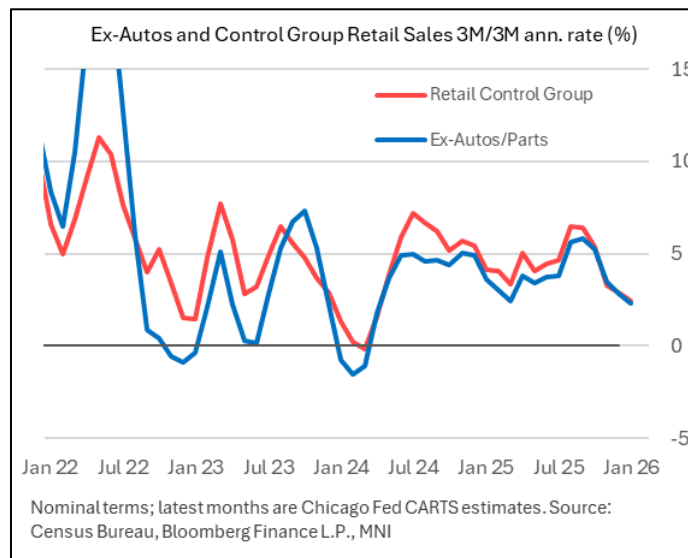
- The 13-week (ie quarterly) moving average picked up marginally to 2.40% though, which was the highest seen since October 2025.
- If this growth rate carries on through the end of March, it would imply a Q/Q SAAR growth rate of around 1.5% in the quarter, similar to Q4 but lower than the 3.0% currently foreseen by the Atlanta Fed's GDPNow.
- However the moving average appears to be picking up, potentially signalling a growth figure above 2% for the quarter. And historically it's been better at capturing domestic private sector demand dynamics, vs the trade/government shutdown-distorted figures seen in recent quarters.
- A reminder of the WEI's inputs: "To measure consumer behavior, we include the Redbook same-store retail sales index and the Rasmussen Consumer Index. To measure labor market conditions, we include initial and continuing unemployment insurance claims, the American Staffing Association Index of temporary and contract employment, and federal tax withholding data from Booth Financial Consulting. For production, we include U.S. steel production from the American Iron and Steel Institute, U.S. electricity output data from the Edison Electric Institute, a measure of fuel sales based on Energy Information Administration data, and total railroad traffic from the Association of American Railroads."



Core Retail Sales Growth Momentum Slowing

January advance retail sales came in fairly close to expectations, with the headline reading of -0.2% M/M aligning with consensus for a weaker headline performance (vs an unrevised 0.0% prior) and the core Control Group reading exactly in line at 0.3% (0.0% prior rev from -0.1%). We wouldn't describe the core pickup as particularly broad-based, however, with a large concentration of growth in one category (nonstore sales).

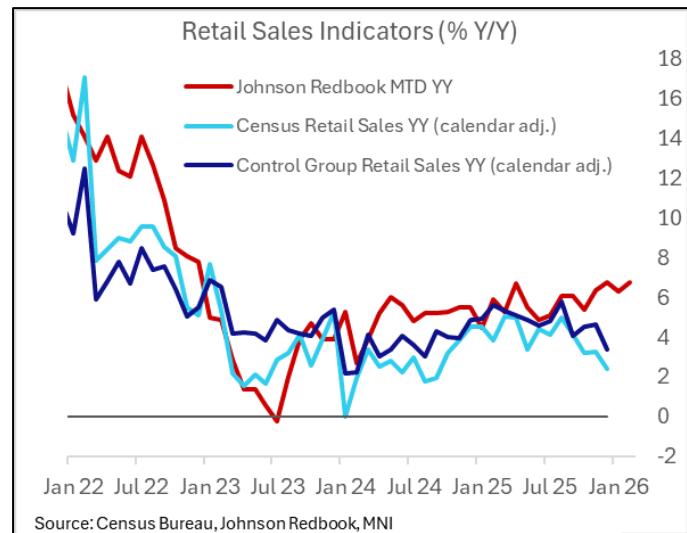
- Starting with some key non-Control Group categories that drove the headline underperformance, motor vehicles contracted 0.9% M/M for a 3rd drop in 4 months, while gasoline sale dropped the most in 26 months at -2.9%. Those had been expected but in a sign of discretionary spending weakness, food services/drinking places spending fell 0.2% for a 2nd consecutive month, the 3rd contraction in 4 months. Building materials retail slowed after two strong months (0.6% after 1.2% and 1.4%), also driving the Control/headline wedge.
- Within the Control Group categories, there was some strength in some categories that had been stagnating of late, in particular non-store (ie online) retail at a 5-month high +1.9%, key to the overall picture given that it's the second-largest retail category behind motor vehicles; meanwhile furniture rose after two contractions (+0.7%) and miscellaneous retailers saw a 2.0% jump after -0.0%.
- Those helped offset weakness in many categories including clothing (-1.7%), sporting goods (-1.2%), electronics (-0.6%) and health/personal care (-3.0%), with department stores (-6.0%) seeing a particularly dramatic pullback. These are reported in nominal terms so there may be some price effects here.
- As such we wouldn't characterize the report as evidencing broad-based strength. It leaves the 3-month/3-month annualized Control Group growth rate at 2.4% (2.9% prior), which is the lowest in 21 months. That may not downwardly impact expectations for Q1 consumption given that the monthly figure was so close to expectations, but it does suggest further weakness in goods consumption momentum.
- One note is that Chicago Fed CARTS' ex-auto retail sales estimate of -0.1% for the month was close to the mark (actual was 0.0%).



