Capital Markets Strategy
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Chart of the Day

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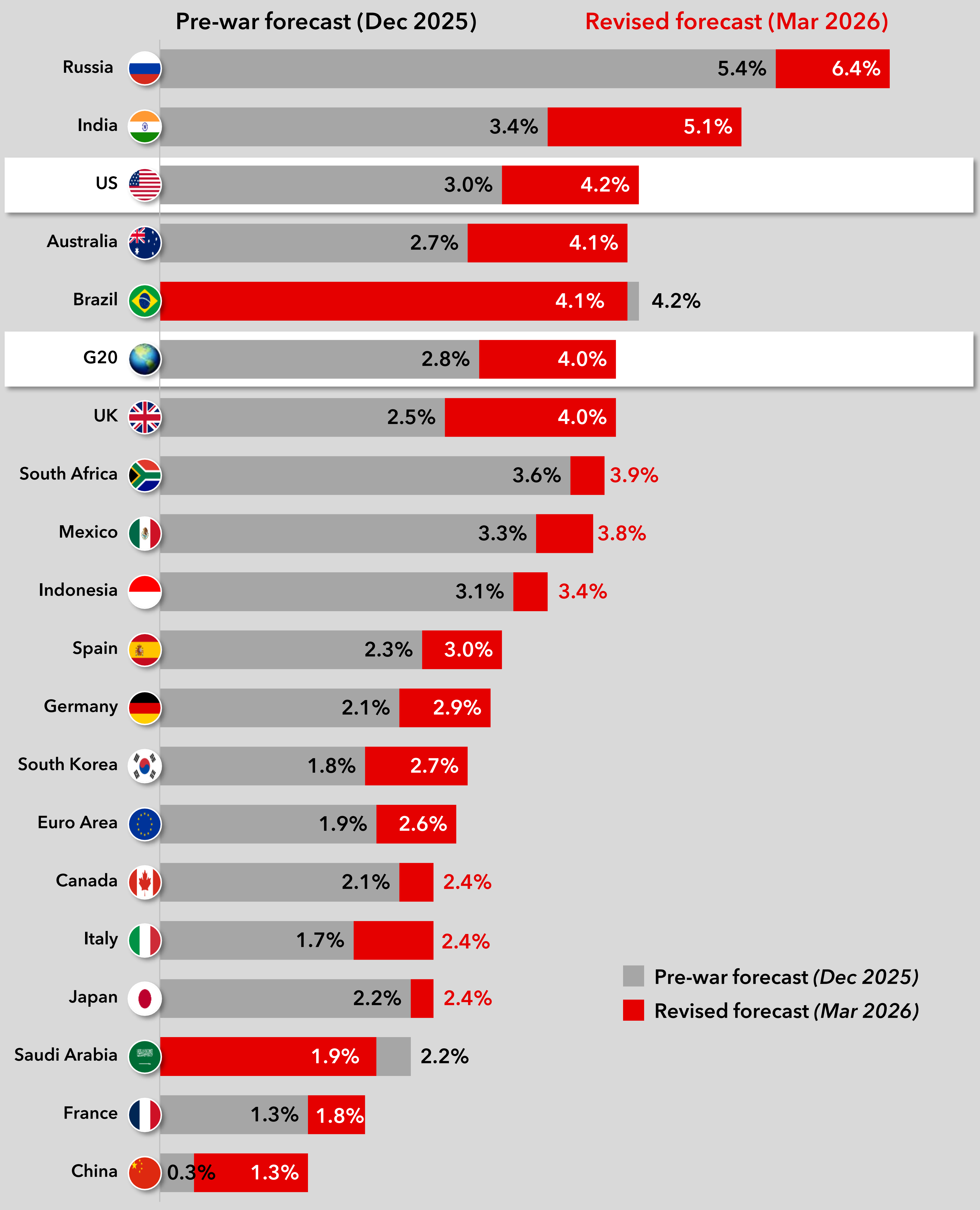
OECD Revises 2026 Inflation Sharply Higher

Earlier today (March 26), the OECD released its Interim Economic Outlook, sharply increasing its 2026 headline inflation expectations for G20 economies. Due largely to the supply side inflation shock of the US-Israel-Iran war, the OECD now projects G20 inflation of 4.0% in 2026, up significantly from 2.8% previously. The revised US inflation forecast is the highest among G7 nations. The report also notes that the higher 2026 inflation path reduces room for policy easing, urging major central banks to be cautious and data-dependent in their approach.

