

THE WEEK AHEAD, 13 MARCH 2026

Five Central Banks, One Shock

The coming week gives major central banks the first official opportunity to respond to the shocks induced by the Middle East conflict. With the **Fed** (the **Federal Reserve** is the US central bank), the **European Central Bank (ECB)**, the **Bank of England (BoE)**, the **Swiss National Bank (SNB)** and the **Bank of Japan (BoJ)** all meeting within 24 hours of each other, policymakers will begin to chart a course through an unwanted source of disruption to their efforts to bring inflation back to target in a steady and sustained manner. In principle, these meetings offer an unusually high degree of signalling power, but in practice, we expect the five central banks to leave interest rates unchanged, to emphasise caution in their response and to pre-commit to little in terms of future actions.

Historically, an unexpected supply shock to energy prices would have been seen by most central banks as providing limited justification for a policy change. As long as inflation expectations were seen to be anchored, the argument was that a temporary rise in inflation could not be curtailed by raising interest rates



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without large economic costs. Perceptions of risks are, however, very different in the wake of the post-Covid inflation shock when a sustained rise in inflation that was initially under-estimated by the central banks forced a belated and prolonged rise in interest rates.

For now, all five central banks need to evaluate the scale and potential duration of the rise in inflation. The **US** faces perhaps the most challenging situation. February's **payrolls decline** showed that the US labour market remains weak, with no evidence that improved cyclical momentum is carrying over into new job hires. Because the Fed has a dual mandate (it targets both inflation and the maximum available level of employment) it is exposed to risks in both directions. As a result, it has a very strong justification for remaining on hold in the face of higher energy prices to gather more information. Interest rate markets continue to expect the Fed to cut interest rates this year, albeit starting later and by less than earlier expected.

In the **euro area**, headline inflation has been converging to target with the occasional bump and a lingering question about whether services inflation would slow sufficiently for inflation to align with target on a sustained basis. The ECB could afford

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to be patient in an environment of stable input prices, but a sustained rise in energy prices might trigger a desire to send a warning shot to wage setters to ensure the path back to target is not subject to a lengthy diversion. Interest rate markets see this risk as material with the chance of a 25bp rate rise discounted after the summer.

Natural gas prices – 2024 = 100, expressed in USD terms



Source: Bloomberg, as of March 2026.

In the **UK**, inflation had looked to be on the brink of a sharp fall back to target given changes to administered prices announced by the government in last year’s **Budget**. The UK is highly sensitive to imported gas prices which, combined with its legacy of above-target inflation since the pandemic, leaves it particularly vulnerable. Monetary policy is still restrictive and unemployment has been rising for over two years, hence, in contrast to the ECB, the chance of new rate rises seems low. However, markets have lost confidence in the two rate cuts that had previously been expected for this year.

The **SNB’s** challenges are distinct from all the other central banks. **Swiss** inflation has been close to the bottom of the SNB’s target range while the Swiss franc has seen so much demand as a safe haven currency that concerns over an inflation shock are well down the priority list. Equally, the prospective rise in energy inflation makes extreme policy scenarios such as returning to negative interest rates less likely.

Finally, the **BoJ** had been the closest of the central banks to raising interest rates. Although a boost to inflation might be seen as increased justification for a rate hike, the BoJ has recently tended to react very cautiously in the face of shocks, fearing that the real economy might lose momentum and therefore undermine the achievement of the inflation target on a sustained basis. Arguably, it has the least case for holding back next week, but political opposition to rate rises is a further constraint for the central bank, hence a pause also seems likely.

Uncertainty around the ultimate impact of the Middle East conflict on energy prices and how long disruption may last seems likely to extend beyond Easter, hence the policy statements issued next week will likely not tell us where

UPCOMING POLITICAL EVENTS 2026

15 March	DE	Local elections in Hesse
17–18 March	FED	Central Bank Meeting
18–19 March	BoJ	Central Bank Meeting
19 March	EZB	Central Bank Meeting
19 March	BoE	Central Bank Meeting
19–20 March	EU	European council

interest rates are headed immediately, but they will reveal how each central bank is framing the new risks, how much confidence they retain in their pre-existing forecasts, and how willing they are to hold the line in the face of geopolitical disturbance. Although by no means an antidote, one comforting factor for investors in the face of this uncertainty lies in the range of shocks markets have successfully weathered over the last three years.

Looking across the five central banks, the story for next week looks simple: **one shock, five meetings, one instinct: caution**.

The coming week

In addition to next week’s central bank meetings, four of the countries release economic data.

In the **US**, **industrial** momentum has been strengthening into the start of 2026. Some payback for recent strength seems likely with a modest uptick in February expected. **Producer price inflation (PPI)** has also recently strengthened, with another firm contribution into the Fed’s target measure likely next week. The Philadelphia Fed releases its regular monthly survey.

In the **euro area**, data releases are less likely to be impactful for the market: January’s **trade balance** accompanies the final release of February **HICP**.

In the **UK**, **labour market** data will be released the day before the BoE meets. The labour market has been persistently weak with just the faintest hints in surveys that the rate of deterioration is levelling off.

Finally, **Japan** will release **industrial production** and **trade** data.

Yours,
Sean Shepley

Calendar Week 12

Monday			Consensus	Previous
CN	Retail Sales YY	Feb	2.5%	0.9%
US	NY Fed Manufacturing	Mar	--	7.10
US	Capacity Utilization SA	Feb	--	76.2%
US	NAHB Housing Market Indx	Mar	--	36
JN	Chain Store Sales YY	Feb	--	2.7%
Tuesday				
JN	Tertiary Ind Act NSA	Jan	--	8.4%
GE	ZEW Economic Sentiment	Mar	--	58.3
GE	ZEW Current Conditions	Mar	--	-65.9
Wednesday				
JN	Exports YY	Feb	--	16.8%
JN	Imports YY	Feb	--	-2.5%
JN	Trade Balance Total Yen	Feb	--	-1,152.7B
EC	HICP Final YY	Feb	1.9%	1.9%
EC	HICP-X F,E,A&T Final YY	Feb	--	2.4%
US	PPI Machine Manuf'ing	Feb	--	195.4
US	PPI Final Demand YY	Feb	--	2.9%
US	PPI exFood/Energy YY	Feb	--	3.6%
US	Fed Funds Tgt Rate	18 Mar	--	3.5-3.75
US	Fed Int On Excess Reserves	18 Mar	--	3.65%
Thursday				
UK	Claimant Count Unem Chng	Feb	--	28.6k
UK	ILO Unemployment Rate	Jan	--	5.2%
UK	Employment Change	Jan	--	52k
UK	Avg Wk Earnings 3M YY	Jan	--	4.2%
UK	Avg Earnings (Ex-Bonus)	Jan	--	4.2%
UK	HMRC Payrolls Change	Feb	--	-11k
UK	BOE Bank Rate	Mar	--	3.75%
US	Initial Jobless Clm	9 Mar, w/e	--	--
US	Cont Jobless Clm	2 Mar, w/e	--	--
US	Philly Fed Business Indx	Mar	--	16.3
EC	ECB Refinancing Rate	Mar	--	2.15%
EC	ECB Deposit Rate	Mar	--	2.00%
US	New Home Sales-Units	Jan	--	0.745M
JN	JP BOJ Rate Decision	19 Mar	--	0.75%
Friday				
CN	Loan Prime Rate 1Y	Mar	--	3.00%
CN	Loan Prime Rate 5Y	Mar	--	3.50%
GE	Producer Prices YY	Feb	--	-3.0%
EC	Total Trade Balance SA	Jan	--	11.60B

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