Redbook Retail Sales Close February On A Solid Note

Retail sales picked up in the last week of February per the Johnson Redbook index, to 7.0% Y/Y from 6.7% prior. That kept sales elevated at 6.8% for February as a whole, which would mark the joint-highest rate since the end of 2022.

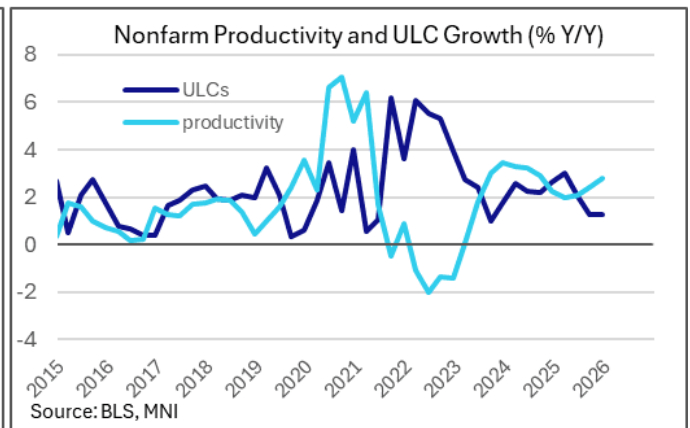
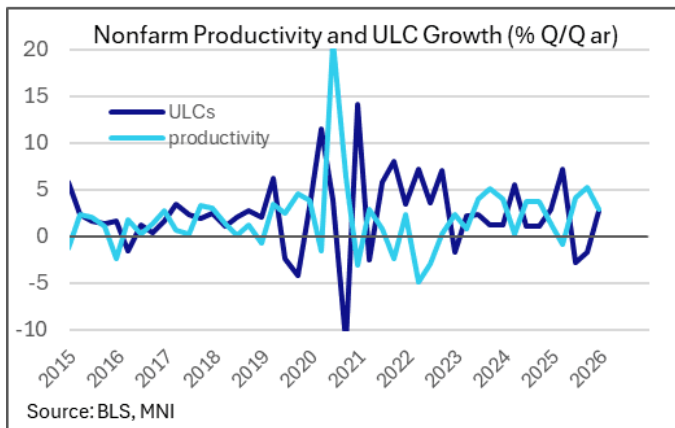
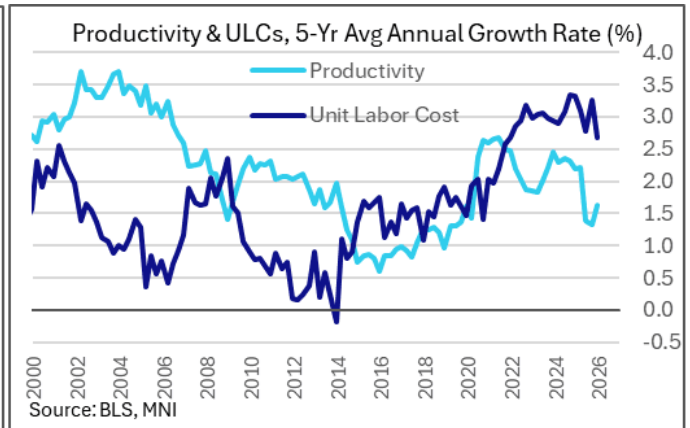
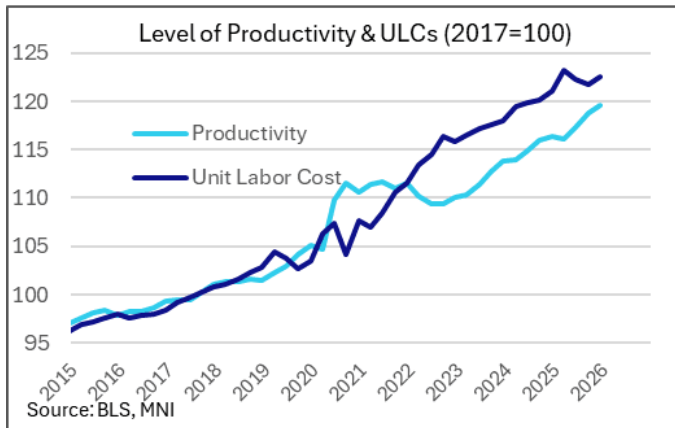
- Johnson Redbook's initial target for March is for 6.7% Y/Y growth.
- January Census Bureau retail sales is out Friday; Redbook pointed to a 6.3% Y/Y increase but Chicago Fed CARTS' final estimate of -0.1% M/M (implying roughly 3.6% Y/Y ex-auto retail sales) pointed to a much less solid outcome. Overall, Redbook data have been much more positive than the "official" Census Bureau series over recent months, including a very divergent December.
- We still haven't got a date for the February Census Bureau data.
- In the anecdotes, demand conditions appeared mixed: "Retailers have noticed that spring apparel and other seasonal items are selling at full price, especially in warmer regions. As the fourth quarter and earnings season began, results were mixed. Several retailers said they will close stores because of weak performance."



Productivity Rises More Than Expected To End 2025, ULCs Subdued

Q4 unit labor costs came in a little higher than expected in the preliminary Q4 estimate, with productivity gains slowing alongside compensation costs.

