

Highlights include: US Inflation and Retail Sales, Fed Chair Warsh Testimony, BoC, China Activity Data, and UK GDP

- **MON:** OPEC MOMR (Jul), Turkish Retail Sales (May), US Monthly Budget Statement (Jun)
- **TUE:** Fed Chair Warsh Testimony, UK BRC Retail Sales (Jun), Chinese Balance of Trade (Jun), German Wholesale Prices (Jun), Chinese M2 Money Supply (Jun), US NFIB Business Optimism Index (Jun), US CPI (Jun)
- **WED:** BoC Policy Announcement (Jul), Chinese Activity Data (Jun), Fed Beige Book, Swedish CPI Final (Jun), Spanish CPI Final (Jun), EZ Industrial Production (May), US PPI (Jun)
- **THU:** SNB Minutes (Jul), BoK Policy Announcement (Jul), UK GDP (May), Italian HICP Final (Jun), US Retail Sales (Jun), Jobless Claims, Philly Fed Index (Jul), Pending Home Sales (Jun)
- **FRI:** EZ CPI Final (Jun), US Building Permits (Jun), Export/Import Prices (Jun), Industrial Production (Jun), UoM Consumer Expectations (Jul)

WEEK AHEAD

FED CHAIR WARSH TESTIMONY (TUE): Kevin Warsh will deliver his first semi-annual testimonies as Fed Chair next week (to the House on Tuesday, followed by his report to the Senate on Wednesday). Based on historic precedent of Fed Chair testimonies to the House, we are expecting the text release Tuesday at 13:30BST/08:30EDT. The Fed has now kept rates between 3.50-3.75% for four straight meetings, and Warsh's term begins amid a backdrop of sticky inflation, potential tariff pass-throughs, and energy supply shocks, which have stoked fears of further policy tightening. The Fed's June meeting minutes released this week showed that some officials support resuming hikes ahead; while traders will look to Warsh's remarks for any explicit thresholds that could trigger a rate rise, Warsh has notoriously leaned against any forms of forward guidance. Speaking last week, Warsh reiterated the Fed will not provide it, describing it as an obstacle to healthy FOMC debate; he added that rates should be the primary monetary policy tool, and expressed hope that new tech can improve economic understanding within a period of 9-12 months. Warsh also said that the Fed's dot plot projections will continue, at least in the near term. On the balance sheet, Warsh reiterated his preference for a smaller size, though declined to specify any target size; he said any change would be well deliberated and communicated. Warsh will also be quizzed on the newly established external task forces reviewing policy areas. The Fed has announced five task forces to review and improve its monetary policy conduct; each will be co-led by external figures from business and economics, including former BCB's Arminio Fraga, former BoE chief Mervyn King, former RBI Governor Raghuram Rajan, former Fed Governor Jeremy Stein, and former BIS advisor William White.

CHINESE ACTIVITY DATA (TUE/WED): ING expects the series to display mixed signals. Trade data for June (released on Tuesday) is expected to continue cooling from the prior month, but still remain very strong. Thereafter, the activity metrics (released on Wednesday), are expected to indicate a "sluggish" domestic picture. Analysts at the firm see Retail Sales improving from the prior (exp. -0.2%, prev. -0.6%), but still remaining weak. However, BofA sees Retail Sales to jump into positive territory, to 0.3%, citing strong auto-sales and base effects. Industrial Production is seen falling to 4.7% (prev. 4.5%). Given all this, ING sees GDP in Q2 to print at 4.6% Y/Y (vs Q1 5% Y/Y). In early July, the PBoC pledged to maintain an accommodative monetary policy to support weak demand and domestic firms. At the Bank's subsequent Q2 meeting, it said China continued to face weak demand and external shocks. A further deterioration in the region's economic outlook could prompt additional measures to stimulate the economy through targeted liquidity and credit tools.

