Market Insights Weekly

28 August 2026

Oil relief, policy tests ahead

- Lower oil prices support bonds ahead of key Fed signals
- UK business confidence reaches a five-month high as price expectations ease
- US payrolls are expected to rebound cautiously after July's sharp disappointment
- Eurozone inflation is set to exceed 3%, keeping a September ECB hike in view

This report summarises key economic indicators, policy events and financial market movements over the past week, and looks ahead to highlights for the upcoming week.

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Oil falls, bonds rally ahead of key Fed signals

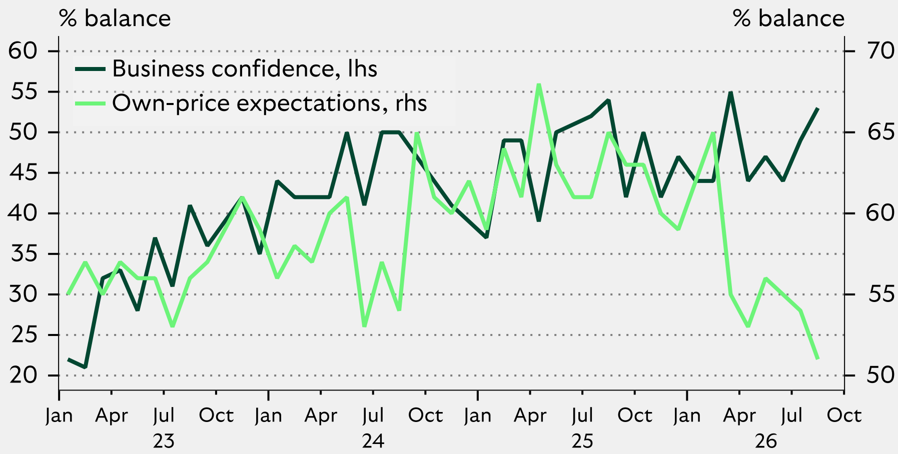
Front-month Brent crude oil prices fell below $90/bbl this week as markets responded cautiously to reports of a potential accord between Iran and Oman to reopen the Strait of Hormuz, while separate indications suggested oil flows through the Strait were edging higher. The prospect of lower energy prices supported global government bonds ahead of remarks from Fed Chair Warsh at Jackson Hole later today. At the time of writing, US 10-year Treasury yields were down 5bp to 4.68% on the week, while UK 10-year gilt yields were 2bp lower at 5.04%. Major currencies saw relatively limited moves, although GBP/USD dipped below 1.36 and was on track for its first weekly decline in five weeks.

Market participants also paid attention to the July PCE deflator, the Fed's preferred inflation gauge. Core prices increased by 0.25% m/m, a modest acceleration from June's 0.15% m/m. The data suggest underlying inflation pressures remain firm but are unlikely, by themselves, to materially alter expectations that the Fed will hold policy rates at 3.50-3.75% at next month's meeting.

In the UK, Ofgem announced that regulated gas and electricity prices will rise by 4% for a typical household in October. The increase will provide a marginal boost to CPI inflation, considerably smaller than the effect of the July price-cap increase. We continue to expect headline CPI inflation to remain above target over the remainder of the year, averaging above 3% in the second half.

Economic survey evidence nevertheless pointed to a resilient growth backdrop. The Lloyds Business Barometer showed business confidence rising to a five-month high in August, supported by a second consecutive monthly increase in economic optimism. Despite a stronger activity outlook, price-setting intentions fell for a third successive

Chart 1: Stronger confidence, softer price expectations



Source: Lloyds Business Barometer

month, supported by easing cost pressures. In the Eurozone, the German IFO survey also signalled improving business sentiment, adding to evidence that fiscal stimulus is beginning to support the recovery.

US August jobs report takes centre stage

Next week, the spotlight will fall squarely on the US labour market following last month's downside surprise in nonfarm payrolls. Nonfarm payrolls unexpectedly fell by 23k in July, while employment growth in May and June was revised down by a combined 103k. As a result, average jobs growth slowed to just 20k per month in the three months to July, marking a significant loss of momentum compared with earlier in the year.

