

Highlights include: US NFP, US ISM Mfg PMI, EZ Flash CPI, and Swiss CPI

- **MON:** Japanese Retail Sales (May), Spanish HICP Flash (Jun), Retail Sales (May), EZ Consumer Confidence Final (Jun), US Dallas Fed Manufacturing Index (Jun)
- **TUE:** RBA Minutes (Jun), Japanese Industrial Production (May), Unemployment Rate (May), Chinese NBS Manufacturing PMI (Jun), German Retail Sales (May), Import Prices (May), Swedish Retail Sales (May), UK GDP Final (Q1), French HICP Flash (Jun), PPI (May), German Unemployment Rate (Jun), German State/Nationwide CPI (Jun), Italian HICP Flash (Jun), Canadian GDP (Apr), US Chicago PMI (Jun), JOLTS Job Openings (May), US Dallas Fed Index (Jun)
- **WED:** Holiday: Canada Day (Jul), Global Manufacturing PMI Finals (Jul), Japanese Tankan Index (Q2), EZ Flash CPI (Jun), US Challenger Job Cuts (Jun), ADP Employment Change (Jun), ISM Manufacturing PMI (Jun)
- **THU:** SNB Financial Stability Report (Jul), South Korean CPI (Jun), Australian Balance of Trade (May), Swiss CPI (Jun), EZ Unemployment Rate (Jun), US NFP Report (Jun), Jobless Claims, Factory Orders (May)
- **FRI:** Holiday: US Independence Day (Jul), EZ Composite/Services PMI Final (Jun), French Industrial Production (May), Turkish CPI (Jun), Italian Retail Sales (May), BoE DMP (Jun)

WEEK AHEAD

RBA MINUTES (TUE): As a reminder, the Cash Rate was left unchanged at 4.35%. It was widely expected after having already delivered three consecutive rate hikes in the previous months of meetings. The Minutes noted that the decision was unanimous, but language remained hawkish as it warned of potential further hikes if necessary, citing persistent inflation and oil supply disruptions. RBA also said the latest data indicate that headline and underlying inflation remain too high, adding that short-term inflation expectations have eased but remain above levels seen earlier this year. Furthermore, it stated that monetary policy is well placed to respond to developments and the board is focused on its mandate to deliver price stability and full employment, while it will do what it considers necessary to achieve that outcome, including increasing the cash rate target further if required.

JAPANESE TANKAN INDEX (WED): The Bank of Japan is set to release the Q2 Tankan survey next week, which market participants will be eyeing to gauge the sentiment among thousands of Japanese enterprises and which is seen as a proxy for economic activity. The previous Tankan survey was encouraging with Japan's large manufacturers reporting improved business sentiment for a fourth consecutive quarter as the Large Manufacturers Index topped forecasts at 17 vs. Exp. 16 (Prev. 15). However, it is worth noting that much of the data in Q1 reflected the situation prior to the geopolitical escalation in the Middle East and effective shutdown of the Strait of Hormuz, and therefore, is likely to not have shown the full impact of the conflict. This leaves the incoming Tankan release open to potential weakening, while a survey of over a dozen research institutes and securities firms showed expectations for a modest decline in sentiment among large manufacturers, with analysts estimating that the diffusion index for large manufacturers could weaken to 15 from 17, with the wartime increase in oil prices and higher fuel costs cited as a key factor behind the potential deterioration.

EZ FLASH CPI (WED): May's series was as expected on a headline level, at 3.2% Y/Y for HICP. However, the core measures were hotter and sparked a very modest hawkish reaction at the time, with focus on the continued energy upside and, pertinently, the jump in services. For June, the period's Flash PMIs hinted at a "potential peaking of the recent price spike", a point of particular note as the majority of responses were collected prior to the MoUs signing. The MoU was signed on the 17th of June, which means that the responses were likely collected on both sides of the signing, which may influence the results somewhat. Irrespective, while the energy component may react, it would likely be too soon for energy moves to filter through significantly into broader price levels, and as such, we look to prints in the months ahead to see how this develops. For the ECB, while they hiked in June, they did not pre-commit to any further action, keeping the data-dependent approach. Commentary has since been mixed, but most pertinently, Lagarde has leaned away from a particularly hawkish response, which, alongside referenced PMIs, reduced the odds of a back-to-back hike, with September the next real contender for a move. Though, of course, data between now and July, including the June HICP, could shift the dial once again.

