

## Highlights include Fed, BoJ, RBA, BoE, SNB, US Retail Sales, Japan CPI, UK Inflation and UK Jobs

- **MON:** G7 Summit (15-17 Jun), German Wholesale Prices (May), Indian WPI (May), EZ Industrial Production (Apr), US Industrial Production (May)
- **TUE:** BoJ Policy Announcement (Jun), RBA Policy Announcement (Jun), G7 Summit (15-17 Jun), Chinese Industrial Production (May), Retail Sales (May), Unemployment Rate (May), Italian HICP Final (May), EZ/German ZEW Survey (Jun), US ADP Employment Change Weekly, US Building Permits (May), US Import Prices (May)
- **WED:** Fed Policy Announcement (Jun), Riksbank Policy Announcement (Jun), BCB Policy Announcement (Jun), ECB Wage Tracker (Jun), IEA OMR (Jun), G7 Summit (15-17 Jun), Japanese Balance of Trade (May), UK Inflation (May), South African CPI (May), EZ Inflation Final (May), US Retail Sales (May), US Pending Home Sales (May)
- **THU:** UK by-election in Makerfield, BoE Policy Announcement (Jun), SNB Policy Announcement (Jun), Norges Bank Policy Announcement (Jun), CBRT Minutes (Jun), CNB Policy Announcement (Jun), European Council (18-19 June), Quad Witching, Australian Jobs Report (May), UK Jobs Report (May), Canadian PPI (May), US Jobless Claims (Jun), US Philly Fed (Jun), South Korean PPI (May)
- **FRI:** Holiday: US Juneteenth, Holiday: Hong Kong Tuen Ng Festival, BoJ Minutes (Apr), CBR Policy Announcement (Jun), European Council (18-19 June), Japanese CPI (May), German PPI (May), UK Retail Sales (May), Canadian Retail Sales (May)

## WEEK AHEAD

**BOJ POLICY ANNOUNCEMENT (TUE):** The BoJ is expected to resume policy normalisation at its meeting next week, with money markets pricing an 89% chance that the central bank will raise its short-term policy rate by 25bps to 1.00%, and an 11% probability that it will keep rates unchanged at 0.75%. The BoJ delivered a hawkish hold at its April meeting, keeping the policy rate at 0.75% but with a rare 6-3 split, as three board members backed an immediate increase to 1.00%. Inflation forecasts were revised sharply higher, with the FY2026 core CPI projection raised to 2.8% from 1.9%, driven by energy costs, while the growth forecast was cut to 0.5% from 1.0% due to risks stemming from the Middle East. Governor Kazuo Ueda struck a dovish tone at the subsequent press conference, saying there was "no urgency" to raise rates and adopting a wait-and-see approach towards geopolitical risks. He avoided providing a firm timetable for further tightening, including in June, and confirmed no change to bond purchases, prioritising flexibility over commitment. At the same time, he acknowledged upside inflation risks and the need to avoid falling "behind the curve", maintaining a conditional tightening bias. More recent comments from Ueda have been viewed as paving the way for a rate increase. Earlier this month, he said the BoJ's basic stance remained to continue raising the policy rate in line with economic, price and financial developments, while striving to fulfil its mandate of achieving price stability through appropriate policy. He also said accommodative financial conditions continued to support economic activity and that Japan's real interest rate remained low. Ueda added that the BoJ must consider action if second-round inflation effects emerge and said upside risks to prices appeared greater overall and were likely to materialise sooner. He further warned that delaying the necessary response could force the BoJ to raise rates sharply later, harming the economy and placing a significant burden on financial markets and the broader financial system. However, Ueda is not expected to attend the upcoming meeting after being hospitalised and will instead submit a written statement without participating in the vote. Deputy Governor Ryozi Himino is set to chair the meeting, while Deputy Governor Shinichi Uchida will hold the press conference. Nonetheless, several media reports have pointed to an imminent rate increase. Bloomberg reported that the BoJ will consider a June rate hike, with another possible in 2026, and that policymakers see less need to reduce bond purchases at the same pace in FY27. Reuters reported that the BoJ is expected to raise rates at the June meeting and is leaning towards pausing or slowing the pace of its bond-buying taper from fiscal 2027. Nikkei also recently reported that the BoJ is prepared to raise rates by 25bps at its June meeting, with such a move helping prepare for the risk of an upward revision to inflation forecasts, while discussions will begin on ending quarterly reductions in government bond purchases from April 2027 onwards.

