

Highlights include US NFP, ISMs, EZ CPI, Japanese Tankan, China PMIs and Swiss CPI

- **MON:** Japanese Industrial Output (May), Chinese Official PMIs (Jun), German Retail Sales (May), German/Italian Prelim CPI (Jun)
- **TUE:** Japanese Tankan (Q2), Chinese Caixin Manufacturing PMI Final (Jun) EZ, UK & US Final Manufacturing PMI (Jun), German Unemployment (Jun), EZ HICP Flash (Jun), US ISM Manufacturing PMI (Jun),
- **WED:** NBP Policy Announcement; US Challenger Layoffs (Jun), ADP (Jun), EZ Unemployment (May)
- **THU:** Chinese Caixin Services PMI (Jun), Swiss CPI (Jun), EZ, UK & US Final Composite/Services PMI (Jun), US NFP (Jun), Weekly Jobless Claims, ISM Services PMI (Jun), Factory Orders (May)
- **FRI:** Swiss Unemployment (Jun), German Industrial Orders (May), EZ Producer Prices (May); 4th July - Early Close

CHINESE OFFICIAL PMIS (MON): China will release its official June PMIs on Monday, with desks eyeing whether recent tariff reductions and stabilisation in external conditions have begun to filter through. ING expects the manufacturing PMI to remain in contraction but edge higher to 49.8 (prev. 49.5), while the non-manufacturing gauge is seen broadly unchanged. No market consensus is available at the time of writing. The new export orders sub-index will be in focus amid recent policy support and easing in trade tensions. Desks note that while headline sentiment may stabilise, broader recovery signals remain tentative. The Caixin PMIs follow later in the week.

EZ CPI (TUE): Expectations are for headline Y/Y HICP to hold steady at 1.9% and core HICP to tick lower to 2.3% from 2.4%. As a reminder, May inflation data saw Y/Y HICP decline to 1.9% from 2.2% (below target for the first time since September 2024). Core inflation declined to 2.4% from 2.7%, whilst services inflation saw a notable fall to 3.7% from 4.0%. This time around, analysts at Investec expect a further moderation in price pressures. The desk expects headline and core HICP inflation to have seen a 0.1ppt fall, with the annual rates easing to 1.8% and 2.2% respectively. Investec notes that "factors behind this include a further moderation in services as well as in food price inflation, although we think this may be slightly offset by movements in energy and goods prices". Ahead of the EZ-wide release, French HICP Y/Y rose to 0.8% from 0.6% (Exp. 0.7%) and Spanish HICP Y/Y advanced to 2.2% from 2.0% (Exp. 2.0%). From a policy perspective, given the ongoing appreciation in the EUR, a soft release could heighten calls for the ECB to ease further this year with markets not fully pricing another 25bps reduction until February 2026. However, markets may take greater impetus from the trade front with the latest comments from US Commerce Secretary Lutnick suggesting that a deal with the EU could be announced by the end of next week (week ending July 4th).

BOJ TANKAN SURVEY (TUE): The BoJ's June Tankan survey is expected to show a modest deterioration in business sentiment among both large manufacturers and non-manufacturers, marking the first major confidence gauge since the implementation of new US auto tariffs. According to estimates compiled by 15 private forecasters, and cited by Japanese press JiJi, the large manufacturers' diffusion index is seen easing to +10 (prev. +12), as export headwinds from global trade tensions weigh on the outlook. Analysts note that recent reciprocal tariffs, particularly from the Trump administration, have clouded the external demand picture, with autos and related sectors flagged as most vulnerable. On the services side, sentiment is expected to be more resilient, underpinned by solid domestic demand and stable labour conditions. In terms of recent trade commentary, Japanese Economy Minister Akazawa this week said Japan will continue tariff talks with the US with additional reciprocal tariffs due on July 9 in mind, but cannot accept the 25% auto tariff.

