

The Week Ahead: Geopolitics and Fed independence in focus, US December CPI

▶ **Global: Gold jumps to record high on Fed autonomy concerns**

Geopolitical developments will remain in focus this week following the US's removal of Venezuelan President Nicolas Maduro and seizure of Russian-flagged oil tankers linked to Venezuela earlier in January. Intensifying protests in Iran will also be closely watched with developments providing upside support to the oil price. The Trump administration reiterated interest in bringing Greenland under US control, with Secretary of State Marco Rubio expected to meet Danish officials this week. Concerns over the Fed's independence have risen after the US Justice Department subpoenaed Chair Jerome Powell on renovations to the Fed building, which led to gold rising to record highs this morning. In a rare video announcement, Powell highlighted that the probe reflects the Fed's refusal to lower rates, and is about whether it can "set rates based on evidence" or be directed by "political pressure". Further signals of the Fed losing autonomy could put upward pressure on long-dated Treasury yields throughout 2026.

Tariff uncertainties continued after the US Supreme Court failed to rule on the legality of the tariffs under the International Emergency Economic Powers Act (IEEPA). There is still no indication of when the court's decision will come, clouding the outlook on whether the government will need to refund c.USD190-195 billion in import duties. The court's decision may be more nuanced, narrowing the scope of existing tariffs, rather than a full reversal.

▶ **US: December CPI will likely still contain some data noise**

The unexpected decline in the unemployment rate in December was in line with our expectation of a Fed pause this month, though soft job growth still points to gradual labour market weakening (page 2). Overall, the labour market remains in a 'low hire low fire' situation. The key US data release this week is December CPI, with consensus expecting headline CPI unchanged at 2.7% y-o-y, with softening in energy prices offsetting a rise in core inflation. Core CPI is forecasted to accelerate to 2.8% y-o-y (November: 2.6%), with some payback from soft November goods prices and seasonal factors boosting airfares. Looking ahead, the January CPI print will be particularly important for gauging the extent of tariff pass-through given the start of annual price revisions. With expectations of a pickup in inflation in January and signs of labour market stabilisation, we expect the Fed to remain on hold in January. A number of Fed spokespeople have speaking engagements this week.

▶ **EM: China's exports likely softened; India CPI still below target**

In China, policymakers will focus on boosting domestic demand with trade fragmentation as a headwind. December trade data should show a deceleration in export growth to 3.0% y-o-y off a high base, while imports should soften on weak domestic demand. In India, headline CPI will likely rise to 1.8% y-o-y in December on an unfavourable base, though still below the RBI's 2.0% lower bound. Lower expected oil prices in 2026 and cheap Chinese imports should keep CPI contained, though INR weakness offers upside risk.

Economics Team

Sri Virinchi Kadiyala

Senior Economist

+971 (0)2 697 3582

Srivirinchi.Kadiyala@adcb.com

Om Joshi

Economist

+971 (0)2 694 3603

Om.Joshi@adcb.com

Monica Malik, Ph.D.