US INFLATION - CPI (TUE), PPI (WED): Headline CPI is expected to fall by -0.1% M/M in June (prev. +0.5%); the key core CPI measure is seen rising 0.3% M/M (prev. 0.2%), with the annual rate expected to be unchanged at 2.9% Y/Y. PPI is expected to rise by 0.2% M/M (prev. 1.1%), and the core gauge is seen rising 0.4% M/M, matching the May reading. The May inflation data was driven by higher energy prices, though core inflation remained contained, with analysts citing little evidence of secondary price effects feeding through to the broader basket. For June, however, the sharp decline in oil prices following the US-Iran MOU is expected to weigh on the headline, while analysts will continue to look for any signs of pass-through into other components. Analysts will use the CPI and PPI releases to model expectations for the June PCE data (due 30th July); in its June economic projections, the FOMC raised its view for headline PCE this year, forecasting 3.6% Y/Y (up from its prior view of 2.7%), though is expected to cool to 2.3% next year, before returning to target in 2028. Its core PCE view was revised up to 3.3% Y/Y for 2026 (from 2.7%), and is seen cooling to 2.5% next year, and 2.1% in 2028. The Cleveland Fed's inflation nowcasting models are tracking June's headline PCE at 3.88%, and the core measure at 3.43%.

BOC POLICY ANNOUNCEMENT (WED): The BoC is expected to keep interest rates unchanged at 2.25%, with policymakers remaining comfortable that the current level is sufficient to keep inflation contained. Rates at the lower end of the neutral range have allowed the central bank to adopt a wait-and-see approach amid uncertainty over trade policy and the Middle East conflict, even as the labour market continues to show volatility. Since the last meeting, inflation accelerated in May, retail sales missed expectations, April GDP beat forecasts, and PPI remained soft. Concerns over rising inflation have eased following the May data, given the fall in oil prices back to pre-war levels. However, renewed tensions in the Middle East leave the Governing Council uncertain about the inflation outlook. Governor Tiff Macklem has said there has not been much pass-through from higher oil prices to the prices of other goods and services. On trade, the USMCA has shifted to rolling talks rather than renewal, with negotiations set

to proceed as the agreement undergoes annual review by the US until either a new agreement is reached or the 1st July 2036 expiry date is met.

SNB MINUTES (THU): June's announcement was as expected. The SNB held rates at 0.00% and reiterated language around FX intervention. Modest CHF pressure occurred as a result of the assessment that medium term inflation pressures are essentially unchanged since March. Additionally, while the inflation view was lifted across the horizon to 2028, the increase was modest and not to a level that would justify tightening. The minutes are unlikely to add much to the narrative, particularly as the energy and geopolitical backdrop has changed significantly since the announcement.

BOK POLICY ANNOUNCEMENT (THU): On Thursday 16th, policymakers at the Bank of Korea are expected to convene for their July meeting. Inflation has risen since the start of the Iran conflict, increasing from 2.0% to 3.2%. Despite the recent rise, inflation has remained within the Bank's 2.5-3.5% target range. Following the June reading, which matched expectations, a BoK official said the July figure was expected to ease but warned that inflation would remain elevated for some time. The May meeting had a hawkish tilt, with two members dissenting in favour of a rate hike. Rate projections also showed that 10 of 21 members expected rates to reach 3% by year-end. Governor Shin said at the press conference that board members agreed the direction should be towards tighter policy, with the timing the only point of debate. Focus will be not only on the Bank's assessment of inflation but also on weakness in the Won. USD/KRW has climbed to levels not seen since the GFC and is currently trading above 1500. Officials recently said the Won's weakness has been more pronounced than that of other major currencies and pledged to continue efforts to stabilise the market. ING expects the BoK to raise rates by 25bps, citing broadening inflation pressures and growth remaining firm.

UK GDP (THU): April's series was in-line with consensus at -0.1% M/M level. For May, the associated PMI was indicative of a quarterly contraction of 0.2%, at the time S&P outlined that the situation could deteriorate in the months ahead. Evidencing this, June's PMI was weaker than expected and dropped from the prior on a Composite level, with "subdued business growth expectations" weighing. Pantheon Macroeconomics looks for a 0.0% M/M print, but with upside risks for a rebound in administrative and healthcare activity.

