

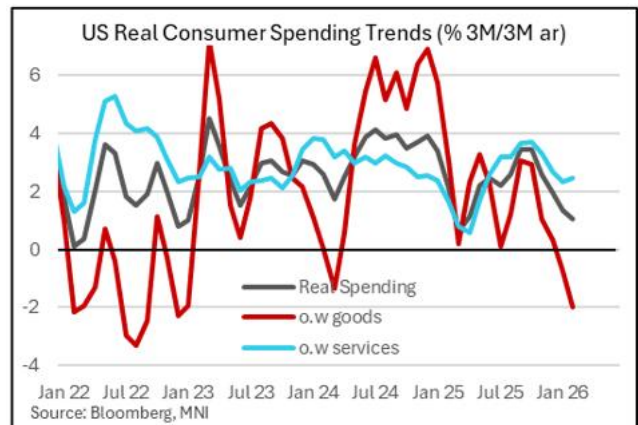
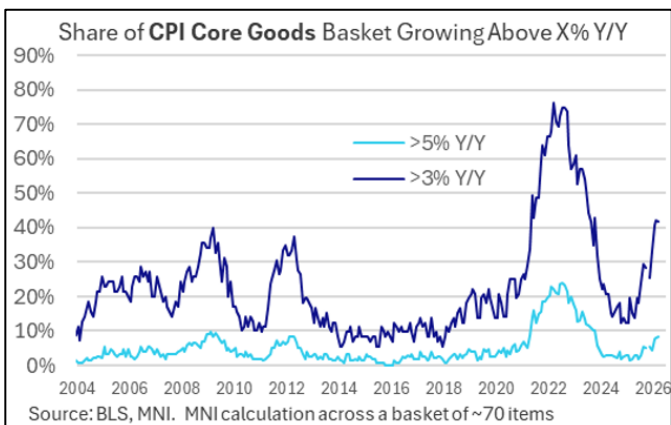
MNI U.S. Macro Weekly

MNI View: War And PCE

April 10, 2026 – By Chris Harrison and Tim Cooper

Executive Summary

- While a ceasefire in the Middle East war was announced this week, the implications of the related energy and supply chain shocks are just beginning to show in the data.
- In the week’s key release, March CPI undershot expectations on core (0.20% M/M vs 0.27% consensus) but headline surged on energy, printing 0.87% M/M. At best, any disinflation narrative coming into the year remains extremely fragile, with energy leaving inflation dispersion metrics elevated.
- Implications for core PCE are mixed, with risks on both sides. Analysts trimmed March core PCE estimates modestly (median now ~0.22% M/M) following the CPI release, though questions over some PCE-specific categories—particularly legal services—remain a key downside risk pending next week’s PPI. Core PCE inflation remains stubbornly firm near 3.0% Y/Y, with recent run rates closer to 4% annualized.
- Inflation has been taking a bite out of consumption, with latest data showing nominal resilience but less impressive volumes. February PCE showed solid nominal spending, but real consumption growth slowed, with goods volumes flat to negative and services carrying growth almost alone. Overall, real consumption momentum is decelerating despite tax refunds offering something of a tailwind.
- Against this backdrop, Q1 growth tracking remains subdued, but with an unusual mix of drivers: the Atlanta Fed GDPNow estimate of ~1.3% Q/Q SAAR, sees business equipment investment contributing more to growth than consumption. The Dallas Fed WEI corroborates a 1.3–1.5% Q1 growth signal, pointing to modest domestic demand momentum overall.
- And labor market indicators remain consistent with “low hire, low fire.” Weekly ADP showed improving job growth, and continuing claims continued to trend lower, suggesting labor market resilience. However, survey data show rising worker pessimism and muted hiring.
- With markets focused on the degree of concern over energy pressures spilling into broader inflation, it was noteworthy that the latest FOMC minutes suggested more participants in March saw potential for the next move being a hike (compared with January’s meeting).
- That said, while Fed rate pricing swung with ceasefire headlines, they ended little changed. Markets briefly priced a more dovish Fed following the US-Iran ceasefire announcement, but much of that move reversed as the truce appeared tenuous. By week’s end, pricing implied only 5–6bp of cuts through end-2026.
- While attention this weekend will firmly be on peace talks in Pakistan, the week ahead is headlined by March PPI, crucial for refining core PCE expectations. Other items of note include import/export prices, and several Fed speaker appearances ahead of the pre-meeting blackout period starting next weekend.



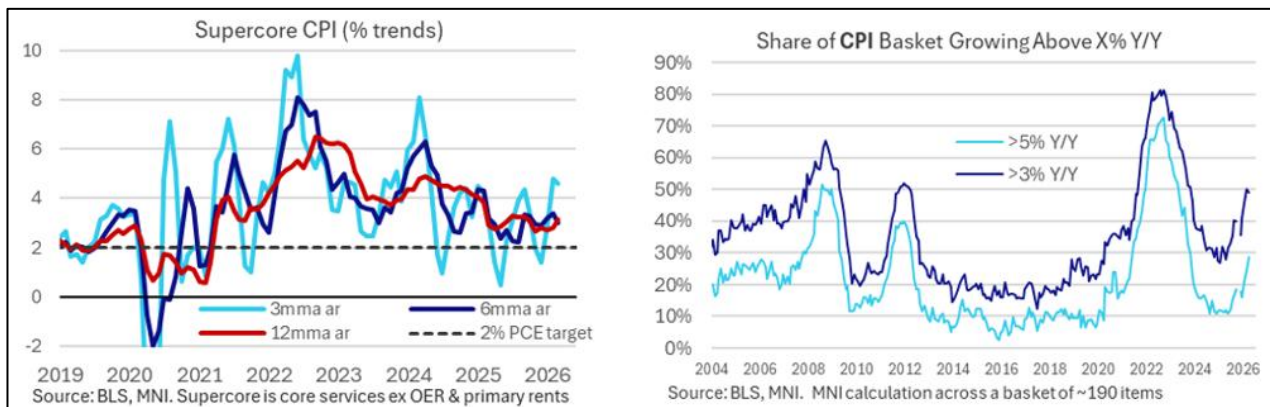
Inflation: Core Relief Overshadowed By Energy

[MNI's US Inflation Insight is here](#) – summary below

March CPI undershot expectations on core measures, though the energy price shock due to the conflict in the Middle East came through clearly in a soaring headline inflation reading and more subtly across some energy-sensitive categories. Core CPI printed 0.196% M/M (vs consensus 0.27%) and 2.60% Y/Y (vs 2.7%), while headline CPI surged 0.865% M/M and 3.26% Y/Y

CPI	Feb	Mar
Core M/M	0.216%	0.196 (cons 0.27)
Headline M/M	0.267%	0.865% (cons 0.93)
Core Y/Y	2.46%	2.60% (cons 2.7)
Headline Y/Y	2.41%	3.26% (cons 3.4)

- Underlying momentum was mixed, with recent core trends easing but still elevated. Three-month core CPI slowed to about 2.9% annualized, while the six-month pace came in at ~2.3%, partly biased lower by government shutdown distortions earlier in the year.
- Supercore inflation cooled meaningfully but remains a key area of concern: it slowed to 0.18% from 0.35%, down sharply from prior months, yet its three month annualized rate remains elevated around 4½%+.
- Housing inflation continued to moderate, supporting the Fed’s longer-term disinflation narrative.
- Core goods inflation softened again despite tariff-related pressures earlier in the year. Core goods rose only ~0.1% M/M, dragged down by another decline in used car prices, while median core goods inflation posted a second consecutive soft reading following January’s tariff-related surge.
- Inflation breadth widened, mainly due to energy, but longer-term dispersion signals are improving. About half of the CPI basket is now rising at 3%+ Y/Y, though some measures (Cleveland Fed median, trimmed mean) continued to trend lower on a Y/Y basis, offering a glimmer of gradual longer-term disinflation.
- CPI details had mixed implications for core PCE, with downside and upside risks offsetting. Analysts trimmed March core PCE estimates slightly (median ~0.22% M/M), though volatile categories such as legal services and strong PCE-weighted core goods remain key forecast risks pending PPI data.
- Beyond the immediate knee-jerk reaction, pricing reverted to trade roughly around pre-data levels. In the half-hour following the release, FOMC-dated OIS effectively showed no change over the next 3 meetings and a cumulative 9bp of cuts through year-end.



Core PCE Estimates Dip Slightly, Legal Services Category A Risk

March's CPI report brought down analysts' expectations for core PCE for the month, to a median of 0.22% vs the 0.24% seen prior to the release. That would be a pullback from 0.367% in February but would still keep a positive "wedge" with core CPI (which was 0.196% in March).

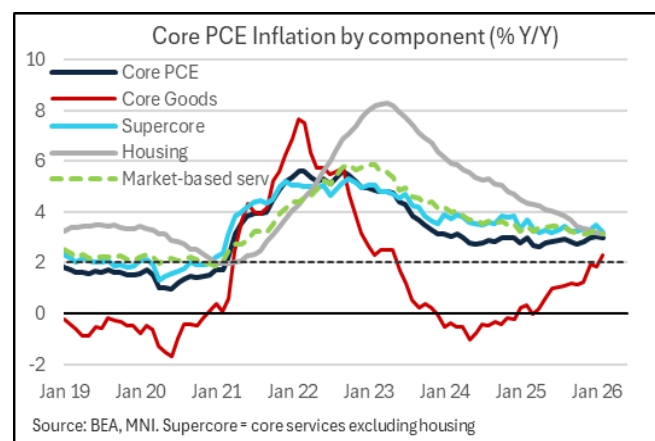
- As MNI noted earlier, March's CPI report had mixed implications for PCE readthrough, with refinement to come after the PPI report is released on April 14.
- Possibly still outstanding as an issue even after PPI is legal services which fell -4.4% M/M NSA by our calculations after -0.2% M/M, to drag -0.02pps from core CPI but closer to -0.04pps from a core PCE equivalent.
- Nomura, which has a core PCE forecast on the low end of expectations, writes (apparently making a seasonal adjustment) "It's unclear whether the BEA will incorporate CPI's legal service prices, which appear to have declined by 6.0% m-o-m in March."
- Barclays, a standout in raising their core PCE forecast post-CPI, notes "The positive wedge can be attributed largely to differences in category weights, with our translation indicating a 0.3% increase in core goods PCE (versus 0.1% in CPI)", but "With CPI legal services prices falling sharply (about -5% m/m), a renewed reliance on the CPI deflator would mechanically pull core PCE below our forecast, creating downside risk to the print."

Analysts' current expectations (vs prior to CPI, if applicable):

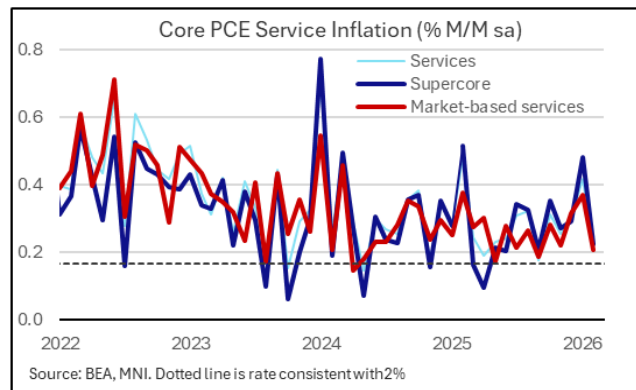
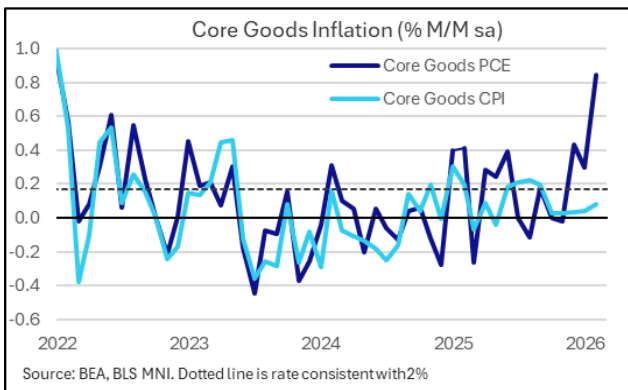
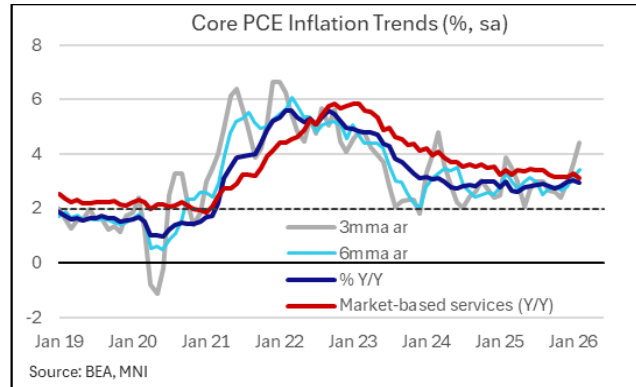
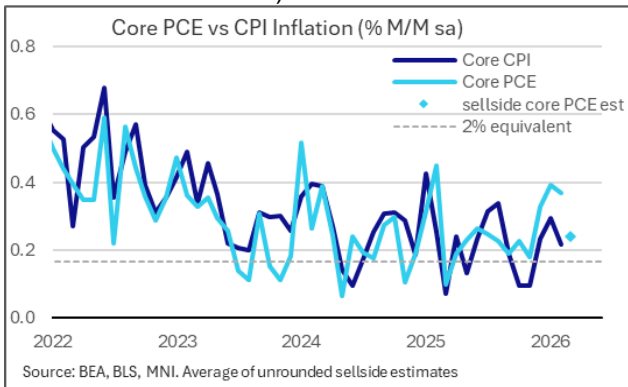
- **Nomura:** 0.19% (was 0.26%)
- **Morgan Stanley:** 0.21% (was 0.23%)
- **Goldman Sachs:** 0.22% (was 0.23%)
- **Deutsche:** 0.22%
- **TD:** 0.23%
- **Barclays:** 0.27% (was 0.23%)