Chief Economist

+971 (0)2 696 8458

Monica.Malik@adcb.com

Contents

I.	Recent Events and Data Releases	2
II.	Economic Calendar	6

I. Recent Events and Data Releases

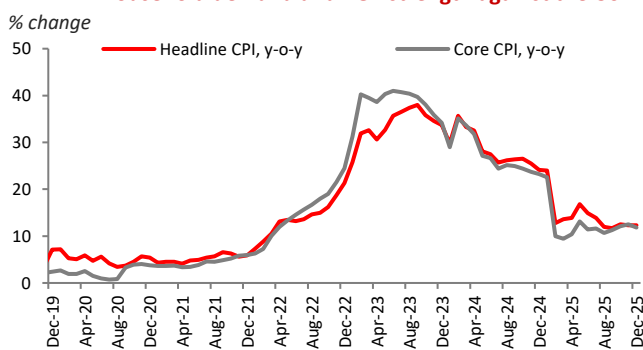
A. MENA Economies

Egypt: Downside surprise in core CPI keeps door open for further cuts

The December CPI report printed with a downside surprise: headline CPI remained unchanged at 12.3% y-o-y and core decelerated to 11.8% (November: 12.5%; consensus: 12.4%). Core disinflation was led by soft domestic demand conditions and EGP strength against the USD weighing on household furnishing and appliances. We expect core inflation to remain contained, with Prime Minister Mustafa Madbouly noting that the IMF’s seventh and eighth reviews will not include a rise in household cost of living. Moreover, negative real wage growth and still tight monetary policy should also contribute to disinflation. We continue to see inflation moving lower to c.11.0% in 2026, from an average of c.14.0% in 2025, allowing the CBE to cut rates by 600 bps. Please see our note, **Egypt Economic Update CBE delivers a 100 bps cut; we still see a phased 600 bps of cuts in 2026**, released 26 December 2025. We believe the CBE will proceed cautiously in delivering further cuts, aiming to retain the policy credibility needed to contain household inflation expectations and overall prices.

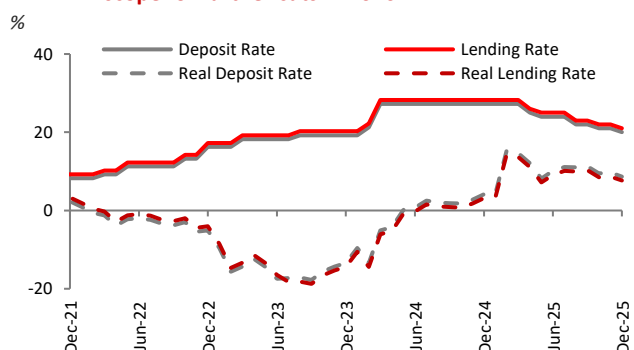
EGP strength against the USD is helping stem underlying core prices

Fig. 1. Egypt: Core CPI decelerated in December on softening household demand and EGP strength against the USD



Source: CAPMAS, ADCB Economic Research

Fig. 2. Egypt: Still positive real interest rates provide CBE scope for further cuts in 2026



Source: CBE, CAPMAS, ADCB Economic Research

B. Advanced Economies

US: Downside unemployment surprise raises outlook for January pause

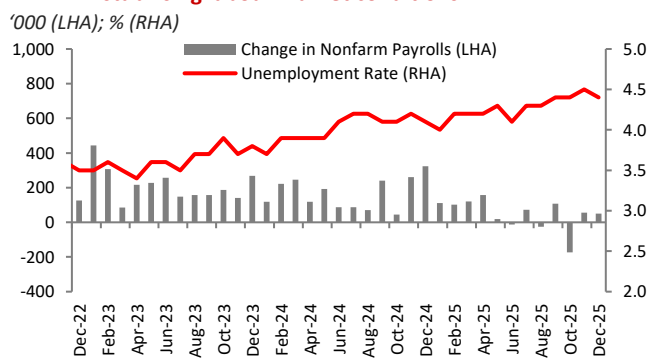
The December NFP report was mixed with unemployment unexpectedly decreasing to 4.4% (consensus: 4.5%), though job additions rose below consensus expectations. This was the first “clean” labour market report following the November print, which contained significant data noise on government shutdown-related data disruptions. The tick-down in unemployment in December indicates that the increase seen in November was exaggerated by government sector idiosyncrasies. However, non-farm payrolls rose by 50K, missing the consensus forecast of 70K, accompanied by 76K net downward revisions for October and November. Moreover, the NFP details show job additions continued to be narrowly led by the services sector, with tariff uncertainties leading to further job losses in the goods and construction sectors. The 3MMA moved to 25K in December, within the 0-50K breakeven employment rate flagged by Fed Chair Jerome

NFP additions grew less than expected despite the seasonal boost

Powell and reducing the need for imminent rate cuts. Nonetheless, we continue to see structural headwinds for the labour market, given the wide-scale drive towards automation and stringent immigration policies.