- Nonfarm business productivity grew at a 2.8% Q/Q SAAR clip, better than the 1.9% expected albeit down from an upwardly revised 5.2% in Q3 (was initially reported at 4.9%) and the slowest since Q1.
- With hourly compensation rising by 5.7%, this meant ULCs rose 2.8% (unit labor costs are calculated as the ratio of hourly compensation to labor productivity), with the difference vs the . In keeping with the productivity performances of the last year, this was the highest growth in ULCs since Q1.
- One standout was that manufacturing ULCs rose 8.3% in Q4 (6.2% rise in hourly compensation, 1.9% decline in productivity) for the biggest rise since Q3 2022. In contrast, business productivity was up 2.8%, with ULCs up 2.7%.
- That being said the quarterly readings are subject to large revisions and productivity data are always better seen in the light of longer-term trends. Indeed a broader perspective shows impressive manufacturing productivity gains, with a much less impressive acceleration in non-manufacturing.
- Zooming out, overall ULCs were up only 1.3% Y/Y in Q4, with productivity up 2.8% and compensation up 4.1%. The average annual change in nonfarm productivity in 2025 was 2.2%, a slowdown from 3.0% in 2024, but unit labor costs dropped to the lowest (1.9% vs 2.4% prior) since the pandemic.
- The BLS touts the annualized labor productivity growth of 2.2% in the "current business cycle" starting in Q4 2019, which is higher than the 1.5% in the previous cycle between Q4 2007-Q4 2019 and in line with the long-term 2.2% rate seen since 1947.
- However the pandemic greatly distorts the data here: the current 5-year lookback period shows productivity growth of just 1.6% since it excludes a 21% increase in Q2 2020 but includes a sharp decline in the pandemic reopening period of H2 2021 and H1 2022.
- That said we think policymakers would be content with a continuation of the 2.8% average increase over the last 12 quarters, and a pretty clear inflection toward weaker unit labor costs.
- Overall we think the data largely affirms that the labor market is not a significant source of inflation, and certainly of little concern to the Fed, though there continues to be a debate in the FOMC over the impact of any AI productivity boost in the quarters ahead.
- There were various minor revisions in this report due to revisions in other data series, including nonfarm re-benchmarking and CPI seasonal adjustment updates; the productivity data is derived from existing data, not the product of its own dedicated survey/data collection.

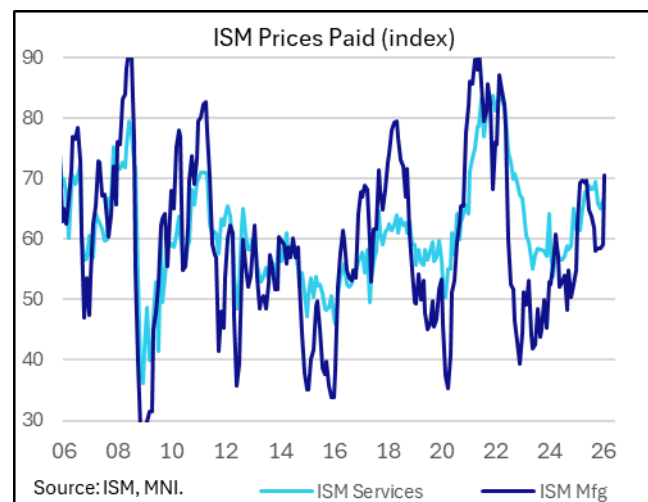


Business Sentiment:

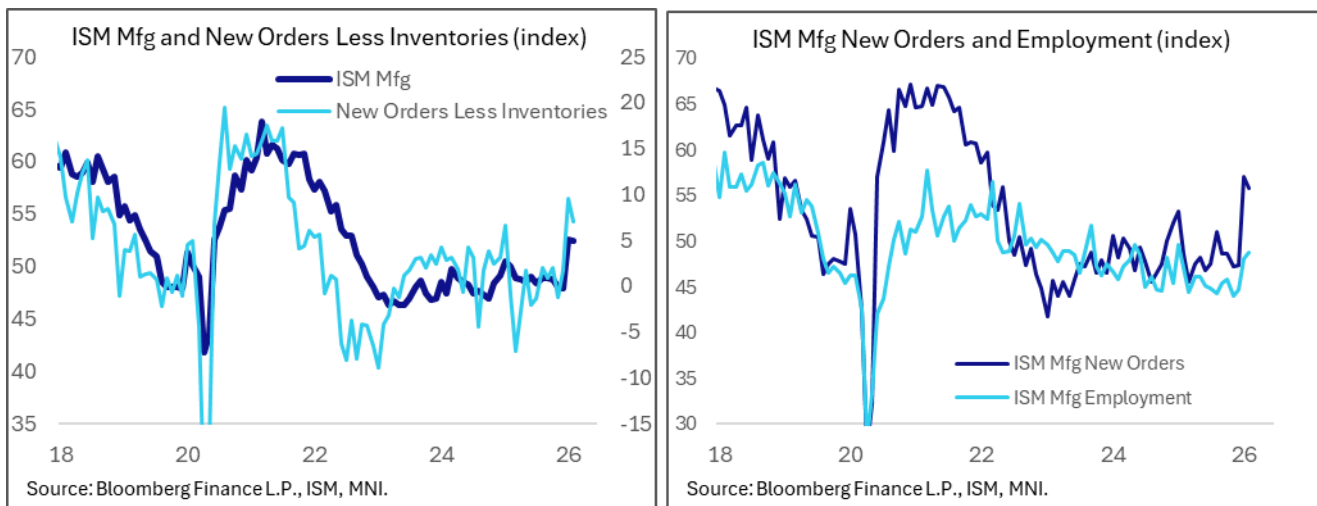
ISM Mfg Prices Paid Fire Warning Shot Before Iran-Driven Energy Impact

The ISM manufacturing survey held onto more of January's surprise increase than expected as it only inched 0.2pts lower to 52.4 in February after a 4.7pt increase. Other metrics had been mixed, with the S&P Global PMI fully reversing January's increase but the MNI Chicago PMI firming further after a particularly strong increase in January. The most notable aspect of the report was a jump in prices paid to 70.5 (+11.5pts) in Feb for its highest since Jun 2022 in a resurgence of input cost pressure signs after four particularly stable months.