Core PCE Inflation Stubbornly Firm Before Iran Impact

- Core PCE inflation was very close to expectations in February at 0.37% M/M (average 0.37 from a narrow sample) after two solid readings of 0.39% M/M in Jan (+3bp) and 0.33% M/M in Dec (-3bp).
- It left Y/Y inflation at 2.97% for a third consecutive month rounding to 3.0 or 3.1%. It had previously last been at 3% or above in Feb 2025 via a low of 2.61% in Apr 2025 before tariff effects started to more materially show.
- Recent run rates are stronger, with an annualized 4% over six months or 4.4% over three months.
- We have seen some analysts tentatively centered on a 0.24% M/M estimate for core PCE inflation in March but with CPI, PPI and import prices all to come. That would see the Y/Y more clearly round to 3.1% Y/Y in March.
- Back to today's February release, core goods were particularly strong at 0.84% M/M (strongest since Jan 2022) after 0.30% M/M which saw the Y/Y climb further to 2.30% (highest since May 2023) after 1.86% in Jan.
- There are signs of tariff impacts and tech-related shortages here with strong increases for various durable and non-durable goods categories. In particular, recreational goods & vehicles increased 2.2% M/M, in turn driven by information processing equipment at a booming 4.4% M/M, whilst clothing & footwear increased 1.0% M/M.
- Core services meanwhile were steadier at 0.22% M/M after 0.42% M/M whilst the Y/Y moderated further from 3.44% to 3.19% for its softest since Mar 2021.
- There remain two different themes within services: housing inflation continues to moderate, albeit more slowly in recent months, to 3.1% Y/Y vs 4.4% averaged in 1Q25, a profile that was broadly telegraphed by alternate rents data, but with non-housing services stickier at 3.2% Y/Y in Feb vs 3.5% in 1Q25.



- Alternatively, market-based services eased two tenths to 3.1% Y/Y but has broadly plateaued around 3.2% +/-0.1pp since October and with recent run rates pointing to some upside (3.2% over six months, 3.6% over three months).



Consumption: Solid Nominal Spending But Volumes Struggling

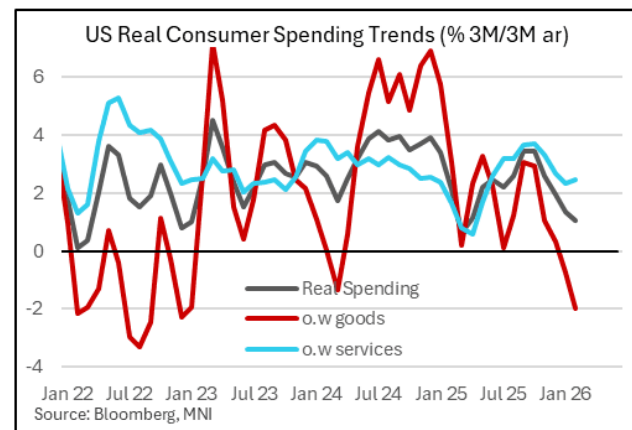
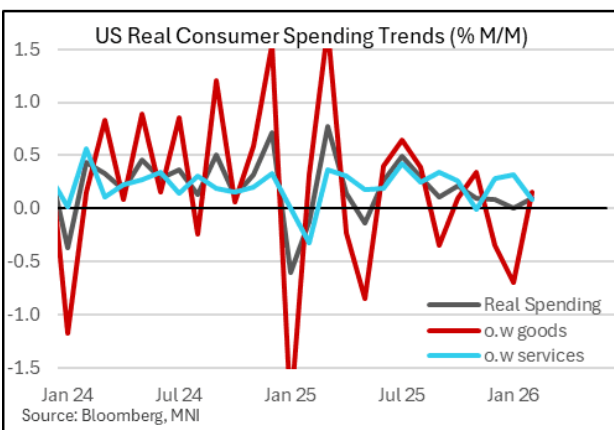
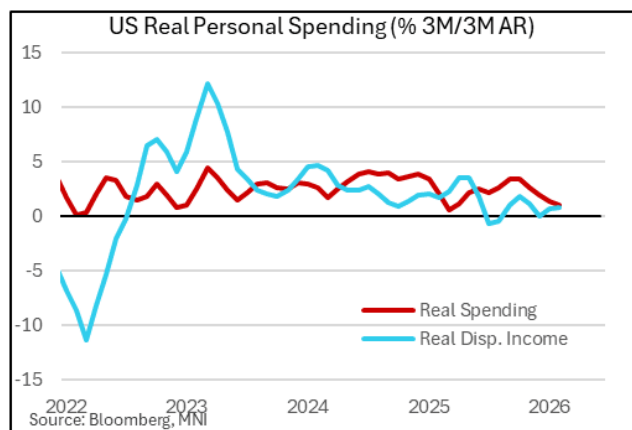
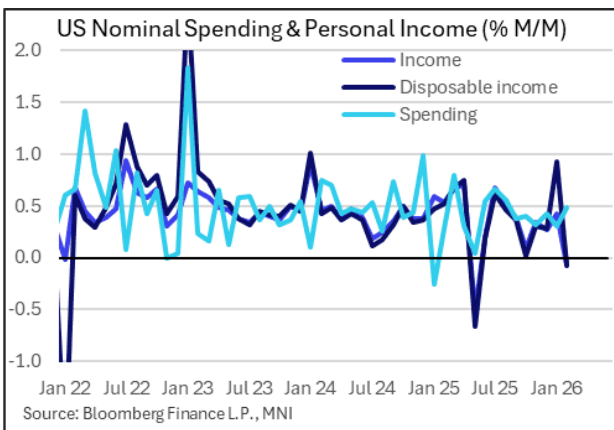
Feb PCE Data Points To Inflation Taking A Bite Out Of The Consumer

February's personal income/outlays report showed an unexpected (but anomalous) drop in income, but there should be relatively more concern over largely-in-line spending growth, which is showing increasing signs of stalling - especially in real terms. Solid-enough wage growth and tax relief look like they will continue to underpin consumer spending, but the sizeable bite taken out of purchasing power from rising inflation continues to weigh on PCE's contribution to real GDP.

- Personal income fell by 0.07% M/M, the first contraction since last May and surprising the consensus for 0.3% growth. But employee compensation, the bulk of income, remained decent if a little slower (+0.2% after 0.4%, with a 3-month/3-month annualized rate of 3.9% the slowest since Aug 2025). Overall though, income was dragged down by a \$34.4B drop in "other" government social benefits, which was in turn the result of lower Affordable Care Act enrollments (for which households receive tax credits). The BEA also notes that personal dividend income fell \$39.7B; between those two volatile/one-off categories, the \$33B increase in employee compensation was more than offset.
- With taxes paid remaining negative for the year (0.0% growth in Feb, after -3.1% in Jan, reflecting the OBBB tax cut impact), disposable income fell by 0.1% (+0.9% prior) - again, the first drop since May 2025. (The savings ratio dropped to 4.0% from 4.5% prior, but this is volatile).
- But when inflation is taken into account, the figures all look increasingly weak. February saw a 0.45% M/M drop in real disposable income, the biggest since March 2022 and 3rd fall in the last 5 months, which while reflecting in part the anomalous factors mentioned above, it's barely grown since last September (and just 1.1% Y/Y, joint-slowest growth since 2022).
- In turn, while spending largely met expectations in the month - with real personal spending up 0.10% M/M, vs 0.2% expected, 0.0% prior rev from 0.1% - that's versus a 0.5% rise in nominal terms. And spending

volumes are turning increasingly flat: the 3M/3M annualized pace of real spending is down to 1.1% from 1.4% for the slowest since April 2025, and compared with 3.5% in September/October last year.

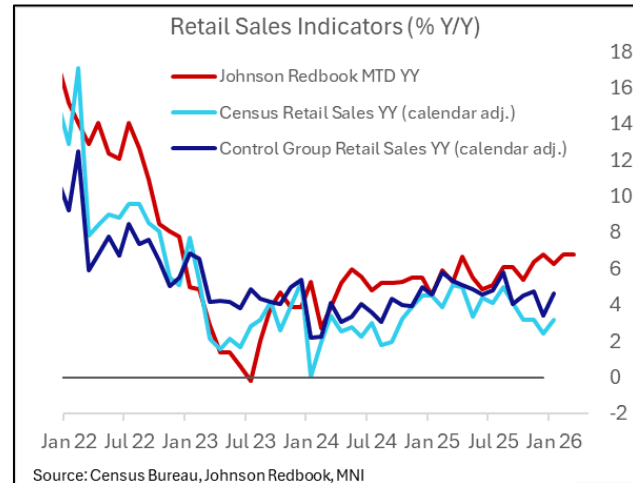
- February did see the first growth in real goods consumption since November, at +0.15% (-0.7% prior rev down from -0.4%), but is still below the level of last July and the current quarterly growth rate is -2.0%, weakest since 2022 (for comparison, the retail sales Control Group category rose by 0.45% M/M in nominal terms in Feb). Services consumption was also a concern for the first time in a few months, growing just 0.08% after rising 0.3% in each of the prior 2 months, though as with January this category is holding up overall consumption, with a 2.4% quarterly growth rate (albeit down from the high 3s late last year).
- The breakdown wasn't great either: recreation services spending had its worst month since February 2025, with healthcare (+0.3%), very much a non-discretionary category, again driving overall growth.
- Looking ahead, March's retail sales look to be strong in nominal terms, but it would be unsurprising to see them come in negative in real terms.



Redbook Seals Solid March Retail Sales Growth Despite War Impact

The March retail month closed strongly, per the Johnson Redbook Index, which rose by 7.6% Y/Y in the week ending April 4. vs 6.9% the prior week. For March as a whole (it's considered a 5-week month by retailers covered in the index), sales were up 6.8% Y/Y, below retailers' targeted 7.4% gain but steady from February and joint-highest since 2022.

