Week Ahead

16th - 20th February 2026

A stabilising dollar backdrop

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INTRODUCTION

The week just gone saw the dollar initially on the back foot, prompted by election results in Japan, and renewed sell-America concerns. The former came as Sanae Takaichi secured an unprecedented majority in Japan's lower House elections, prompting a sharp JPY rally. The latter, meanwhile, stemmed from reports that Chinese banks had been ordered to review the quantity of their US Treasury holdings. But domestic data has proved less impactful in recent days, with the January jobs report and CPI readings having limited effect on the buck. All told, that has left the dollar drifting sideways into the back end of the week, with market focus increasingly shifting to events elsewhere in the world, and to cross-asset dynamics.

Looking ahead, we expect attention to land on sterling in the coming week, assisted by a US public holiday on Monday. A whole raft of UK data is due for publication, with CPI, jobs readings, and retail sales numbers all set for release ahead of Friday's PMI figures. If we are right, this should also add to current downside pressure on the pound, with domestic politics a growing drag on sterling valuations. Elsewhere, a rate decision from the RBNZ, Australian jobs numbers, and CPI from Canada and Japan round out the key events to watch. Crucially, the US docket looks somewhat lighter for the week ahead, meaning a less volatile short-term outlook for the greenback when compared to recent weeks.

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ECONOMIC CALENDAR

All times in GMT

Monday 16/02

Time	Country	Event	Period	Estimate	Prior
7:00	Sweden	Unemployment Rate SA	Jan		8.80%
9:00	Switzerland	Total Sight Deposits CHF	13-Feb		447.4b
13:25	United States	Fed's Bowman Speaks at ABA Conference			
17:40	Eurozone	ECB's Nagel Speaks in Frankfurt			

Tuesday 17/02

Time	Country	Event	Period	Estimate	Prior
0:30	Australia	RBA Minutes of Feb. Policy Meeting			
7:00	United Kingdom	Average Weekly Earnings 3M/YoY	Dec	4.50%	4.70%
		Weekly Earnings ex Bonus 3M/YoY	Dec	4.20%	4.50%
		ILO Unemployment Rate 3Mths	Dec	5.20%	5.10%
		Employment Change 3M/3M	Dec	108k	82k
		Payrolled Employees Monthly Change	Jan		-43k
10:00	Germany	ZEW Survey Expectations	Feb	65	59.6
		ZEW Survey Current Situation	Feb	-66.5	-72.7
	Eurozone	ZEW Survey Expectations	Feb		40.8
13:30	Canada	CPI NSA MoM	Jan	0.10%	-0.20%
		CPI YoY	Jan	2.40%	2.40%
		CPI Core- Median YoY%	Jan	2.50%	2.50%
		CPI Core- Trim YoY%	Jan	2.60%	2.70%
17:45	United States	Fed's Barr Speaks on AI and the Labor Market			
19:30	United States	Fed's Daly Speaks on AI and the Economy			

Wednesday 18/02

Time	Country	Event	Period	Estimate	Prior
0:30	Australia	Wage Price Index QoQ	4Q	0.80%	0.80%
		Wage Price Index YoY	4Q	3.40%	3.40%
1:00	New Zealand	RBNZ Official Cash Rate	18-Feb	2.25%	2.25%
2:00	New Zealand	RBNZ Governor News Conference			
7:00	United Kingdom	CPI MoM	Jan	-0.50%	0.40%
		CPI YoY	Jan	3.00%	3.40%
		CPI Core YoY	Jan	3.10%	3.20%
		CPI Services YoY	Jan	4.40%	4.50%
8:00	South Africa	CPI MoM	Jan	0.10%	0.20%
		CPI YoY	Jan	3.40%	3.60%

Time	Country	Event	Period	Estimate	Prior
		CPI Core MoM	Jan	0.10%	0.10%
		CPI Core YoY	Jan	3.30%	3.30%
8:30	Eurozone	ECB's Villeroy Speaks in Paris			
17:00	Eurozone	ECB's Schnabel Speaks in Berlin on State Debt Loads			
19:00	United States	FOMC Meeting Minutes	28-Jan		