- ISM manufacturing 52.4 (cons 51.5) in February after 52.6 in January.
- Prices paid 70.5 (cons 60.0, 9 responses) in Feb after 59.0 in Jan. The 11.5pt increase is the joint highest since Dec 2020 and leaves the index at its highest since Jun 2022.
- The increase is notable after four months in a particularly narrow range averaged 58.5, with pre-pandemic context being the 49 averaged in 2019 or 61.9 in 2017-19.
- From the press release: "*The Prices Index reading continues to be driven by increases in steel and aluminum prices that impact the entire value chain, as well as tariffs applied to many imported goods. Higher prices were reported by 45.4 percent of respondents in February, up 16.4 percentage points from January's 29 percent but lower compared to the 49.2 percent in April 2025, which was the highest share since June 2022 (65.2 percent)*"



- New orders 55.8 (cons 53.3, 3 responses) in Feb after 57.1 in Jan, which, like the overall index, saw a modest decline after a larger increase back in January, -1.3pts after 9.7pts. The two-month average of 56.5 is the highest since early 2022 having spent most of that time in the contractionary sub-50 region.
- With inventories also increasing from 47.6 to 48.8 (highest since Aug), the more forward-looking metric of new orders less inventories gave back some of January's particularly solid increase to 9.5 and instead eased to 7 to trim some of its implied upside for the near-term.
- Employment 48.8 (cons 48.3, 3 responses) in Feb after 48.1 in Jan, a new high since Jan 2025 but still having been below 50 since Sep 2023.

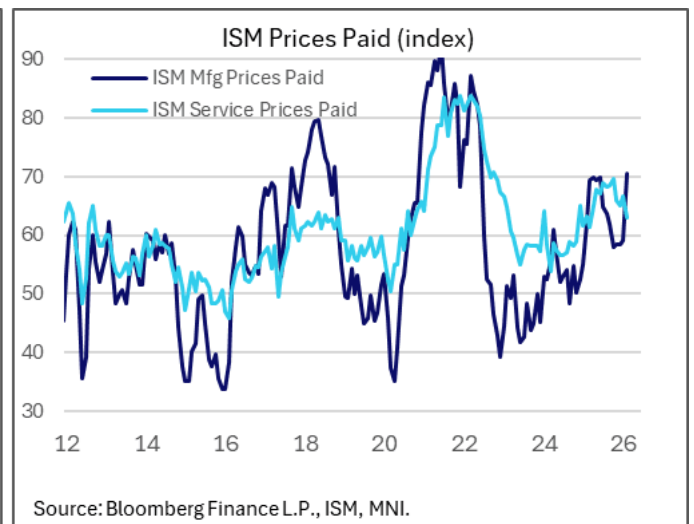
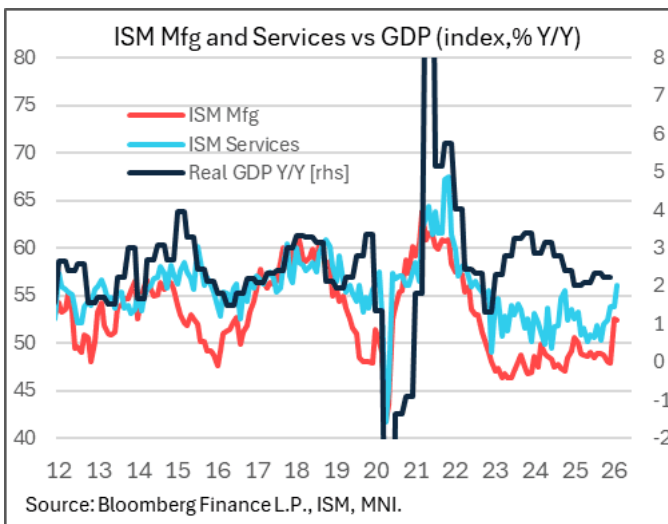
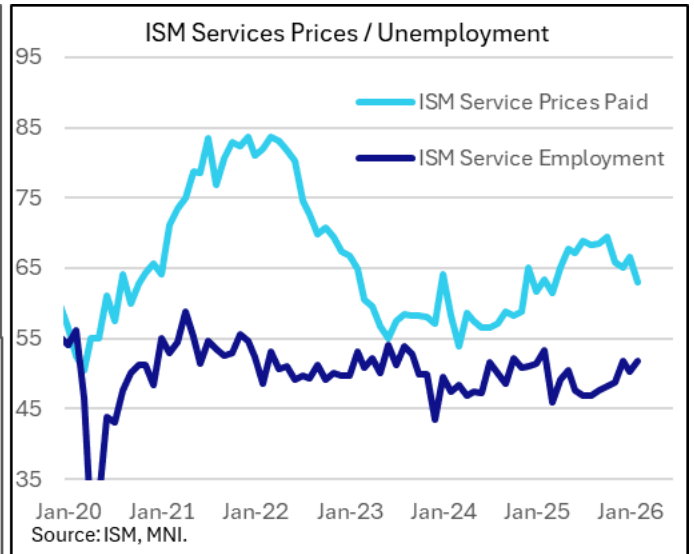
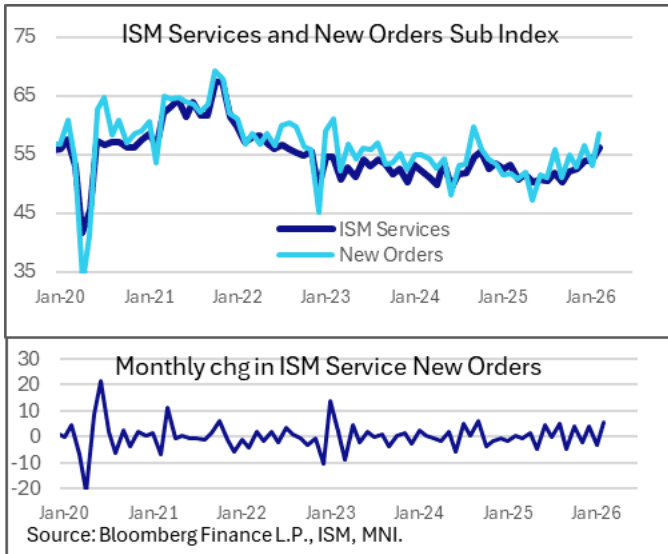