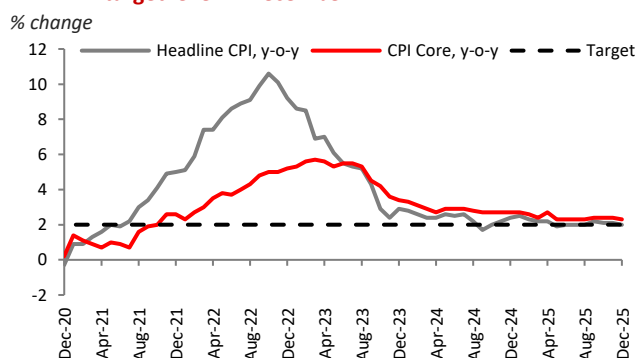
Meanwhile, household fundamentals remain strong with average monthly wage growth rising 0.3% m-o-m and taking the annual rate to 3.8% in December. Healthy wage growth, coupled with a modest rise in consumer confidence, should support household demand and broader GDP growth momentum, in our view.

Fig. 3. US: December NFP print shows some signs of stabilising labour market conditions



Source: Bureau of Labour Statistics, ADCB Economic Research

Fig. 4. Eurozone: Headline CPI decelerated to the ECB’s 2.0% target level in December



Source: EuroSTAT, ADCB Economic Research

Eurozone: December CPI report shows inflation remains contained

The December CPI report showed some softening in prices with headline CPI decelerating to the ECB’s 2.0% target level and core CPI cooling below ECB and consensus forecasts. Disinflation overall was led by a contraction in energy prices and easing across services and goods. Core CPI cooled to 2.3% y-o-y (ECB: 2.4%), though this is unlikely to push the ECB towards a cut this month, given only marginal deviation from its forecasts. Moreover, some of the softness in the core CPI print can be explained by seasonal factors, including earlier winter sales weighing on goods prices. Services inflation cooled by 0.1 pts to 3.5% y-o-y in December, taking the 3MMA indicator to 3.8% (November: 3.9%), indicating a slowing underlying trend, though only at a gradual pace. Services disinflation will likely continue in 2026, with the ECB’s negotiated wage tracker pointing to further moderation of wage growth. We believe inflation will remain within a narrow 2.0-2.2% range in 2026, in line with the ECB’s assessment of price pressures remaining “around target level”. The inflow of cheap Chinese imports and the outlook for EUR strength versus the USD, with expectations of further Fed cuts, will likely offset some upward pressures from planned fiscal expansion. We believe the ECB has already reached its terminal deposit rate of 2.0% and will require material disinflation or weakening GDP growth for further rate cuts.

