Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of July 27, 2026

Last week's data continued to present a snapshot of an economy characterized by a low-layoff, low-hire labor market operating alongside an expanding private sector, but one still grappling with supply-chain and price pressures that are intensifying alongside the U.S.-Israel-Iran war. Ukrainian attacks on Russian oil and gas infrastructure add another layer of risk to global energy supplies. Energy prices and bond yields surged once again in response.

Recent weeks have seen renewed U.S. bombardment of Iran, including the targeting of civilian energy and water infrastructure, and Iran's "tit-for-tat" strikes on U.S. bases and infrastructure in neighboring countries. Passage through the Strait of Hormuz remains impeded as both sides have reinstituted their blockades. On the other side of the region, the Houthis have declared the Bab al-Mandab Strait closed to Saudi shipping in retaliation for Saudi airstrikes on Yemen. This jeopardizes the flow of oil through Saudi Arabia's port city of Yanbu, which has been used to bypass the Strait of Hormuz. Tankers can re-route through the Suez Canal, but doing so adds millions in costs and can significantly lengthen delivery times.

S&P Global's survey of businesses indicates growing supply chain pressures as a result of intensifying hostilities. Supplier delivery times worsened to their greatest extent in nearly four years, and input cost inflation spiked to a 14-month high, pushing selling price inflation to a four-year peak. New broad-based tariffs announced by the Trump administration of up to 50% (e.g., a wide range of imports from Canada) will compound the upward pressure on input costs from the war and from earlier tariffs, which many businesses are still contending with. About 90% of the administration's earlier tariffs were borne by domestic businesses and consumers, with a recent Federal Reserve Bank of New York survey showing that nearly half of tariff-paying firms that had not already finished passing those costs onto consumers still intend to do so. The new tariff regime will push this share higher, with consumers ultimately paying even higher prices for goods and services.

The combination of a stable labor market, resilient economic activity, and inflationary pressures from war, tariffs, and AI spending validates the Federal Reserve's hawkish shift. Climate disruptions present another source of inflationary pressure on the horizon, with a stronger El Niño effect expected to weigh on crop yields and keep food inflation elevated.

Week ahead for economic data: This week will be headlined by earnings from mega-cap technology giants and key industrial and consumer leaders, and by the July 28-29 FOMC meeting. Rates are widely expected to be held steady, placing the focus on Chair Kevin Warsh's press conference on Wednesday for hints of future policy guidance, with the committee broadly expected to raise interest rates later this year. Also on the calendar are key updates on Q2 GDP growth, durable goods orders, labor costs, consumer sentiment, and the June PCE price index (the Fed's preferred inflation measure), alongside personal income and spending data.