Broad-Based Jump In ISM Services Comes With Cooling Prices

February's ISM Services report was much stronger than expected in almost all respects, with the headline PMI index rising to 56.1 (53.5 expected, 53.8 prior) for the best reading since July 2022. Combined with a positive Manufacturing reading for a second consecutive month (52.4, as reported earlier this week), the ISM reports are starting off 2026 signaling an acceleration in economic activity.

- While the details underlying the PMI index were anticipated to be solid despite an overall anticipated downtick, the subindices still managed to easily impress.
- New Orders jumped 5.5 points to a 17-month best 58.6 (53.5 expected), with Employment rising 1.5 points to a 12-month high 51.8 (50.6 expected). The Business Activity gauge rose 2.5 points to 59.9 for a 21-month high. The Supplier Deliveries index was the one component of the PMI that saw a pullback, dropping 0.3 points to 53.9, indicating less-slow deliveries.
- All that said, the data also impressed in terms of breadth. The report notes this is the 3rd consecutive month in which all of those 4 PMI subindices rose, and even more impressively, all 10 subindices were in positive territory for the first time since March 2021.
- And the report notes, "Fourteen industries reported growth in February, three more than in January, and the number reporting contraction shrank to three."
- Also heartening was that the Prices Paid gauge fell 3.6 points to 63.0, defying expectations for a 1.7 point rise to 68.3 for an 11-month low (though a diminishment had been flagged by regional Fed surveys)..
- Confusingly this was the exact opposite signal to that sent from the ISM Manufacturing report earlier in the week, which saw an 11.5 point jump to 70.5 for the highest since Jun 2022, even before the Middle East conflict pushed up energy prices.
- Elsewhere, Backlog of Orders expanded for the first time since February 2025 (55.9, up 11.9 points) with New Export Orders and Imports also back in expansionary territory (respectively: 57.2, up 12.2 / 51.8, up 3.6). Inventories jumped 11.3 points to 56.4 with Inventory Sentiment up 1.0 to 55.3.
- The anecdotes were slightly more cautionary than the effusive data though we took note of the sector's reported adaptation to tariff uncertainty: "Commentary on trade uncertainty increased, with respondents commenting that tariffs impacts have stabilized and are now embedded in supply chain costs. Although there were several comments on tariff uncertainty regarding the U.S. Supreme Court decision, there was

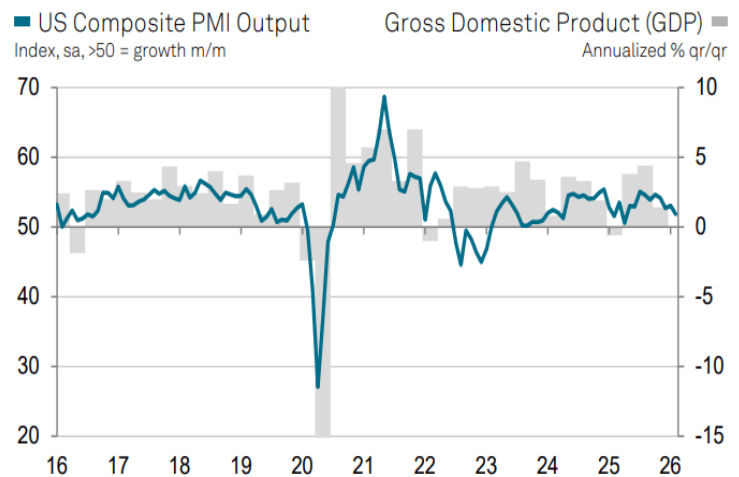
no alarm regarding supply chain performance, suggesting that services companies have developed capabilities to routinely address shifts in tariff policies."



Final PMIs Point To Cool Growth In Q1 So Far

February's final reading of S&P Global flash PMIs brought some slight downgrades from the flash release, including both Services at 51.7 (52.3 flash, 52.7 prior) and Composite at 51.9 (52.3 flash, 53.0 prior).

- That confirmed the weakest Services reading since April 2025 (which coincided with the US Liberation Day tariff announcements), though this series has recently diverged from the ISM Services gauge which has been accelerating in recent months. Recall that S&P Manufacturing PMI fell in February to the lowest since July 2025 (51.6 final vs 52.4 prior).
- The Composite reading implies real GDP growth of just under 1.5% Q/Q annualized, per the report, which would be steady from 1.4% in Q4 (which was considered understated largely due to government shutdown-related factors).
- A few highlights from the Services release ([link](#)):
- "muted demand conditions limited hiring activity and kept business confidence below trend"
- "Selling price inflation accelerated on the month, reflecting elevated cost pressures from tariffs and rising employee expenses"
- "New order growth extended into a twenty-second successive month but also cooled from January"
- Backlogs rose to the "greatest extent since May 2022"
- Of interest ahead of February nonfarm payrolls: "February data signaling a second successive monthly increase in headcounts. However, growth was largely associated with filling existing vacancies, and the gain in employment was only fractional amid reports that cost-cutting efforts had constrained hiring activity."



Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence. © 2026 S&P Global.

Fedspeak: Post-NFP Reactions Not Alarmist

February's nonfarm payrolls data doesn't appear to have greatly impacted FOMC participants' overall views on the rate outlook, which had appeared decidedly less dovish after the release January's strong report. It sounds as though many will have to weigh the surprise rise in unemployment and sharp drop in payroll jobs alongside the potential macro implications of the conflict in the Middle East before coming up with a synthesis and forming March SEP projection updates. We heard from multiple speakers on Friday after payrolls but before the pre-March FOMC blackout period began - some highlights, in alphabetical order of speaker:

- **Boston's Collins (leans hawkish, non-2026/2027 FOMC voter):** Said she does not put too much emphasis on any particular data point, said February's 4.4% unemployment rate remains low by historical standards and has been relatively stable over the last few months. "Still, it appears that the rate of hiring last year was below breakeven as we saw a modest increase in the unemployment rate." She sees the conflict in the Middle East as exacerbating uncertainty but still does "not see an urgency for additional policy adjustments, and I will be looking for clear evidence that inflation is moving durably toward the 2% target - something that might occur only over the second half of the year."
- **San Francisco's Daly (dovish, 2027 FOMC voter):** Said "I had hoped the 75 basis points we did last year would put a floor underneath the labor market. But this jobs market report has got my attention, and I've long been worried about it...the labor market is maybe a little weaker than we have seen so far." That said, "I think it's really important to step back. No one month of data is a decisional month of data. I think it just tells us that, you know, the hopes that the labor market was studying maybe we maybe that was too much, and we really have to keep our eye on the labor market, but we also have inflation printing above target and oil prices rising. How long they last, we don't know, but both of our goals are risks now, and we have to keep our eye on both."
- **Chicago's Goolsbee (2027 FOMC voter, near-term hawk but longer-term dove):** Said he remains more concerned about elevated inflation despite a "tough miss" on the February jobs report. The added

uncertainty of rising oil prices bolsters the case for the Fed to hold rates. "As we get more uncertainties, I think the time at which it makes sense to act keeps getting pushed back...I remain hopeful that conditions will improve, that we'll start to see some progress on inflation, headed back to 2%, and by the end of the year that we would be in a situation that we could commence our march back down to the settling point." Of the rise in the unemployment rate in February, "if you've got several months like that, that would be a concerning spot for the labor market."

- **Cleveland's Hammack (2026 voter, one of most hawkish on FOMC):** Said that with inflation high alongside a softening labor market, "Given this combination and recent rate reductions, I believe policy is in a good position. The fed funds rate is around neutral, which allows us to see how things are going to play out." "Under my base case, I think policy should be on hold for quite some time as we see evidence that inflation is coming down and the labor market stabilizes further. But it's easy to envision other scenarios, as well, so I see two-sided risks to rates."
- **Gov Miran (permanent voter, biggest dove on FOMC):** Said "Policy is pretty miscalibrated...The labor market could use more support from monetary policy." The oil price spike from the Iran war "slightly weighs on core inflation because it pulls demand out of the economy as people have to spend more on energy products. I'm hesitant to react to what's going on oil until we know more but if anything it biases more toward more dovish policy."

FED: Beige Book: Economic Activity Dynamics Mixed

A summary of the February Beige Book (in image below) underlines only limited changes to district-by-district conditions since the previous edition (January).

- The biggest movers were in the descriptions of economic activity but they were mixed: growth worsened vs January in 4 districts (Boston, St Louis, Minneapolis, SF) though accelerated in 5 (Philadelphia, Cleveland, Atlanta, Chicago, Dallas) with 3 reporting similar dynamics as prior (Richmond, Kansas City, New York).
- Overall, 3 Feds reported outright slower activity, vs just 1 in January, with 7 reporting expansion, vs 8 previously.
- The February Beige Book showed a very slight improvement in the employment column compared with January's edition. 3 regional Feds reported increases (Philadelphia once again, joined by Richmond and Dallas which had been flat previously) vs 2 in the prior report - the most in the positive column since July.
- Once again, 3 regions saw a slight decrease in employment (Atlanta, Minneapolis once again, joined now by Boston which noted unchanged employment in the previous report), with 6 flat (vs 7 prior).
- Inflation dynamics remained largely unchanged (with prices up to varying degrees) in February's Beige Book vs January's, with 4 continuing to characterize price pressures as modest/slight for the 3rd consecutive edition.
- Once again, 8 regional Feds characterized price increases as moderate or stronger, with two of those indicating "robust" inflation (Dallas describing wages and prices as increasing "modestly to robustly", Cleveland describing nonlabor input costs as "robust", with "moderate" selling price pressure). Four (Boston, Atlanta, Minneapolis, Kansas City) saw relatively softer price pressures than their counterparts, same as the prior report. Arguably tariff pressures on input prices were less broad this time, with 9 Feds reporting tariffs contributing to increased costs, vs the prior report which noted tariffs "were a consistent theme across all districts".