Core CPI decelerated modestly below ECB forecasts on core goods disinflation

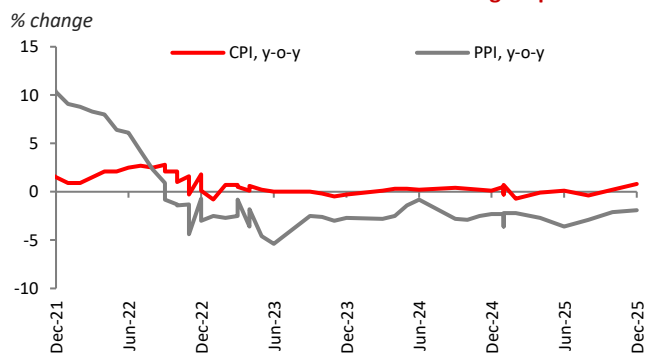
C. Developing Economies

China: ‘Anti-involution’ policies beginning to counter deflation pressure

The December CPI print showed a narrowly led improvement in prices with headline inflation accelerating to 0.8% y-o-y (November: 0.7%), in line with consensus expectations. However, this was largely led by the rise in gold prices, which boosted headline CPI by 0.25-0.35 ppts in December. The rise in headline inflation seen from October to December continued to be driven mainly by food prices, while core remained steady at a soft 1.2%. The persistent stability in core prices indicates still-weak consumer confidence despite the Christmas travel and shopping season. The data showed the fading impact of the consumer goods subsidy programme, with a contraction in prices of communication and other household durable appliances. Boosting consumer confidence and demand will remain a key policy priority for the Politburo. However, headline PPI recorded a narrower contraction, indicating that ‘anti-involution’ policies are starting to stem deflationary pressures. The recovery is uneven, though, as the coal mining sector and lithium-ion batteries recorded an acceleration in PPI, while ferrous metals remained in contractionary territory. We believe the government will implement more stringent monitoring and implementation mechanisms to counter price wars, with a gradual PPI recovery likely to be seen in 2026.

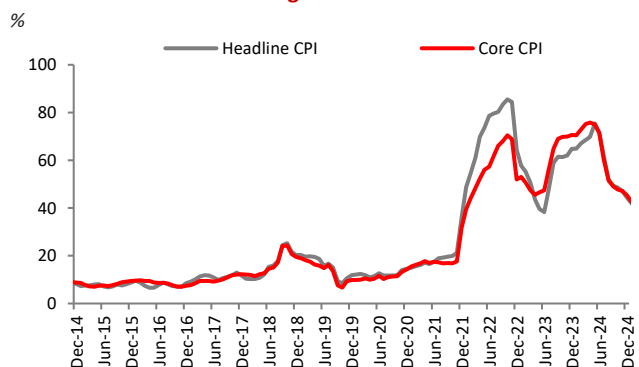
Headline inflation would have remained broadly unchanged after adjusting for the rise in gold prices

Fig. 5. China: Narrow-based rise in headline inflation in December on acceleration in food and gold prices



Source: PBoC, ADCB Economic Research

Fig. 6. Turkey: Downside surprise relative to CBRT’s forecast in December strengthens outlook for another cut



Source: TurkSTAT, ADCB Economic Research

Turkey: Headline CPI cools below CBRT’s forecast range in December

Headline CPI decelerated more than both consensus and CBRT expectations in December, softening 0.9% m-o-m and taking the annual measure to 30.9% (CBRT: 32.0-33.0%). This was the second consecutive downside surprise and comes after the CBRT’s dovish cut in December, strengthening the outlook for another 150 bps in easing this month. Disinflation in December was led by a cooling in core and clothing inflation, which more than offset the rise in food prices. Core CPI dipped to 0.6% m-o-m in December (November: 1.2%) and was broad-based across both services and goods components. This likely reflects weak household demand with consumer confidence in December falling to the lowest level since July, given weakening labour demand. However, the inflation outlook for 1H2026 is uncertain. The CBRT’s methodological changes, including lowering the weight of food (25.0% to 21.0%), will mechanically weigh on the CPI print, though a higher-than-expected minimum wage hike of 27.0% poses upside risks to prices

Material hike in minimum wages likely to add upward pressure to inflation

and household inflation expectations. The CBRT estimates that minimum wage hikes pass through to headline CPI by 8-12%, suggesting the recent increase could add about 2.2-3.2 pts. This should keep the CBRT on track for cautious rate easing, with three 150 bps cuts likely in 1H2026.

