Week Ahead

24th - 28th August 2026

Fed credibility on trial

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INTRODUCTION

While the data calendar outside the US proved a little busier last week, the dollar still stole the show, albeit unexpectedly. As of writing late on Friday, the DXY index looks set to end the week more than a full percent lower, with the US Treasury responsible, on this occasion, for greenback underperformance. Wednesday's announcement that the Treasury would more than double its purchases of long-dated bonds took markets by surprise. While, in principle, any "twist" operation should ultimately be cash-neutral, increased pressure on the Fed to suppress short-term rates raises independence fears, alongside concerns around a growing willingness to tolerate above-target inflation.

With that in mind, Fed credibility is likely to be on trial in the week ahead, overshadowing an otherwise light docket of events including an NBH rate decision and Australian inflation data. Rather, the Kansas City Fed's annual economic policy symposium in Jackson Hole now takes on additional significance, especially Chair Warsh's keynote speech on Friday. Ordinarily, we would anticipate some hawkish pushback, and reassurance that the Fed remains ready to respond forcefully if needed. That, however, looks somewhat trickier, given Warsh's preference for not offering forward guidance, and a refusal, so far at least, to detail a coherent reaction function. Such reticence, against the current backdrop, risks being seen as an endorsement of market fears. As such, while a wide range of dollar outcomes look possible in the week ahead, we see greenback risks skewing asymmetrically toward further weakness.

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ECONOMIC CALENDAR

All times in BST

Monday 24/08

Time	Country	Event	Period	Estimate	Prior
6:00	Singapore	CPI YoY	Jul	2.40%	1.90%
		CPI NSA MoM	Jul	0.00%	0.00%
		CPI Core YoY	Jul	2.20%	1.60%
9:00	Switzerland	Total Sight Deposits CHF	21-Aug		458.8b
13:15	Sweden	Riksbank's Bunge Speaks in Stockholm			
15:30	Switzerland	SNB's Schlegel Speaks in Bern			

Tuesday 25/08

Time	Country	Event	Period	Estimate	Prior
2:30	Australia	RBA Minutes of Aug. Policy Meeting			
5:00	Australia	RBA's Jacobs-Speech			
9:00	Germany	IFO Business Climate	Aug	87.2	86.6
		IFO Current Assessment	Aug	87	86.5
		IFO Expectations	Aug	87.5	86.7
13:00	Hungary	Central Bank Rate Decision	25-Aug	5.50%	5.75%

Wednesday 26/08

Time	Country	Event	Period	Estimate	Prior
2:30	Australia	CPI YoY	Jul	3.30%	3.80%
		CPI Trimmed Mean YoY	Jul	3.50%	3.60%
7:00	Sweden	Riksbank's Hjelm Speaks in Stockholm			
13:30	United States	Personal Income	Jul	0.20%	0.20%
		Personal Spending	Jul	0.10%	0.30%
		PCE Price Index MoM	Jul	0.10%	-0.10%
		PCE Price Index YoY	Jul	3.60%	3.70%
		Core PCE Price Index MoM	Jul	0.20%	0.10%
		Core PCE Price Index YoY	Jul	3.30%	3.30%
		GDP Annualized QoQ	2Q S	1.50%	1.50%
		Personal Consumption	2Q S	3.20%	3.20%
		Core PCE Price Index QoQ	2Q S	3.40%	3.40%
17:15	Switzerland	SNB's Antoine Martin Speaks in Basel			

Thursday 27/08

Time	Country	Event	Period	Estimate	Prior
7:00	Norway	GDP QoQ	2Q		0.40%
		GDP Mainland QoQ	2Q		0.20%
13:30	United States	Initial Jobless Claims	22-Aug	208k	206k
TBC	Japan	BOJ Deputy Governor Himino Speech in Saitama			

Friday 28/08

Time	Country	Event	Period	Estimate	Prior
0:30	Japan	Jobless Rate	Jul	2.50%	2.50%
		Job-To-Applicant Ratio	Jul	1.19	1.18
7:00	Sweden	GDP QoQ	2Q		-0.20%
		GDP WDA YoY	2Q		2.00%
	Norway	Unemployment Rate SA	Aug		2.10%
7:45	France	CPI MoM	Aug P		0.60%
		CPI YoY	Aug P		2.10%
8:00	Switzerland	KOF Leading Indicator	Aug	102.9	103.5
	Spain	CPI MoM	Aug P		0.30%
		CPI YoY	Aug P		3.60%
		CPI Core YoY	Aug P		3.00%
8:55	Germany	Unemployment Change (000's)	Aug	6.5k	6.0k
		Unemployment Claims Rate SA	Aug	6.40%	6.40%
13:30	Canada	Quarterly GDP Annualized	2Q	3.30%	-0.10%
		GDP MoM	Jun	0.20%	0.30%
		GDP YoY	Jun	1.90%	1.70%
15:00	United States	Fed's Warsh Speaks at Jackson Hole Symposium			

DATA PREVIEWS

MNB preview: One more summer cut, then September decides

We expect the MNB to cut its base rate by 25bp to 5.50% on Tuesday, extending the summer easing cycle for a third consecutive meeting. July's inflation undershoot has strengthened an already compelling case for another move, while the MNB itself said in July that it saw room for further easing "throughout the summer". With an August cut now our strong base case, the more important signal for markets will be whether policymakers leave the door open to further easing when the September Inflation Report is published.

The inflation data clearly favour a cut. Headline CPI fell from 1.7% to 1.2% YoY in July, below the 1.6% consensus and the lowest reading since 2016, while prices fell 0.1% MoM. Core inflation also eased from 2.0% to 1.9%. Short-term rates point in the same direction, with recent Treasury bill yields around 5.25%, already below both the current 5.75% base rate and the 5.50% level we expect after Tuesday's meeting.