Thursday 19/02

Time	Country	Event	Period	Estimate	Prior
0:30	Australia	Employment Change	Jan	20.0k	65.2k
		Unemployment Rate	Jan	4.20%	4.10%
		Participation Rate	Jan	66.70%	66.70%
12:00	Canada	CFIB Business Barometer	Feb		59.5
13:20	United States	Fed's Bostic Gives Opening Remarks at the Banking Outlook Conf			
13:30	United States	Initial Jobless Claims	14-Feb		227k
14:00	United States	Fed's Kashkari in Fireside Chat on Economic Outlook			
15:00	Eurozone	Consumer Confidence	Feb P	-11.8	-12.4
15:30	United States	Fed's Goolsbee Gives Opening Remarks			
23:00	New Zealand	RBNZ Governor Speaks			
23:30	Japan	Natl CPI YoY	Jan	1.50%	2.10%
		Natl CPI Ex Fresh Food YoY	Jan	2.00%	2.40%
		Natl CPI Ex Fresh Food, Energy YoY	Jan	2.70%	2.90%

Friday 20/02

Time	Country	Event	Period	Estimate	Prior
7:00	United Kingdom	Public Sector Net Borrowing	Jan	-23.6b	11.6b
		Retail Sales Inc Auto Fuel MoM	Jan	0.10%	0.40%
		Retail Sales Inc Auto Fuel YoY	Jan	2.80%	2.50%
		Retail Sales Ex Auto Fuel MoM	Jan	0.30%	0.30%
		Retail Sales Ex Auto Fuel YoY	Jan	3.60%	3.10%
8:15	France	HCOB France Manufacturing PMI	Feb P	51.3	51.2
		HCOB France Services PMI	Feb P	49.4	48.4
		HCOB France Composite PMI	Feb P	49.9	49.1
8:30	Germany	HCOB Germany Services PMI	Feb P	52.4	52.4
		HCOB Germany Composite PMI	Feb P	52.3	52.1
		HCOB Germany Manufacturing PMI	Feb P	49.6	49.1
9:00	Eurozone	HCOB Eurozone Manufacturing PMI	Feb P	50	49.5
		HCOB Eurozone Services PMI	Feb P	51.8	51.6
		HCOB Eurozone Composite PMI	Feb P	51.5	51.3

Time	Country	Event	Period	Estimate	Prior
9:30	United Kingdom	S&P Global UK Services PMI	Feb P	53.8	54
		S&P Global UK Manufacturing PMI	Feb P	51.9	51.8
		S&P Global UK Composite PMI	Feb P	53.6	53.7
10:00	Eurozone	Negotiated Wages	4Q	2.35%	1.87%
13:30	United States	Personal Income	Dec	0.30%	0.30%
		Personal Spending	Dec	0.40%	0.50%
		PCE Price Index MoM	Dec	0.30%	0.20%
		PCE Price Index YoY	Dec	2.80%	2.80%
		Core PCE Price Index MoM	Dec	0.30%	0.20%
		Core PCE Price Index YoY	Dec	2.90%	2.80%
		GDP Annualized QoQ	4Q A	2.80%	4.40%
		Personal Consumption	4Q A		3.50%
		Core PCE Price Index QoQ	4Q A		2.90%
14:45	United States	Fed's Bostic in Moderated Conversation			
		S&P Global US Manufacturing PMI	Feb P		52.4
		S&P Global US Services PMI	Feb P		52.7
		S&P Global US Composite PMI	Feb P		53

DATA PREVIEWS

UK data preview: More bad news for the government

The coming week plays host to the UK's monthly data dump, seeing the publication of December labour market readings, accompanied by CPI and retail sales figures for January. We suspect the next round of releases will bring with it more bad news for the government, following hot on the heels of last Thursday's disappointing GDP numbers, adding to the downside pressure on sterling.