**RBA POLICY ANNOUNCEMENT (TUE):** The RBA is widely expected to leave interest rates unchanged at next week's policy meeting, with money markets pricing roughly a 98% probability that the Cash Rate will remain at 4.35%. At its previous meeting, the central bank delivered a third consecutive rate increase, with the decision approved by an 8-1 vote. Policymakers said inflation was likely to remain above target and that risks continued to be skewed to the upside. The Board reiterated that it would remain attentive to incoming data and the evolving outlook and risk assessment when determining future policy settings. However, it also noted that, having raised the cash rate three times, monetary policy was well positioned to respond to developments and that it would do what was necessary to return inflation to target. During the post-meeting press conference, RBA Governor Michele Bullock said that if second-round inflation effects fed into expectations, higher rates could be required. She also noted that the cash rate was "a bit" restrictive and that policymakers had the flexibility to wait and assess incoming information. Minutes from the meeting showed that the Board judged financial conditions would become somewhat restrictive following the May increase and that the hike would provide scope to assess developments in the Gulf conflict, as well as the response of households and businesses. As a result, a pause is widely expected at the upcoming meeting following three consecutive rate increases. Recent economic data have also strengthened the case for keeping rates on hold. Labour market figures showed an unexpected deterioration, with employment

falling by 18.6k in April versus expectations for a 17.5k increase and a previous gain of 17.9k, while the unemployment rate rose to 4.5% from an expected 4.3% and a prior reading of 4.3%. Economic growth data were also softer than expected, with Q1 GDP expanding 0.3% Q/Q versus forecasts of 0.5% and the previous quarter's 0.8%, while Y/Y growth came in at 2.5% against expectations of 2.7% and a prior reading of 2.6%. These developments are likely to reinforce the case for a policy pause. However, monthly inflation figures were mixed. Headline CPI eased to 4.2% Y/Y from 4.6%, below expectations of 4.4%, while the RBA's preferred trimmed mean CPI measure rose to 3.4% Y/Y from 3.3%, matching forecasts. The data suggest that the prospect of further tightening and a hawkish policy message cannot be ruled out, given that inflation remains above the RBA's 2-3% target range.

**CHINESE ACTIVITY DATA (TUE):** Chinese retail sales for May are expected at 0.0% Y/Y, from 3.2% previously, industrial production at 4.2% Y/Y, from 4.1%, and fixed asset investment at -2.0% Y/Y, from -1.6%. ING expects further confirmation of a second-quarter slowdown and says retail sales and fixed asset investment are likely to deteriorate further, while industrial production should fare better, buoyed by external demand. ING adds that 70-city property prices will also be released on Tuesday, showing whether the recent trend of slower declines and price recovery in tier-1 cities has continued.

