

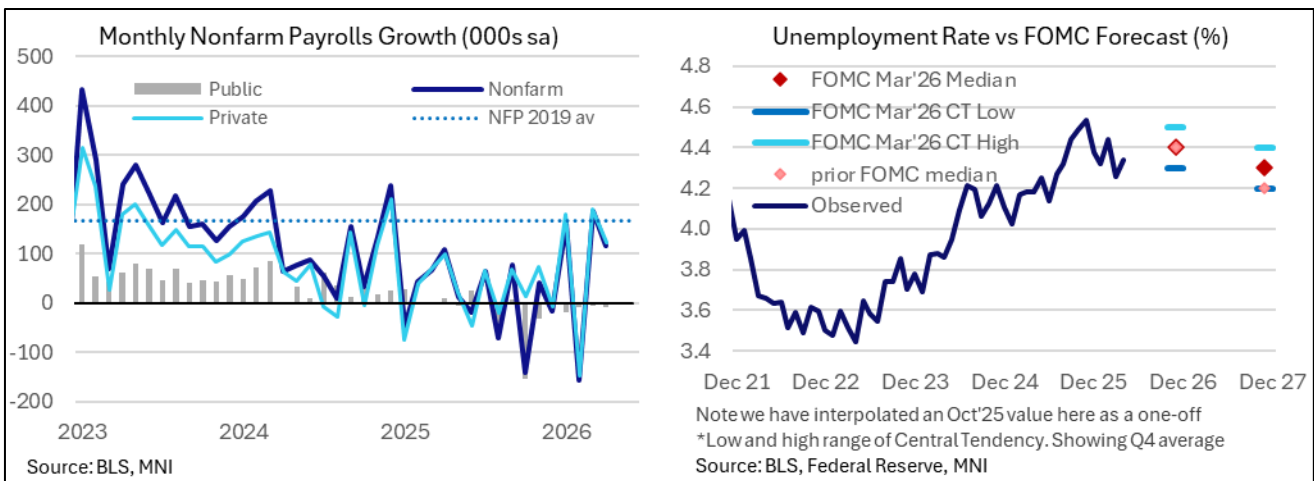
MNI U.S. Macro Weekly

MNI View: Labor Risks Averted, CPI Next

May 8, 2026 – By Chris Harrison and Tim Cooper

Executive Summary

- This week’s key macro release was the April nonfarm payrolls report, where overall and private payrolls growth was again comfortably stronger than expected. Overall, recent jobs data should further focus the FOMC’s attention on inflation and less on downside risks to the labor market.
- Payrolls increased a seasonally adjusted 115k (sa) (Bloomberg consensus 65k) in September, with two-month revisions small on net at -16k, while private payrolls beat at 123k (vs bbg cons 75k) and left the six-month average for private payrolls growth at its strongest since Apr 2025. The rounded unemployment rate was steady at 4.3%, which the FOMC sees as relatively low, and little changed from recent months.
- If there was a dovish area, average hourly earnings were one of the softest areas of the report and AHE measures at 3.6-3.7% Y/Y continue to show little inflationary impact from the labor market.
- Beyond labor, business and inflation signals were mixed. ISM services was very close to expectations in April at 53.6 (cons 53.7) but details were on balance dovish relative to expectations (prices paid unchanged at 70.7 vs cons 73.5; new orders 53.5 vs cons 57.3; employment 48.0). The S&P Global US services PMI printed 51.0 in Apr final and highlighted “the first reduction in demand since April 2024” amid the war in the Middle East and higher inflationary pressures.
- The NY Fed consumer survey saw an uptick in 1Y inflation expectations to 3.64% (highs since Sep 2023) and 3Y to 3.15% (highest since Jul 2022), while Manheim used vehicle prices slipped -1.6% M/M in April ahead of next week’s April CPI report.
- The Fed rate path currently sees little net change over the week compared to huge swings in recent weeks, awaiting an Iranian response to the US 14-point plan. There have still been sizeable moves throughout the week, ending with a neutral rates outlook to end-2026 vs more than 10bp of hikes on Monday.
- Fedspeak also stayed hawkish-leaning, with Kashkari reiterating “it may well be that the next move might need to be up in interest rates, I just don’t know,” and Musalem stressing “very plausible scenarios” for policy to be on hold “for some time,” cuts, or “higher interest rates,” with inflation “meaningfully above our target of 2%,” and “The tailwinds are larger than the headwinds.”
- What to watch next week: data focus will firmly be on a latest round of inflation updates (CPI Tuesday, PPI Wednesday) after Friday’s nonfarm payrolls report for April ruled out downside risks to the labor leg of the Fed’s dual mandate. Consensus looks for headline CPI 0.6% M/M sa (energy-driven) with core 0.3% M/M sa. The calendar also includes existing home sales (Mon), Retail Sales / Jobless Claims / Import & Export Prices (Thu), and Industrial Production (Fri), alongside multiple Fed speakers (incl. Williams, Goolsbee, Collins, Kashkari, Hammack, Barr).



Labor: Downside Labor Risks Dissipating

Our latest US Employment Insight covering the April nonfarm payrolls report as well as other recent employment data is [here](#). Highlights from our nonfarm payrolls coverage:

Nonfarm and private payrolls growth was comfortably stronger than expected in April and sees solid recent trends considering estimates for the breakeven pace of payrolls growth have drifted towards zero. Overall, recent jobs data should further focus the FOMC's attention on inflation and less on downside risks to the labor market.

- Payrolls increased a seasonally adjusted 115k (sa) compared to Bloomberg consensus of 65k and a primary dealer median of 70k.
- Two-month revisions were small on net at -16k although still managed to further boost the volatility seen in recent months. Payrolls growth has now swung from 160k in Jan (not affected by today's release) to -156k in Feb (vs -133k prior) and 185k (vs 178k prior) before today's 115k in April.
- Private payrolls told almost exactly the same story, with a solid beat (123k vs bbg cons 75k) supported by a typically strong contribution from healthcare sectors although other industries also saw solid growth compared to recent year standards; two-month revisions were only -15k. The six-month average for private payrolls growth is at its strongest since Apr 2025.
- There was some evidence of both weaker labor market supply and demand at play in the Household report, though most figures were relatively steady. The unrounded unemployment rate printed 4.337%, an uptick from the 9-month low 4.256% in March but just a 2-month high and in line with expectations for a steady 4.3% (range 4.2-4.4).
- Weakening in greater fashion was the U-6 "underemployment" rate which rose to 8.2% from 8.0% for a 4-month high, though still well below the recent high of 8.7% seen in November.
- Overall April's Household survey won't alter the narrative of the unemployment rate as having "changed little in recent months", as expressed by Chair Powell in the April FOMC press conference who also said that "4.3...that's a low rate. That's pretty close to mainstream estimates of the natural rate."
- Average hourly earnings were one of the softest areas of the report albeit with a caveat that average hours worked increased. There was another caveat that non-supervisory employees saw stronger wage growth. That said trends for each of these main AHE measures at 3.6-3.7% Y/Y continue to show little inflationary impact from the labor market against a backdrop of strong productivity.
- There were only modest dovish adjustments in US rate markets on net in the wake of the NFP report, with initial hawkish reaction to the firmer-than-expected headline reading (which was accompanied by positive revisions to the month prior) countered by softer-than-expected AHE figures and higher-than-expected underemployment. FOMC-dated OIS showed 3.5bp of easing through September vs. 2.5bp pre-release, before pricing 6.5bp of hikes through March vs. 9.0bp pre-release.

Payrolls Summary Statistics For April 2026

	Actual	Cons.	Surprise on mth	2-mth Rev	Mar	Feb	Net Surprise
Monthly growth (000s)							
NFP	115	65	50	-16	7	-23	34
Private	123	75	48	-15	4	-19	33

	Actual	Cons.	Prior mth	Cycle low	2019 av	
U/E rate (%)	4.34	4.3	4.26	3.45	Apr'23	3.67