SWISS CPI (THU): Analysts at Credit Agricole expect headline inflation to ease in June from the previous month, reflecting recent weakness in energy prices. As a reminder, the May reading came in cooler than expected at 0.3% M/M, factoring in the SNB's decision to hold rates in June, as expected. The bank reiterated that medium-term inflationary pressures were virtually unchanged from the March meeting. Policymakers also raised their inflation forecasts through 2028, although only modestly. Analysts therefore broadly expect the SNB to remain on hold for the foreseeable future.

ISM MANUFACTURING PMI (THU): As a proxy, S&P Global's June flash manufacturing PMI rose to 55.7 (prev. 55.1), a 49-month high, while the manufacturing output index rose to the strongest in 59 months at 57.7. Production growth accelerated to its fastest pace since July 2021, supported by the largest increase in new orders since April 2022. S&P said, however, that the underlying signal is not cleanly demand-led; it notes that the factory expansion was again partly driven by front-running of potential supply disruption, as well as price increases linked to the Middle East conflict, with input buying rising at the fastest pace since September 2021, and input inventories seeing the second-steepest rise in the survey's history. The report also noted that export demand remained weak, with goods and services exports continuing to fall. Supply-chain pressure has intensified, as supplier delivery times lengthened by the most since August 2022, linked to shipping disruption and tariffs. And price pressures have remained elevated, with manufacturing input cost inflation the second-highest in almost four years. On the labour market, the PMI data were softer, with

manufacturing headcounts cut at the fastest rate since the early 2020 COVID lockdowns, which it says suggests that firms remain cautious despite stronger activity.

US NFP (THU): The consensus looks for 115k payrolls to be added to the US economy in June (vs prev. 172k; vs three-month average of 188k, six-month average of 92k, and 12-month average of 42k). The May data saw an outsized lift from local government hiring, and analysts do not expect that to be repeated in June. The unemployment rate is expected to be unchanged at 4.3%; the Chicago Fed's real-time unemployment rate forecast for June is 4.33%; its forecast reflects a small increase in layoffs, and a small decrease in hiring, it said. Meanwhile, the FOMC's latest economic projections in June forecast the jobless rate to remain at 4.3% this year and next, tilting down to 4.2% in 2028 and in the longer-run. Average hourly earnings are seen rising by 0.3% M/M in June, matching the prior rate. Analysts at Barclays are below consensus on headline payrolls, and forecast 100k in June, slowing sharply from May's 172k and the firmer prints in March and April. The bank says that barring any revisions, that would still lift the Q2 three-month average to around 150k/month, well above Q1's 73k pace. Barclays says that forecast dispersion is unusually wide, noting that claims-based models point to robust gains, while approaches weighted toward alternative indicators and resilient ADP data suggest a milder turnout, hence its more cautious headline call. In terms of the policy implications, Barclays says that a payrolls print well above the breakeven pace (the St Louis Fed has estimated this is around 15-18k/month), set against a jobless rate that is barely moving, keeps a familiar wedge between the household and establishment surveys intact adding that that combination looks consistent with another Fed hold in July, with policymakers continuing to weigh the case for tightening. With the FIFA World Cup beginning, and running from June 11th-July 19th, Goldman Sachs estimates the 2026 World Cup will add 40,000 jobs to US payrolls in June, with effects reversing in the following months as temporary positions end.

WEEK IN REVIEW

CHINESE LPR (MON): The PBoC unsurprisingly maintained China's benchmark lending rates on Monday for the 13th consecutive month, with the 1-year Loan Prime Rate at 3.00% and the 5-year Loan Prime Rate at 3.50%, which are the rates that most new loans are based on and the reference for mortgages, respectively. The decision to maintain rates was widely anticipated, while the central bank has instead been significantly boosting its liquidity efforts with daily operations surpassing as much as CNY 600bln compared to the previous string of paltry operations of less than CNY 1bln. Furthermore, PBoC Governor Pan announced last week that they will add overnight reverse repo instruments at an appropriate time and will increase overnight reverse repo operations, as they look to improve the efficiency of interest rate transmissions. This suggested that China could continue refraining from any adjustments to the benchmark LPRs and instead micromanage financial conditions in the interbank market through the shorter-term and more immediate overnight repos. The latest key data releases from China have been mixed and therefore also supported a continued pause, although PBoC advisor Huang Yiping recently stated that a rate cut could still be on the table this year, acknowledging that China's economy likely needs more targeted support.