**FED POLICY ANNOUNCEMENT (WED):** A majority of economists surveyed by Reuters expect the FOMC to hold rates at 3.50-3.75% through the end of 2026, which Reuters says is the first firm consensus on that view this year; of the 102 economists surveyed, 72 back a hold next week. Money markets, however, are pricing at least one more rate rise before the end of this year following last week's stronger-than-expected payrolls report for May, which has diminished the case for any near-term rate cuts. The Fed will issue new economic projections at the meeting; economists expect the updated dot plot to signal steady rates this year, which would be a hawkish shift from March's projection of one cut. CPI data out this week showed headline inflation rising to 4.2% Y/Y in May, the highest in over three-years largely due to higher energy prices stemming from the Iran conflict, while core CPI rose to 2.9% Y/Y (from 2.8%). The Fed's preferred inflation gauge, PCE, is currently at 3.8%, almost double the Fed's 2% target, and is seen remaining elevated throughout the end of the year (the next PCE report is due on 25th June). The June confab will be the first for new Chair Kevin Warsh, who has previously pushed for lower rates. However, analysts do not see him being able to build any consensus around this view in June, particularly as several officials have already floated the possibility of rate rises later this year if inflation does not make any progress towards its target. Most forecasters surveyed by Reuters do not see any cuts before 2027 at the earliest, while only a handful see the next move as a hike. Traders will therefore be looking closely at whether other voting officials join Hammack, Kashkari and Logan in calling for the Fed to drop the easing bias within the policy statement. "Hawkish chatter around the FOMC has become much louder, but the bar for a rate hike is high, and we still expect an improving inflation outlook to justify cuts by year-end," analysts at Oxford Economics say, adding that "the Fed won't overreact to one strong jobs report, but broader labour market conditions have improved in recent months, and near-term inflation risks are skewed to the upside, keeping the hawks ascendant." In terms of potential action Warsh might take at his first confab, OxEco says there are some risks that he could announce that some post-meeting press conferences will be dropped under a less-is-more communication strategy, though it may take time to build a consensus around that view. And OxEco thinks that in the months ahead, he will make moves to reduce reliance on forward guidance, placing more emphasis on a wider range of inflation measures. Traders will also be attentive to any potential balance sheet policy change.

**RIKSBANK POLICY ANNOUNCEMENT (WED):** Expected to keep its policy rate on hold at 1.75% in June, reflecting caution over the Iran conflict and despite weakness in the domestic economy. At its previous meeting, the bank said recent economic and geopolitical developments allowed policymakers to "wait until there is a clearer picture". Domestically, the bank faces persistently low inflation. In May, headline CPIF came in above consensus but remained well below the Riksbank's forecast. Weak labour market figures have further clouded the picture, while growth has recently rebounded. The central bank faces two-sided risks, with a material rise in inflation potentially putting a rate hike on the table. But if the Iran conflict is resolved, there may be a risk that inflation remains persistently low, prompting policymakers to consider a cut. Analysts at SEB and Nordea expect rates to remain on hold through 2026. However, SEB believes the bank will raise its policy rate path hawkishly, a view also shared by analysts at UBS. Aside from the rate path, focus will also be on the updated projections, which are likely to show downward revisions to inflation and growth this year.

**BCB POLICY ANNOUNCEMENT (WED):** Last time out, the central bank cut rates by 25bps to 14.5%, as expected, with the Copom giving no guidance on future moves and saying current inflation and consumer price expectations had moved further above its 3% target. The BCB justified extending rate cuts as "calibration", saying the prolonged period of restrictive monetary policy still showed evidence that economic activity was slowing in 2026, bringing its inflation projection to a level compatible with the target despite oil shocks. Since the previous meeting, the BCB's market focus readout in early June lifted its Selic rate view, with 2026 seen at 13.50% from 13.25% previously, and 2027 at 11.50% from 11.25%. BCB President Galipolo said interest rates were at a very restrictive level, but the economy had shown resilience, while Director David said de-anchored inflation expectations forced rates higher for longer, and that the BCB was keeping policy contractionary until it was convinced inflation was heading back towards target. On trade, the US accused Brazil of restrictive trade practices and proposed a 25% tariff on Brazilian products, with exemptions including aircraft, coffee and orange juice, while President Lula said the latest tariffs were unacceptable. Overall, Rabo writes that, with expectations for a narrowing interest rate differential between Brazil and advanced economies through 2026 and a potential recovery in the US dollar globally against a fragile fiscal backdrop in an election year, it expects USD/BRL to appreciate towards 5.35 by year-end. For reference, USD/BRL currently trades around 5.10.

**UK INFLATION (WED):** April's series was cooler-than-expected at a headline level, at 2.8% vs exp. 3.0% (prev. 3.3%). While the magnitude of moderation was greater than expected, the direction was very much expected given the annual price changes implemented in the period were on course to be lower Y/Y. However, the respite was and still is expected to be temporary given the energy price shock. A point evidenced by the commentary from ONS that raw material and factory good prices continued to rise, driven by elevated energy prices. For May, the period's PMIs showed a slight ease in input prices vs April, however it remained higher than at any other time since the 2022 crisis. For May, desks generally look for CPI to tick back up, but not to the level seen in April, with consensus for the headline Y/Y around 3.0%. Within the series, Services is expected to tick back up from April's 3.2% to around 3.7%, driven by base effects from the 2025 May ONS correction and airfare related pressures.