	M/M Growth		Y/Y Growth	
	Actual	Cons.	Actual	Cons.
AHE (%)	0.16	0.3	3.57	3.8

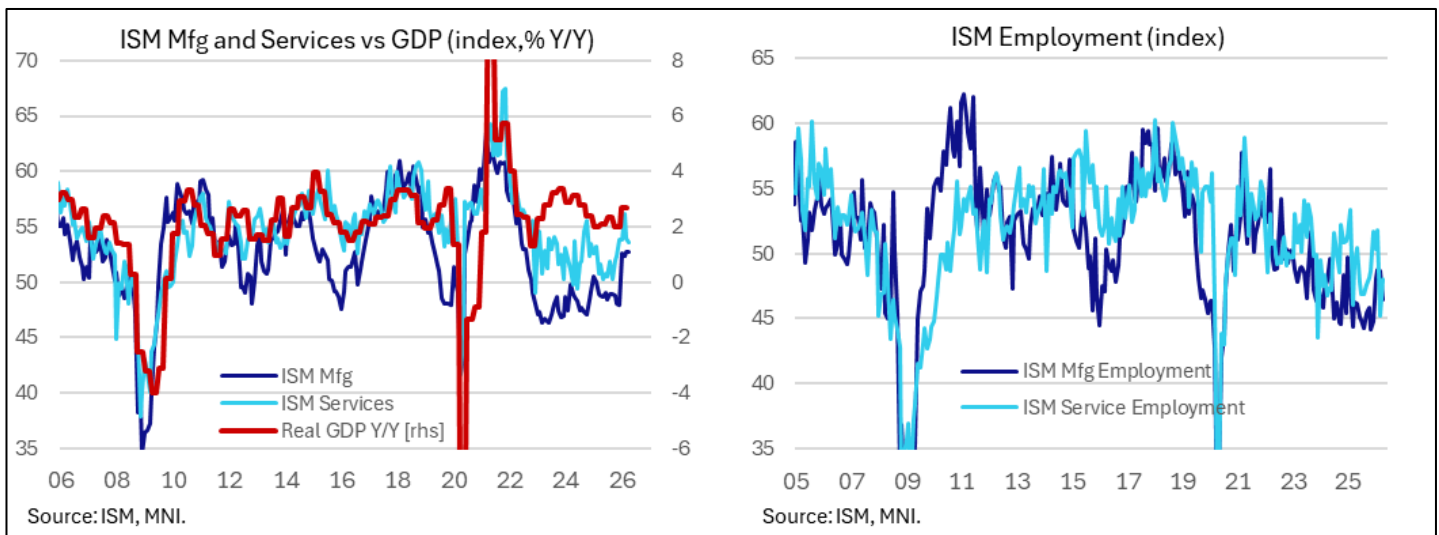
Source: Bloomberg Finance L.P., BLS, MNI

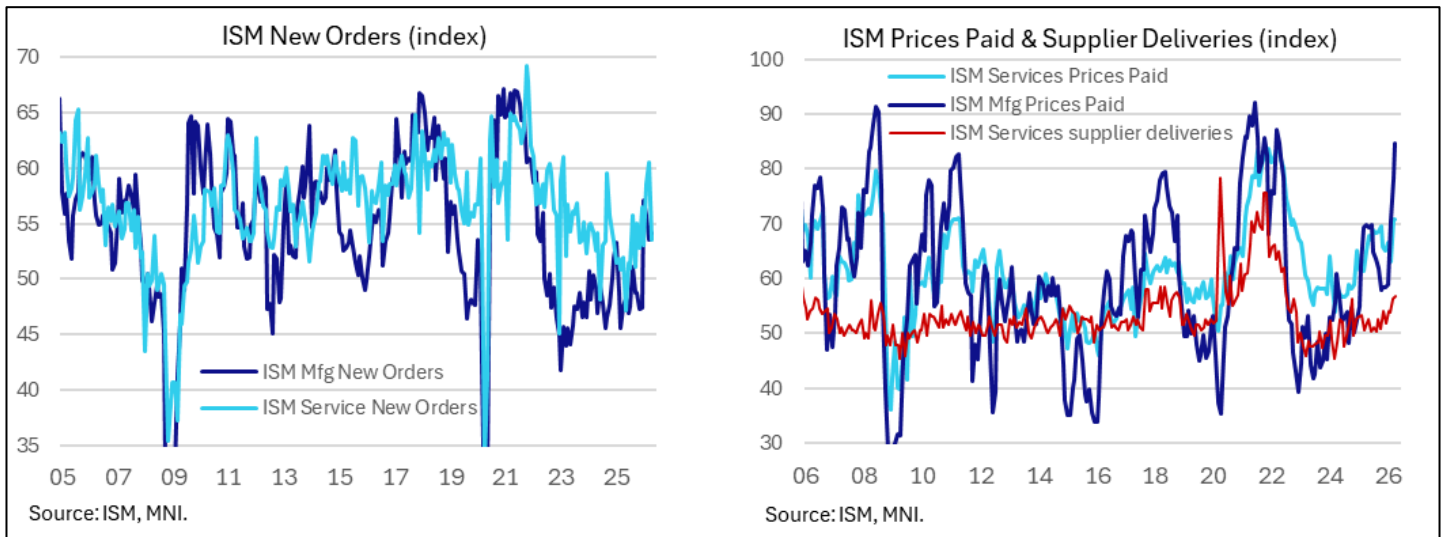
Business Sentiment: Solid ISM Services But Less Rosy PMI Services

ISM Services In Line; Prices Paid & Orders Underwhelm High Expectations

The ISM services index was very close to expectations in April at 53.6 as it dipped slightly from 54.0 in March to extend a drop from February's 56.1 (highest since Jul 2022). Details were on balance dovish relative to expectations, with the prices paid index unchanged and new orders slipping more than expected vs employment broadly in line, with the usual caveat of more limited surveys for the components. That said, a further increase in the supplier deliveries index to its highest since mid-2022 points to growing supply chain pressures.

- **ISM Services:** 53.6 (cons 53.7, 48 responses) in Apr after 54.0 in Mar.
- The overall index may have dipped from March but the breadth improved according to the press release ([link](#)): "Fourteen industries reported growth in April, one more than in March, and the number reporting contraction remained at three. The April Services PMI reading of 53.6 percent is 1.1 percentage points above the 12-month average of 52.5 percent."
- **Prices paid:** 70.7 (cons 73.5, 9 responses) in Apr after 70.7 in Mar. This is still clearly elevated as it compares with the 66.0 averaged in 2025 on tariff boosts and 58.7 in 2024 (it peaked at 83.7 in Mar 2022 for context). However, it hasn't kept pace with the latest jump in manufacturing prices paid to 84.6 in April for its highest since Apr 2022 (peaked at 91.2 in Jun 2021).
- "There were several comments from respondents stating that they have yet to see petroleum price increases impacting petroleum-related products, so we expect to see continued elevated readings for the Prices Index for several months - regardless of when the conflict in Iran ends - due to these costs working their ways through global supply chains."
- **New orders:** 53.5 (cons 57.3, 6 responses) in Apr after 60.6 in Mar, at what had been its highest since Feb 2023. Whilst cooling, it's still stronger than the final April services PMI released earlier today which showed its first decline in new work since Apr 2024.
- "Ongoing commentary that increased ordering is related to getting ahead of future price increases seems to have been more applicable to March than April; however, the Backlog of Orders Index remained in expansion territory, well above its 12-month average of 46.4 percent."
- **Employment:** 48.0 (cons 48.3, 6 responses) in Apr after 45.2 in Mar. An improvement on the month, but it continues to suggest a deterioration since the three >50 readings through Dec-Feb (av 51.3).
- **Supplier deliveries:** 56.8 in Apr after 56.2 in Mar. Prices paid may have held steady in April but supplier deliveries showed further supply chain pressures as they increased 0.6pts after +2.3pts in March to the highest since Jul 2022.

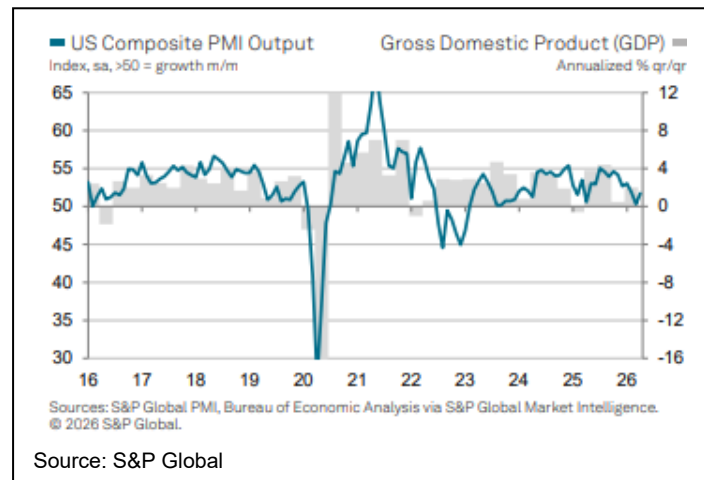




Services PMI Bounce Trimmed, First Decline In New Work Since Apr 2024

The S&P Global US services PMI bounced by less than first thought in April. At 51.0 it still recovers from a (only just) sub-50 reading in March but leaves it a little further away from February's 51.7 as it continued a trend decline from a recent high of 55.7 in Jul 2025. A broadly similar softening in the composite PMI in recent months points to subdued underlying demand.