"Combined with subdued growth, this gives the MNB ample room to deliver another 25bp cut."

That said, the details argue against assuming an uninterrupted easing cycle. Food prices fell 1.1% YoY in July, and utility prices declined 4.3%, doing much of the work in pulling headline inflation lower. Services prices, by contrast, rose 4.7% YoY and 1.6% MoM, while the sticky-price index remains elevated. This leaves domestic inflation pressures firmer than the headline suggests and makes the sustainability of July's disinflation more important than the print itself. The MNB has also continued to emphasise FX stability as an anchor for inflation expectations, meaning HUF weakness remains a constraint on how quickly policymakers can ease.

We therefore see August as the straightforward decision and September as the more important juncture. A 25bp cut has limited implications for HUF given that another move is already well anticipated. Instead, the FX reaction is likely to hinge on guidance. A signal that the MNB is preparing to extend the cycle beyond the summer would further erode the forint's carry advantage and should push EURHUF gradually higher. Conversely, a more cautious message that puts the emphasis on sticky services inflation and the September Inflation Report would likely support HUF. Our broader view remains for gradual forint depreciation rather than a disorderly sell-off as the rate differential narrows.

Australia inflation preview: Solid, despite distortions

Wednesday's July CPI report is the only inflation print the RBA Board will see ahead of its September 29th rate decision, making it the highlight of the Antipodean calendar in the week ahead. Consensus looks for headline inflation to slide from 3.8% to 3.3% YoY, with trimmed-mean CPI growth easing from 3.6% to 3.5%. Much of this decline should be mechanical, however, as last July's electricity-rebate distortions drop out of the annual comparison, while April's halving of the fuel excise keeps petrol a drag on the headline measure.

"Melbourne Institute estimates place single-month price growth at 1.0% in July, and even after accounting for the impact of base effects, both headline and trimmed mean readings should remain well above the RBA's 2-3% target band."

This should offer some important context for the RBA. Having hiked 75bps across February, March and May, the Board has since paused at 4.35%, albeit retaining a hawkish tilt, with Governor Bullock this month explicitly refusing to rule out further increases. Indeed, caution looks warranted to us. As we warned in June, ceasefire optimism in the Middle East always looked brittle, and with the US-Iran truce now lapsed and renewed Hormuz disruption lifting crude prices, the RBA's judgement that the conflict's inflationary impact has so far undershot expectations may not survive into year-end.

Admittedly, Thursday's soft jobs report, which saw unemployment unexpectedly rise to 4.5%, offered a counterpoint to inflation worries, prompting traders to pare hiking bets. But that, we think, leaves markets underestimating the risk of further tightening ahead of this latest CPI release, with odds of a September rate rise at just 10%, and a cumulative 55% probability embedded for the remainder of 2026. An in-line print would favour eventual tightening at the margin, in our view. Moreover, we see risks tilted in favour of a modest upside surprise, which, if realised, could help revive September hike bets, likely helping AUDUSD retest its recent highs.

Jackson Hole preview: Fed credibility in focus

The end of the coming week will see attention turn to Jackson Hole, and the Kansas City Fed's annual economic policy symposium. This year's theme, "Financial Innovation: Implications for Payments and Policy", is likely to matter less for markets than the man delivering Friday's keynote. Kevin Warsh makes his first Jackson Hole appearance as Fed Chair, barely three months after taking office and just 19 days before the FOMC's September 16th decision.

> "With the Fed under Warsh having deliberately stripped forward guidance from its communications, set-piece speeches now carry unusual information value."

Setting the scene for Warsh's comments, the policy backdrop is finely balanced. July's 9–3 vote to hold rates at 3.50–3.75% masked a vocal minority favouring an immediate hike, with last week's minutes release showing a committee divided over the idea of tightening this year. Markets, for now, remain on the side of the hawks, albeit embedding a balance of risks that is tilting progressively more dovish. Soft data, including a negative July payrolls print, has helped extend an unwind in hiking bets that we previously argued for, leaving implied September hold odds at 70%, with a 2026 rate increase no longer fully priced.

We see two additional factors that further complicate Warsh's task. First, the Middle East, with the US–Iran ceasefire lapsed and Hormuz traffic still severely restricted, this week's White House package of measures designed to choke the Iranian economy has clouded prospects of a near-term breakthrough. Brent has risen to near $94 per barrel as of writing, its highest since late July, keeping stagflationary risks alive just as growth momentum cools. Second, the Treasury's surprise decision on Wednesday to double liquidity support buybacks of longer-dated bonds. The move dragged long-end yields down from multi-decade highs and handed the dollar its sharpest daily fall since the end of April, leaving the DXY below 99.0 and EURUSD knocking on 1.17. Markets read the intervention as quasi-easing, and Warsh will inevitably face questions as to whether the Fed intends to lean against a fiscally driven loosening in financial conditions, and regarding its independence in doing so.

> "Warsh has indicated his remarks will focus on long-run structural questions rather than near-term guidance, potentially previewing the framework review, and has stressed that market pricing does not bind him."

Given recent developments, a failure to address current economic conditions and to set out a clear reaction function could easily be seen as a tacit endorsement of structurally looser policy, and greater willingness to tolerate above-target inflation. It would certainly do little to enhance his credibility with markets, posing downside risks for the buck with Fed credibility already in the spotlight. Still, this would be in keeping with Warsh's statements over recent months. That leaves us seeing dollar outcomes as skewed asymmetrically toward further weakness if the pattern holds.

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