Starting on Tuesday, jobs data is up first. Traders expect to see unemployment rise 0.1pp to 5.2% in December. If realised, that would be 0.3% above OBR projections for Q4, and 0.2% higher than the peak unemployment rate forecast at last year's budget – expected to occur in H2 of this year. Similarly, wage growth is also predicted to have softened at the end of 2025. Average weekly earnings growth is seen falling to 4.5% 3m/YoY in this next round of figures, down from 4.7% in November. Ex-bonus, pay growth is expected to have slipped from 4.5% to 4.2% 3m/YoY. This would keep wages on track to match BoE projections released earlier this month, with Bank staff numbers reaching levels consistent with 2% inflation sustainably later in the year. But it would also leave pay growth on track to undershoot OBR projections, reducing fiscal drag - a challenge for the government given the role played by nominal income tax freezes in the Chancellor's spending plans.

"The news is hardly likely to improve when January CPI figures are released on Wednesday. On an annual basis, headline inflation is widely expected to drop sharply, with consensus looking for a print of around 3.0% YoY."

This fall in price growth is expected to be repeated across other measures too, with core inflation seen easing 0.1pp to 3.1% YoY, while services inflation is also predicted to have fallen 0.1pp to 4.4%. With a further sharp drop already pencilled in for April, such progress keeps inflation on track to hit the BoE's 2% target in the coming months, a path that we think favours a cut to Bank Rate in March. Furthermore, it should become increasingly apparent the role played by regulated prices in propping up inflation. That is bad optics for the government, even if it offers the MPC cover to ease rates in the coming months. It is also a doubly unfavourable backdrop for the pound to trade against.

The possible one bright spot on the horizon comes right at the end of the week, where retail sales are predicted to have risen from 2.5% to 2.8% YoY in January. That said, this is also the one release where we are sceptical when it comes to consensus predictions. Growth momentum faltered at the end of 2025, and poor weather last month likely weighed on consumer spending. All told, then, we expect to see a week of grim economic indicators in the UK. The result for sterling should be negative. We have for some time suggested that markets are insufficiently bearish on both the economy and the pound. The coming week brings with it a key test of that thesis – one we expect to leave sterling trading under pressure if we are proven right.

Canada CPI preview: Little change expected for CPI growth or the loonie

After slipping back in recent months, January CPI data, published Tuesday, is expected to show little change to start 2026. Consensus expectations look for headline price growth of 2.4% YoY, matching the December reading. Granted, this amounts to a MoM uptick in consumer prices of just 0.1%. Still, this would represent a rebound from December's GST-distorted -0.2% monthly CPI decline.

A similar story should be visible in the details of next week's release too. Core median price growth is predicted to remain unchanged at 2.5% in January. Core trim inflation is seen cooling from 2.7% in December, to 2.6% last month. Both readings will remain within the BoC's tolerance band, while other measures of underlying price pressures are also likely to indicate inflation tracking in line with, or slightly above, the Bank's 2.0% target. Provided the data matches consensus expectations, the BoC's present on-hold stance looks well calibrated, in line with recent comments, with limited loonie implications as a consequence.

RBNZ preview: Stuck in neutral

The RBNZ is unanimously expected to hold rates unchanged on February 18th, a decision that would see the official cash rate remain at 2.25%. We concur on this occasion, given recent data outturns. In our view, monetary policy looks well-calibrated to balance upside inflation risks with broader economic conditions, which continue to soften.

"With markets near-as-makes-no-difference fully pricing such an outcome, the FX impact of the decision should be limited to any guidance on the future rate path."

On this score, we see risks skewed in favour of a modestly softer kiwi. Swap pricing points to a hike later in 2026, with a full rate rise priced by October. That looks premature in our eyes. Admittedly, Q4 price growth landed modestly higher than anticipated at 3.1% YoY, while longer-term inflation expectations also remain slightly elevated. But the labour market continues to soften, having risen to 5.4% in Q4, even as wage growth sits at levels consistent with the RBNZ's inflation target.

