UNITED STATES - USD

SOVEREIGN INTELLIGENCE DOSSIER · Fiscal Pressure

Campaign	USD-Q1-ANCHOR-2026	**Status**	Dossier Ready
Country	United States	**Period**	2026-01-01 to 2026-03-31
Regime	Restrictive Expansion / Fiscal Constraint	**Confidence / Quality**	confidence 78 · quality 84 · pressure 68

Executive Pressure Read

Q1 2026 established a positive-growth but increasingly constrained U.S. sovereign baseline. Real activity remained resilient, but labour momentum softened, inflation risk re-opened at quarter-end, and the Federal Reserve retained a restrictive hold. The dominant structural burden was fiscal: large deficits, rising debt and refinancing sensitivity narrowed future policy flexibility. The quarter did not confirm recession, sovereign funding stress or systemic financial rupture.

Growth Evidence

Real GDP increased at a 2.1% annual rate in Q1 2026, after 0.5% in Q4 2025 (BEA third estimate). The expansion prevented a recession classification, but the growth signal was less secure than the headline alone: employment creation was uneven and the IMF described the outlook as dependent on productivity, fiscal support and adaptation to major policy shifts. Growth pressure was mixed rather than dominant.

Inflation Evidence

March CPI rose 0.9% month over month and 3.3% year over year; energy rose 10.9% in March, while core CPI rose 0.2% month over month and 2.6% year over year (BLS). The observation was not a broad inflation break, but an energy-led headline shock layered onto still-elevated core pressure. This reduced confidence in clean disinflation and narrowed the Federal Reserve's room to ease.

Liquidity / External Evidence

The Federal Reserve maintained the federal-funds target range at 3.50%-3.75% in January and March, maintained reserve remuneration at 3.65%, and continued operations designed to preserve ample reserves. System liquidity remained functional. External pressure stayed elevated through the current-account deficit and net international investment position, but reserve-currency demand, Treasury-market depth and global dollar collateral demand remained powerful stabilizers.

Contradictions / Stabilizers

Positive GDP versus weaker labour flow; sharp headline inflation versus calmer core inflation; stable policy rates versus narrowing easing freedom; deep Treasury demand versus a rising debt burden; a large external deficit versus persistent global demand for dollar assets. These contradictions delayed pressure transmission but did not remove the underlying constraints.

Operator Balance Read

Fiscal pressure was the dominant Q1 sovereign burden. Inflation became the fastest-rising pressure at quarter-end, while labour cooling remained insufficient to confirm recession. The policy problem was a narrowing corridor: inflation risk argued against early easing, but weaker employment momentum reduced tolerance for prolonged restriction. Q1 therefore anchors the United States as a restrictive expansion with fiscal constraint and renewed inflation risk.

Unresolved Questions

1. Does the March energy shock persist into Q2 core inflation and expectations? 2. Does labour cooling become broad enough to alter the Fed reaction function? 3. Does Treasury supply or interest expense begin to weaken the sovereign's absorption capacity? 4. Does the external deficit remain fully stabilized by portfolio demand? 5. Are nonbank and refinancing vulnerabilities contained as financial conditions remain restrictive?

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INTELLIGENCE CONTINUITY · Q1 2026 ANCHOR

Intelligence Continuity - Since Last Review

Measure	Prior	Current	Change
Pressure	No prior anchor	68	Q1 baseline established
Confidence	No prior anchor	78	Q1 baseline established
Regime	No prior anchor	Restrictive Expansion / Fiscal Constraint	Q1 anchor
Evidence Quality	No prior anchor	84	Direct-source baseline established

Evidence Reviewed

BEA GDP, third estimate, Q1 2026. BLS Consumer Price Index, March 2026. BLS Employment Situation, March 2026. Federal Reserve January 28 and March 18, 2026 statements and implementation notes. IMF United States 2026 Article IV Consultation, Country Report No. 26/76.

Q1 Anchor Finding

The United States entered Q2 from a Q1 baseline of positive but less secure real activity, high and rising fiscal pressure, renewed headline inflation risk, a restrictive policy hold, cooling but unbroken labour conditions, functional liquidity and large external imbalances buffered by dollar-system privilege.

Missing / Weak Evidence

A complete real-time vintage reconstruction is not included. March CPI, March payrolls, final Q1 GDP and some external/fiscal aggregates were released after quarter-end and are treated as retrospective Q1 evidence. Detailed household-credit and nonbank leverage decomposition remains incomplete.

Handoff Status

READY - PRESSURE ONLY. The packet may be handed to Sasha for policy-constraint interpretation. It contains no currency expression, trade selection, execution or portfolio decision.

Source references: BEA Q1 2026 GDP third estimate; BLS March 2026 CPI and Employment Situation; Federal Reserve FOMC releases dated 28 Jan and 18 Mar 2026; IMF Country Report No. 26/76.