OECD revised forecast for 2026 inflation



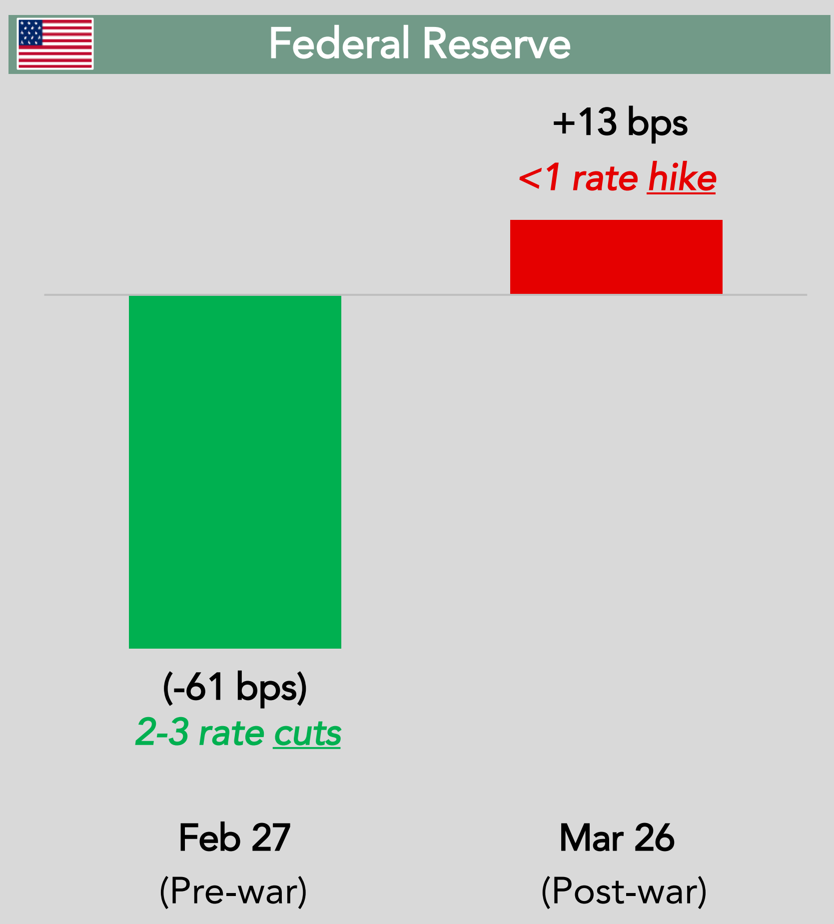
Argentina revised **higher** from 18% to 31%
Turkey revised **higher** from 21% to 27%
Brazil revised **lower** from 4.2% to 4.1%
Saudi Arabia revised **lower** from 2.2% to 1.9%