**US RETAIL SALES (WED):** The Chicago Fed's Advance Retail Trade Summary (CARTS), which tracks the US Census Bureau's Monthly retail trade survey says that retail & food services sales ex-autos are projected to decrease by -0.3% M/M in May (vs +0.7% in April), and on a seasonally adjusted basis, are projected to decrease by -1.3% M/M adjusted for inflation (vs 0.0% in

April). Bank of America's monthly consumer checkpoint data is more optimistic, however. BofA's internal card data point to robust consumer momentum in the month, with total card spending up 5.1% Y/Y in May, the strongest in nearly four years. BofA said the strength is not merely a gasoline story, noting that underlying spending held firm across both goods and services. It also said that the gap between income cohorts narrowed materially in both spending and wage growth, though some of this convergence may reflect a FIFA World Cup boost. The bank also says that consumer financial health looks solid, with no clear signs that households are leaning on borrowing to fund spending. Although the savings rate has eased, savings levels remain relatively elevated, and the seasonal lift in deposit balances from tax refunds has been larger this year than in 2025, the report notes.

**UK BY-ELECTION IN MAKERFIELD (THU):** The by-election is, essentially, a referendum or similar on the next UK PM. If Labour's Andy Burnham wins, he is expected to challenge current PM Starmer for the leadership and would likely win. Prediction markets have the odds of a Burnham victory above the 75% mark; however, the narrative is not that clear. Much of this is explained by the presence of Restore, which is splitting the vote base that would benefit Reform. If Restore was not an influence, then the polling is near-enough split between Labour and Reform. A Burnham victory in Makerfield would likely see him become PM, an outcome seen as the least welcome by a FT survey of bond market participants. On the flip side, a Burnham loss would be negative for the Labour party and is a bleak signal into the next election; however, the removal of Burnham as a PM candidate may provide some relief to Gilts and could see a continuation of the theoretically/relatively market-friendly pairing of Starmer and Reeves.

**BOE POLICY ANNOUNCEMENT (THU):** Expected to maintain the Bank Rate at 3.75%, as the Bank balances inflation pressures with a weak growth environment. The rate split will draw immediate focus, after the 8-1 vote to hold in April. As a reminder, Pill dissented and called for a hike to 4.00%, taking the view that a "prompt but modest" hike would help "mitigate upside risks to price stability". The split could well be 8-1 again, though the likes of Mann and/or Greene could join; on May 20th, Mann expressed concern about possible high inflation becoming embedded in wage deals, and described recent labour market softening as not being broad based; Greene continues to place significant focus on second round effects. While expected to be in the consensus for a hold, Bailey at the start of June outlined that they cannot wait for hard evidence on second-round effects. However, Bailey's, and the view of others on the MPC, that conditions are currently somewhat restrictive means that the BoE had and likely still has the policy space to wait and see how economic conditions develop. Forward guidance will be of note, last time Bailey described April has an "active hold", and placed focus for the period ahead on energy prices, indirect effects and then second-round effects. On those, Brent is around USD 88/bbl and thus below the USD 100/bbl average in the April forecasts. Indirect and second-round effects are still somewhat unclear, as we wait for timely data; however, Bailey has made clear they cannot wait for such data before acting, if necessary. Overall, the statement will likely stress optionality and be non-committal, however, it will likely feature a hawkish nod of some description to keep the door open to tightening, particularly as it will help to keep inflation expectations in check.

**SNB POLICY ANNOUNCEMENT (THU):** Forecast to keep rates on hold at 0.00%, given the bank's high bar for a return to NIRP and stable inflation in May not warranting tightening. Y/Y inflation printed below consensus, but remained unchanged from the previous month at 0.6%. Ex-energy inflation was also unchanged at 0.3%. With headline inflation at the lower end of the bank's 0-2% target band, the policy rate is unlikely to be adjusted. Goldman Sachs shares this view, with analysts seeing rates on hold for the "foreseeable future". They said the relatively low energy impact on the Swiss economy and a stronger CHF were factors supporting a hold in June. On FX, Chairman Schlegel recently reiterated the bank's "increased willingness to intervene in FX", remarks that are likely to feature once again at the forthcoming meeting.