CANADIAN INFLATION (MON): Inflation was mixed in May. Headline inflation came in above expectations, rising 1.0% M/M (forecast 0.7%) and 3.2% Y/Y (previously 2.8%). The acceleration was driven by a surge in petrol prices, which rose 33.2% after increasing 22.8% in April. Food inflation also accelerated to 3.8% from 3.5%, reflecting a 5.3% rise in fresh fruit prices and a 9.0% increase in vegetable prices. Core inflation accelerated on both measures, increasing 0.6% M/M (prev. 0.2%) and 2.2% Y/Y (prev. 2.1%). Shelter inflation eased to 1.7% from 1.8%, while health and personal care inflation slowed to 2.7% from 3.3%. CPI Median held steady at 2.1% Y/Y (exp. 2.1%), while CPI Trimmed Mean remained at 2.0% Y/Y (exp. 2.0%). The BoC Average edged up to 2.27% from 2.20%. Oxford Economics said there were no signs of a significant broadening of inflation across the CPI basket. The firm expects the lagged effects of higher oil and fertiliser prices to lift food inflation to the mid-4% range by the end of 2026. However, it said excess slack in the economy and continued easing in shelter inflation should keep core inflation below the BoC's 2% target this year.

EZ FLASH PMI (TUE): June's series was better than expected across the board at an EZ level, but more mixed across member nations. The series is caveated by most of the responses arising before the MoU signing, and as such, the final readings will draw more scrutiny than normal. Nonetheless, the EZ was showing sufficient resilience to avoid a recession, though with no growth. More welcome are signs of recovery in services activity. Additionally, lower energy prices are already filtering through and are "hinting at a potential peaking of the recent price spike." Overall, the data chimes with those who believe that expectations for further ECB tightening are overdone. A point arguably added to by the pertinent commentary from President Lagarde on Monday. As such, upcoming hard and survey data will be scoured for confirmation that prices may have peaked, which, alongside the stagnation in activity, may well see a dovish repricing in the period ahead.

AUSTRALIAN INFLATION (WED): Headline CPI cooled below expectations. The Y/Y figure came in at 4.0% against the expected 4.3%, while the M/M figure fell 0.7% against the expected -0.4%. However, more importantly, the RBA trimmed mean prints came in slightly hotter, with the Y/Y number showing a rise of 3.6% against the expected 3.5%. AUD/USD traded choppy following the release, before steadily softening throughout Wednesday's trade as a function of a firmer dollar. The report noted housing was the main inflation pressure point, and Westpac analysis noted price pressures are broadening, particularly within services. As such, with the recent energy-related price pressures set to linger, the RBA will be keenly monitoring signs of sticky inflation. All in all, this data should reinforce the Bank's worries that inflation remains too high and that slower growth will be needed to return inflation to its 2% target. Market pricing didn't shift too much following the data, with markets still expecting no more hikes by the RBA, and its first rate cut fully priced in for February 2027.

BOJ SOO (WED): The BoJ Summary of Opinions from the June meeting was hawkish as it showed officials continued to advocate for further rate increases. One member stated it has become more appropriate to adjust the degree of monetary support as FX moves are pushing up import prices, and a member said it is appropriate to continue raising interest rates as financial conditions are accommodative. Elsewhere, there was the opinion that even after a June rate hike, the BoJ must maintain its stance of proceeding with further rate hikes if the economy and prices move in line with forecasts. The release also stated they must push up the BoJ's policy rate closer to the neutral rate as soon as possible and must increase rates to near neutral at an early date to avoid big and sharp rate hikes in the future. Furthermore, a member said Japan's neutral rate is seen at around 2%, and the BoJ must raise its rates once every few months. On the JGB front, a member said there was no reason for the BoJ to halt a reduction in its JGB purchases.

BOC MINUTES (WED): BoC meeting minutes showed policymakers agreed at the June meeting, where they left interest rates unchanged, that the economy remained weak, was operating with excess supply and faced slack in the labour market, although it was not in recession. The Governing Council agreed that monetary policy would need to remain nimble and that evidence of broadening inflation pressures would signal that tighter monetary policy was warranted. Overall, members agreed incoming economic data suggested little had changed since the April meeting.