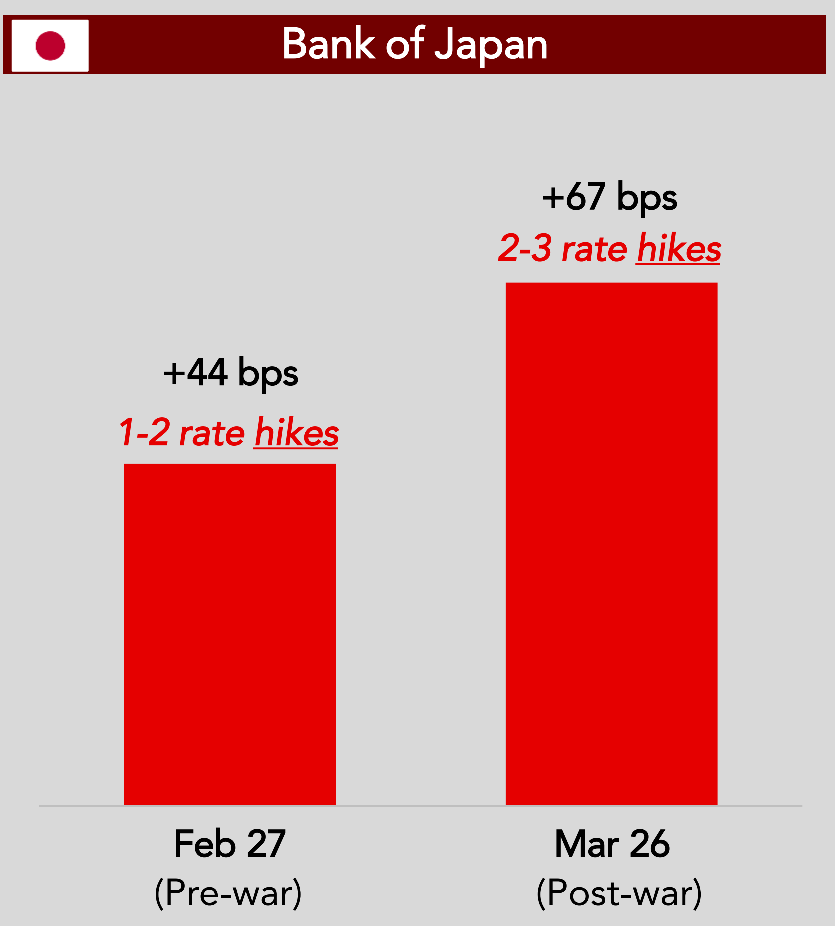
Source: (1) OECD, "Economic Outlook Interim Report (March 2026)". Data as of March 26, 2026.

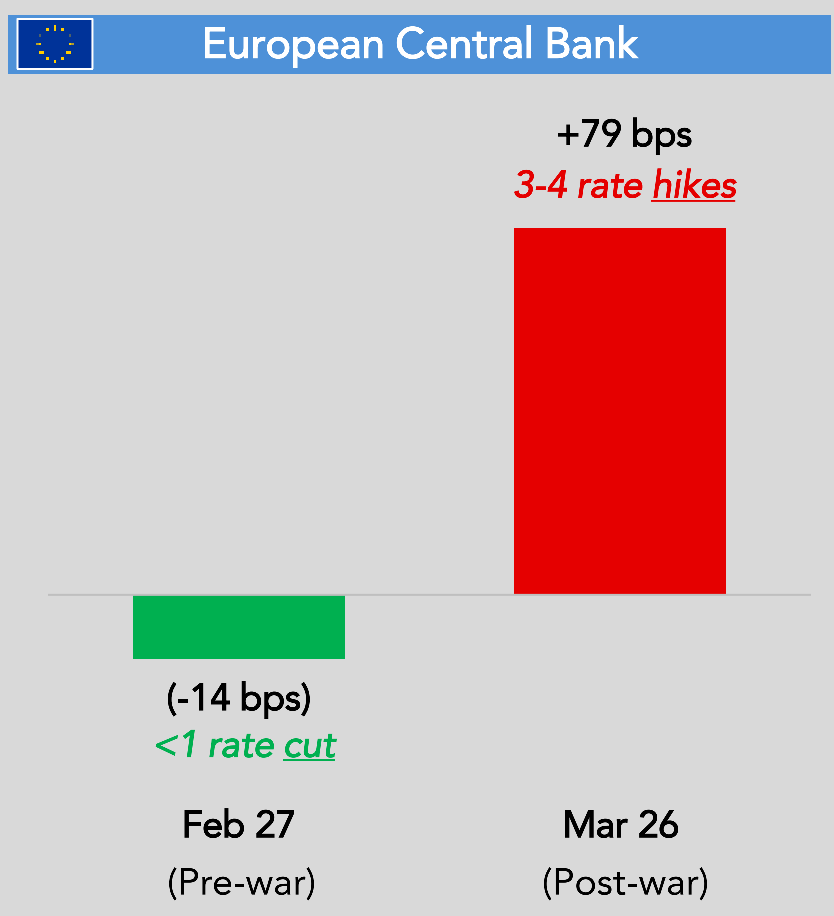
Repricing Monetary Policy "Higher-for-Longer"