- S&P Global US Services PMI: 51.0 in Apr final (flash & cons 51.3) after 49.8 in Mar and 51.7 in Feb
- S&P Global US Composite PMI: 51.7 in Apr final (cons 52.1, cons 52.0) after 50.3 in Mar and 51.9 in Feb
- Press release ([link](#)) highlights: "The US service sector registered a decline in new work inflows at the start of the second quarter of 2026 [...] It was the first reduction in demand since April 2024 amid the negative impact of the war in the Middle East and higher inflationary pressures."
- "That said, there was a marginal improvement in business activity, whilst employment also rose slightly and confidence in the outlook improved."
- "Higher prices for goods and services, most notably fuel and gas, plus increased labor-related costs continued to drive typical operating expenses up, which contributed to another steep rise in selling prices."
- The press release doesn't offer details here but the flash release had noted the sharpest rise in service input costs in the past three years and service selling price inflation at a 45-month high.

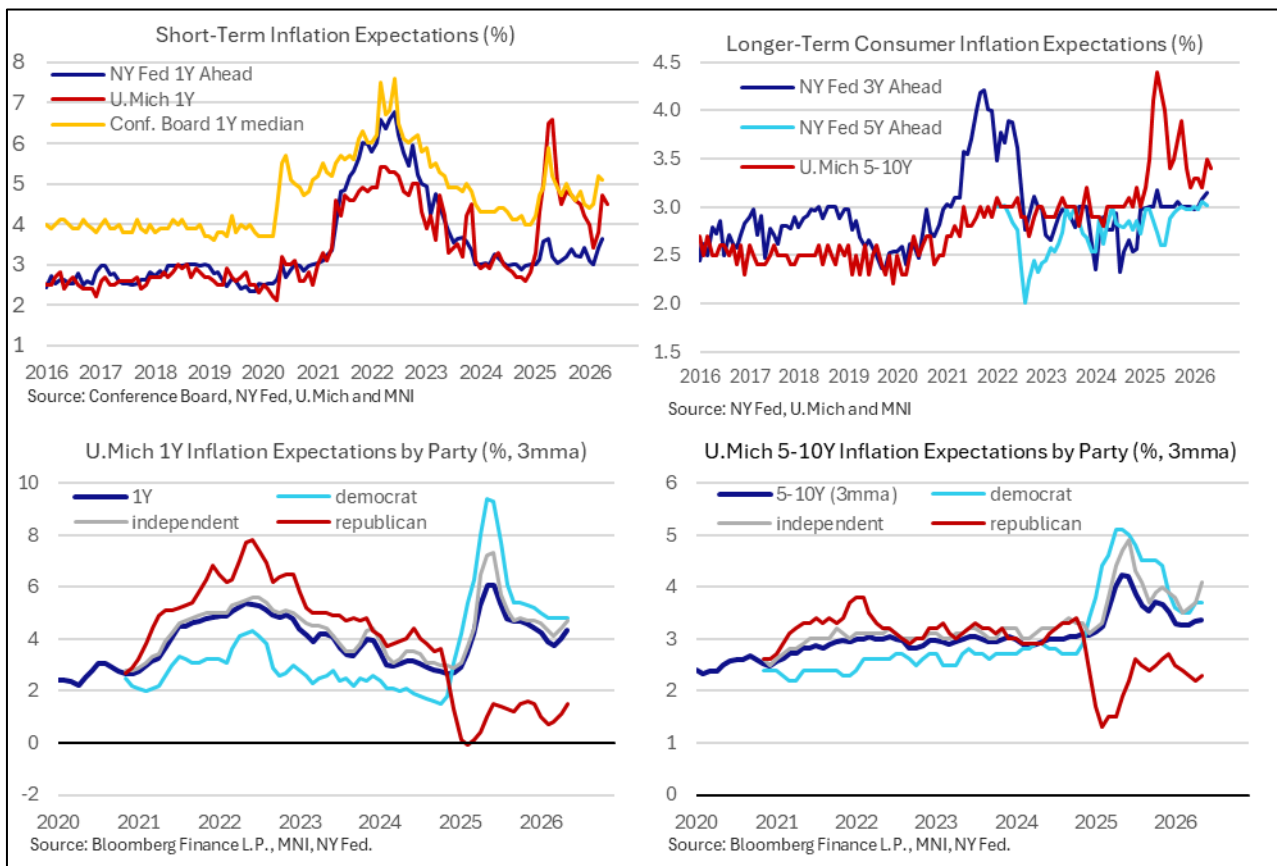


Consumer Sentiment: Record Low For U.Mich But Discrepancies Remain

U.Mich Consumer Sentiment Hits Record Low Despite Ease In Inflation

The U.Mich consumer survey saw sentiment fall to a fresh record low in the preliminary May reading whilst consumer expectations underwhelmed as they eased back from April's levels after a swift increase.

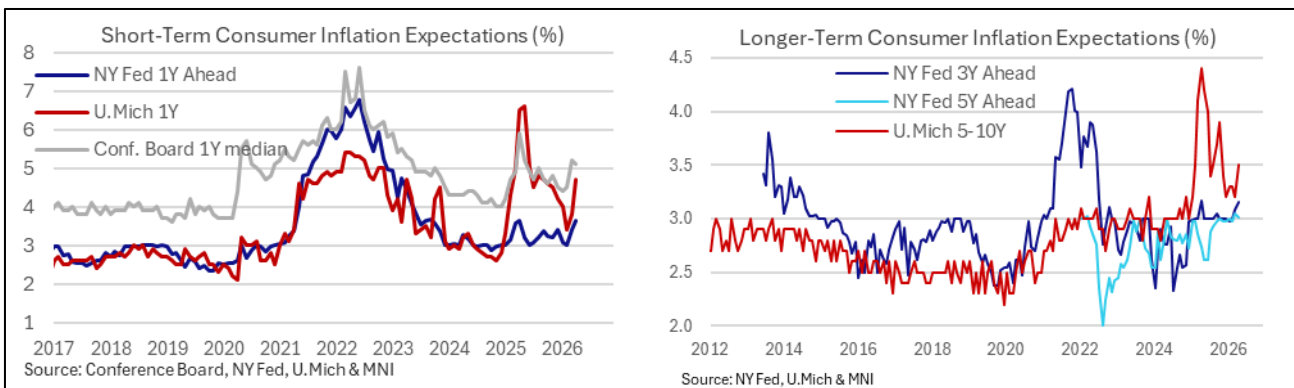
- U.Mich consumer sentiment fell to 48.2 (cons 49.5) in the preliminary May reading from 49.8 in April for a fresh record high.
- Current conditions led the monthly decline, falling to 47.8 (cons 52.0) after 52.5 whilst expectations nudged higher to 48.5 (cons 48.2) after 48.1.
- 1Y inflation expectations: 4.5% (cons 4.8) after 4.7%
- 5-10Y inflation expectations: 3.4% (cons 3.5) after 3.5%
- You can see how much more sensitive inflation expectations have been in the U.Mich survey compared to other surveys such as those from the Conference Board and NY Fed (both up to April) in the charts below.
- The preliminary survey ran from Apr 21-May 4, whilst the 577 of responses at this stage was fairly typical. Last month's survey saw 667 in the preliminary report before 1223 in the final vs the record high of 1504 in March.
- From the U.Mich press release: "Taken together, consumers continue to feel buffeted by cost pressures, led by soaring prices at the pump. Middle East developments are unlikely to meaningfully boost sentiment until supply disruptions have been fully resolved and energy prices fall."



NY Fed Consumer Inflation Expectations Firm But Still Contained

The NY Fed consumer survey for April saw an uptick in 1Y and 3Y inflation expectations back to recent highs seen in Apr 2025 on tariff announcements, although it remains far more measured than the 2021/22 episode. The U.Mich equivalent has seen a sharper recent uptick and is due its preliminary estimate for May tomorrow, but its 1Y measure has been much more sensitive under the second Trump administration than through 2021-22.

- 1Y inflation expectations: 3.64% in April after 3.42% in March, tying the 3.63% in Apr 2025 for highs since Sep 2023. For context, it peaked at 6.8% in Jun 2022.
- 3Y inflation expectations: 3.15% in April after 3.08% in March, tying the 3.17% in Apr 2025 for highs since Jul 2022. It peaked at 4.2% in Sep-Oct 2021.
- 5Y inflation expectations: 3.01% in April after 3.05% in March, having averaged 3.00% since September at the high end for this particular question which only started in 2022.



Broader Growth: Solid Early Tracking For Q2 GDP

Atlanta Fed GDPNow Edges Up Slightly On Better Inventory Contrib

- The above-consensus NFP increase in April has had little impact on the Atlanta Fed's GDPNow estimate for Q2 growth, which remains at 3.7% Q/Q SAAR, which would be well up from 2.0% in Q1. Unrounded, the estimate rose to 3.75%, from 3.67% Thursday after a soft construction spending report.
- In sum: a very slight downgrade to PCE consumption (2.6% Q/Q SAAR vs 2.7% in the previous estimate) after payrolls (with the unemployment rate ticking up and soft UMichigan consumer sentiment) was more than offset by an increase in the estimated change in inventories (seen contributing 0.79pp to GDP vs 0.68pp in the prior estimate), even though March wholesale inventories were revised down in the final to 1.3% M/M from 1.4% (wholesale trade sales came in 1pp above expectations at 2.8% M/M).
- The next full GDPNow update isn't until May 14 (Retail sales + inventories, Import and export prices data).