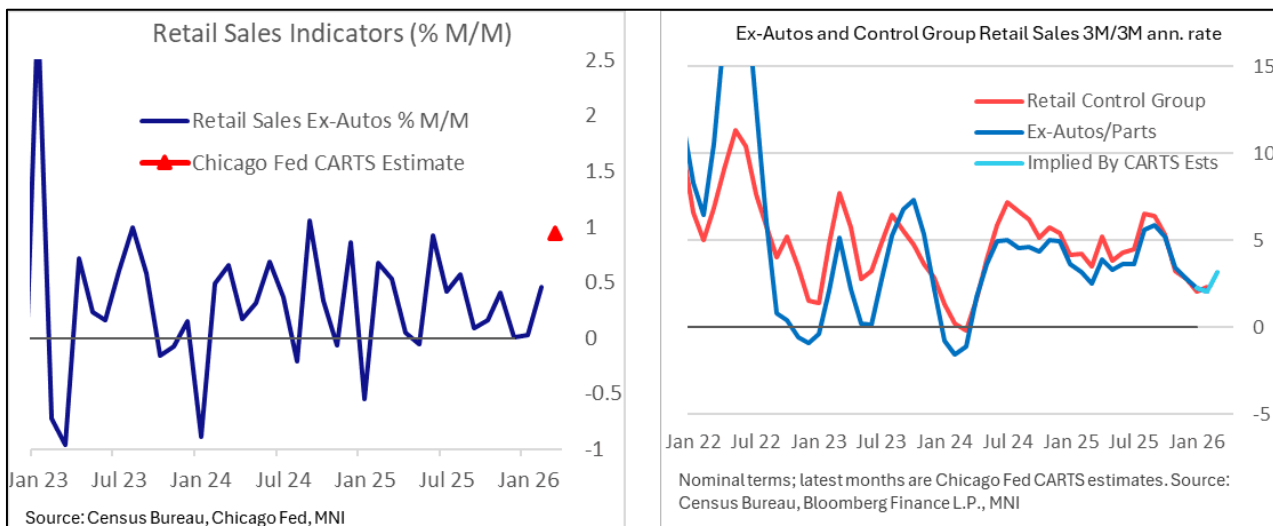
- In part due to the fact it's a 5-week "month", but also due to the shifting dates for Easter, Johnson Redbook advises averaging the March and April figures, so the overall picture may take a few weeks to clear up. Indeed, "March's growth rate is slightly elevated because Easter occurred earlier this year; we expect April's growth rate to reflect a corresponding decrease." Even so "Our preliminary target for April is 7.0% year-over-year growth, to be confirmed in next week's report."
- Either way Redbook growth remains substantially stronger than the official Census Bureau series.
- These (and official retail sales) figures are in nominal terms, so are receiving a boost from a pickup in goods price inflation, as underlined by the March Chicago Fed CARTS estimate which saw 0.9% M/M ex-autos sales but -1.1% in volume terms.
- The lack of mention of higher energy prices and war in the Middle East continues to stand out in the Redbook anecdotes, which only mentioned "Sales in the final week of March were mixed but generally stronger, supported by mild weather, spring break, Easter, and upcoming prom and graduation events. These factors boosted sales of spring merchandise, including apparel and footwear, across all categories."



CARTS Sees Big Jump In March Core Retail Sales...But Negative Volumes

The Chicago Fed Advance Retail Trade Summary (CARTS)'s preliminary estimate for ex-auto retail sales growth is 0.9% M/M, vs the 0.5% posted in February in last week's Census Bureau.

- It would mark the biggest gain in this key core category (which is close to the overall Control Group, which also excludes food services, gasoline and building materials) since September 2024 on an unrounded basis, and would bring up the quarterly run rate (3M/3M annualized) to 3.2% from 2.0% for the highest since November.
- However, there is a major caveat here and that is, this is expressed in nominal terms. The % volume change is estimated to be -1.1%, with prices of ex-auto retail sales items up 2.0% M/M.
- While there's no breakdown of the details, this appears to be largely related to gasoline prices, which look to have jumped sharply in March (around 25% M/M) and aren't in the Control Group (motor fuel is about 3% of the CPI basket but about 9% of ex-autos retail sales).
- With a strong rise in light vehicle sales in March indicated by Wards Automotive (16.34 million in March from 15.75 million in February), March's headline figure (released April 21) looks to have an outsized figure on the overall nominal side, but should be heavily caveated due to the gas price spike with Control Group taking on even more importance than usual in the interpretation.



Broader Growth: Q1 GDP Tracking Remains Subdued Whilst Q4 Revised A Little Softer

Atlanta Fed GDPNow Steady, But Q1 More Biz Investment Than PCE-Driven

The Atlanta Fed's GDPNow estimate for Q1 growth remained steady at 1.3% Q/Q SAAR Thursday, the joint-lowest estimate yet this quarter, but the composition of expected growth shifted slightly.

- In the wake of February's PCE data, the estimate for real private consumption growth fell to 1.1% Q/Q SAAR from 1.3% (and 1.9% actual in Q4). That's the lowest estimate yet for the quarter and would be the 2nd weakest quarter since the end of 2022.
- This shaved 0.14pp off of PCE's contribution to Q1 growth, and with equipment investment estimates being upped to 14.7% Q/Q SAAR from 13.8% (and vs 7.5% in Q4), that means business investment's contribution to GDP (0.76pp) is estimated be slightly bigger than that of private consumption (0.73pp) this quarter. Meanwhile, inventories' contribution to growth was upped 0.07pp following the wholesale trade data.
- It leaves GDP minus net exports/inventories at around 1.5-1.6% Q/Q SAAR.
- We won't get another GDPNow update until April 21 (retail sales + inventories releases), and then after that the next release is Apr 29's final nowcast for Q1 GDP (data released Apr 30).

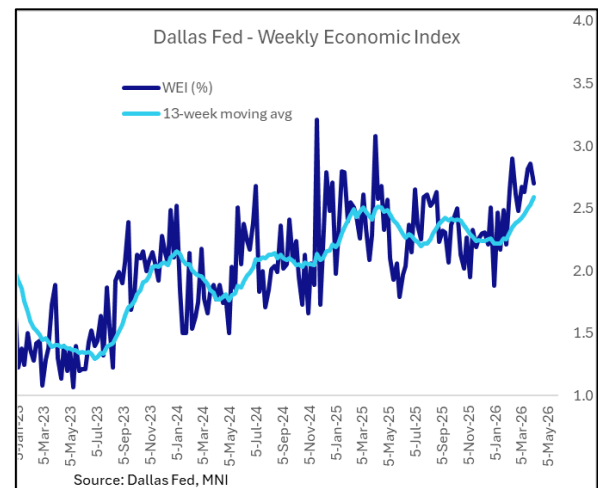
Atlanta Fed GDPNow estimates for 2026: Q1, contributions to growth

Date	Major Releases	GDP	PCE	Equip-ment	Intell. prop. prod.	Nonres. struct.	Resid. inves.	Govt.	Net exports	CIPI
9-Apr	Latest BEA estimate for 25:Q3	4.4	2.34	0.28	0.31	-0.15	-0.29	0.38	1.62	-0.12
9-Apr	Latest BEA estimate for 25:Q4	0.5	1.30	0.23	0.29	-0.19	-0.06	-0.99	-0.22	0.14
20-Feb	Initial GDPNow 26:Q1 forecast	3.1	1.94	0.40	0.37	-0.01	-0.09	0.27	-0.51	0.76
Advance Manufacturing (M3-1) , GDP										
13-Mar	(Q4 2nd est.), Pers. Inc. and outlays	2.7	1.24	0.41	0.32	-0.08	0.17	0.28	-0.32	0.67
16-Mar	Industrial production	2.8	1.31	0.42	0.32	-0.07	0.18	0.28	-0.34	0.73
18-Mar	M3-2 Manufacturing, PPI	2.8	1.31	0.41	0.32	-0.07	0.18	0.28	-0.34	0.71
19-Mar	New-home sales, Wholesale trade	2.3	1.31	0.41	0.32	-0.07	-0.13	0.28	-0.34	0.53
23-Mar	Construction spending	2.0	1.31	0.41	0.32	-0.17	-0.34	0.28	-0.34	0.53
25-Mar	Import and export prices	2.1	1.31	0.41	0.32	-0.17	-0.34	0.28	-0.21	0.53
1-Apr	Retail trade, ISM Manufacturing Index	1.9	1.04	0.44	0.33	-0.17	-0.31	0.28	-0.23	0.56
2-Apr	International trade	1.6	0.98	0.73	0.33	-0.16	-0.30	0.28	-0.76	0.56
3-Apr	Employment situation, Auto sales (4/2)	1.4	0.88	0.71	0.32	-0.17	-0.32	0.24	-0.75	0.53
6-Apr	ISM Services	1.4	0.87	0.71	0.32	-0.17	-0.32	0.24	-0.75	0.53
7-Apr	Advance Manufacturing (M3-1)	1.3	0.87	0.71	0.32	-0.17	-0.32	0.24	-0.75	0.42
GDP (Q4 3rd est.), Pers. Income, NIPA										
9-Apr	under. detail tables, Wholesale trade	1.3	0.73	0.76	0.32	-0.17	-0.31	0.25	-0.75	0.49

Dallas Fed Weekly Economic Index Corroborates 1.3-1.5% Q1 GDP Est

The Dallas Fed's Weekly Economic Index (WEI) dipped slightly in the week to April 4 but was solid overall, rising 2.70% Y/Y (scaled to four-quarter GDP growth) vs 2.86% the prior week.

- While this was the slowest in 3 weeks, the 13-week moving average, implying activity over the course of a the trailing quarter, ticked up to 2.58% from 2.52%, for a fresh post-November 2022 high.
- This roughly corresponds with 1.4% Q/Q SAAR expansion and in turn with the Atlanta Fed's latest GDPNow estimate for Q1 growth of 1.3% Q/Q SAAR: that would equate to a 2.6% reading on a Y/Y basis, although now the WEI is spilling into Q2.
- The WEI more closely tracks domestic demand than overall GDP which is impacted by net exports and inventory stockbuilding.



GDP Q4 Growth Trimmed Further, PDPF Still Tells A Stronger Story

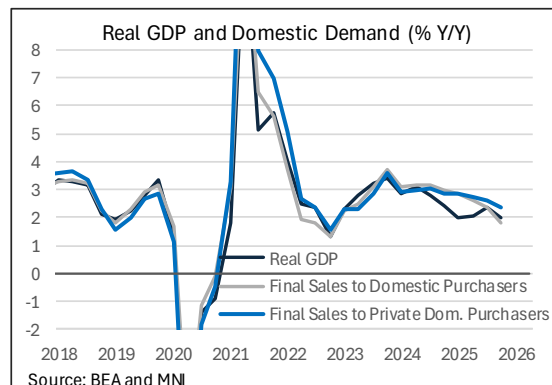
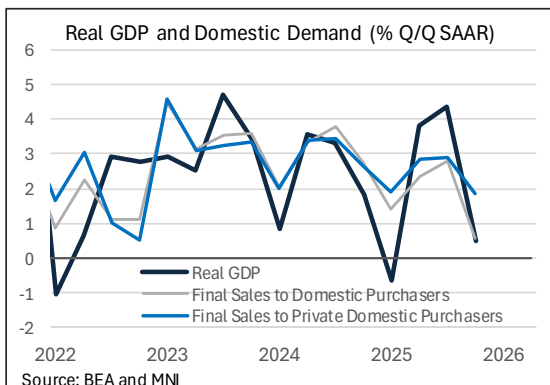
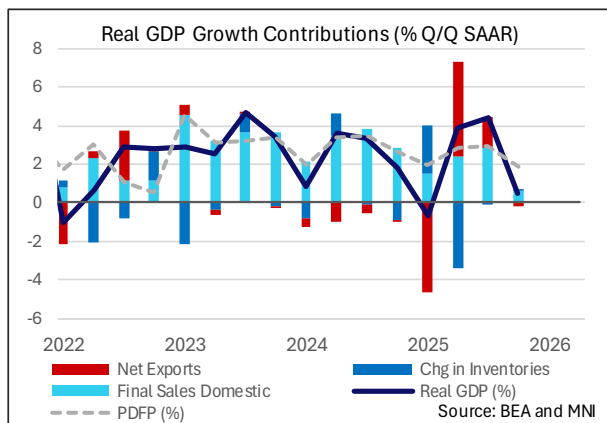
Real GDP growth was surprisingly revised down a little further in the third Q4 update to just 0.48% annualized (cons 0.7) after a more material trimming to 0.65% in the second update from 1.42% in the advance.

- Latest revisions were driven by changes in inventories (-0.14pp), with it now seen adding 0.14pp for a smaller uplift after -0.12pp in Q3.
- PDPF contributions were marked marginally softer (-0.06pp) to further trim the contribution to 1.56pp after 2.5pp in Q3. That comes with quarterly PDPF growth of 1.8% annualized.
- It left real GDP growth at 2.0% Y/Y in Q4 after 2.3% in Q3 to match the 2.0% in 1Q25 for its softest since 4Q22.
- Real PDPF growth meanwhile moderated further from 2.6% in Q3 to still solid 2.4% Y/Y for its softest since 2Q23 having averaged 3% in 2024.