A key question is whether this weakness reflects a genuine cooling in labour demand or a period of temporary disruption. There is some evidence partly supporting the latter interpretation. Government payrolls accounted for a large share of the decline, falling by 53k and weighed down in particular by local government education employment. The data may also reflect a reversal of World Cup hiring in the hospitality sector.

Timelier indicators suggest the underlying labour market remains more resilient than the July payrolls report implied. Weekly jobless claims have remained near recent lows, while the Conference Board consumer survey reported an improvement in job availability. Taken together, these indicators point to a labour market that is softening rather than deteriorating sharply. On balance, we therefore expect a cautious rebound in nonfarm payrolls of around 60k in August.

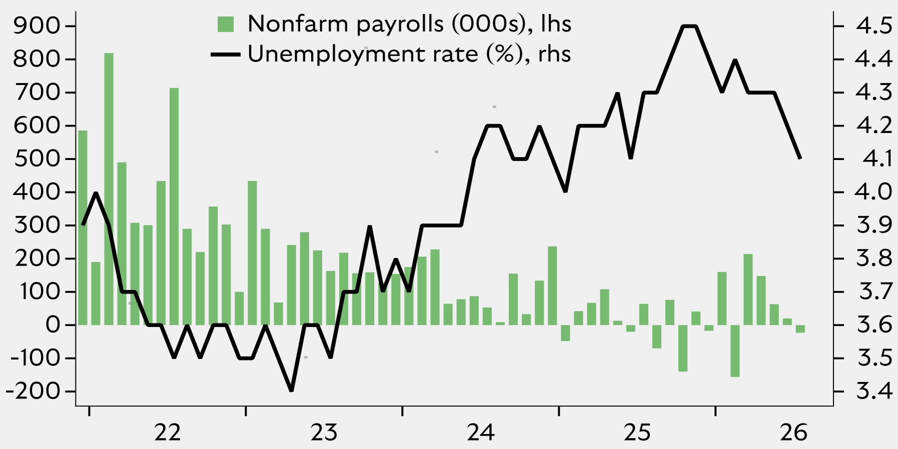
Eurozone inflation set to accelerate

The other major release will be August Eurozone inflation, where headline CPI is expected to accelerate above 3%, largely reflecting developments in the energy component. The result could set the tone ahead of next month's policy decision, reinforcing expectations for further ECB tightening. However, underlying core inflation, which excludes food and energy, is expected to remain unchanged at 2.5%, highlighting the limited evidence of broader second-round inflation pressures.

Against that backdrop, central bank developments will remain in focus. The Bank of Canada is expected to leave interest rates unchanged at 2.25% as policymakers continue to assess the impact of trade tariff increases following the collapse of trade talks with the US. Over the following two weeks, the ECB, Fed and BoE will all provide policy updates. Of the three, only the ECB is expected to change interest rates, with a second 25bp increase viewed as the most likely outcome.

The UK calendar is comparatively lighter. Final readings of the August PMIs will be released, including the services PMI, which reached a six-month high of 52.8 in the flash estimate. Other releases include the construction PMI, the DMP survey and Bank of England credit data, including mortgage approvals. The BoE Governor is also scheduled to speak next Friday.

Chart 2: US employment growth has slowed sharply since the spring



Source: Macrobond, Lloyds Bank Market Insights

"Markets have taken some comfort from lower oil prices, but attention is now turning to whether US hiring stabilises and Eurozone inflation moves further above target."