District-By-District Descriptions of Current Conditions - Feb 2026 Beige Book (Mar 4, 2026)

	Econ Act	Previous Report	Employment	Previous Report	Inflation (Selling Prices)	Previous Report
Boston	Flat	Edged Up Further	Down slightly	Unchanged	Rose modestly	Rose modestly further
NY	Continued to decline modestly	Continued to decline modestly	Flat	Continued to decline slightly	Remained moderate	Picked up further but remained moderate
Phil	Grew modestly	Slight pace of growth	Increased modestly	Increased modestly	Moderate increases	Rose at a moderate pace
Cle	Increased modestly	Increased slightly	Flat	Flat	Remained robust	Rose moderately
Richmond	Grew at a modest rate	Grew at a modest rate	Increased slightly	Unchanged	Grew moderately	Grew moderately
Atl	Grew at a modest to moderate pace	Grew slightly	Flat to slightly down	Flat to slightly down	Flat to slightly up	Rose slightly
Chicago	Rose slightly	Little changed	Flat	Flat	Rose moderately	Rose moderately
Stl	Unchanged	Modestly increased	Unchanged	Unchanged	Increased moderately	Increased moderately
Minn	Down slightly	Flat	Down slightly	Down slightly	Increased modestly	Increased slightly
KC	Increased slightly	Increased slightly	Unchanged	Improved slightly	Increased slightly	Gone up modestly
Dallas	Expanded moderately	Held steady	Grew slightly	Largely held steady	Modest-to-robust	Remained moderate
San Fran	Slowed slightly	Expanded modestly	Stable on net	Stable on net	Rose moderately	Rose moderately

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

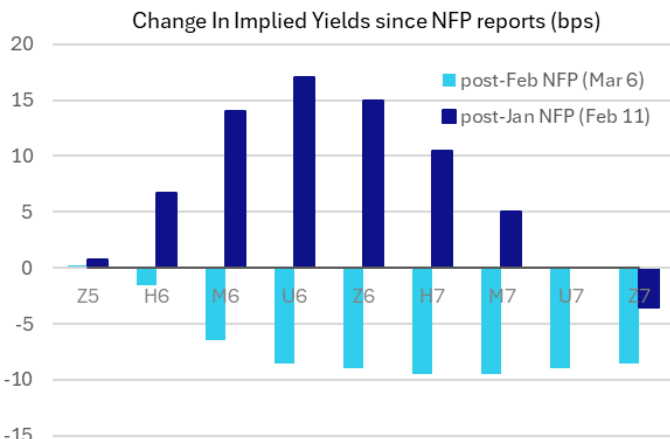
STIR: MidEast Conflict Drives Rates More Than Soft Payrolls

- Fed funds futures markets closed a tumultuous week pricing 43bp of Fed rate cuts by the end of 2026, a sharp reduction from the 60bp implied at the previous week's close.
- Soaring energy prices and broader market uncertainty over the war in the Middle East started over the weekend saw rate cut pricing evaporate mostly steadily (and occasionally in bursts).
- Cumulative pricing at one point suggested that a rate cut would have to wait until after the September FOMC, having last Friday pointed to about a 50/50 chance of a second 25bp cut by that point (after July).
- December pricing briefly touched ~32.5bp of cuts in the hour prior to the release of the February employment report, a 28bp repricing vs prior to the US-Iran conflict.
- The unexpected drop in payrolls and uptick in the unemployment rate was worth about 9bp of added 2026 cuts at one point, and at the end of the day was enough to bring a September rate cut to fully priced (29bp), even if a cut as soon as July remained slightly elusive.
- Cumulative rate cuts currently priced: Mar 1bp, Apr 5bp, Jun 12bp, Jul 20bp, Sep 29bp, Oct 35bp, Dec 43bp.
- Throughout, a March rate cut was unsurprisingly never really on the agenda, starting and closing the week at roughly 1bp implied.

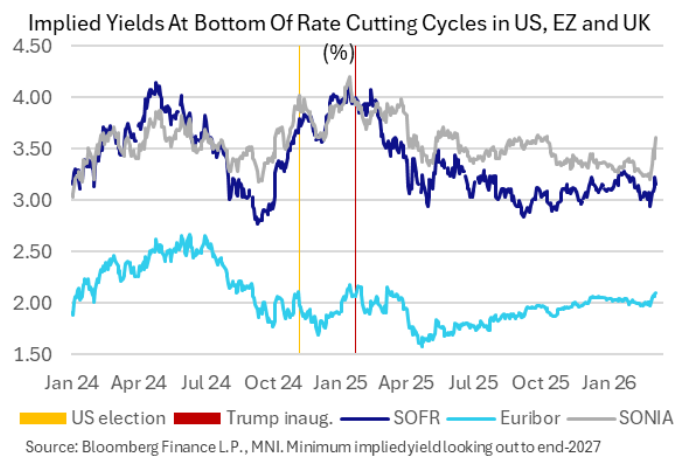
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (Mar 6)			chg in rate	pre NFP (Feb 11)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.64			3.64				3.64			
Mar'26	3.63	-1.1	-1.1	3.63	-1	-1.2	0.1	3.59	-5	-5	4.3
Apr'26	3.58	-4.7	-5.8	3.60	-3	-3.8	-2.0	3.52	-6	-12	5.9
Jun'26	3.50	-8.5	-14.3	3.54	-7	-10.5	-3.8	3.38	-15	-26	12.1
Jul'26	3.42	-7.9	-22.2	3.48	-6	-16.3	-5.9	3.28	-9	-36	13.5
Sep'26	3.32	-9.6	-31.8	3.39	-9	-24.8	-7.0	3.17	-11	-47	15.0
Oct'26	3.26	-5.9	-37.7	3.34	-5	-29.8	-7.9	3.11	-6	-53	15.1
Dec'26	3.19	-7.6	-45.3	3.27	-8	-37.3	-8.0	3.05	-6	-59	13.7