US Real GDP Growth and Contributions (%Q/Q SAAR, pps)

	2Q25	3Q25	4Q25		
			prior	latest	rev
Real GDP	3.8	4.4	0.65	0.48	-0.17
Final Sales Dom. Purchasers	2.4	2.9	0.59	0.57	-0.02
(of which Private)	2.5	2.5	1.62	1.56	-0.06
Personal Cons	1.7	2.3	1.33	1.30	-0.03
Gov Cons + Invt	0.0	0.4	-1.03	-0.99	0.04
Fixed Invt	0.8	0.2	0.29	0.26	-0.03
non-resi	1.0	0.4	0.31	0.33	0.02
resi	-0.2	-0.3	-0.02	-0.06	-0.04
Chg in Inventories	-3.4	-0.12	0.28	0.14	-0.14
Net Exports	4.8	1.6	-0.22	-0.22	0.00
Exports	-0.2	1.0	-0.36	-0.35	0.01
Imports	5.0	0.6	0.15	0.13	-0.02

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

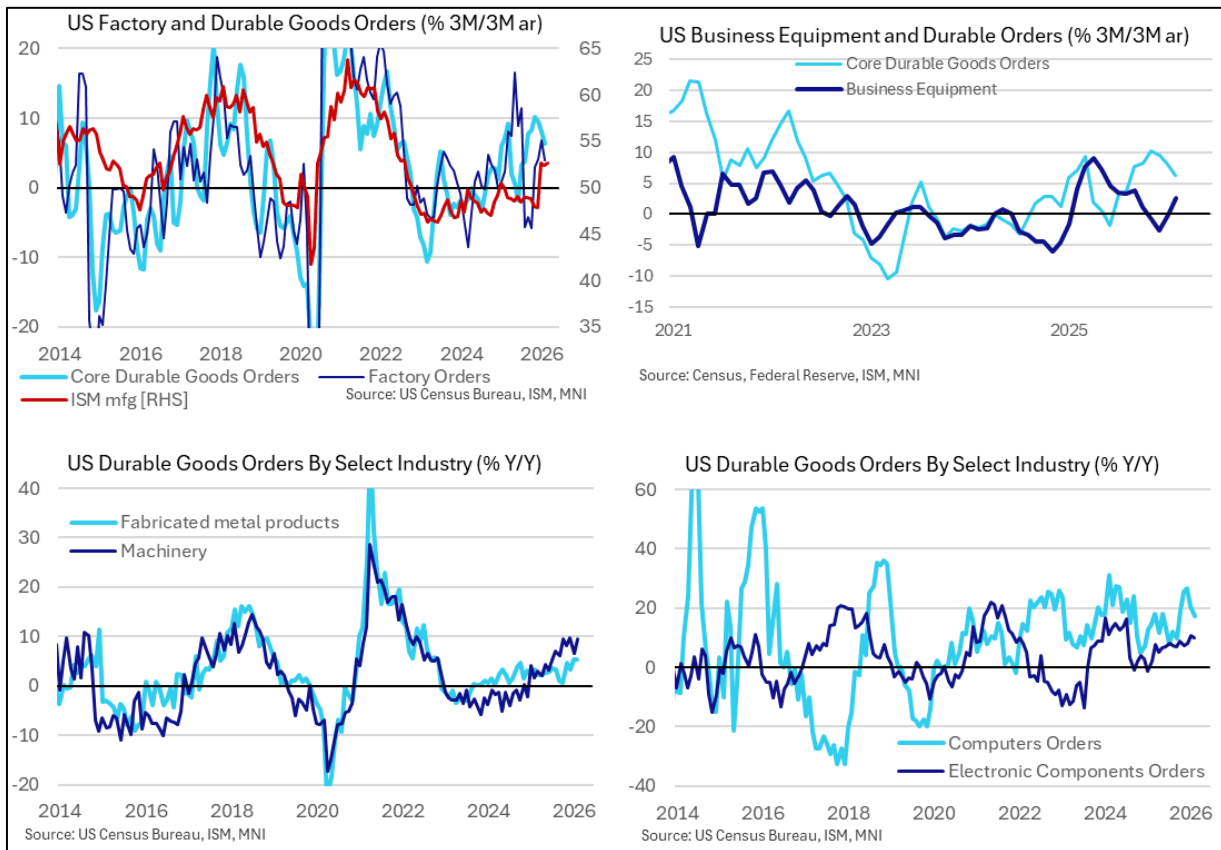


Ex-Transport Manufacturing Orders Underpin Strong Investment Outlook

US factory orders flatlined in February for the second consecutive month, avoiding the expected contraction (-0.2% M/M Bloomberg median consensus). But ex-transport orders impressed, rising 1.2% M/M (0.4% expected) with prior revised up a tenth (0.5%). As was known from the earlier release of durable goods orders, volatile nondefense aircraft and parts (-28.6%) were to blame for the gap.

- Indeed, equipment investment is set to be the single biggest driver of GDP growth in Q1 (at least, according to the Atlanta Fed's nowcast which shows an estimated 14.7% Q/Q SAAR real growth in the category). While overall manufacturing orders saw a modest pullback in the quarterly annualized (3M/3M % ar) rate, to 4.0% from 6.9%, ex-transport orders have been accelerating smartly, to 5.4% in Feb from 2.6% Jan and 1.0% in each of Dec and Nov.

- February core capital goods orders (nondefense ex-aircraft) saw a slight upward revision in the report to 0.7% from 0.6%. While momentum there has been slowing slightly, to 6.3% 3M/3M % ar, from 8.0% in January, this is still a very strong pace.
- Durable goods orders are now up 8.2% Y/Y year-to-date. In terms of notable sub-categories, machinery orders remain strong (+7.1% Y/Y year-to-date), as do computers and electronics (+8.5% ytd), led by a staggering 20.7% rise in computers and 20.1% in nondefense communications equipment. These are in line with firmly positive estimates for equipment investment and still-solid manufacturing surveys, amid AI/data center expansion as well as new investment tax incentives coming into play.



Business Sentiment: Service Prices Soar On Middle East Conflict

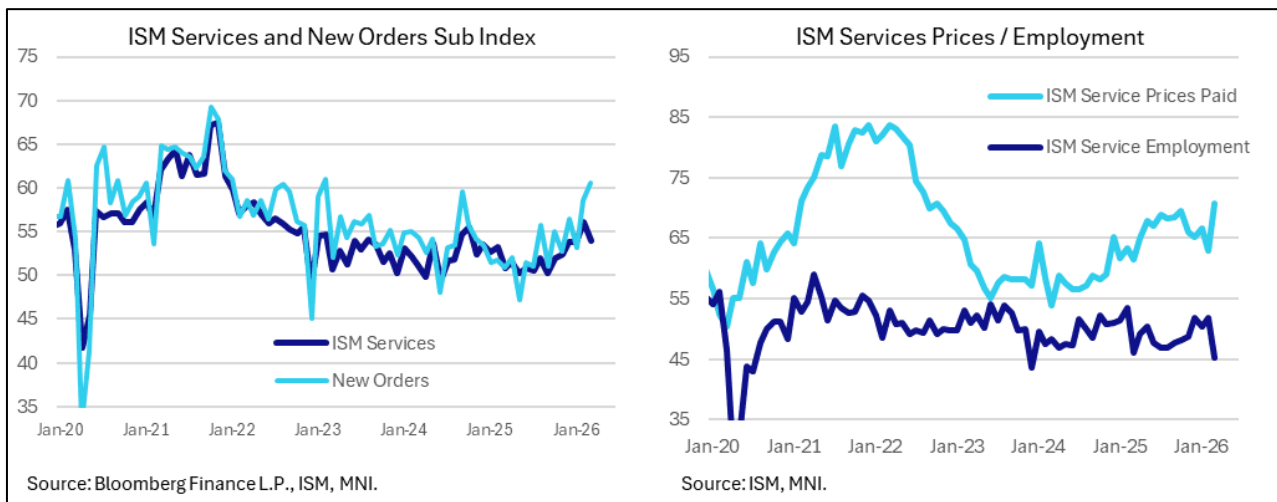
ISM Services Prices Soar As MidEast Conflict Weighs

March's ISM Services survey was mixed, with the headline PMI index decelerating just slightly more than anticipated at 54.0 (54.9 expected, 56.1 prior), but large divergences in subcomponents including worryingly high price pressures and weak employment amid some impact from the conflict in the Middle East apparent overall.

- The Employment reading was substantially weaker than consensus at 45.2 (51.0 expected, 51.8 prior). It was the poorest since December 2023, and looks to be at odds with the strong gains in March's employment report across multiple services categories. Indeed, the ISM called this drop a "surprise" given indications from the broader report and there weren't any anecdotes that appeared to explain it. That said, business activity fell 6 points to 53.9, for the lowest since September 2025.
- Prices paid meanwhile saw their biggest jump since August 2012, by 7.7 points to 70.7 (67.0 expected, 63.0 prior), to the highest since October 2022. Notably, supplier deliveries rose 2.3 points to 56.2, indicating slower deliveries (a "plus" for the PMI index). These were areas with clear impact from the Middle East War: the report notes "higher oil and fuel costs" impacting prices, with delivery times

"unsurprisingly" longer "with shipping issues and flight disruptions due to the Middle East conflict and winter weather".

- "The predominant commentary this month was about impacts and adjustments due to the conflict with Iran and the expected flow through of higher oil prices at some point. Companies across many industries reported seeing higher gas and diesel pricing, and inventories of multiple goods increased to withstand supply chain disruptions or short-term oil price impacts...Although tariff impacts were still noted by panelists, Iran-related impacts dominated the comments in March."
- New orders however saw a surprise rise, to 60.6 (56.8 expected, 58.6 prior), a rare 60+ reading and the highest since February 2023. That's despite a sharp pullback in new export orders (-6.5 points to 50.7), apparently related in part to the war, though that was after an outsized rise in February (+12.2) and remains above the 50.0 mark. And imports actually grew sharply (55.2 from 51.8), with one comment "Hedging against continued uncertainties with the Iran conflict" though inventories were pared (-1.6 points to 54.8).

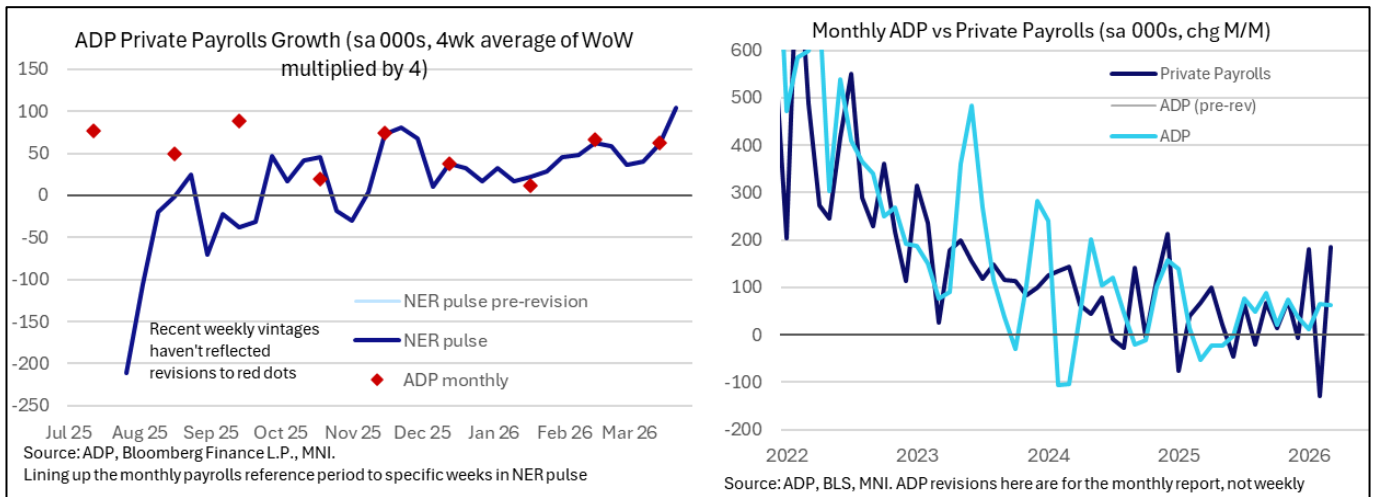


Labor: Robust Weekly Tracking

Weekly ADP Sees Strongest Increase Under New Series

Weekly ADP private sector employment showed little sign of the US-Israel-Iran war impeding on job creation with March increasingly covered. It pushed to a monthly equivalent of >100k for the first time since Jan 2025 to shift away from some softer readings at the turn of the year.

