Into the crucible

The Week Ahead – 11 September 2026

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Central banks are accustomed to making decisions under pressure. Fortunately so, because the coming week places three of them in the crucible, where each will be required to judge whether its current policy stance is capable of returning inflation sustainably to target. Recent choices have been notably divergent across the Federal Reserve (the Fed is the US central bank), the Bank of Japan (BoJ) and the Bank of England (BoE). One checkpoint for investors after next week's meetings will be to assess how divergent they remain.

A policy decision does more than change, or leave unchanged, the level of interest rates. It reveals which risks a central bank is prepared to tolerate and which evidence it regards as sufficient to act. For the Fed, inflation and institutional credibility are both in focus because of the change in Fed Chair and his stronger emphasis on returning inflation promptly to price stability. Chair Kevin Warsh used his recent Jackson Hole speech to stress that the Fed still has work to do if inflation failed to move convincingly towards it. Markets responded by attaching a probability to a September rate rise of a little higher than 50:50.

Although that also looks justified by the rebound in the labour market, two other FOMC (Federal Open Market Committee) members have latterly argued the case for giving more time for the disinflationary process to work through, which chimes – albeit not deliberately – with pressure from the US administration for lower interest rates. Without compelling new evidence on inflation prior to the meeting, a clear risk is that investors see any decision to leave interest rates unchanged as indicating that the Fed under Chair Warsh is unwilling to "walk the walk" in the face of

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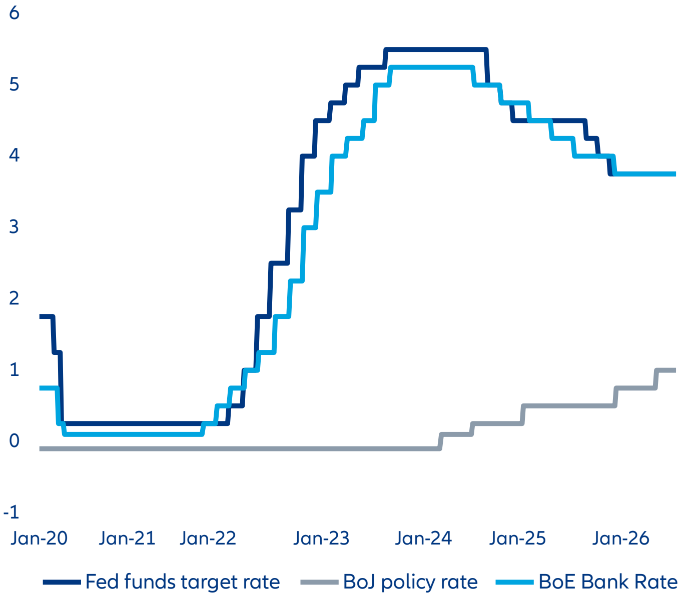
opposition, both external and internal. Against this backdrop, whatever decision the Fed takes will be impactful in influencing market thinking on the future course of interest rates.

The BoJ faces almost the reverse problem. Rather than deciding whether policy is restrictive enough, it is managing its way out of an extended period of exceptional accommodation. Rather than containing inflation, monetary policymakers have been at pains to establish a durable process in which wages, demand and inflation expectations move away from deflation. Its problem has become one of excessive caution with strongly negative real interest rates leading to persistent capital outflow, a currency depreciation that was creating new inflationary dynamics, and an unwillingness to hold long-dated Japanese government bonds. Whereas it is often the case that Japanese governments have sought to resist higher interest rates, it seems that the Takaichi administration has accepted that higher rates are the lesser of two evils as they are required to bolster the yen and to reduce the risk premium in long-dated government bonds.

Like the Fed, the BoE has suffered from a long period of above-target inflation, but unlike the Fed, it has sat with evidently restrictive monetary policy such that employment growth has stalled, wages slowed and inflation come in below the BoE's spring projections. This has given the central bank time to observe the behaviour of the economy, leaving it under less pressure than either of the other two central banks to make an imminent change in policy. Unless next week's labour market or CPI (Consumer Price Index) data provide dramatic new evidence, we expect the BoE to remain on hold.

Fed, Bank of Japan and Bank of England policy rates

Policy rate, %



Source: Bloomberg, 08.09.2026.
Past performance does not predict future returns.

The coming week

In the United States, Wednesday's Fed decision will be the week's most important event. Elsewhere, August's control group (core) retail sales should see a rebound following a decline of 0.4% in the prior month. Import prices, housing indicators, jobless claims and the Philadelphia Fed survey will help round out the picture facing policymakers.