Put all this together, and an on-hold stance appears appropriate, with policymakers likely to condition any future moves on the evolution of data in the coming months. That should, we think, be seen as a modestly dovish steer relative to current market pricing for the likely rate path. Assuming markets reach a similar conclusion on Wednesday, then we would expect a paring back in rate hike bets to weigh modestly on the New Zealand dollar.

Japan CPI preview: Headline softness buys time, not comfort

Japan's national CPI for January 2026, due February 20th, is less about the headline and more about the breadth of disinflation. Tokyo's softer January reading has already given the Bank of Japan cover to stay cautious near-term, but the policy story still hinges on whether services inflation and wage pass-through can hold into the fiscal-year reset in April. The investor question is therefore compositional: is the slowdown signaling weaker demand, or is it mainly noise from volatile components?

The macro backdrop sets a high hurdle for hawkish repricing. Bloomberg's February economist survey sees GDP growth slowing from 1.2% in 2025 to 0.8% in 2026, alongside a 30% recession probability over the next twelve months. Crucially, the same survey baseline has the BOJ's target rate at 0.75% through end-1Q26, implying limited urgency to move before spring wage negotiations conclude. That means CPI would need to look persistently firm in the sticky components to force the BoJ into action, especially following the yen's post-election recovery.

Tokyo CPI provides a useful template for what "soft for the right reasons" looks like. January cooled to 1.5% YoY from 2.0% in December, largely due to base effects stemming from last year's fresh food spike and softer energy costs. There was also some evidence of weaker services momentum in tourism-linked categories amid reduced Chinese visitor flows. If the national release shows a similar pattern—weakness concentrated in energy, fresh food, or idiosyncratic services swings—the BOJ can credibly frame it as temporary rather than a break in trend.

The BOJ's reaction function should therefore look through headline softness and focus on persistence in services and broader price-setting behaviour as April approaches. If the service slowdown is narrow and the wage channel remains intact, the sequencing still points to a mid-year move, with July a plausible anchor once Shunto outcomes are clearer. For JPY, the near-term sensitivity remains the front-end rates channel: "soft for the right reasons" supports the cautious consensus and caps upside, while resilience in services inflation would challenge the pause baseline and re-centre markets on the BOJ's post-April normalisation path.

PMIs preview: Looking below the headlines

February's flash PMIs on February 20th will test whether January's UK strength was the start of a durable upswing or a front-loaded rebound. The UK and eurozone are not telling identical stories at the headline level, especially in manufacturing. The UK's move into expansion contrasts with a eurozone goods sector that remains broadly stuck below 50. The more important question for FX, however, is whether that divergence reflects durable end-demand or a temporary boost from inventory normalisation, post-budget clarity, and delayed activity release. We favour the latter explanation.

Looking back, January encouraged a simple market narrative: UK acceleration versus eurozone drift. That is directionally fair on the surface, but the underlying quality signals were less clean in both regions. Sentiment improved, yet cost pressures re-accelerated, largely through wage-sensitive services components, while employment dynamics remained soft relative to output. That mix matters more for policy pricing than the composite headline alone.

For the February 20th release, the key signal is in pricing subcomponents rather than the top-line composite. If input and output prices remain firm, the ECB is likely to stay patient rather than rush into a more dovish repricing. In the UK, the policy direction still leans cautiously dovish, but sticky services pricing could complicate the expected pace of easing and challenge the market's smooth cut path. Employment remains the core stress test for durability. If firms continue to protect margins through hiring restraint, then a broad re-acceleration in demand looks unlikely, despite solid headline indications. For sterling, that distinction is critical: weak labour momentum can quickly dominate the Bank of England reaction function even when output has not yet rolled over.

For GBPEUR, the near-term risk remains for a headline-driven GBP bounce if the UK beats again, particularly given the timing of other releases in the coming week. But unless the print also brings better employment momentum and a clearer cooling in price pressures, any strength looks fragile and prone to reversal once markets look through the headline. On the eurozone side, the euro does not need an outright "strong" PMI to hold up if the survey mix continues to validate an ECB that stays patient, with the inflation signal concentrated in services pricing rather than broad-based activity acceleration.

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