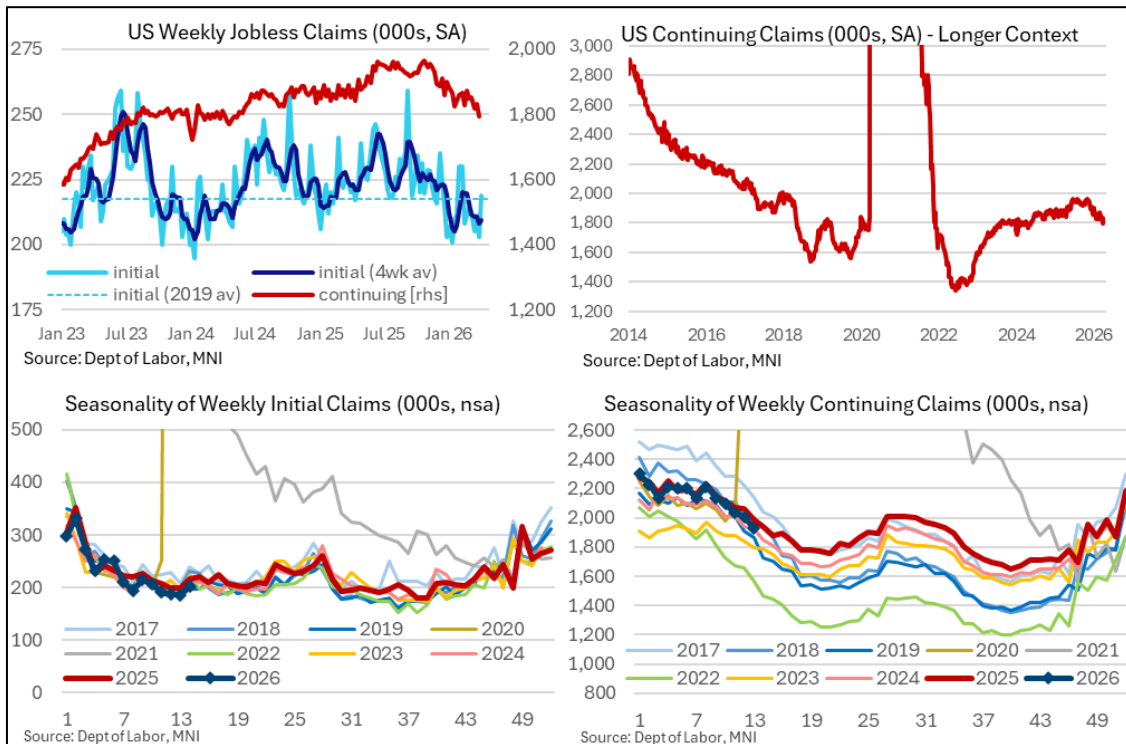
- Weekly ADP employment increased by an average 26k in the four weeks to Mar 21 after 15.25k to Mar 14 (filled in today after last week's full month update) and an unrevised 10k to Mar 7.
- That's the strongest weekly figure since the new series started in July 2025 whilst the 104k monthly equivalent was last stronger in the Jan 2025 full monthly release.
- The series has limited correlation with BLS private payrolls on a month-to-month basis although that's recently more down to volatility in BLS data, especially so in Q1.
- Private payrolls growth swung from 180k in Jan to -129k in Feb to 186k in Mar (3-mth av 79k) compared to ADP seeing 11k in Jan, 66k in Feb and 62k in Mar (3-mth av 46k) in latest vintages.



Continuing Claims Continue Downtrend, Initial's Improvement Stalls

Initial jobless claims jumped by more than expected in the week ending April 4, to 219k from 203k prior (rev from 202k) versus the 210k consensus. This meant that the 4-week moving average ticked up for the first time since the start of February (210k from 208k), which bears some watching, though the level remains very much consistent with a "low firing" environment.

- Continuing claims for the prior week were, conversely, unexpectedly strong: they dropped to 1,794k from 1,832k prior (rev from 1,841k), well below the 1,828k consensus. For continuing claims, this marked the lowest 4-week moving average since June 2024 (1,823k), and overall levels are consistent with those seen in 2023-2024 having apparently reversed the approach to 2,000k in 2025.
- The NSA claims saw 202.9k initial, up 16.6k from the prior week, vs the seasonal factor expecting a 1.8k rise. For continuing, there was a 78.5k drop W/W to 1,928k, vs the seasonal factor anticipating a 36.6k drop.
- For initial claims in the April 4 week, there were outsized rises in New Jersey (+5.3k), Oregon (+2.7k) and Pennsylvania (+2.5k), as well as Illinois (+1.7k), Tennessee (+1.6k), and Washington (+1.0k). These are unusually large moves for this week across each state, though we wonder whether there was some difficulty in making the seasonal adjustment across the week that included Easter (in 2025 Good Friday was April 20, this year it was April 3).
- As such we don't see anything here to change the "low hiring, low firing" narrative - and indeed the downward trend in continuing claims suggests solidity through the initial stages of the war in the Middle East.

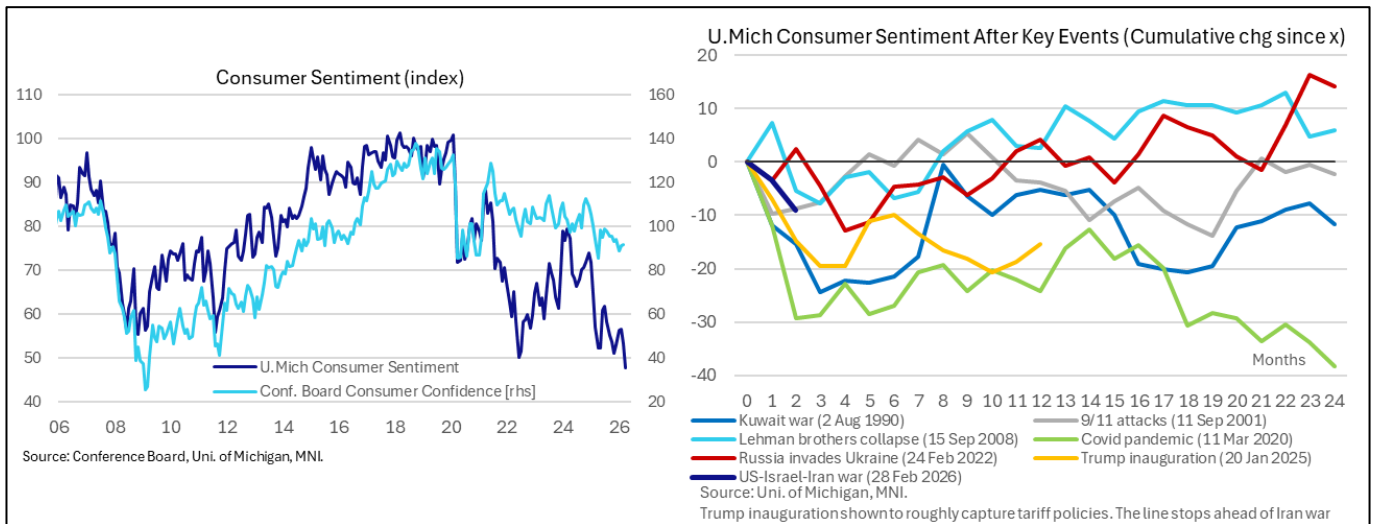


Consumer Sentiment: U.Mich Hits Fresh Series Low As Near-Term Inflation Expectations Jump

U.Mich Consumer Sentiment Falls To Series Low Before US-Iran Ceasefire

U.Mich consumer sentiment fell further in the preliminary April survey to a series low, collected almost entirely ahead of the US-Iran ceasefire on Apr 7 although with that ceasefire looking fragile.

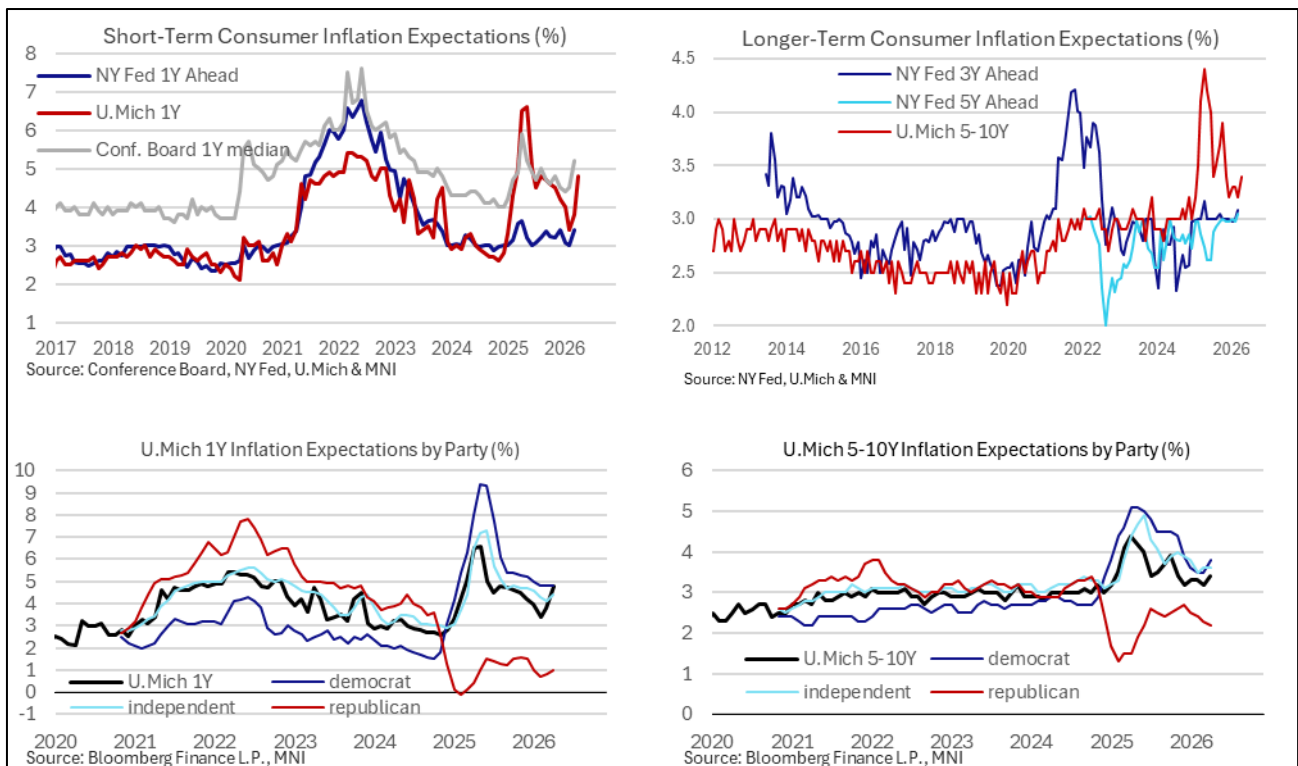
- Consumer sentiment: 47.6 (cons 51.5) in Apr prelim after 53.3 in Mar - series low
- Current conditions: 50.1 (cons 53.4) in Apr prelim after 55.8 in Mar - series low
- Expectations: 46.1 (cons 50.2) in Apr prelim after 51.7 in Mar - lowest since 1980
- The press release notes "Demographic groups across age, income, and political party all posted setbacks in sentiment, as did every component of the index, reflecting the widespread nature of this month's fall."
- Further: "Open ended comments show that many consumers blame the Iran conflict for unfavorable changes to the economy. Note that 98% of interviews were completed prior to the April 7th announcement of a temporary cease-fire. Economic expectations will likely improve after consumers gain confidence that the supply disruptions stemming from the Iran conflict have ended and gas prices have moderated."
- The prelim survey ran from Mar 24-Apr 7. As always, remember that the prelim vs final responses can see differences depending on when those with different political affiliation reply. There were 667 preliminary responses this month compared to an unusually high 930 in the March prelim. That ended up at 1504 in the March final for its highest yet whilst recent full month responses were mostly in the 1200 +/- 100 range.
- Comparing with previous shocks, with a large caveat that this doesn't factor in starting levels, the outright decline in the sentiment index is of similar magnitude to that after the 9/11 attacks but still smaller than after the Kuwait war in 1990, the announcement of trade policies early last year and especially the Covid pandemic - see chart.