US RETAIL SALES (THU): Headline retail sales are expected to rise +0.3% M/M in June (prev. 0.9%), though the core measure is seen falling by -0.1% M/M (prev. +0.8%). Ahead of the data, the Chicago Fed's advance retail trade summary sees retail and food services sales (ex-auto) increasing +0.7% seasonally adjusted, and +1.4% when adjusted for inflation – the projected real gain would be the largest of 2026 so far, exceeding February's 0.8%. Elsewhere, during the month, Amazon's Prime Day saw US online spending rise +9.3% Y/Y between 23-26th June, to more than USD 26.4bln, supported by discounts; however, the average order fell to USD 47.66 (from USD 53.34), which analysts have said suggests that consumers remain price-sensitive. BofA says consumer spending momentum was very strong in the month, with total credit and debit card spending rising 6.3% Y/Y (vs 5.1% Y/Y in May), the strongest growth in over four years, noting that with gasoline prices falling, the increase in spending growth is almost entirely a discretionary story. On wages, BofA says that there has been a notable convergence in wages and spending across income cohorts; "in June, lower-income households' after-tax wage growth rose above that of middle-income households," it writes, "whether these trends persist into the second half of the year will hinge on whether underlying labor market momentum is sustained."

WEEK IN REVIEW

OPEC+: As expected, the OPEC+ nations met and elected to implement a production adjustment of 188k BPD, matching the production hike levels in June and July, the adjustment will be effective from August. The next meeting will be on the 2nd of August. The update added to the bearish narrative at the start of the week, with the lack of geopolitical escalation at that point and the additional barrels weighing. The move leaves OPEC+ on track to entirely unwind the 2023 supply cuts by September.

US ISM SERVICES PMI (MON): The ISM Services PMI eased to 54.0 in June (exp. 54.2, prev. 54.5), remaining firmly in expansion territory for a 24th consecutive month, with all four components of the composite index above their respective 12-month averages. Business Activity slowed to 55.4 from 57.7, while New Orders eased to 55.1 from 57.3, indicating activity and demand remained healthy despite moderating from May's pace. The Employment Index returned to expansion for the first time in four months, rising to 51.2 from 47.9, while the Prices Index fell to 67.7 from 71.3, its lowest level since February, signalling that cost pressures remained elevated but continued to ease. Elsewhere, the Supplier Deliveries Index fell to 54.4 from 55.2, however there was an increase in commodities listed as "in Short Supply", rising to nine from five. The Backlog of Orders Index rose to 54.9 from 51.3. Oxford Economics said the report points to a resilient services sector and is consistent with its forecast for US GDP growth of around 2% this year, despite the recent energy price shock. Oxford also noted that while supply-chain stress and price pressures are easing, some industries continue to expect higher input costs in the months ahead. Regarding the labour market, Oxford views the improvement in the employment index as a sign of stabilisation rather than reacceleration, supporting its expectation that the Federal Reserve will remain on an extended pause as it continues to focus on inflation.

FED MINUTES (WED): The FOMC Minutes largely echoed the hawkish June press conference and showed the committee was divided about the outlook for rates, similar to what the dot plots suggested. A few said that there was a case for hiking rates but ultimately supported maintaining rates in June. Meanwhile, most pointed to a scenario of stable labour conditions and elevated inflation, where the Fed would need to tighten policy. Meanwhile, those who felt inflationary pressures would dissipate and return to 2%, almost all said it would be appropriate to maintain or eventually lower rates. Regarding the level of restrictiveness, several said they did not see it as restrictive, while a few others said they saw it as slightly restrictive. Regarding the statement changes, a majority saw advantages of shortening the statement, and some welcomed the opportunity to review communication tools and practices. Most preferred not to repeat the easing bias within the statement. Summarising the Minutes, WSJ's Timiraos says, "The June FOMC minutes are interesting: they frame the committee's divide as a split over the outlook, not necessarily over tactics".