Hann-Ju Ho
Senior Economist
Lloyds Market Insights

Weekly economic calendar

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Ctry	Time (BST)	Time (EST)	Release/Event	Period	Consensus	Forecast	Previous
MONDAY 31 AUGUST							
CH	02:30	21:30*	Manufacturing PMI	Aug	49.6	--	49.2
CH	02:30	21:30*	Non-manufacturing PMI	Aug	49.5	--	49.0
GE	**13:00**	**08:00**	**CPI EU Harmonised**	**Aug P**	**0.2% (3.1%)**	--	**0.9% (2.8%)**
TUESDAY 1 SEPTEMBER							
UK	00:01	19:01*	BRC Shop Price Index	Aug	--	--	0.9%
UK	07:00	02:00	Nationwide House Prices	Aug	0.1% (2.1%)	--	0.1% (1.8%)
GE	07:00	02:00	Retail Sales	Jul	0.5%	--	-0.7% (5.1%)
GE	08:55	03:55	Manufacturing PMI	Aug F	54.1	--	54.1
EZ	09:00	04:00	Manufacturing PMI	Aug F	52.8	52.8	52.8
UK	09:30	04:30	Manufacturing PMI	Aug F	51.5	51.5	51.5
UK	09:30	04:30	Net Consumer Credit	Jul	£1.7bn	£1.8bn	£1.8bn
UK	**09:30**	**04:30**	**Mortgage Approvals**	**Jul**	**60.0k**	**59.0k**	**58.2k**
EZ	**10:00**	**05:00**	**Flash CPI**	**Aug P**	**0.5% (3.3%)**	**0.4% (3.2%)**	**0.2% (2.9%)**
EZ	**10:00**	**05:00**	**Core CPI**	**Aug P**	**(2.5%)**	**(2.5%)**	**(2.5%)**
EZ	10:00	05:00	Unemployment Rate	Jul	6.2%	6.3%	6.3%
US	**15:00**	**10:00**	**ISM Manufacturing**	**Aug**	**55.2**	**55.0**	**55.6**
US	15:00	10:00	Construction Spending	Jul	0.2%	--	-0.1%
US	15:00	10:00	JOLTS Job Openings	Jul	7,380k	--	7,359k
WEDNESDAY 2 SEPTEMBER							
AU	02:30	21:30*	GDP	2Q	0.3% (1.8%)	--	0.3% (2.5%)
NZ	03:00	22:00*	RBNZ Official Cash Rate	Sep 2	2.75%	--	2.50%
US	**13:15**	**08:15**	**ADP Employment Change**	**Aug**	**48k**	--	**44k**
CA	**14:45**	**09:45**	**Bank of Canada Rate Decision**	**Sep 2**	**2.25%**	--	**2.25%**
US	15:00	10:00	Factory Orders	Jul	0.6%	--	-0.3%
US	19:00	14:00	Fed Releases Beige Book				
THURSDAY 3 SEPTEMBER							
GE	08:55	03:55	Services PMI	Aug F	48.5	--	48.5
EZ	09:00	04:00	Services PMI	Aug F	51.7	51.7	51.7
UK	09:30	04:30	Services PMI	Aug F	52.8	52.8	52.8
US	13:30	08:30	Initial Jobless Claims	Aug 29	205k	--	203k
US	13:30	08:30	Trade Balance	Jul	-$74.5bn	--	-$73.3bn
US	**15:00**	**10:00**	**ISM Non-Manufacturing**	**Aug**	**54.3**	**55.0**	**54.1**
FRIDAY 4 SEPTEMBER							
GE	07:00	02:00	Factory Orders	Jul	0.3%	--	3.1% (6.5%)
UK	09:00	04:00	New Car Registrations	Aug	--	--	(11.7%)
UK	**09:30**	**04:30**	**Construction PMI**	**Aug**	**46.0**	--	**44.7**
UK	**09:50**	**04:50**	**BoE Governor Bailey Speaks**				
EZ	10:00	05:00	Retail Sales	Jul	--	--	-0.3% (0.7%)
US	**13:30**	**08:30**	**Change in Nonfarm Payrolls**	**Aug**	**55k**	**60k**	**-23k**
US	**13:30**	**08:30**	**Average Hourly Earnings**	**Aug**	**0.3% (3.0%)**	**0.3% (3.0%)**	**0.1% (3.2%)**
US	**13:30**	**08:30**	**Unemployment Rate**	**Aug**	**4.1%**	**4.2%**	**4.1%**
CA	13:30	08:30	Net Change in Employment	Aug	17.5k	--	75.1k

Bold text denote those releases/events that are expected to attract most market attention.
Data in brackets denote YoY unless stated otherwise. Market consensus estimates are taken from Bloomberg on the date of publication.
* Released overnight, (r) revised, (p) preliminary, (f) final

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