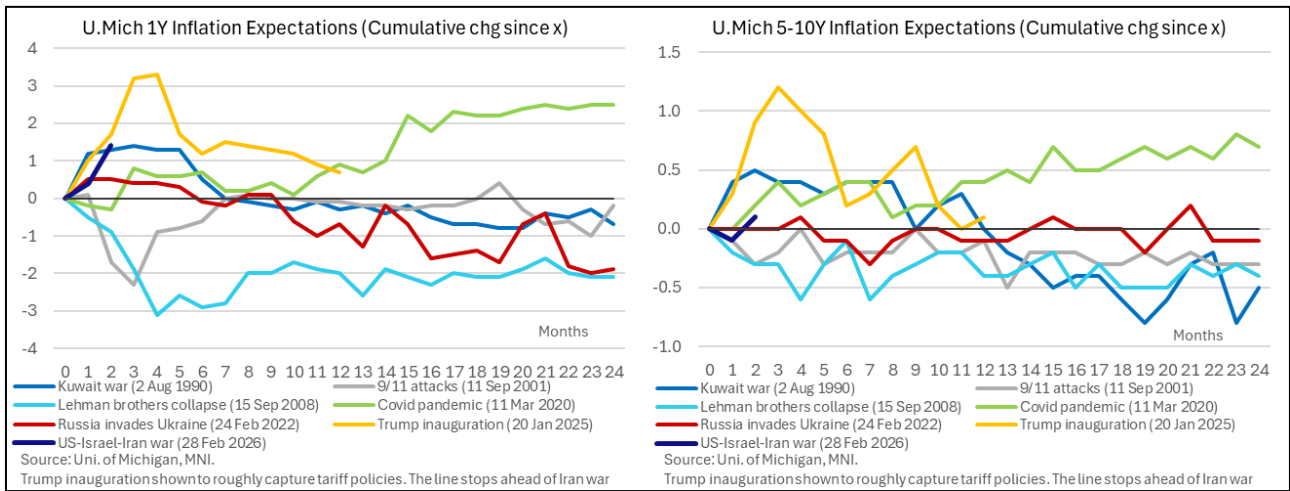


U. Mich 1Y Inflation Expectations Climbs Sharply But 5-10Y More Measured

1Y inflation expectations saw a sharp increase, and close to those seen early last year under the second Trump administration but it's worth noting that a) this series was much faster to climb under tariff announcements than other consumer surveys and b) the 5-10Y measure is far more anchored than last year albeit still at a historically high level.

- 1Y inflation: 4.8% (cons 4.2) in Apr prelim after 3.8% in Mar
- 5-10Y inflation: 3.4% (cons 3.4) in Apr prelim after 3.2% in Mar
- 1Y by party: Democrats 4.8% (unch), independents 4.4% (+0.3pp) and Republicans 1.0% (+0.2pp) - remember that these are 3-month averages and compare to an equivalent 4.0% after 3.7% for the overall).
- 5-10Y by party: Democrats 3.8% (+0.3pp), Independents 3.6% (unch) and Republicans 2.2% (-0.1pp) - this compares to an unchanged 3.3% for the overall three-month average.
- See the bottom charts to compare the latest increases in inflation expectations compared to past shocks.

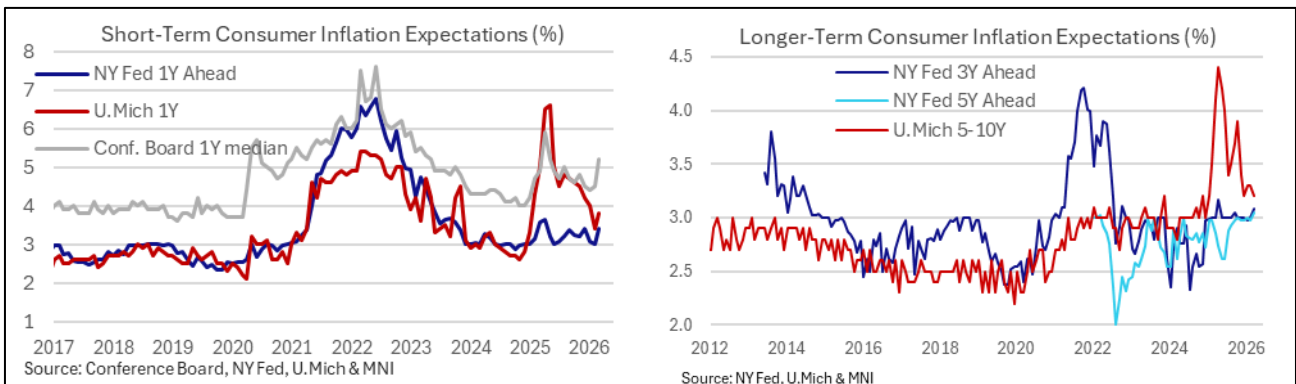




Relatively Limited Uptick In NY Fed Consumer Inflation Expectations

The NY Fed consumer survey on balance saw relatively contained increases in inflation expectations in March, with the 1Y back to December rates and keeping within a short-lived peak in April 2025 on tariff announcements at the time.

- The 1Y median increased from 3.0% to 3.4% although that's only back to a joint high with Dec 2025 having last been higher with 3.6% in Apr 2025 on tariff announcements.
- The 3Y median shows some increased persistence concerns, increasing a tenth to 3.1% for its highest since 3.2% in Apr 2025 and before that Jul 2022 although it does compare to a high of 4.2% in 2H21.
- The 5Y median meanwhile was unchanged at a rounded 3.0% for a seventh consecutive month although the unrounded 3.05% was technically the highest since the series started in 2022.
- "Median year-ahead commodity price change expectations increased by 5.3 ppts for gas to 9.4 percent, the highest reading since March 2022."



Consumers Still Wary Of Job Finding Prospects If Fired - NY Fed Survey

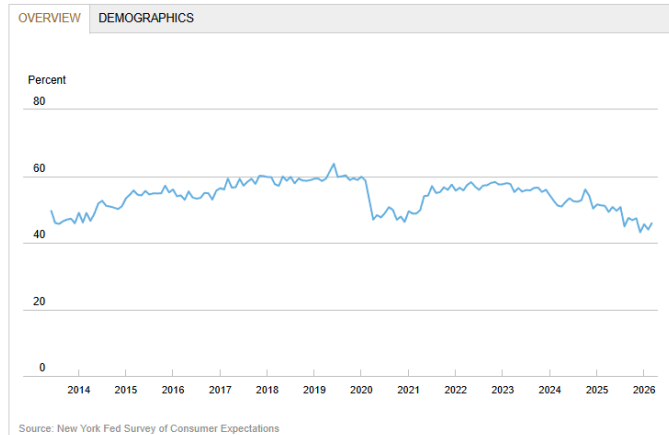
There were mixed findings on labor market-related aspects although they don't materially change recent trends with a low hire rate evident in particular. The mean probability of losing a job remains within recent ranges whilst the probability of finding a job ticked up from a December low but remains depressed historically, the latter more closely chiming with the labor differential in the separate Conference Board survey.

- From today's release: "The mean perceived probability of finding a job if one's current job was lost increased by 1.9 ppts to 45.9 percent; however, the mean perceived probability of losing one's job in the next twelve months also increased by 0.6 ppt to 14.4 percent."

- The 14.4% probability of losing a job remains within ranges seen so far under the second Trump administration - see charts.
- That said whilst the mean probability of finding a job in the next three months if a job is lost ticked up further to 45.9% vs 43% in Dec 2025, this is still a historically low figure and below the 46.2% troughed at late in pandemic in Dec 2020.

Job finding expectations

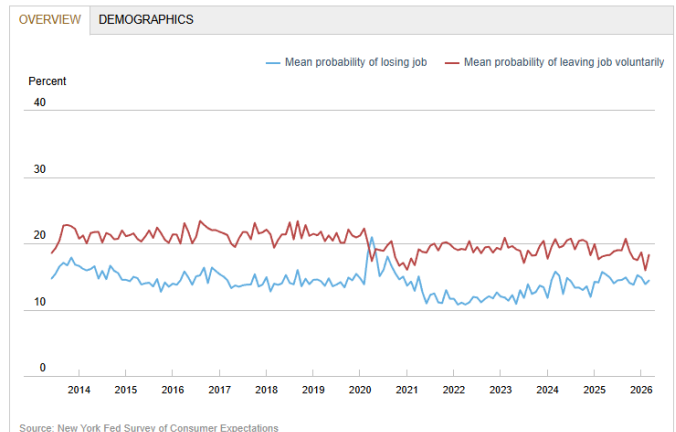
Mean probability of finding a job in the next three months if job lost today



Source: New York Fed

Job separation expectations

Mean probability of losing or leaving job over the next 12 months

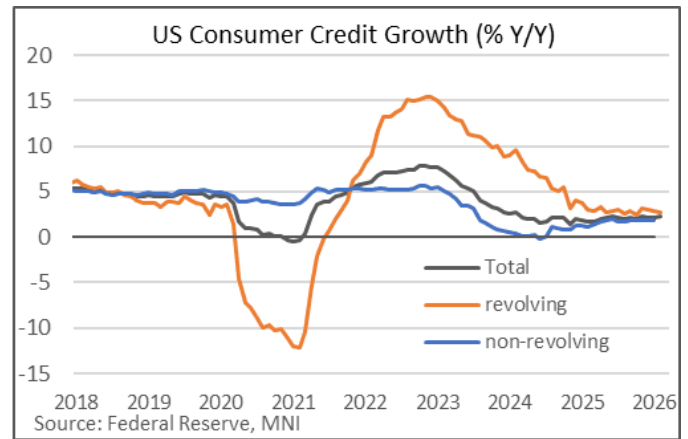
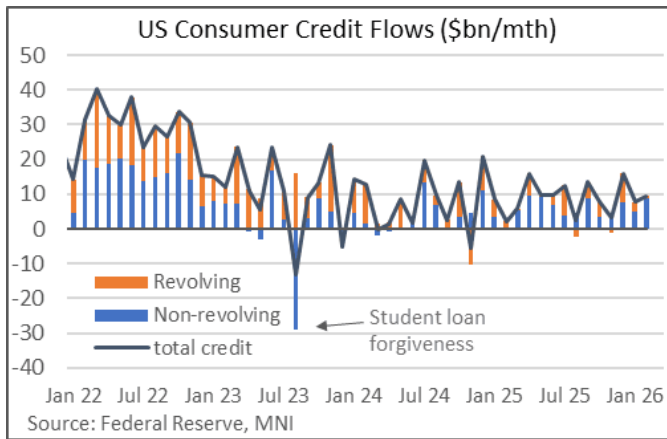


Private Sector Lending: Firmer But Still Tame

Nonrevolving Credit Picks Up, Run Rate Remains Tame Vs GDP And Income

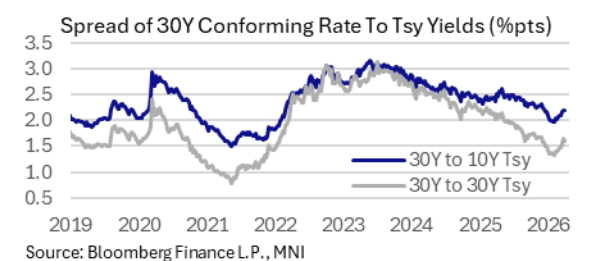
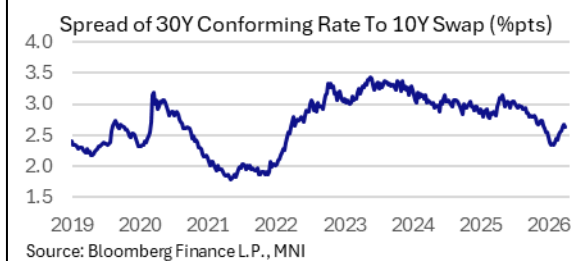
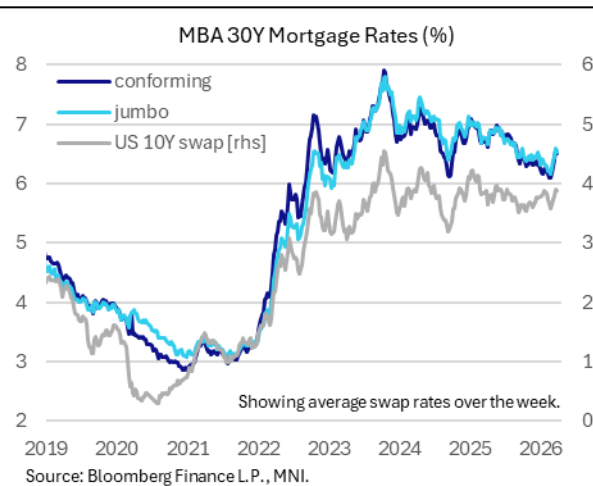
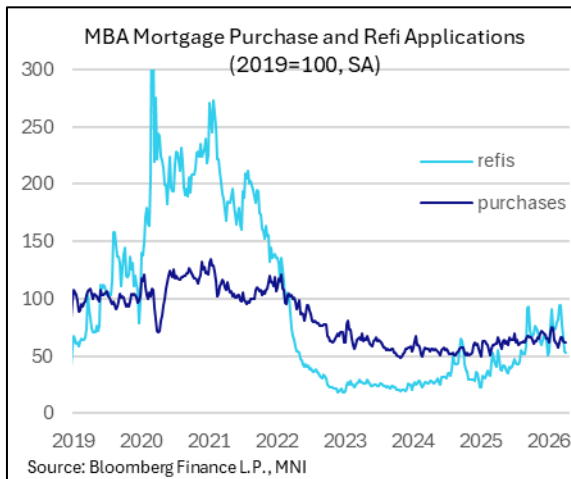
February's consumer credit report was largely as expected, with the total credit increase of \$9.5B near the \$10.3B consensus, with January's revised down slightly to \$7.7B from \$8.1B prior.