**NORGES BANK POLICY ANNOUNCEMENT (THU):** Policymakers at Norges Bank will meet on 18th June to decide monetary policy, with markets divided over the likely outcome. In its March Monetary Policy Report, the central bank projected that the policy rate would be between 4.25% and 4.50% by the end of 2026, while its Q3 forecast stood at 4.25%, in line with the current policy rate. Speaking on 8th May, Governor Ida Wolden Bache said: "our latest policy rate forecast in March implied the potential need for further tightening of monetary policy later this year, but at present we do not foresee a pronounced increase in the policy rate." Following the rate increase delivered in May, this guidance may suggest that policymakers are inclined to keep rates unchanged until later in 2026. Since the May meeting, spot Brent crude prices have fallen by around USD 10/bbl and are down more than USD 25/bbl from their May peak, while duties on petrol and diesel have been cut by NOK 4/litre. Inflation remains a concern. Data for May came in stronger than expected, with core inflation rising to 3.4% from 3.2%, above the consensus forecast of 3.3%. More importantly, the reading was also slightly higher than Norges Bank's own projection of 3.3%. Even so, policymakers are likely to await additional data and assess developments in the Middle East before making further policy adjustments. Attention will therefore focus on the updated Monetary Policy Report and any signals regarding the future path of interest rates.

**UK JOBS REPORT (THU):** Prints in the hours before the June BoE. The March series showed an uptick in the unemployment rate and overall was evidence of a labour market that remains soft, and the early April estimates "point to further weakness", ONS surmised. The wage figure including bonuses was hotter-than-expected, however. For April, the series is expected to continue to show a weak labour market, though the pace of any further deterioration is likely to be minimal with firms waiting for uncertainty to pass rather than significant decline. A narrative that stems from April's PMIs which showed signs of improvement in employment. For wages, the soft labour market and general economic conditions likely continue to outweigh inflation-related pressures and, additionally, base effects from the annual minimum wage agreement should weigh. However, the BoE Agents Summary for June showed that "the impact of higher-than-expected inflation on 2027 pay settlements is a growing concern...", a point that will keep the BoE alive to any potential future wage upside.

**JAPANESE CPI (FRI):** Note that the May CPI report will come after the June BoJ, where a 25bps hike is widely expected. Following a fairly stable, but cooler-than-expected, inflation report in April, whereby the headline printed at 1.4% (prev. 1.5%, exp. 1.6%). The soft print was thanks to ongoing energy subsidies and social welfare programmes. As for the May figure, ING opines that price pressures are "likely to broaden", citing strong chip and car exports. Analysts expect the Y/Y to tick up to 1.6% (prev. 1.4%), and the M/M to tick up to 0.4% (prev. 0.1%).

**UK RETAIL SALES (FRI):** April's series showed a significant deterioration in sales volumes, hit by a decline in fuel volumes in the period. When fuel was excluded from the series, the M/M print was -0.4% vs a -1.2% headline. For May, better weather will have factored favourably into retail activity. The BRC monitor came in much stronger than expected at 3.4% (exp. 0.6%), and rebounded from the -3.4% compare. Overall, the data will have little impact on the BoE's decision making, but a rebound would speak to some consumer strength, while fuel activity will be looked at as a gauge of the real impact of energy inflation on the consumer and by-extension the broader economy.

# WEEK IN REVIEW

**OPEC/JMMC MEETING (SUN):** OPEC+ agreed to another modest, largely symbolic output quota increase of 188k BPD for July. The seven OPEC+ countries also said the measure would provide participating countries with an opportunity to accelerate their compensation. Oxford Economics writes that "OPEC's decision to further increase production by 188k BPD for the fourth consecutive month is unlikely to materially affect oil prices or supply while shipping restrictions in the Strait remain in place".