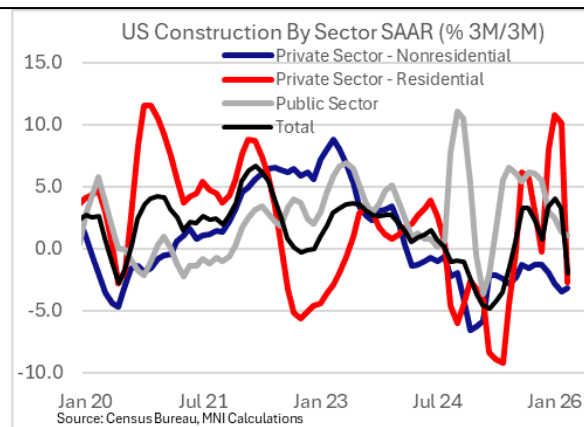
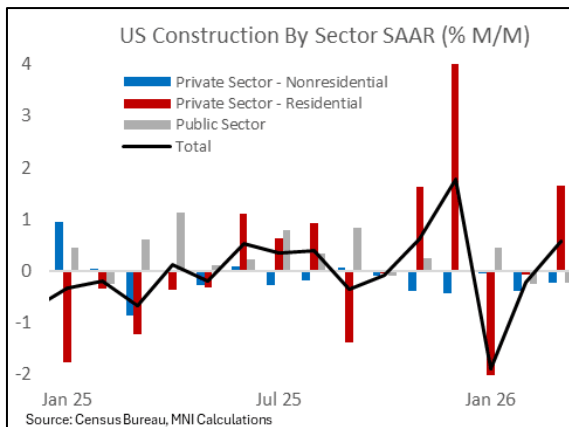
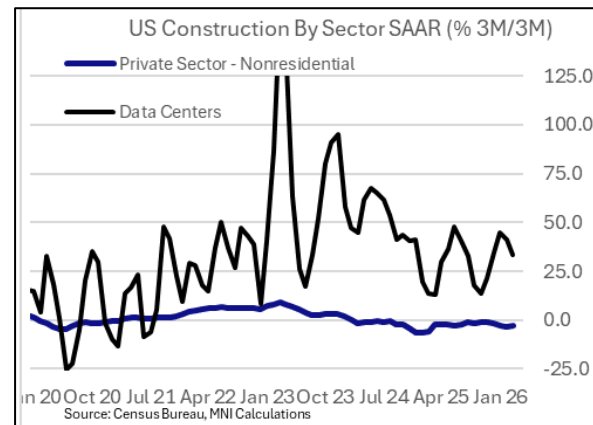
Atlanta Fed GDPNow estimates for 2026: Q2, growth rates and changes

Date	Major Releases	GDP	PCE	Equip-ment	Intell. prod.	Nonres. struct.	Resid. inves.	Govt.	Exports	Imports	Change in net exp.	Change in CIPI
30-Apr	Latest BEA estimate for 25:Q4	0.5	1.9	4.3	5.4	-6.5	-1.7	-5.6	-3.2	-1.0	-13	8
30-Apr	Latest BEA estimate for 26:Q1	2.0	1.6	17.2	13.0	-6.7	-8.0	4.4	12.9	21.4	-99	8
30-Apr	Initial GDPNow 26:Q2 forecast	3.7	2.7	6.8	6.7	1.3	0.6	1.5	4.7	3.3	1	40
1-May	ISM Manufacturing Index	3.5	2.5	6.5	6.6	1.3	0.4	1.5	4.5	3.1	2	39
4-May	M3-2 Manufacturing, Auto sales	3.7	2.6	8.5	6.6	1.3	0.4	1.5	4.6	3.1	1	39
5-May	Int. trade, New-home sales, ISM Services	3.7	2.7	8.6	6.6	1.3	0.3	1.5	3.7	2.4	2	39
7-May	Construction spending	3.7	2.7	8.6	6.6	-1.8	0.6	1.6	3.7	2.4	2	39
8-May	Emp. situation, Wholesale trade	3.7	2.6	8.6	6.4	-1.8	0.7	1.5	3.7	2.4	3	46

Big Revisions Underline Sharply Negative Q1 For Construction

The combined February-March construction report was relatively in-line with consensus for growth over that period, but the prior two months saw major revisions underlining significant volatility at the turn of the year - particularly for residential construction.

- Overall residential construction looks to have been entering Q2 on slightly more stable ground after a sharper than anticipated contraction in Q1, with data centers continuing to vastly outperform growth in overall nonresidential construction (which remains negative, dragged down in large part by a collapse in manufacturing construction). In sum, total construction was firmly negative in the first quarter.
- We'll get an Atlanta Fed GDPNow update following this release: currently, nonresidential structure investment is seen growing 1.3% Q/Q SAAR in real terms after -6.7% in Q1 and -6.5% in Q4; residential is seen +0.3% after -8.0% in Q1 and -1.7% in Q4. Combined they dragged down Q1 GDP by 0.5pp (overall GDP printed 2.0% Q/Q SAAR).
- We first note very large revisions to total construction (by value, in % M/M SAAR terms): December now prints +1.8% (was 1.0%), best since April 2022, but with January now -1.9% (was -0.3%). That puts into context a -0.2% result for February which saw a pickup to 0.6% in March - above the 0.3% expected but leaving the level of construction values below where it ended 2025.
- Residential construction swings, possibly weather-related, were largely responsible for this volatility: they rose 4.6% in December (rev from 1.5%) but fell 4.6% in storm-hit January (rev from -0.8%) before stabilizing in February at -0.1% and jumping in March (1.7%). That still meant a 2.7% quarterly (3m/3m annualized) drop, the deepest since Q2 2025.
- This is consistent with what we knew from the combined Feb-Mar report released late in April: that housing starts saw a jump to 1,502k in March for a 15-month high with multi-units jumping 13%, though that followed a 3-month low 1,356k in February (multi-units -17%). For the quarter, starts averaged 1,418k. However, a pullback in housing permits in March was a bit of a warning signal for Q2 residential activity.
- Nonresidential construction hasn't fared much better, with contractions of 0.4% in February and 0.2% in March meaning it hasn't grown in 8 of the last 9 months, and making for a -3.1% quarterly gain. It's now back to March 2023 levels.
- Manufacturing construction continues to collapse, down 24% for the quarter (to levels not seen since March 2023). Nonresidential, ex-manufacturing construction however remains robust though has slowed. It's grown for 10 consecutive months including 0.1% in each of February and March, with a quarterly growth rate of 5.8%.
- Data center construction is key here, rising over 33% on a quarterly basis in Q1 and has increased in value terms by almost five-fold in just the last 4 years.