- The constituent flows were lopsided, however: revolving credit made up just \$0.7B (+0.6%), a 3-month low, with nonrevolving \$8.8B (+2.8%), a 5-month high. (Revolving makes up 25% of overall consumer credit, largely made up of credit cards; nonrevolving credit is basically made up of student and auto loans.)
- There's been no sign of a surge in either category, with income and wealth, not credit, continuing to fuel consumption, although PCE has shown signs of faltering somewhat. Total credit is up 2.3% Y/Y, which is actually the highest since early 2024, but revolving credit has been decelerating since strong gains late last year: 2.8% in Feb marks a 4-month low. Instead, it's been revolving credit picking up, to 2.1% Y/Y, a 31-month high, which has been driving the overall pickup of late.
- But either way these figures are relatively tame compared with overall GDP, inflation, and household income growth.



Dip In Mortgage Rates Not Enough To Spur Applications After Recent Hit

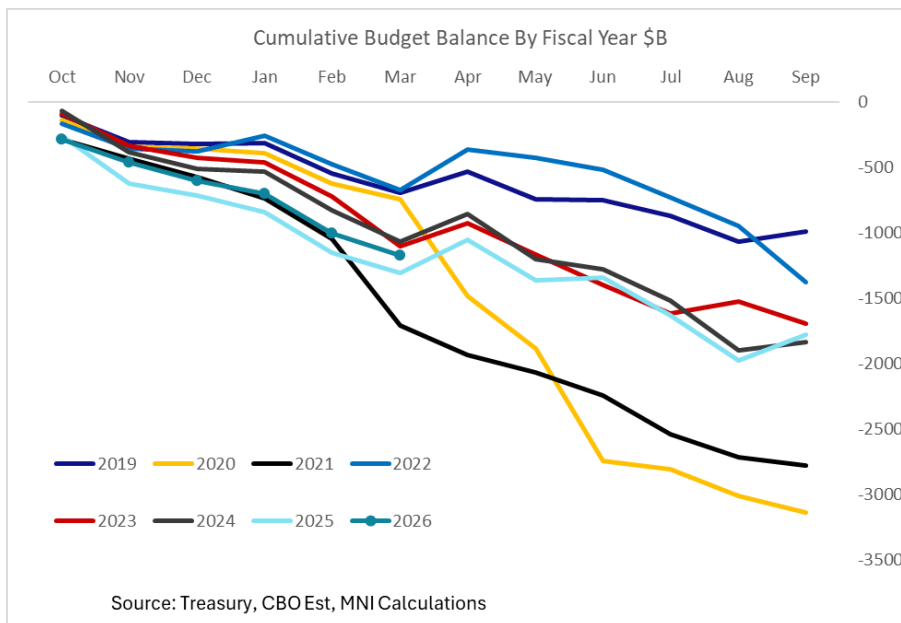
- MBA composite mortgage applications inched -0.8% lower (sa) last week after heavy declines of 10-11% in each of the previous three weeks.
- New purchase applications lifted a mild 1.1% after an 8% two-week decline to the lowest since late Feb shortly before the first US-Israel strikes on Iran, implying little impulse to near-term housing market activity.
- Refis meanwhile ticked down another 2.8% after sliding 43% over the previous three weeks.
- The limited uptick in mortgage activity came as 30Y conforming rates fell 6bp to 6.51% after a 48bp increase since the 6.09% in late Feb from what had been its lowest since Sep 2022.
- Spreads at least narrowed slightly after recent widening, with the spread to 10Y Tsy yields at 218bp vs 220bp the week prior (bottomed in the high 190s in mid-Jan to early Feb) or the spread to 10Y swaps at 264bps vs 266bp (having bottomed in the 230s in mid-Jan to early Feb).



Fiscal: Deficit Tracking Narrower Than Last Year, Largely Due To Tariffs

(Note: written prior to the official Treasury release which corroborated the CBO estimates with a \$164.1B deficit posted) The Congressional Budget Office estimates that the federal government posted a \$163B deficit in March, which would be a little bigger than the \$153.3B seen by Bloomberg consensus. But halfway through the 2025/2026 fiscal year, the cumulative deficit of \$1.17T so far leaves it smaller than the prior year's \$1.31T.

- At this point, cumulative revenue is up 9.9% Y/Y (\$2.48T) with expenditure up 2.4% (\$3.65T), due mainly to higher mandatory spending.
- Part of the revenue side was of course tariffs - estimated to have risen \$123B this year - almost single-handedly accounting for the difference in the change in the deficit, though individual income and payroll taxes are doing the bulk of the heavy lifting (+\$143B net of refunds vs FY 2025).



Fedspeak: Minutes Reveal Slightly More Hawkish FOMC

- The FOMC minutes revealed slightly more participants wanted to acknowledge the potential for the next move being a hike ("some" vs "several")
- "Most" FOMC members were concerned about the Iran war hurting the labor market
- NY Fed's Williams (voter) maintained his dovish lean with his underlying inflation view roughly unchanged
- Chicago Fed's Goolsbee ('27 voter) warned on inflation similarities with 2021/22 and is cautious on the economy

March Minutes: More Participants Want Hawkish Guidance Tweak (1/3)

The key passage in the March FOMC minutes, addressing the Committee's discussion around the forward guidance in the Statement, is below. Note that in Fedspeak, "some" is more than "several", which was the number of FOMC participants who at the prior meeting in January saw a case for changing the rate guidance from the existing easing bias to more two-sided language. In other words, slightly more participants in March saw potential for the next move being a hike, compared with January's meeting:

- "With regard to the outlook for monetary policy, in light of the heightened degree of economic uncertainty, participants emphasized the importance of being nimble in adjusting the stance of policy in response to incoming data, the evolving outlook, and the balance of risks. Many participants judged that, in time, it

would likely become appropriate to lower the target range for the federal funds rate if inflation were to decline in line with their expectations. A couple of these participants highlighted that, in their projection for the appropriate path of the policy rate, they had pushed their assessment of the most likely timing of rate cuts further into the future in light of recent readings on inflation. Some participants judged that there was a strong case for a two-sided description of the Committee's future interest rate decisions in the postmeeting statement, reflecting the possibility that upward adjustments to the target range for the federal funds rate could be appropriate if inflation were to remain at above-target levels. All participants agreed that monetary policy was not on a preset course and would be determined on a meeting-by-meeting basis."

- This isn't a majority yet but it's headed in that direction, though the March Dot Plot showed only one participant saw future hikes (one, in 2027).
- That said there wasn't meaningful dissent to the actual decision to hold; there was "one participant" (Miran) who wanted to cut rates; otherwise "almost all participants supported maintaining the current target range for the federal funds rate at this meeting".
- Indeed "a couple" pushed back their expected timing for easing rates due to recent inflation readings.

March Minutes: "Most" Concerned About War Hurting Labor Markets (2/3)

There was, predictably, extensive discussion at the March FOMC meeting on the impact of the risks to the outlook presented by the war in the Middle East. As suggested by inter-meeting commentary, the Committee sees risks to both sides of the mandate having increased. "In discussing risk-management considerations that could bear on the outlook for monetary policy, the vast majority of participants judged that upside risks to inflation and downside risks to employment were elevated, and the majority of participants noted that these risks had increased with developments in the Middle East.

- The Committee overall appears to have retained its slight easing bias in part due to the perception that downside growth/labor market risks were more prominent than inflation risks due to the spike in energy prices (note in the below "most" is more participants than "many").
- "In particular, most participants raised the concern that a protracted conflict in the Middle East could lead to a further softening in labor market conditions, which could warrant additional rate cuts, as substantially higher oil prices could reduce households' purchasing power, tighten financial conditions, and reduce growth abroad."
- "Many participants pointed to the risk of inflation remaining elevated for longer than expected amid a persistent increase in oil prices, which could call for rate increases to help bring inflation down to the Committee's 2 percent objective and keep longer-term inflation expectations firmly anchored."
- "Most participants reiterated, however, that it was too early to know how developments in the Middle East would affect the U.S. economy and judged it prudent to continue to monitor the situation and assess the implications for the appropriate stance of monetary policy. With upside risks to inflation and downside risks to employment both elevated, some participants remarked that it was important that the Committee follow its balanced approach in promoting the Federal Reserve's employment and inflation goals, taking into account the extent of departures from those goals and the potentially different time horizons over which employment and inflation were projected to return to levels judged consistent with the Committee's mandate."

March Minutes: Bill Purchases To Be Lowered Gradually After April (3/3)

There was little new in the FOMC minutes on the upcoming reduction in the pace of reserve management purchases (RMPs) which currently consist of \$40B/month. Despite an apparent comfort with money market conditions, the Minutes appear to offer clear guidance that RMPs will only be reduced starting in May (as opposed to mid-April as some had speculated), with the pace likely to slow perhaps less gradually than had been expected. However this was already known; in March, the SOMA manager Robert Perli confirmed that "an adjustment to our monthly purchase pace" under the reserve management purchase (RMP) program "is likely to happen soon." From the Minutes:

- "The manager observed that money market conditions had remained broadly stable amid ongoing reserve management purchases (RMPs)...The manager assessed that money market conditions as well as various indicators of reserve conditions were consistent with reserves remaining within the ample range."
- "the manager discussed the expected trajectory of key components of the Federal Reserve's balance sheet. System Open Market Account (SOMA) holdings were expected to continue to grow with RMPs. In

April, tax payments were expected to cause wide swings in the Treasury General Account and reserves. Reserves were expected to hit their trough in late April, at which point they would be about equal to the level that had prevailed at the end of last year. After April, reserves were projected to average about \$3 trillion through September."

- "The manager noted that, after April, the monthly pace of RMPs was likely to be reduced significantly as swings in nonreserve liabilities were expected to moderate; the adjustment was likely to be somewhat gradual."

Williams Keeps Dovish Lean With Underlying Inflation View Roughly Unchanged (Apr 7)

Speaking on Bloomberg TV, New York Fed's Williams (permanent voter, leaning dove) repeated that his view of underlying inflation is roughly where's it been for a while, with little sign of impact from the ~\$10/bbl increase in WTI prices since he last spoke on Mar 30. He has trimmed his GDP growth forecast to 2-2.5% from close to 2.5% on Mar 30, but he continues to see monetary policy as really well positioned. There was relatively little drawn from Friday's strong NFP report, noting that the labor market is in a "pretty complicated" situation with the stabilization in the unemployment rate but ongoing consumer wariness.

- On how inflation impacts might show up: "I think it'll go directly into headline inflation. I expect that to be actually elevated in the middle of this year. Right now we are looking at inflation rate for the year as a whole of something like 2.75% but it of course depends on what happens with energy prices. [In the interim] Clearly we could get to above 3% inflation, markets expectations right now are for CPI to be something like 3-3.25% over the next year."
- "Personally I'm also very focused on what's happening with underlying inflation, core inflation, inflation expectations and other indicators as well. The story hasn't changed much. Clearly, higher energy prices does add a little bit to core inflation. You think about air fares, which is part of core inflation but it is influenced by fuel prices. So I expect that to add maybe a 10th or two to core inflation over the year, the energy price component, but we've seen tariff rates come down. We've seen some other, I think, more positive signs on underlying inflation. So overall, I'm kind of where I've been for a while, with core inflation around 2.5% this year."
- When asked how long, how high and how fast will inflation have to move to merit a rate response? "I think really it does go back to kind of the full set of factors influencing inflation. And I'm going to bring up tariffs, because it is a big part of the story so far about why core inflation has been elevated. [] So to my mind, monetary policy today is really well positioned, given where all of those dynamics have been playing out, and well positioned to kind of wait in and see on some of the effects of what's happening today."
- On the state of the economy: "If you asked me this a month or two ago, we would be talking about remarkable resilience of the economy, growing to 2% last year, looking to grow even faster this year. Clearly, with the conflict in the Middle East, that changes that a bit. So I've been bringing down my forecast for growth this year, probably somewhere between 2-2.5% for growth this year, and unemployment rate probably staying around where it is now, 4.3% and in an economy that's continuing to grow, but roughly, roughly at trend, again, driven by consumer spending and investments, especially in AI".
- On the labor market: It's a "pretty complicated situation with the labor market. We are seeing various different signals. If you look at the unemployment rate, 4.3% today is where it was in July. So we've seen some stability there and in job openings and some of the other indicators. We've seen the labor market much more stable now, definitely not a labor market weakening based on the economic indicators. That said [] we've seen a continuing process of people being more pessimistic about the labor market, not about a recession or something, but just a view that this is a pretty low hire, low, fire labor market. Maybe the kind of views are not as strong as you would think, just looking at the aggregate payroll and unemployment data, you're well positioned to do whatever you need to do to help the economy."
- Q on average hourly earnings coming down to 3.5% and what is the level at which it won't be a concern? "If you look at the indicators we have some very good real-time indicators. I think all of them are telling us that compensation is continuing to grow and it's growing in a way that's consistent with the productivity growth we are seeing."
- On FOMC continuity if Kevin Warsh is not confirmed: "Every January we have a vote about selecting the Chair and Vice Chair. That vote is in place throughout the year. So there's no issue of continuity. Typically,

we have this vote in January for the Chair of the FOMC or if a new Chair is confirmed by Senate then that person becomes the Chair. We are just doing what we always do which is digging into all the data trying to do our very best to achieve our maximum employment and price stability goals.