II. Economic Calendar

Fig. 7. The week ahead

Time*	Country	Event	Period	Prior	Consensus
Expected this week					
	Qatar	Trade Balance Month. USD	Dec	12488M	
	Egypt	Production Index, m-o-m	Nov	-1.6%	
Monday, 12 January					
14:30	India	CPI, y-o-y	Dec	0.7%	1.6%
21:00	Eurozone	ECB's Villeroy Speaks in Paris			
21:30	US	Fed's Bostic Moderates Discussion			
21:45	US	Fed's Barkin Participates in Fireside Chat			
Tuesday, 13 January					
3:00	US	Fed's Williams Delivers Keynote Remarks			
3:50	Japan	BoP Current Account Balance, JPY	Nov	2833.5B	3608.7B
3:50	Japan	Trade Balance BoP Basis, JPY	Nov	98.3B	518.8B
13:40	Eurozone	ECB's Kocher Speaks in Vienna			
17:30	US	CPI, m-o-m	Dec		0.3%
17:30	US	Core CPI, m-o-m	Dec		0.3%
17:30	US	CPI, y-o-y	Dec	2.7%	2.7%
17:30	US	Core CPI, y-o-y	Dec	2.6%	2.7%
17:30	US	Real Avg Weekly Earnings, y-o-y	Dec	0.9%	
17:30	US	Real Avg Hourly Earnings, y-o-y	Dec	0.9%	
Wednesday, 14 January					
1:00	US	Fed's Barkin in Moderated Conversation			
12:20	Eurozone	ECB's Guindos Speaks in Madrid			
13:15	UK	BOE's Alan Taylor Speaks			
17:30	US	PPI Final Demand, m-o-m	Nov		0.3%
17:30	US	PPI ex-Food and Energy, m-o-m	Nov		0.2%
17:30	US	PPI ex-Food, Energy, Trade, m-o-m	Nov		0.3%
18:50	US	Fed's Paulson Speaks on Economic Outlook			
19:00	US	Fed's Miran Speaks in Athens			
21:00	US	Fed's Kashkari Speaks in Virtual Town Hall			
21:00	US	Fed's Bostic Participates in Moderated Discussion			
23:10	US	Fed's Williams Delivers Opening Remarks			
	China	Exports, y-o-y	Dec	5.9%	3.1%
	China	Imports, y-o-y	Dec	1.9%	0.9%
	China	Trade Balance, USD	Dec	111.68B	114.35B
Thursday, 15 January					
11:00	UK	Monthly GDP (3M/3M)	Nov	-0.1%	-0.2%
11:00	UK	Trade Balance, GBP	Nov	-4824M	2500M
14:30	India	Trade Balance	Dec	-24532M	-25000M
14:30	India	Exports, y-o-y	Dec	19.4%	
14:30	India	Imports, y-o-y	Dec	-1.9%	
17:35	US	Fed's Bostic Speaks at Metro Atlanta Chamber			
21:40	US	Fed's Tom Barkin Speaks on Virginia Economic Outlook			
Friday, 16 January					
1:00	US	Net Long-term TIC Flows	Nov	17.5B	
3:50	Japan	Japan Buying Foreign Bonds	9-Jan	-223.6B	
3:50	Japan	Japan Buying Foreign Stocks	9-Jan	236.6B	
3:50	Japan	Foreign Buying Japan Bonds	9-Jan	273.5B	
3:50	Japan	Foreign Buying Japan Stocks	9-Jan	124.9B	