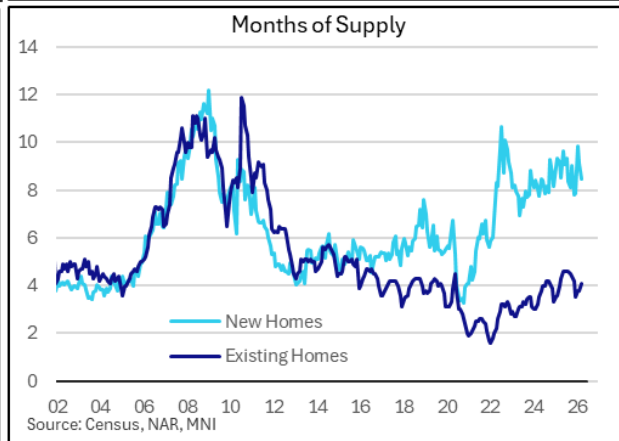
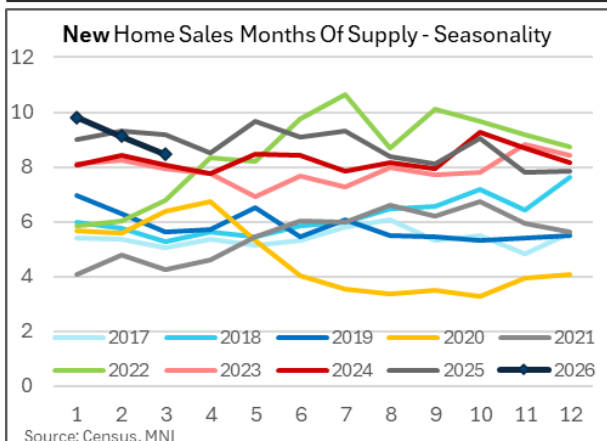
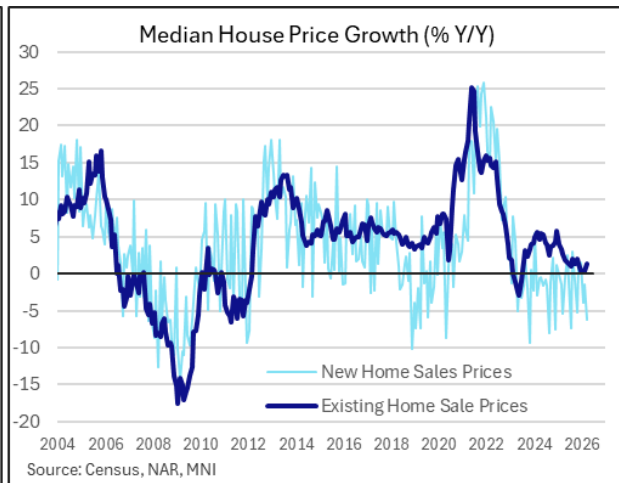
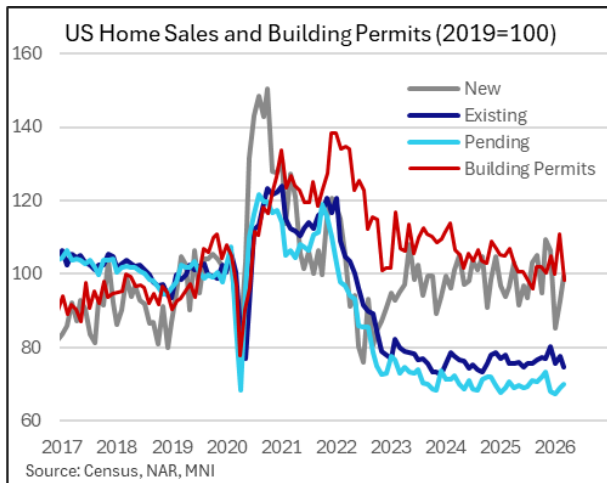


Housing: Some Normalization In New Home Supply

New Home Sales Slowly Recover January Slide

New home sales bounced in a two-month update for February and March although they are yet to return to late 2025 levels which had marked the highest since the turn of 2021/22. There has been some normalization in relative supply, which could help new home prices start to stabilize although it's likely only at the margin for now whilst supply remains historically elevated.

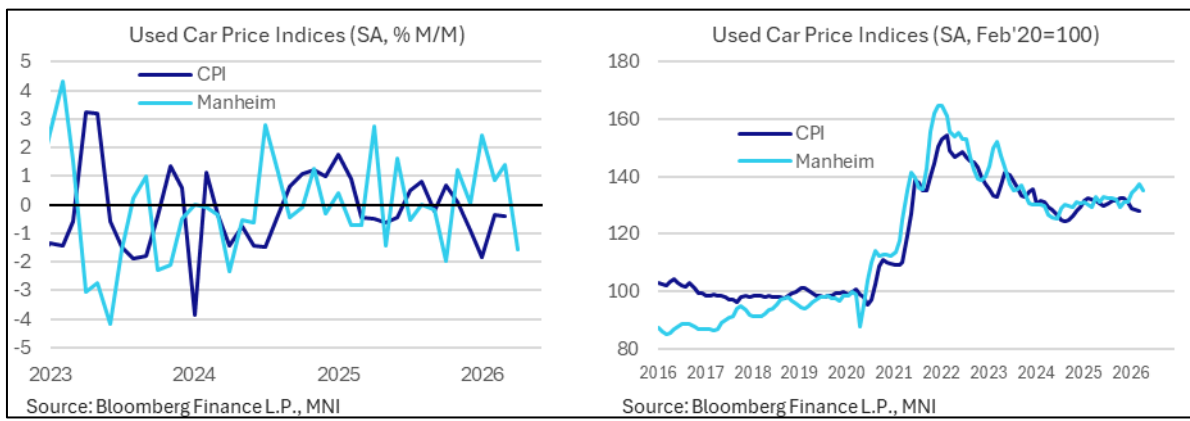
- New home sales saw two solid monthly increases in Mar (7.4% M/M) and Feb (8.9%) as they recovered after sliding 20% in January.
- The 682k annualized level for March beat consensus of 652k and compares with 728k in Dec and 583k in Jan.
- The latest two months of data show a resumption of the recent trend of relative supply starting to normalize after climbing strongly in recent years.
- The 8.5 months of supply in March compares with 9.2 in Mar 2025, the highest for a March since 2009 vs the recent low of 4.3 months in 2021 and an average of 5.3 months in 2017-19.
- It could start to see some relative upward pressure on new home price growth, which to date has been depressed with -6.2% Y/Y in March (-4% average in Q1) compared to existing home median price growth averaging 1% Y/Y in Q1.



Inflation: Softer Wholesale Used Vehicle Prices But CPI Equivalent Should Be Firmer

Wholesale Used Vehicle Prices Ease After Strong Run

- Manheim used vehicle prices slipped -1.6% M/M in April as intra-month downward momentum extended vs the -1.1% in the first 15 days of April compared to March on a mix, mileage and seasonally adjusted basis.
- It tentatively suggests a pullback after five consecutive monthly increases worth an average 1.2% M/M through Nov-Mar, ahead of next week's April CPI report.
- That said, CPI used car prices have been surprisingly reluctant to follow this strong patch of wholesale prices, with four consecutive monthly declines averaging -0.9% M/M to March. That includes a sizeable undershoot of analysts' expectations in the latest March release (-0.4% vs +0.4% expected).



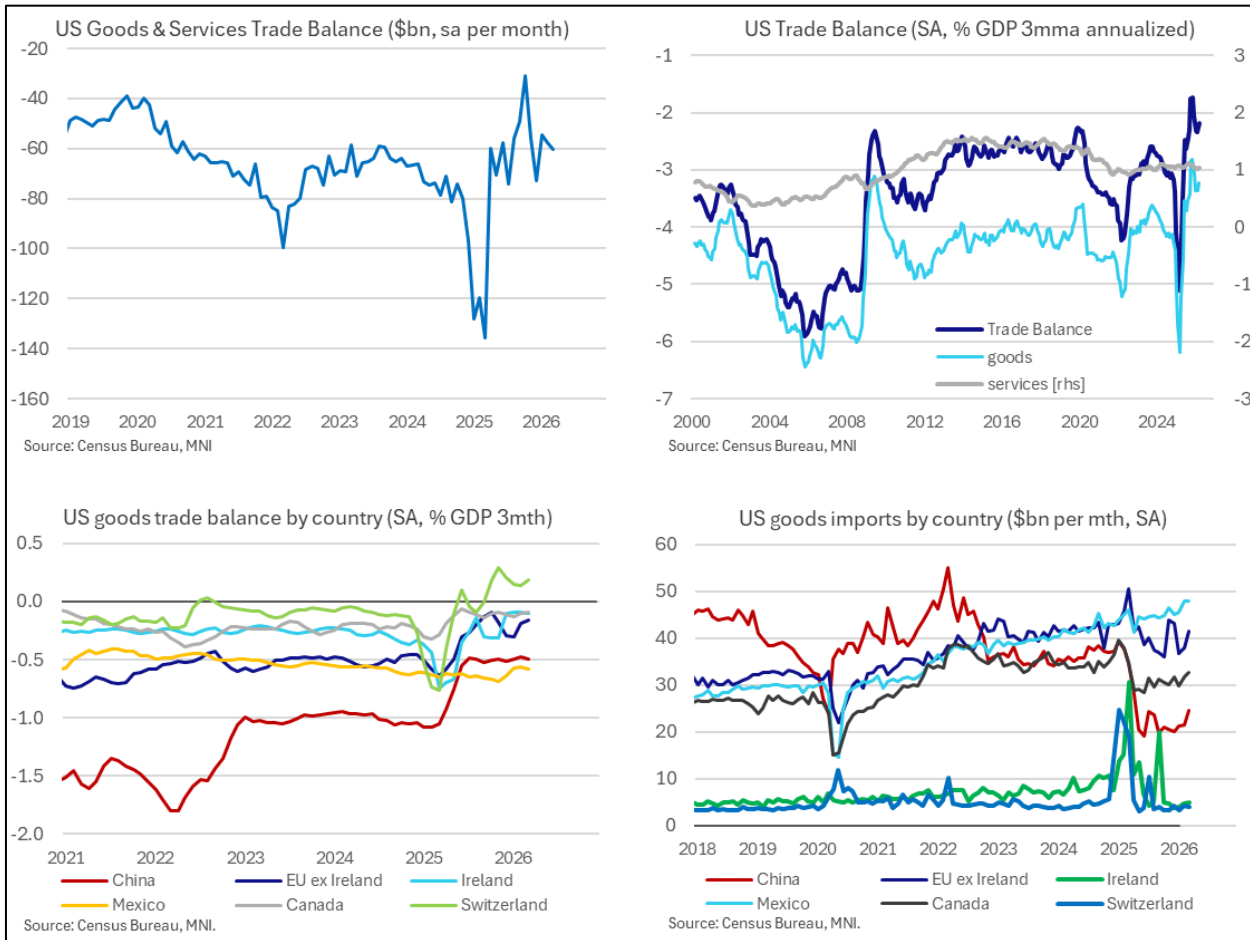
External: Trade Deficit Smallest Since 1990s

Confirmation Of Smallest Trade Deficit Since The 1990s

The goods & services trade deficit was worth ~2.2% GDP in Q1. It's a little off last year's brief three-month lows of 1.7% GDP but on a slower moving basis is the smallest deficit since the 1990s after the tariff-driven goods adjustment.