US PCE (THU): Headline PCE in May rose 0.4% M/M in May, the same pace as April, but short of the expected 0.5%, with Y/Y rising 4.1%, above the expected 4% and previous 3.8%. Core PCE rose 0.3% M/M as expected (prev. 0.2%), while the Y/Y metrics were also hotter than Wall St. consensus at 3.4% (exp. 3.3%, prev. 3.3%). Personal spending printed 0.7% (exp. 0.6%, prev. 0.4%), as did personal income, above the forecasted 0.4% and prior 0.0%, although Oxford Economics notes the latter was mostly due to one-off farm assistance payments and other transfers from government. As we know, especially following the hawkish Fed meeting last week under Chair Warsh's first Chairmanship, the inflation side of the mandate is the clear focus for the Committee and returning it to target. As such, while the M/M metrics were more encouraging, the Y/Y figures printed fresh highs, although desks expect this to be the peak. Gas prices have declined ~10% in June so far, which will see inflation fall again, easing pressure on consumers. As Oxford Economics writes, attention at the Fed will be focused on whether underlying inflation is proving to be stubborn, and adds that core PCE inflation edging up Y/Y is partly a services story, with another strong contribution from rising portfolio management prices. Oxford continues that the bigger problem is in core goods, which is being lifted by the AI buildout and energy price passthrough, although the latter is less of a concern given global oil prices are falling back. OxEco still expect core inflation to fall back below 3% next year, as some of that goods inflation fades, housing disinflation continues, and wage growth remains benign.

BANXICO POLICY ANNOUNCEMENT (THU): Banxico held rates at 6.50% as expected, in a unanimous decision. Headline inflation forecasts were revised downwards for Q2 '26 due to lower levels of non-core inflation anticipated for that period, although core inflation forecasts were adjusted slightly upwards between Q2-Q4 '26. Banxico noted that headline inflation is still expected to converge to the target in Q2 '27, and that the balance of risks for the trajectory of inflation within the forecast horizon remains biased to the upside. Looking ahead, the Governing Board estimates that it will be appropriate to maintain the reference rate at its current level, and judges that the monetary policy stance is well-suited to face the challenges posed by the macroeconomic environment, including those associated with the international context. As usual, the central bank reaffirmed its commitment to its primary mandate and the need to continue its efforts to consolidate an environment of low and stable inflation.

AUSTRALIAN JOBS (THU): The employment change bounced back to +40.3k in May from -40.7k (revised from -18.6k), the unemployment rate dropped to 4.4% from 4.5%, as expected, while the participation rate ticked higher to 66.7% from 66.6%. AUD/USD was fairly unreactive following the release. Employment change beat the market consensus of +32.5k, however, results have been volatile in recent months. Westpac highlights two main factors for the recent volatility: 1) the usual inflation of the results in the first month of each quarter, resulting in big downward revisions, and 2) the timing of the April LFS, which ran through the long Easter weekend. Overall, May's print shows underlying weakness in the labour market, with employment growth cooling from the start of the year. Westpac sees further softening in the second half of 2026.

JAPANESE TOKYO CPI (FRI): Headline inflation in Japan's capital rose from the previous month, in line with market expectations, while core inflation excluding food and energy rose to 1.9%, (exp. 1.8%, prev. 1.6%). Inflation remains below the 2.0% target, thanks to government subsidies, though second-round effects are gradually becoming more apparent. Overall, the report will add to the case outlined by the more hawkish BoJ members, some of whom continue to raise concerns about inflation. Most recently, Tamura said it was important to push the BoJ's policy rate closer to neutral to avoid being forced to raise rates sharply later. He, alongside fellow hawks Takata, Koeda, and most recently Himino, is likely to drive the narrative for further tightening. Money markets are pricing in a roughly 45% chance of a hike in October and an 80% chance by December. The data could prompt traders to consider an October move, rather than policymakers waiting for the usual six-month gap. Following the inflation report, ING now sees a hike in October, compared with its previous call for December.

Copyright © 2026 Newsquawk Voice Limited. All rights reserved.

Registered Office First Floor, 10 Chiswell Street, London, EC1Y 4UQ · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 4545 5000 · sales@newsquawk.com