- On potential changes Kevin Warsh wants to enact? "Kevin Warsh understands the Fed very well and has a keen understanding of what our mission is and of the importance of what we do. I cannot speak for him and I have not spoken to him lately but I do expect when he does get confirmed that he will share his views and perspectives as he thinks about what he wants to accomplish as Chair."

Goolsbee Sees Inflation Similarities With 2021/22, Cautious On Economy (Apr 7)

Chicago Fed's Goolsbee ('27 voter, historically dovish but a hawkish dissenter in Dec 2025) mentioned the eery current similarities with the 2021/22 inflationary episode. He deems the labor market to be stable but not great whilst attributing the high youth unemployment rate to low hiring rather than AI-directly. Combined with being cautious/nervous about the economy at the moment, he is still trying to work out what is the appropriate action.

- On inflation similarities with 2021/22: "My concern at this immediate time is that we've got to get our heads around an oil shock, which is going to drive up prices in a stagflationary way, potentially before the other one [from tariffs] has gone away. So the prices spiked from tariffs and they were supposed to go away. And this is now hitting before that went away. And that's eerily reminiscent of that period where the Covid supply shock damage happened driving up inflation. And then the war breaks out in Ukraine before that's fixed itself. And it's another supply shock on top of it. So this is how persistent this is going to be I think is going to have a major impact on how you view the economy."
- On stable but not great labor market: "I think the job market is basically stable but not great. Unusual in that there's very low hiring, which feels like a recession, but there's very low layoffs, which normally is the opposite of a recession. So it's strange for those both to be happening at the same time. I think that's what happens when businesses are uncertain and they say, we're just going to sit on our hands until we figure out is the war, is this going to be a temporary shock? Since the 70s - if you're old enough you might remember the awful economic outcome from high oil prices in the 70s - we've gotten less oil-using as an economy since then. And we've become a much bigger energy producer since then. So if this sustains, there is likely to be at least some part of the economy that's rebounding and producing energy. But in summary I'm cautious/nervous about it in the moment."
- On JPMorgan and BofA heads on stickiness of inflation, perhaps at 4%: "We've been above the 2% inflation target for five years consecutively now. We were making progress and then kind of stalled out and now it's been inching itself up the other way. We got down almost to 2%, now it's been 3% and if we're headed to 4% that's not stable. The longer you go and the higher you are above the 2% target, the more it just gets ingrained into cost plus contracts. So I hope they're not describing that. Yet I still can't get past, it doesn't look like a regular recession. They're not describing a regular recession. We're all still trying to work out what is the appropriate action."
- On AI impacts: "In the right now impact, I am a skeptic that almost anything we've seen in the job market or in the economy is due to AI, because the adoption simply hasn't been great enough. [When then pushed on the high u/e rate of young graduates] The hiring rate is extremely low. And any time the hiring rate is low, the most impacted group of going to be new graduates because they're disproportionately trying to get hired."

STIR: Ceasefire, and Then Questioning Of, Dominates

It's been another week dominated by the Middle East conflict, this time centering on the US-Iran two-week ceasefire announced late Tuesday which saw a swing back to a mild Fed easing bias priced vs the neutral setting seen shortly beforehand. Some of those moves have since been reversed however with the ceasefire seen to be fragile.

- Reaction to Friday's CPI report was contained, with a snap rally reversed and then surprisingly a mild sell-off seen despite the net downward surprises.
- There is currently 5-6bp of cuts out to end-2026 vs at one point more than 15bp of cuts priced after the initial ceasefire announcement.



Implied shift in Dec 2026 Fed Funds effective rate from current level. Source: Bloomberg Finance L.P.

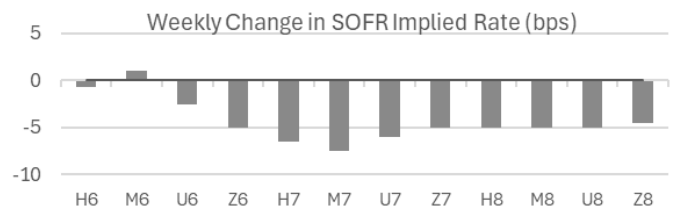
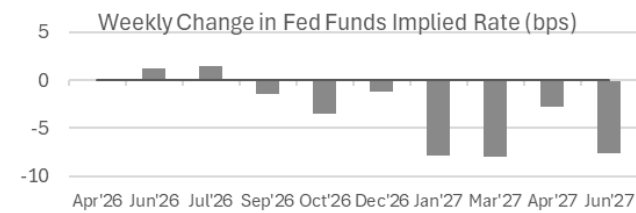
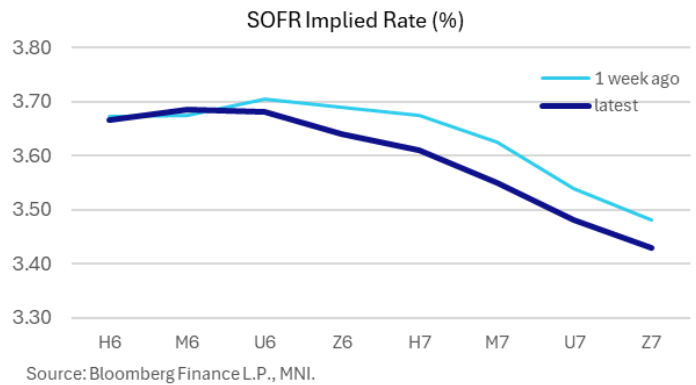
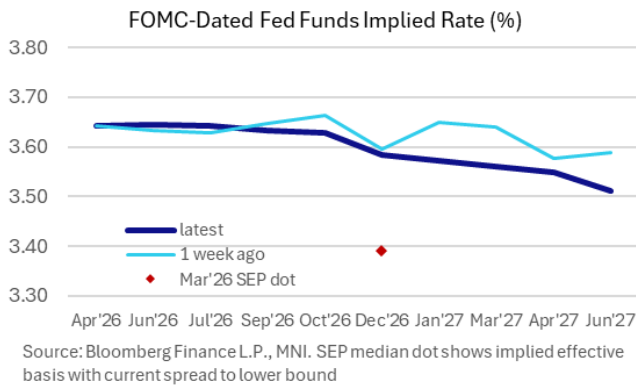
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre CPI (Apr 10)			chg in rate	levels from Apr 7 pm pre-ceasefire			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.64			3.64			0.0	3.64			
Apr'26	3.64	0.2	0.2	3.64	0	0.2	0.0	3.65	1	1	-0.6
Jun'26	3.65	0.3	0.5	3.64	0	0.0	0.5	3.64	-1	0	0.8
Jul'26	3.64	-0.3	0.2	3.63	-1	-1.2	1.4	3.64	0	0	0.4
Sep'26	3.63	-1.0	-0.8	3.61	-2	-3.3	2.5	3.64	0	0	-0.8
Oct'26	3.63	-0.4	-1.2	3.60	-1	-4.2	3.0	3.65	1	1	-2.0
Dec'26	3.58	-4.5	-5.7	3.55	-5	-9.4	3.7	3.62	-3	-2	-3.4
Jan'27	3.57	-1.1	-6.8	3.53	-2	-11.0	4.2	3.61	-1	-3	-3.6
Mar'27	3.56	-1.2	-8.0	3.51	-2	-12.8	4.8	3.61	0	-4	-4.5
Apr'27	3.55	-1.0	-9.0	3.50	-1	-14.0	5.0	3.60	0	-4	-5.0
Jun'27	3.51	-3.8	-12.8	3.47	-3	-17.2	4.4	3.56	-4	-8	-5.1

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

Weekly changes (noting that it's comparing with Good Friday levels which FF pricing particularly distorted):

+11,000.00



Analyst View Changes

Citi Pushes Back Cut Timing Again, Next In September As Labor Market Cools

Citi analysts on Monday pushed back their call for the next Fed rate cut to September from June, saying that a "familiar seasonal pattern in labor market data is repeating" that will ultimately see labor market weakness sufficient for the FOMC to resume easing later in the year.

- The new view, following the stronger-than-anticipated March employment report, is for cuts in September, October and December. The timeline has now been pushed back twice in the last month: pre-March FOMC they saw cuts in April, July and September; in the week post-Fed decision they saw cuts in June, July and September.
- Even so they stick to their view that the market is underpricing easing this year (Fed funds are currently implying exactly unchanged rates by end-2026).
- It leaves only a handful of analysts who see a cut as soon as June.
- Citi: "A stable unemployment rate is keeping Fed officials comfortable leaving rates unchanged while markets contemplate whether the Fed's next move will be a hike or a cut. But based on the last two years of data, that unemployment rate will begin to rise and labor market data will soften in coming months, and by the end of the summer the Fed should be cutting again. The unemployment rate and continuing jobless claims (which should be closely related) have been stable, closely matching the pattern in recent years. On the other hand, payrolls readings have been volatile with strong readings for January and March but a very weak reading in February. Payrolls volatility may continue in a series that has struggled to reflect reality, with the number of jobs created having been revised down substantially in recent annual benchmark revisions."
- And "in addition to the seasonal softening in jobs, September should also see lower energy prices, slow services inflation and a new Fed Chair favoring lower policy rates."

The US Macro Week Ahead: March PPI Leads A Lighter Data Calendar

Next week sees a more limited data calendar after Friday releases for nonfarm payrolls and CPI over the past two weeks. It's headlined by the March PPI report on Tuesday which will as always be watched for both i) broad input cost pressures and ii) specific details to update core PCE tracking.

- i) February's PPI report showed hotter-than-expected price pressures across multiple categories, with higher energy costs of some additional note given that they came ahead of the March price spike.
- Worryingly for future consumer inflation dynamics, momentum in core prices appeared to be picking up, with several gauges at or above the high end of the ranges seen over the past 4 years.
- However, core CPI details for March saw relatively few signs of initial spillover from high energy prices.
- ii) On the core PCE-specific details, portfolio management & investment advice could have pulled back after five consecutive monthly declines but airfares will be watched as jet fuels jumped.
- For now, core PCE tracking for March looks close to the 0.20% M/M seen for core CPI, with five unrounded estimates we've seen so far averaging 0.22% M/M (range 0.19-0.27) after three months averaging a strong 0.36% M/M.

Date	ET	Impact	Event
13 Apr	1000	***	NAR existing home sales
13 Apr	1820		Fed Governor Stephen Miran
14 Apr	0600	**	NFIB Small Business Optimism Index
14 Apr	0815	***	ADP Employment Report
14 Apr	0830	***	PPI
14 Apr	0855	**	Redbook Retail Sales Index
14 Apr	1215		Chicago Fed's Austan Goolsbee
14 Apr	1300		Federal Reserve Board event
15 Apr	0700	**	MBA Weekly Applications Index
15 Apr	0830	**	Import/Export Price Index
15 Apr	0830	**	Empire State Manufacturing Survey
15 Apr	0830		Fed Governor Michael Barr
15 Apr	1000	**	NAHB Home Builder Index
15 Apr	1345		Fed Vice Chair Michelle Bowman
15 Apr	1600	**	TICS
16 Apr	0830	***	Jobless Claims
16 Apr	0830	**	Philadelphia Fed Manufacturing Index
16 Apr	0835		New York Fed's John Williams
16 Apr	0915	***	Industrial Production
16 Apr	1035		Fed Governor Stephen Miran
17 Apr	1215		Richmond Fed's Tom Barkin