- The goods & services trade deficit was slightly lower than expected in March at \$60.3bn (cons \$61bn) after \$57.8bn (revised from \$57.3bn) in February.
- We're back to separate releases with a goods-only advance (unusually close to consensus last week) before today's full goods & services version, having shifted to only a final release when catching up after the government shutdown.
- It leaves three relatively steady months in Q1 after last year's huge swings on US trade policies.
- Latest 3-mth rolling balances: goods & services deficit of 2.2% GDP, goods deficit at 3.2% GDP and services surplus at 1.0% GDP.
- For a smoother trend, the 12-month goods deficit of 3.3% GDP confirms what was the smallest deficit since the late 1990s per the advance release whilst the services surplus remains at a fairly typical 1.1% GDP compared to post-pandemic years.
- Today's new country-level data keep to recent trends: China and the EU have seen the largest adjustment in trade balances with the US under the second Trump administration although that mostly came in early-to-mid-2025. Both have seen balances narrow by 0.5pp of US GDP, with the deficit with China trimmed from 1.0% GDP end-2024 to 0.5% GDP on a three-month rolling basis and the deficit with the EU from 0.8% to 0.3% GDP.
- Switzerland is another country with a large adjustment (from -0.3% to 0.2% GDP) although that's amplified by base effects from gold shipments in late 2024 between the presidential election in Oct and Trump then taking office in Jan 2025.

- In signs of USMCA still having an impact despite various challenges, Canada and Mexico have seen relatively very little adjustment in trade, at least at a balance level. The deficit with Canada has been trimmed from 0.2% GDP to 0.1% GDP whilst the deficit with Mexico is unchanged at 0.6% GDP.



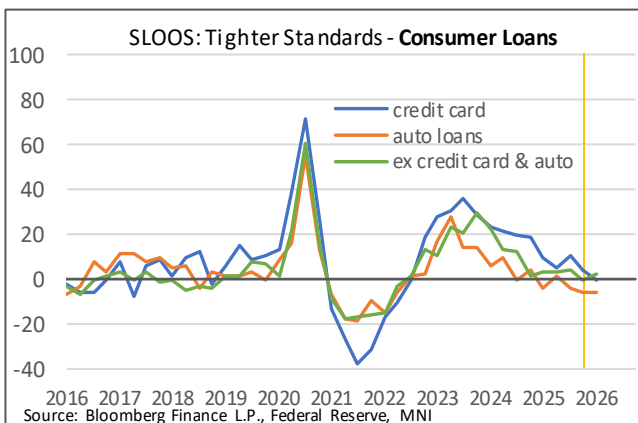
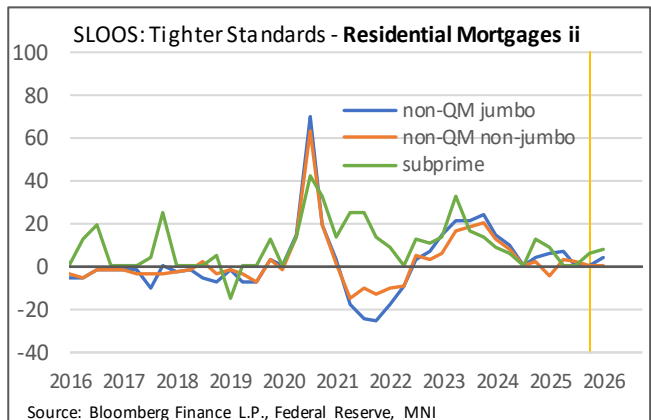
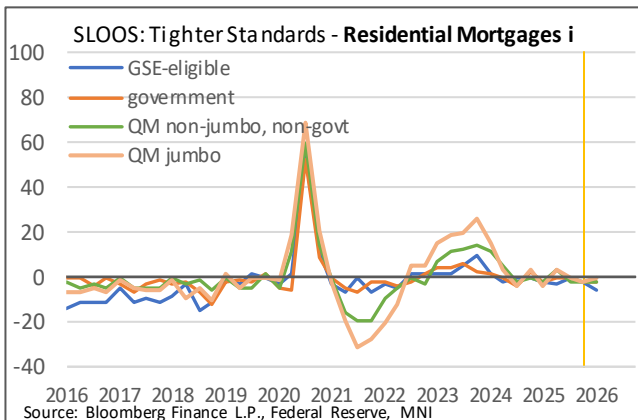
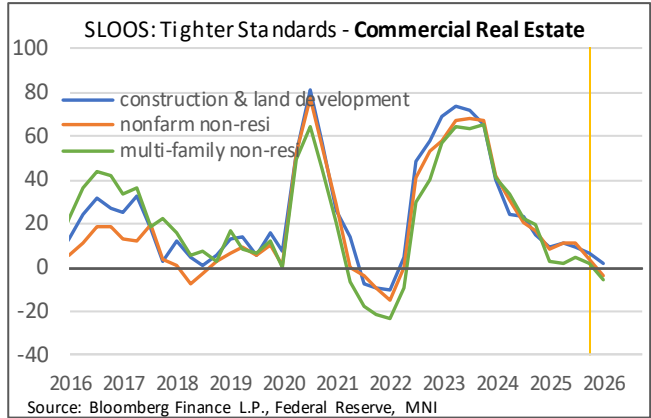
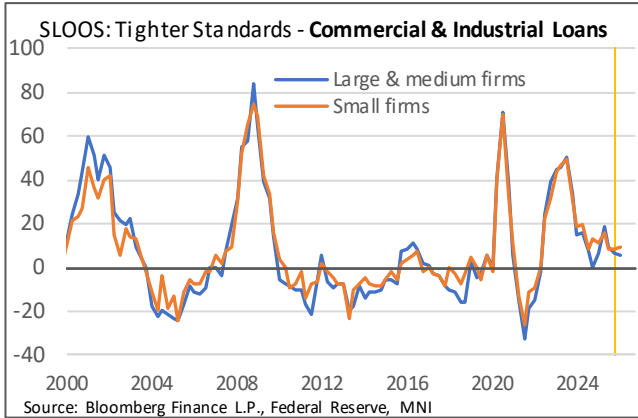
Lending/Credit: No Material Additional Tightening In Lending Standards

Slightly Easier Lending Standards In Q1 Despite Start of Iran War

Monday's SLOOS report, generally corresponding to conditions in 1Q26 (collected between Mar 23-Apr 3, i.e. circa one month into the Iran war), found that "survey respondents reported, on balance, tighter lending standards" while banks reported "basically unchanged" lending standards for CRE loans. The findings were generally similar or a little less restrictive on a relative basis than last quarter, slowly continuing a trend of less tightening/more easing in lending standards.