In Japan, Wednesday's trade figures will precede Friday's inflation data and BoJ decision. Exports previously rose by 23.2% year-on-year and imports by 27.8%. Nationwide headline inflation stood at 1.9%, with the core rate at 1.8%. Given the appreciation of the yen seen in September and the pending BoJ decision, these data may have less impact than usual.

In the UK, as highlighted above, labour market and inflation releases will provide the final evidence before Thursday's BoE meeting. Friday's retail sales data will offer a subsequent reading on household demand.

Elsewhere, Chinese industrial production is expected to increase by 4.8%, from 4.5%, while retail sales growth is forecast to rise to 0.8% from 0.6%. In the euro area, industrial production and final August inflation figures are due, while Germany will publish ZEW Economic Sentiment and producer prices.

Please join us in observing the central banks as they get to work in the crucible, remembering that it is the risks policymakers are prepared to tolerate as a result of their decisions that may be the most informative.

Yours,
Sean Shepley

Upcoming political events 2026

- 13 Sept: SWE Parliamentary elections
- 13 Sept: IND BRICS summit
- 15–16 Sept: FED Central Bank Meeting
- 17 Sept: BoE Central Bank Meeting
- 17–18 Sept: BoJ Central Bank Meeting
- 20 Sept: DE State elections in Mecklenburg-Western Pomerania
- 22–28 Sept: UN UNGA General Debate

Calendar Week 38

Day	Country	Indicator	Period	Consensus	Previous
Tuesday	CN	Industrial Output YY	Aug	4.8%	4.5%
	CN	Retail Sales YY	Aug	0.8%	0.6%
	EC	Total Trade Balance SA	Jul	--	1.80B
	EC	Reserve Assets Total	Aug	--	1.75T
	GE	ZEW Economic Sentiment	Sep	--	34.2
	GE	ZEW Current Conditions	Sep	--	-61.1
	JN	Tertiary Ind Act NSA	Jul	--	5.3%
	UK	Claimant Count Unem Chng	Aug	--	-11.0k
	UK	ILO Unemployment Rate	Jul	--	4.9%
	UK	Employment Change	Jul	--	83k
	UK	Avg Wk Earnings 3M YY	Jul	--	4.1%
	UK	Avg Earnings (Ex-Bonus)	Jul	--	3.5%
	UK	HMRC Payrolls Change	Aug	--	-13k
	US	NY Fed Manufacturing	Sep	--	20.60
Wednesday	EC	Industrial Production YY	Jul	--	0.1%
	JN	Machinery Orders YY	Jul	--	16.9%
	JN	Exports YY	Aug	--	23.2%
	JN	Imports YY	Aug	--	27.8%
	JN	Trade Balance Total Yen	Aug	--	-634.5B
	JN	Chain Store Sales YY	Aug	--	0.1%
	UK	Core CPI YY	Aug	--	2.6%
	UK	CPI YY	Aug	--	2.9%
	UK	RPI YY	Aug	--	3.2%
	UK	RPIX YY	Aug	--	3.1%
	UK	PPI Input Prices YY NSA	Aug	--	4.9%
	UK	PPI Output Prices YY NSA	Aug	--	3.1%
	UK	PPI Core Output YY NSA	Aug	--	2.8%
	US	Import Prices YY	Aug	--	6.0%
	US	Retail Control	Aug	--	-0.4%
	US	NAHB Housing Market Indx	Sep	--	35
	US	Fed Funds Tgt Rate	16 Sep	--	3.5-3.75
	US	Fed Int On Excess Reserves	16 Sep	--	3.65%
Thursday	EC	HICP Final YY	Aug	--	3.3%
	EC	HICP-X F,E,A&T Final YY	Aug	--	2.4%
	UK	BOE Bank Rate	Sep	--	3.75%
	US	Building Permits: Number	Aug	--	1.433M
	US	Housing Starts Number	Aug	--	1.239M
	US	Initial Jobless Clm	7 Sep, w/e	--	--
	US	Cont Jobless Clm	31 Aug, w/e	--	--
	US	Philly Fed Business Indx	Sep	--	47.4
Friday	GE	Producer Prices YY	Aug	--	3.0%
	JN	CPI, Core Nationwide YY	Aug	--	1.8%
	JN	CPI, Overall Nationwide	Aug	--	1.9%
	JN	JP BOJ Rate Decision	18 Sep	--	1.00%
	UK	Retail Sales YY	Aug	--	1.6%
	UK	Retail Sales Ex-Fuel YY	Aug	--	2.3%
	US	Capacity Utilization SA	Aug	--	76.3%

The calendar data for the current week comes directly from LSEG Datastream. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by LSEG Datastream through a survey of analysts and economists. It is the average of all estimates submitted.

If not mentioned otherwise data and information sources are from LSEG Datastream.

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