**APPLE WWDC (MON):** Apple's WWDC 2026 keynote featured a redesigned Siri, overhauled operating system foundations for improved speed and search, and expanded AI capabilities aimed at everyday consumers. The Mac is receiving productivity enhancements via Visual Intelligence, and Apple is preparing its software platform to support future AI devices and foldable iPhones. Apple said it cannot currently launch its redesigned Siri AI on iPhones, Apple Watches, or iPads in the EU due to a standoff with regulators over the DMA; it proposed an EU-specific solution that would limit the data virtual assistants could access to ensure DMA compliance while protecting user privacy, but said regulators have refused to engage. Apple shares fell just shy of 2% on Monday after the keynote. Meanwhile, an EU Commission official said the decision not to roll out Siri AI in the EU is Apple's decision; Apple did make a request to be exempted from interoperability obligations, but this was rejected. Following the event, KeyBanc found Apple's WWDC AI updates to be lacking in the context of what it thought was generally a high bar for advancements of Apple Intelligence. Oppenheimer maintained 'Perform' rating as Co. revealed five third-generation Apple Foundation Models and a rebuilt, more conversational Siri AI.

**BOC POLICY ANNOUNCEMENT (WED):** The central bank held rates at 2.25%, as widely expected, as it continues to look through the war's near-term impact on headline inflation. The BoC gave no indication of urgency to adopt a more hawkish stance, noting that even with a rebound in growth, the economy is expected to remain in excess supply. Similar to the ECB, it sees limited evidence of broad-based pass-through from higher energy prices to other consumer prices. The Governing Council said it would not allow higher energy prices to become entrenched in inflation. Governor Macklem said consecutive rate hikes could be warranted if the Middle East conflict continues and higher energy prices start leading to ongoing generalized inflation. However, he also said cuts may be needed to support economic growth if the US imposes significant new trade restrictions. On potential rate changes, Macklem said any decision on a hike would depend less on timing and more on economic conditions, adding that core inflation has eased. Based on current conditions, the BoC expects inflation to remain close to 3% in the coming months before gradually easing towards 2%. Money market pricing for year-end was little changed following the announcement but has since turned more dovish as the Middle East conflict appears to be nearing its final stage, with around 25bps of hikes priced in by December versus 35bps before the BoC announcement. Oxford Economics said that "for the BoC to hike this year, it would need to see clear signs of inflation broadening across the CPI basket and rising long-term inflation expectations, which we think are unlikely".

**CHINESE INFLATION (WED):** Chinese inflation data for May were mixed, with consumer prices unchanged from the previous month but marginally below expectations at 1.2% Y/Y versus a forecast of 1.3% and a prior reading of 1.2%. Producer prices, however, accelerated to 3.9% Y/Y from 2.8%, exceeding expectations of 3.8% and marking the fastest rate of increase since July 2022. Consumer inflation remained contained as the effects of earlier energy price increases faded. NBS statistician Dong Lijuan said price developments were "mainly due to changes in energy and service prices". Dong also attributed the rise in factory-gate prices to stronger domestic industrial demand, the pass-through of higher commodity prices and rising prices in computing-related sectors, driven by electrification, broader adoption of AI and increasing demand for computing power. In addition, China's latest trade data exceeded forecasts, pointing to stronger domestic and external demand.

**US CPI (WED):** Headline CPI rose 0.5% M/M in May, in line with analyst expectations and cooling from the prior 0.6%, while the Y/Y rate accelerated to 4.2% from 3.8%, matching forecasts. The core metrics were softer than expected, with core CPI rising 0.2% M/M, down from 0.4% in April and below the 0.3% forecast, while the Y/Y rate accelerated to 2.9% from 2.8%, in line with expectations. The softer monthly core reading is a welcome sign for policymakers and suggests underlying inflation pressures may not be accelerating further despite elevated energy prices. However, inflation remains well above the Fed's 2% target and, alongside a labour market that continues to appear resilient, is unlikely to materially alter the recent hawkish shift in policy expectations. Within the report, core goods prices declined on the month, while the Y/Y pace was little changed. Core services inflation eased on a monthly basis but accelerated Y/Y, while supercore inflation also cooled slightly M/M but accelerated on an annual basis. The continued firmness in services and supercore inflation is likely to remain a concern for policymakers, although some of that pressure may be offset by easing goods prices as tariff-related effects continue to unwind. Looking ahead, Oxford Economics writes that with gasoline prices falling sharply so far in June, May may prove to be the peak for headline CPI. However, the consultancy expects inflation to decline only gradually, keeping the Fed on hold for much of the year. The desk notes that its preliminary estimate for May PCE points to a similar headline reading but a firmer core measure, partly reflecting a rise in portfolio management fees.