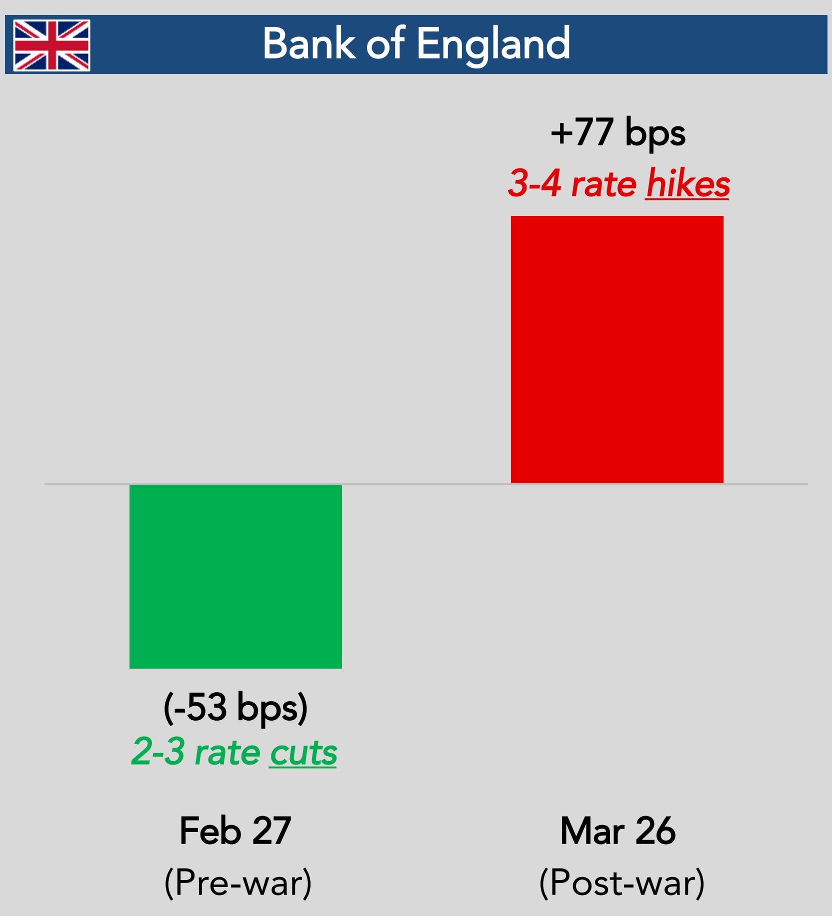
Market-implied and official paths for 2026 rate policy have all moved in a "higher-for-longer" direction since the US-Israel-Iran war began in early March, with variance by central bank. In a sharp departure from expectations earlier in the year, the market is currently pricing: (1) no Fed cuts in 2026; (2) multiple ECB & BOE rate hikes instead of easing; and (3) more rate hikes from the BOJ, though with delay (from June to July) on higher stagflation concerns.

Market-implied change in year end 2026 Central Bank policy rate (Feb 27 vs. today)









Source: (1-4) Bloomberg. Data as of March 26, 2026.

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"Macro stability isn't everything, but without it, you have nothing."