Source: Bloomberg Finance L.P., MNI. Assuming same EFRR-target lower bound spread from latest fix going ahead

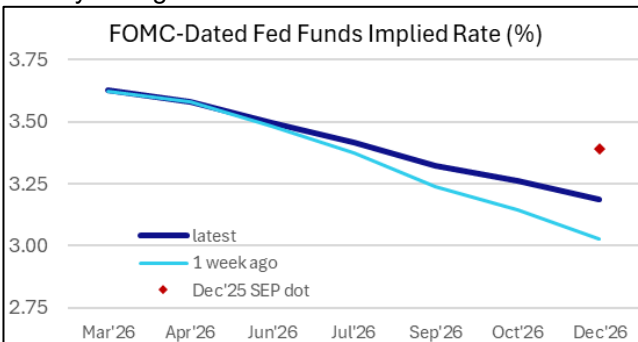


Source: Bloomberg Finance L.P., MNI

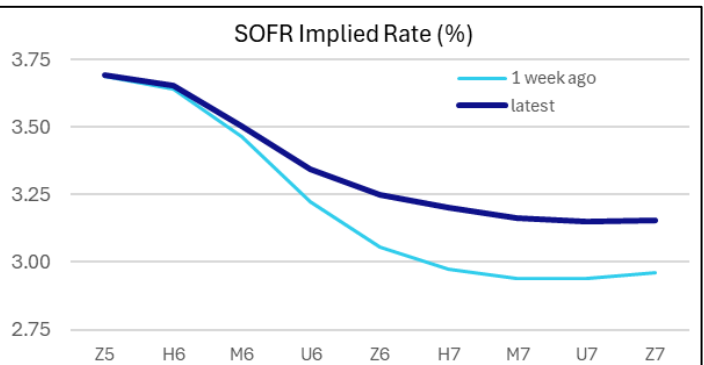


Source: Bloomberg Finance L.P., MNI. Minimum implied yield looking out to end-2027

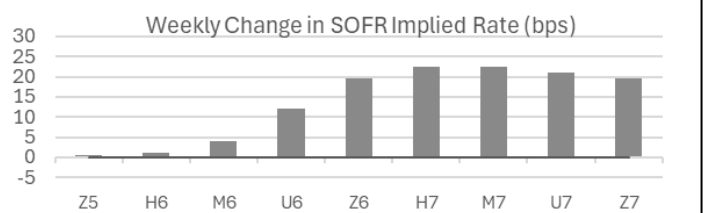
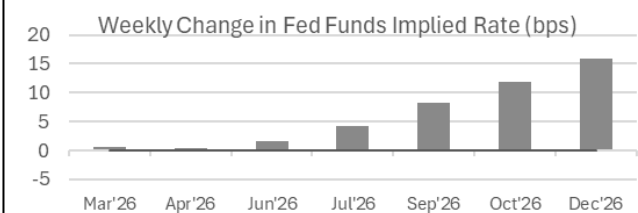
Weekly changes:



Source: Bloomberg Finance L.P., MNI. SEP median dot shows implied effective basis with current spread to lower bound



Source: Bloomberg Finance L.P., MNI.



The US Macro Week Ahead: Inflation Releases Feature Ahead Of FOMC Meeting

The coming week brings key US inflation and spending data ahead of the Fed's mid-March meeting. February headline CPI (Wednesday, 0830ET) is seen accelerating slightly to 0.3% M/M from January's 0.2%, with core ticking down to 0.2% from 0.3%. Recall that January's report saw strong supercore (0.6%) inflation in excess of overall core services (0.4%), and offset by a milder than anticipated (0.0%) core goods reading on the back of a large fall in used vehicle prices. Some of those dynamics were expected to have reversed in February, not least including a pickup in housing inflation though volatile categories such as airfares (6.5% in January) reverting, though there will be attention on whether ex-autos core goods inflation continues to accelerate given tariff passthrough concerns.

Friday's PCE report (0830ET) is a little stale being for January, but the price index will be in focus as the Fed's preferred inflation gauge. Core PCE prices are seen registering a 0.4% M/M rise for a second consecutive month, keeping the Y/Y rate at 3.0%. The just-released January retail sales report suggested a continued deceleration in goods consumption momentum (fell 0.5% in real terms in December's PCE report), putting continued pressure on services consumption (rose 0.3% in real terms in December) to underpin the "solid consumer" narrative. Going into the PCE report, overall real personal spending is seen flat in January, vs December's 0.1% gain.

Other key releases include revised Q4 GDP figures, and January JOLTS and durable goods orders data.

Date	ET	Impact	Event
9 Mar	1100	**	NY Fed Survey of Consumer Expectations
10 Mar	600	**	NFIB Small Business Optimism Index
10 Mar	855	**	Redbook Retail Sales Index
10 Mar	1000	***	NAR existing home sales
10 Mar	1200	***	USDA Crop Estimates - WASDE
11 Mar	700	**	MBA Weekly Applications Index
11 Mar	830	***	CPI
11 Mar	830		Fed Vice Chair Michelle Bowman
11 Mar	1400	**	Treasury Budget
12 Mar	830	***	Jobless Claims
12 Mar	830	***	Housing Starts
12 Mar	830	**	Trade Balance
12 Mar	1100		Fed Vice Chair Michelle Bowman
13 Mar	830	***	GDP / PCE Quarterly
13 Mar	830	***	Personal Income and Consumption
13 Mar	830	**	Durable Goods New Orders
13 Mar	1000	***	JOLTS jobs opening level
13 Mar	1000	***	U. Mich. Survey of Consumers