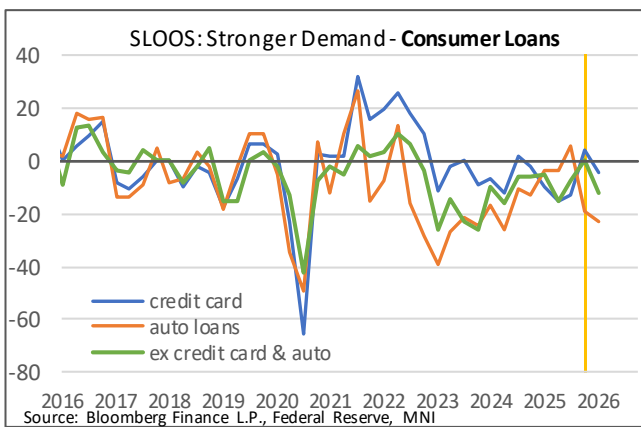
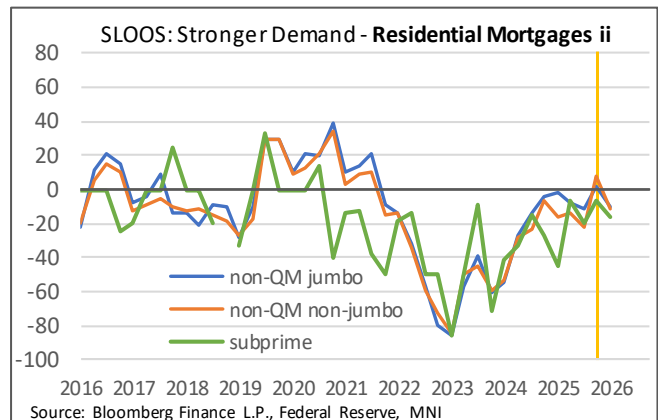
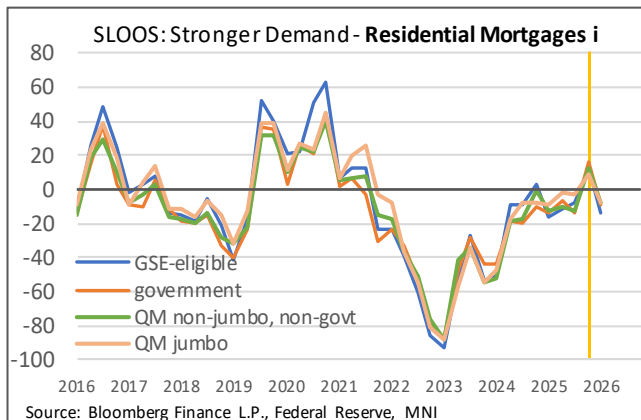
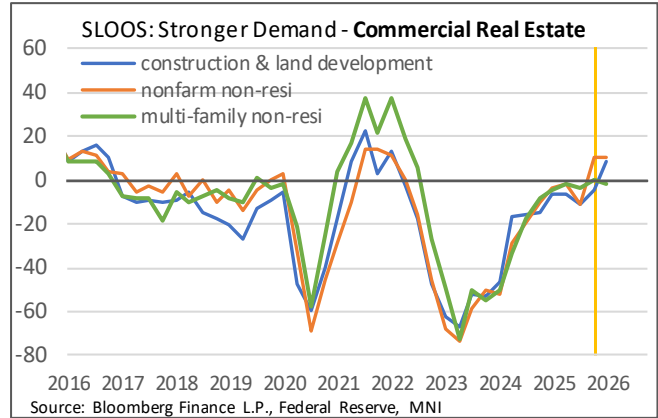
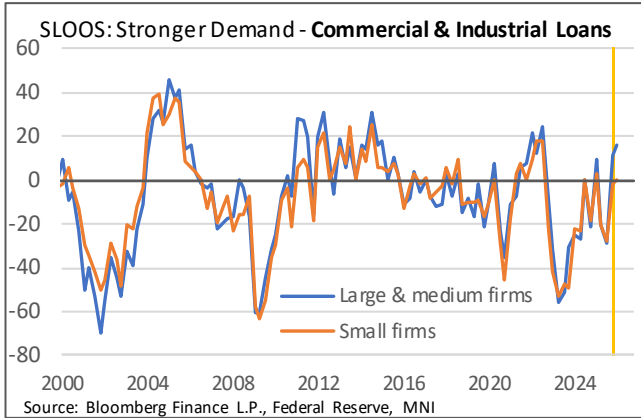
- The net share tightening standards on C&I loans was similar to last quarter (5.3% vs 6.5% for large & medium firms, 8.9% vs 8.3% for small firms) as it continued to moderate having increased strongly in 2Q25 to 18.5% and 15.9% respectively.
- The "basically unchanged" lending standards for CRE loans is a relative easing however after mild tightening in Q4, whilst nonresidential aspects saw the first net easing in standards since 2022.
- Banks reported "basically unchanged lending standards for most categories of residential real estate (RRE) loans on balance", with no notable categories being GSE eligible at -5.7 after -1.7 (greatest easing since 2021), QM non-jumbo loans at -2 for a third straight quarter, and subprime at 8.3 after 6.3 (highest since 1Q25).
- Lending standards for consumer loans were a little more mixed, with no change for credit cards (after 13 quarters of net tightening) and a net 6% easing auto loan standards (joint easiest since 2022) but a very slight tightening in other categories.

Tightening Standards



See the Fed's more detailed chart pack for previous history prior to the breaking up of each category into components

Stronger Loan Demand



See the Fed's more detailed chart pack for previous history prior to the breaking up of each category into components

Fedspeak: Stable Jobs, Support For Last Week's Hawkish Dissents

- Post NFP: Jobs report looks pretty much stable – Goolsbee
- Pre-NFP: Collins agreed with FOMC hawkish dissenters over statement
- Next move might be a hike, I just don't know – Kashkari
- AI hype could warrant higher rates – Goolsbee
- Economic tailwinds are bigger than headwinds – Musalem

Jobs Report Looks Pretty Much Stable – Goolsbee (May 8)

Speaking on CNBC after April's nonfarm payrolls report, Chicago Fed's Goolsbee ('27 voter) described Friday's the report as looking "pretty much stable" with not a lot of evidence that the job market is falling apart. He had said two days prior that the labor market is "stable without being great," and all four key rates -- unemployment, hiring, vacancies and layoffs -- are stable.

On inflation, "I don't think it's just energy. It's more than just that" [...] Inflation is elevated — it was already elevated before the war, then the war increased oil prices. Services inflation has been "higher than is comfortable" for several months and is "going the wrong way": He is trying to figure out if inflationary pressures are coming from one-time increases, and he's worried that the oil shock is coming at a time when the tariff shock hasn't yet worked through prices. "We've got to just keep an eye on this, because if everybody starts presuming that inflation rates are going back to something like what they were a few years ago, we would be in a bit of a pickle as a central bank".

Fed's Collins Agreed With FOMC Dissenters Over Statement (May 7) – Bloomberg write-up ([link](#))

Federal Reserve Bank of Boston President Susan Collins said she agreed with colleagues who dissented at last week's monetary policy gathering over wording in the Fed's post-meeting statement that suggested the central bank would eventually resume rate reductions. In an interview with Bloomberg's Big Take podcast, Collins said she was "strongly supportive" of the decision to leave rates unchanged, but she also preferred to adjust the statement to "not be as closely aligned with language that has been associated with the presumption that the next move will be a cut."

Minneapolis's Kashkari: Next Move Might Be A Hike, I Just Don't Know (May 7)

Minneapolis Fed President Kashkari reinforced his recently-hawkish view on FOMC policy in a fireside chat Thursday, reiterating that the war in the Middle East will likely worsen inflation while subduing business confidence/activity. He noted that "it may well be that the next move might need to be up in interest rates, I just don't know", in accordance with his dissent (one of three on the FOMC) against April's decision to maintain the easing bias in forward guidance.

- He said in his post-meeting explanation for the dissent that "the FOMC should offer a policy outlook that signals that the next rate change could be either a cut or a hike, depending on how the economy evolves."
- Thursday he reiterated concerns over higher inflation remaining entrenched: "Having now had elevated inflation for five years, I for one am very cautious about where inflation is headed...We cannot let elevated inflation be the new normal. We actually have to get it back down to our 2% target and make people realize that and experience it."

Fed's Goolsbee-AI Hype Could Warrant Higher Rates (May 6)

Hype around the transformative nature of AI can lead to overheating before the productivity boom has actually arrived -- a situation that would call for higher interest rates, Chicago Fed President Austan Goolsbee said Wednesday.

- "It's critical we be careful about activity driven by assumptions of future growth: stock market wealth effects on consumer spending, higher capital investment driven by market valuations, and so on. And we need to keep an eye on the forecasts and expectations of how much of the productivity surge is still to come," he said in remarks prepared for a Milken Institute conference in Los Angeles.
- "The bigger the hype, the more rates would need to rise to prevent overheating."
- "The economics suggest that the answer depends heavily on whether the productivity growth happens unexpectedly or is anticipated to be coming in the future."