RBNZ POLICY ANNOUNCEMENT (WED): The RBNZ raised the OCR by 25bps to 2.50% from 2.25%, as expected, with the MPC reaching full consensus. The Bank noted that its near-term inflation forecast had declined because of lower oil prices. It now expects annual headline inflation to peak at 3.9% in Q2 before falling to 3.3% in Q3. However, the effects of the shock will linger for some time, while the medium-term inflation outlook remains uncertain. On future policy, the Bank said the current OCR remains accommodative and indicated that some further tightening was likely over the coming meetings, although the timing remained uncertain. At the Governor's press conference, she reiterated that inflation may already have peaked. On the neutral rate, she said it was uncertain and estimated it at 2.5-3.5%. Looking ahead, Westpac expects further 25bps hikes in September and December, with the OCR peaking at 4% by September 2027. Market pricing is less hawkish than Westpac's forecast, pointing to three rate hikes by September 2027 and a 36% chance of a fourth increase.

SWEDISH CPI: Headline came in hotter-than-expected at 1.3% Y/Y (exp. 1.2%, prev. 1.5%) for CPIF, while CPIF-XE came in at 0.4% Y/Y (exp. 0.3%). While hotter than the market expected, it was in-line with the Riksbank's 1.3% view on the headline, and a touch hotter vs the 0.2% call on CPIF-XE. A series that sparked modest SEK strength. For the Riksbank, the data does not change the narrative, as the Bank pointed towards another hike in the future in its June meeting, given the uncertainty in the energy/geopolitical space at the time; uncertainty that has increased, particularly in the last week.

ECB MINUTES: Overall, the Minutes stuck with the data-dependent and meeting-by-meeting approach, with the account making clear that June's move was not an insurance hike, while avoiding any commitment to further action. Pertinently, "a few" members outlined that the adverse scenario could become more likely than the baseline, assessing that the market expectations via energy prices were potentially overconfident. Though, the severe scenario was seen as "very unlikely". Overall, the account broadly chimes with current market pricing, which does not look for a back-to-back move, but sees one in September, as pricing reacts to the recent Middle East flare-up.

CHINESE INFLATION (THU): A cooler than expected inflation report for June, which only confirms the subdued picture seen in the Chinese economy. M/M printed at -0.3% (exp. -0.2%), whilst Y/Y cooled to 1.0% (exp. 1.2%, prev. 1.2%). The PPI M/M metric printed in-line with expectations, and rose from the prior. The fall in headline CPI reflected lower oil prices in June, with transport fuel inflation down 15.3% Y/Y. Pantheon Macroeconomics expects inflation to ease further next month, provided the US-Iran MoU remains in place. However, the firm flagged adverse weather as a risk to this view because significant damage to farmland could push up crop prices.

NORWEGIAN CPI: June's series was hampered by data collection issues and, as such, only the headline figures were published, with Y/Y at 2.7% (exp. 3.2%, prev. 3.1%). CPI-ATE has been estimated at around 2.9-3.0% Y/Y, cooler than the 3.3% the market was looking for. Overall, the series is indicative of an easing in inflationary pressures and could bring into question whether the Bank will hike once more as guided. While the NOK sold off on the limited series, it is prudent to wait for the full details and/or the July print before making a call on the August decision.

CANADIAN JOBS (FRI): The headline employment change rose by 18.2k in June, above the 10k forecast but easing from the previous 88k. Gains were driven by part-time employment, which increased by 17.5k after falling by 66.2k in May. The unemployment rate fell to 6.5% from 6.6%, against expectations for an unchanged reading. The report comes ahead of next week's BoC meeting, where rates are expected to remain on hold at 2.25%, the lower end of the neutral rate range. The BoC remains in a wait-and-see stance as it assesses the impact of the Middle Eastern war on energy prices and inflation, as well as the USMCA review to determine whether Canada faces fresh tariffs from US President Donald Trump. If inflation begins to rise, the BoC may need to start raising rates, but if growth and employment are hit by trade tensions, further rate cuts may be required. The BoC is currently not providing forward guidance because of the uncertainty. Governor Tiff Macklem has said there has been little pass-

through from higher oil prices to the prices of other goods and services. On trade, the USMCA has shifted to rolling talks rather than renewal, with negotiations set to continue as the agreement undergoes annual review by the US until either a new agreement is reached or the 1st July 2036 expiry date is reached.

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