**US PPI (THU):** The May PPI report was mixed, with a hot headline reading, softer core inflation, and a reacceleration in supercore prices. Headline PPI rose 1.1% M/M, above the 0.7% forecast but below the prior 1.4%, while the Y/Y rate accelerated to 6.5% from 6.0%, slightly above the 6.4% consensus. Core PPI rose 0.4% M/M, in line with expectations and cooling from the prior 1.0%, while the Y/Y measure eased to 4.9% from 5.2%, below the 5.3% forecast. Meanwhile, supercore PPI, which excludes food, energy and trade services, rose 0.8% M/M, accelerating from 0.6%, while the Y/Y rate accelerated to 5.1% from 4.4%. While the softer core reading is a welcome sign, the acceleration in the supercore measures suggests underlying inflation pressures remain elevated. Within the report, the PPI components relevant for PCE were mixed. Portfolio management prices rose sharply to 4.84% from -2.31%, while air passenger transportation prices declined 0.5% after rising 2.66% previously. Following the release, Pantheon Macroeconomics estimated that core PCE likely increased 0.38% in May, lifting the annual rate to 3.4% from 3.3% in April. Overall, the report is unlikely to materially alter Fed expectations. Inflation remains above target and the labour market continues to appear stable, allowing policymakers to maintain their focus on inflation risks. However, the softer core reading means the report is unlikely to generate a significant additional hawkish repricing following last week's strong payrolls data. Attention now turns to next week's FOMC meeting and Chair Warsh's press conference for further insight into how he is interpreting the recent inflation and labour market data.

**ECB POLICY ANNOUNCEMENT (THU):** Overall, largely as expected from the ECB. Both the statement and President Lagarde were

non-committal to further tightening, but there was nothing standing in the way of additional action. The baseline forecasts have inflation back to target in 2028, suggesting that further tightening is not a certainty as the ECB arguably does not need it over the medium term. However, the Adverse scenario that Lagarde pointed us to does have inflation above target by the end of the forecast horizon, suggesting further tightening is a distinct possibility. In short, the statement, forecasts and press conference chime with pre-ECB market pricing for another hike this year, a view broadly maintained post-ECB; pricing has (adj. for the 25bps move today) 33bps implied by-end 2026 vs 36bps pre-ECB. Sources since are mixed on whether a July move is possible, reporting that unsurprisingly reflects the divergence between the dovish and hawkish contingent of the ECB. [Click here for the full ECB review.](#)

**CBRT POLICY ANNOUNCEMENT (THU):** The CBRT left its key policy rate unchanged at 37.0%, while maintaining the interest rate corridor at 450bps, with the upper and lower bounds remaining at 40.0% and 35.5%, respectively. The decision was in line with consensus expectations, although analysts had been divided over whether policymakers would opt for a rate increase or a hold, with the median forecast shifting in the previous week. The accompanying statement contained few surprises and was largely unchanged from the previous meeting. However, policymakers acknowledged "unanticipated developments in credit and deposit markets", a likely reference to recent political turbulence that unsettled financial markets. The Turkish lira was little changed following the announcement. Looking ahead, the CBRT is expected to remain focused on the disinflation process, the growth outlook and both domestic and geopolitical developments, while maintaining a wait-and-see stance before resuming monetary easing. Both ING and Oxford Economics expect rate cuts to begin in Q4, subject to developments in the geopolitical environment.

**UK GDP (FRI):** Contracted -0.1% in April, as expected. Driven lower by weak R&D and entertainment figures, with the latter affected by the cancellation of sporting events in the Middle East. Limiting the downside was robust services growth, up 0.8% on a three-month basis, with particular strength in tech services. The data does not change the near-term narrative for the UK economy or, by extension, policymakers.

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