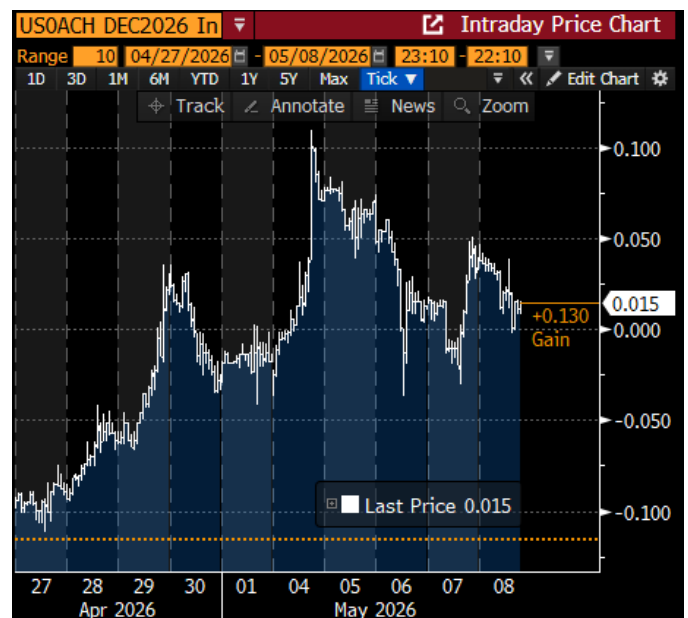
Musalem Maintains Hawkish Stance - Economic Tailwinds Bigger Than Headwinds (May 6)

St Louis Fed's Musalem (non-voter, hawk) maintains his traditionally hawkish stance at an event in Alabama. Recall that he last month openly entertained the idea of a hike if core inflation or medium- to long-term expectations move "persistently higher," while still allowing for cuts if labor risks become more apparent. Whilst not a voter, he is very likely to have agreed with the three hawkish dissenters (Hammack, Kashkari and Logan) wanting to remove the easing bias from the statement at last month's FOMC meeting.

- "My own views are that there are very plausible scenarios under which the economy would require us to keep the policy rate at its current level for some time. I also see plausible scenarios under which the economy might require us to reduce the interest rate further. I see plausible scenarios under which the economy may require higher interest rates. So a lot of uncertainty right now."
- The fed funds rate is either neutral or slightly accommodative in real terms, he said. The labor market seems to be stabilizing and inflation is running "meaningfully above our target of 2%,"
- "Some of that is still the effect of tariffs passing through. Some of that is the energy price shocks from the Middle East conflict, but there's also underlying inflation that we need to worry about as monetary policymakers," the St. Louis Fed chief said, expressing optimism about the economy.
- "The tailwinds are larger than than the headwinds," he said. "The economy has reasonable forward momentum."
- Still, Musalem said the Iran war may have impacts. "It is weighing on sentiment and may weigh on activity."

STIR: Little Net Change Over The Week

Monday started with short-lived optimism over Project Freedom (announced late Sunday) as transit still appeared impeded, with Fed hike expectations building sharply and pricing in more than 10bp of hikes by year-end. Since then, hopes of a US-Iran peace deal have grown despite some escalation late in the week, which has seen the path return to more neutral setting. It sees a little under 25% odds of a 25bp Fed cut in July or September before a little over 25% odds of a 25bp hike in Mar 2027.



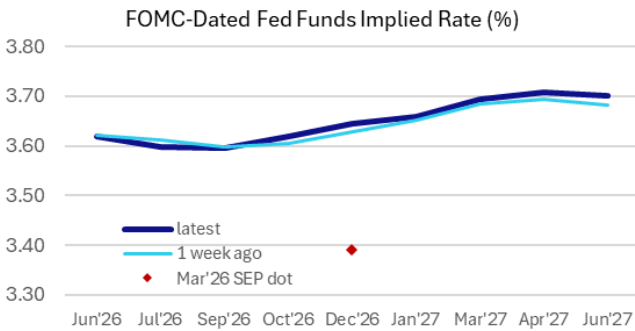
Implied shift in Dec 2026 Fed Funds effective rate from current level. Source: Bloomberg Finance L.P.

FOMC-dated Fed Funds futures implied rates

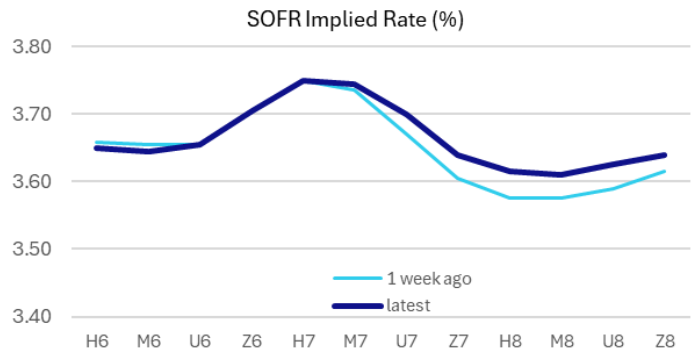
Meeting	Latest			pre NFP (May 8)			chg in rate	pre FOMC decision (Apr 29)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.64			3.64				3.64			
Jun'26	3.62	-2.2	-2.1	3.63	-1	-1.2	-0.9	3.64	0	0	-2.2
Jul'26	3.60	-2.1	-4.2	3.61	-2	-2.8	-1.4	3.63	-1	-1	-3.0
Sep'26	3.60	-0.2	-4.4	3.61	0	-2.9	-1.5	3.63	0	-2	-2.9
Oct'26	3.62	2.2	-2.2	3.64	2	-0.5	-1.7	3.62	0	-2	-0.4
Dec'26	3.64	2.6	0.4	3.67	3	2.7	-2.3	3.63	1	-1	1.2
Jan'27	3.66	1.6	2.0	3.69	2	4.8	-2.8	3.66	3	2	0.2
Mar'27	3.70	3.5	5.5	3.72	3	7.9	-2.4	3.69	3	5	0.9
Apr'27	3.71	1.2	6.7	3.73	1	9.3	-2.6	3.71	2	7	0.0
Jun'27	3.70	-0.6	6.1	3.72	-1	8.2	-2.1	3.70	-1	6	0.4

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

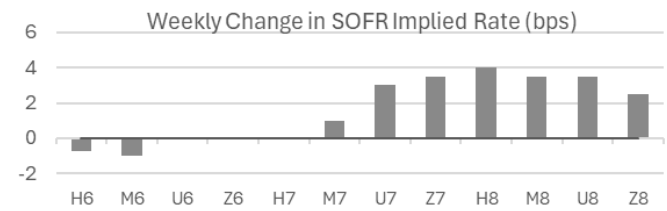
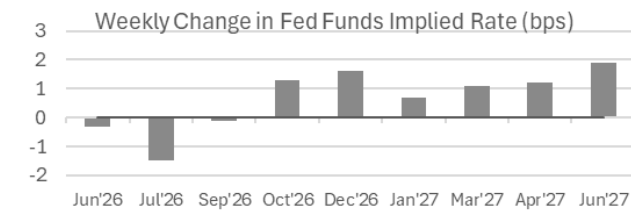
Weekly changes:



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: CPI (Tue) and PPI (Wed)

US data focus will firmly be on a latest round of inflation updates (CPI Tuesday, PPI Wednesday) after Friday's nonfarm payrolls report for April ruled out downside risks to the labor leg of the Fed's dual mandate. Consensus at typing again looks for another strong headline CPI inflation print (0.6% M/M sa) driven by energy prices with limited feedthrough to core inflation (0.3% M/M sa). That would however be higher feedthrough to core than was the case in March when headline increased 0.87% M/M and core 0.20% M/M, undershooting elevated expectations. Risks could be skewed higher for core with a reversal of a government shutdown distortion which has artificially lowered the core Y/Y rate by circa 0.1pp since October. This upward technical distortion aside, expect focus within core to be on those categories most likely to see price pressures from higher transportation costs. Airfares are particularly sensitive with the usual caveat that the PPI series is used for PCE calculations whilst we watch for any offsetting impact from softer hotel prices. On the latter, the accommodation sector saw one of the largest monthly declines in the April payrolls report. Beyond energy spillover, there will also likely be attention on broader core goods inflation after it softened again in March despite tariff related pressures earlier in the year. PPI inflation meanwhile will as usual be watched for PCE specific components and broader pipeline pressures, the latter after March's report was much tamer than expected in the headline aggregates.

Date	ET	Impact	Event
11/05/2026	1000	***	NAR existing home sales
12/05/2026	0315		New York Fed's John Williams
12/05/2026	0600	**	NFIB Small Business Optimism Index
12/05/2026	0815	***	ADP Employment Report
12/05/2026	0830	***	CPI
12/05/2026	0855	**	Redbook Retail Sales Index
12/05/2026	1300		Chicago Fed's Austan Goolsbee
12/05/2026	1400	**	Treasury Budget
13/05/2026	0700	**	MBA Weekly Applications Index
13/05/2026	0830	***	PPI
13/05/2026	1130		Boston Fed's Susan Collins
13/05/2026	1315		Minneapolis Fed's Neel Kashkari
14/05/2026	0830	***	Retail Sales
14/05/2026	0830	**	WASDE Weekly Import/Export
14/05/2026	0830	***	Jobless Claims
14/05/2026	0830	**	Import/Export Price Index
14/05/2026	1000	*	Business Inventories
14/05/2026	1015		Kansas City Fed's Jeff Schmid
14/05/2026	1300		Cleveland Fed's Beth Hammack
14/05/2026	1745		New York Fed's John Williams
14/05/2026	1900		Fed Governor Michael Barr
15/05/2026	0830	**	Empire State Manufacturing Survey
15/05/2026	0915	***	Industrial Production