*UAE time

Source: Bloomberg, ADCB Economic Research

Fig. 8. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
GCC Economies						
	UAE	S&P Global United Arab Emirates PMI	Dec	54.8		54.2
	Qatar	S&P Global Qatar Whole Economy PMI	Dec	51.8		50
	Qatar	QCB Int'l Reserves & Foreign Currency Liquidity	Dec	261.5B		261.9B
	Qatar	Trade Balance Month, USD	Nov	13558M		12488M
	Bahrain	GDP Constant Prices, y-o-y	3Q	2.5%		4.0%
Monday, 5 January						
4:30	Japan	S&P Global Japan PMI Mfg	Dec F	49.7		50.0
5:45	China	RatingDog China PMI Composite	Dec	51.2		51.3
5:45	China	RatingDog China PMI Services	Dec	52.1	52.0	52.0
13:30	UK	Net Consumer Credit	Nov	1.7B	1.1B	2.1B
13:30	UK	Consumer Credit, y-o-y	Nov	7.5%		8.1%
19:00	US	ISM Prices Paid	Dec	58.5	58.7	58.5
19:00	US	ISM New Orders	Dec	47.4		47.7
19:00	US	ISM Employment	Dec	44.0		44.9
Tuesday, 6 January						
13:00	Eurozone	ECB's Villeroy Speaks in Paris				
13:00	Eurozone	HCOB Eurozone Services PMI	Dec F	52.6	52.6	52.4
13:00	Eurozone	HCOB Eurozone Composite PMI	Dec F	51.9	51.9	51.5
13:30	Eurozone	ECB's Cipollone Chairs Panel in Paris				
13:30	UK	Official Reserves Changes, USD	Dec	1390M		1515M
14:32	Egypt	Net Reserves	Dec	50.2B		51.5B
Wednesday, 7 January						
14:00	Eurozone	CPI, m-o-m	Dec P	-0.3%	0.2%	0.2%
14:00	Eurozone	CPI Core, y-o-y	Dec P	2.4%	2.4%	2.3%
14:00	Eurozone	CPI Estimate, y-o-y	Dec P	2.1%	2.0%	2.0%
14:30	India	GDP Financial Year Estimate, y-o-y	2026 A	6.5%	7.5%	7.4%
19:00	US	JOLTS Job Openings Rate	Nov	4.5%		4.3%
19:00	US	JOLTS Quits Level	Nov	2973K	2995K	3161K
19:00	US	JOLTS Layoffs Rate	Nov	1.2%		1.1%
Thursday, 8 January						
13:00	Eurozone	ECB 1 Year CPI Expectations	Nov	2.8%	2.7%	2.8%
13:00	Eurozone	ECB 3 Year CPI Expectations	Nov	2.5%	2.5%	2.5%
13:30	UK	DMP 3M Output Price Expectations	Dec	3.7%	3.6%	3.6%
13:30	UK	DMP 1 Year CPI Expectations	Dec	3.4%	3.3%	3.2%
14:00	Eurozone	Unemployment Rate	Nov	6.4%	6.4%	6.3%
14:30	US	Challenger Job Cuts, y-o-y	Dec	23.5%		-8.3%
14:30	US	Challenger Job Cuts Total	Dec	71321		35553
17:00	US	Fed's Miran on Bloomberg TV				
Friday, 9 January						
5:30	China	PPI, y-o-y	Dec	-2.2%	-2.0%	-1.9%
5:30	China	CPI, y-o-y	Dec	0.7%	0.8%	0.8%
16:45	Eurozone	ECB's Lane Speaks in Kolding, Denmark				
17:30	US	Change in Nonfarm Payrolls	Dec	56K	70k	50K
17:30	US	Nonfarm Payrolls 3-Mo Avg Chg	Dec	-3K		-22K
17:30	US	Average Hourly Earnings, m-o-m	Dec	0.2%	0.3%	0.3%
17:30	US	Average Hourly Earnings, y-o-y	Dec	3.6%	3.6%	3.8%
17:30	US	Average Weekly Hours All Employees	Dec	34.3	34.3	34.2
17:30	US	Unemployment Rate	Dec	4.5%	4.5%	4.4%

*UAE time

Source: Bloomberg, ADCB Economic Research

This report is intended for general information purposes only. It should not be construed as an offer, recommendation or solicitation to purchase or dispose of any securities or to enter in any transaction or adopt any hedging, trading or investment strategy. Neither this report nor anything contained herein shall form the basis of any contract or commitment whatsoever. Distribution of this report does not oblige Abu Dhabi Commercial Bank PJSC (“ADCB”) to enter into any transaction.

The content of this report should not be considered legal, regulatory, credit, tax or accounting advice. Anyone proposing to rely on or use the information contained in the report should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in this report.

Information contained herein is based on various sources, including but not limited to public information, annual reports and statistical data that ADCB considers accurate and reliable. However, ADCB makes no representation or warranty as to the accuracy or completeness of any statement made in or in connection with this report and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this report.

Charts, graphs and related data or information provided in this report are intended to serve for illustrative purposes only. The information contained in this report is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. All statements as to future matters are not guaranteed to be accurate. ADCB expressly disclaims any obligation to update or revise any forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

This report is being furnished to you solely for your information and neither it nor any part of it may be used, forwarded, disclosed, distributed or delivered to anyone else. You may not copy, reproduce, display, modify or create derivative works from any data or information contained in this report.

.