US ISM MANUFACTURING (TUE): As a comparison, US manufacturing activity held steady in June, with the flash manufacturing PMI unchanged at 52.0, matching May's 15-month high. Factory output rose for the first time since February, and new orders growth remained resilient, S&P Global said. Input purchasing surged, driving the fastest inventory accumulation in over three years, often linked to tariff concerns. Employment rose at the strongest pace in a year, contributing positively to the PMI, while backlogs increased for the first time since September 2022. Price pressures intensified sharply, however, with input and output prices picking up at the fastest pace since July 2022, with most firms attributing higher costs to tariffs. Manufacturers passed these costs to customers, amplifying inflation concerns. S&P said that the data points to near-term manufacturing strength supported by domestic demand and inventory building, but this may be temporary. Export orders slipped and the inventory boost may unwind. Elevated price pressures, largely tariff-driven, suggest ongoing inflation risks. As such, Fed policy is likely to remain cautious, with little justification for imminent rate cuts.

SWISS CPI (THU): June's figure follows the -0.1% Y/Y print we got in May, a negative read that was mainly attributed to falling energy prices and tourism developments. As such, the SNB lowered its short-term inflation forecasts in the June meeting (where a 25bps cut to 0.00% was enacted), taking the Q2-2025 forecast down to 0.0% (prev. 0.3%). As a reminder, May's figure was -0.1% and April's 0.0% and as such the SNB will need an above-zero print for its Q2 average forecast to hold; a print that is possible given recent energy upside and hotter-than-expected reads from France and Spain, for instance, over the same period. For the SNB, the figure will be scrutinised to see if their decisions to go to 0.0% rather than NIRP was the correct move or not. However, of course, the SNB still has multiple months to go until the September announcement.

US NFP (THU): US nonfarm payrolls are due to be released on Thursday, rather than the usual Friday, on account of the Independence Day market holidays. The US economy is expected to add 129k nonfarm payrolls in June (prev. 139k; vs 3-month average of 135k, 6-month average of 157k, and a 12-month average of 144k). The unemployment rate is expected to remain at 4.2% (note: the Fed has forecast a rise to 4.5% by the end of this year). The rate of average hourly earnings is expected to cool to +0.3% M/M from vs the +0.4% in May, while average workweek hours are seen unchanged at 34.3hrs. At his post-FOMC press conference, Fed Chair Powell said the labour market remains solid, acknowledging only a "very, very slow continued cooling" that he does not view as troubling; Powell cited strong job creation and labour force participation as signs of continued resilience. This sentiment has been echoed by other officials too. Policymakers also continue to offer their usual caveats, whereby if the labour market were to deteriorate sharply, the Fed would be prepared to step in with looser policy, but for now, officials do not see this in the current data. Instead, while Fed members have been noting that they are attentive to both their inflation and labour market mandates, much of the focus appears to be around inflation dynamics, where the bulk of speakers making remarks in wake of the FOMC meeting suggesting that there are some risks that tariff pressures could stoke prices higher; Fed's Collins (voter), for instance, said there were risks that core PCE inflation could rise to above 3% Y/Y by year-end. Still, any decent jobs data will likely be pounced on by US President Trump as an argument why the Fed should be in an easing cycle already, ramping up his recent criticism; any downside surprise will also likely be jumped on by the President as an argument why the Fed should be cutting rates.

US ISM SERVICES (THU): The consensus expects the ISM services PMI to return to expansion in June, with analysts forecasting a rise to 50.3 from 49.9. As a comparison, the US flash services PMI business activity index eased to a two-month low of 53.1 in June from 53.7 in May. S&P Global said that service sector activity remained solid in June, even though output growth softened. The Services PMI indicated sustained expansion, with new business continuing to rise on strong domestic demand, though exports saw the steepest quarterly decline since late 2022. Input costs and selling prices in services increased again, largely due to tariffs, wages, financing, and fuel, though the pace of inflation eased from May. Backlogs rose at the fastest rate in over three years, prompting a five-month high in hiring, signalling robust demand pressures. However, business confidence in services fell, driven by uncertainty over government policy, particularly spending cuts. The survey compiler said that steady near-term growth is being underpinned by domestic demand, but subdued export performance and softer sentiment may weigh on momentum. Price pressures remain elevated, despite a slower inflation rate in services, implying limited scope for early Fed easing, and policymakers are likely to stay cautious.

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com