newsquawk

Week Ahead: 7-11th July 2025

Highlights include Trump trade deadlines, FOMC Minutes, OPEC+, RBA, RBNZ, UK GDP and Canada jobs

- **SAT**: OPEC MEETING
- **MON**: German Industrial Output (May), Swedish CPIF Flash (Jun), EZ Sentix (Jul), Retail Sales (May), US Employment Trends (Jun)
- **TUE**: RBA & RBNZ Policy Announcements, EIA STEO; German Trade Balance (May), US NFIB (Jun)
- **WED**: "Liberation Day" Tariffs take effect (end of 90-day suspension), EU-US Tariff Negotiation Deadline (50% duty on all EU imports), FOMC Minutes (Jun); Chinese CPI (Jun), PPI (Jun), US Wholesale Sales (May)
- **THU**: BoK Policy Announcement; Norwegian CPI (Jun), US Weekly Jobless Claims, Chinese M2 & New Yuan Loans (Jun)
- **FRI**: IEA OMR; UK GDP (May), Canadian Unemployment/Wages (Jun)

OPEC MEETING (SAT): OPEC+ is to hold its confab on Saturday, 5th July, with delegates expected to approve a further 411k bpd output hike for August, in line with the pace of increases agreed for May, June, and July. Desks suggest recent months have seen the group pivot from price defence to a market share strategy, led by Saudi Arabia, Kuwait, and UAE, which sharply boosted exports in June amid regional security risks. In terms of compliance, while some members, notably Kazakhstan, remain above quota, Bloomberg data suggests most are producing broadly in line with targets, after prior overproduction was offset by voluntary restraint. Analysts note a further hike would add to oversupply risk into H2, with OPEC+ now focused on recouping share from US shale, which posted record output in April. Market attention will be on both the final size of the hike and any signals around quota enforcement or future policy direction.

SWEDISH CPIF (MON): In May, CPIF printed at 2.3% Y/Y, cooler than the 2.5% the market expected, while the core Y/Y figure came in at 2.5% vs 2.6% forecast. For the Riksbank, the ongoing moderation provided them with enough confidence to cut rates by 25bps as expected in June, at which point they noted that “inflation is expected to be somewhat lower than in the previous forecast”; specifically, cutting the 2025 CPIF Y/Y view to 2.4% (prev. 2.5%). Interestingly, within the minutes, Deputy Breman expanded on the 2.4% forecast, stating that a few tenths above/below 2% is not a deviation from target. For June, the focus will be on just how much of the month’s Middle East-related energy upside is seen within the headline, and then if the approaching US reciprocal deadline exerts any additional pressures on prices. For policy, the print is unlikely to have a significant impact, as while the Riksbank’s forecast implies “some probability” of another cut in 2025, it is far from certain and will be in Q4 if at all.

RBA ANNOUNCEMENT (TUE): The RBA is expected to continue lowering rates, with money markets pricing around a 96% probability for the Cash Rate to be lowered by 25bps to 3.60% and around a 4% chance for the central bank to maintain rates at the current 3.85% level. As a reminder, the RBA cut the Cash Rate by 25bps to 3.85% at the last meeting in May, which was widely expected, while it stated that inflation continues to moderate, the outlook remains uncertain and that maintaining low and stable inflation is the priority. The RBA board judged that the risks to inflation have become more balanced and noted that uncertainty in the world economy has increased over the past three months, and volatility in financial markets rose sharply. The board also assessed that this move on rates will make monetary policy somewhat less restrictive, while it remained cautious about the outlook, particularly given the heightened level of uncertainty about both aggregate demand and supply. RBA also released its Quarterly Statement on Monetary Policy during the last meeting, which stated that the escalation of global trade conflict is a key downside risk to the economy and that the global growth outlook was downgraded, while the central bank trimmed core domestic inflation forecasts and slightly raised its unemployment view. Furthermore, RBA Governor Bullock said during the press conference that the RBA is prepared to take further rate actions if required and that there was a discussion between a 50bps cut or a 25bps cut, as well as a discussion on holding rates or cutting. Bullock also stated that more adjustments are possible, but couldn’t say where the cash rate will end up and noted she does not endorse market pricing, although she commented that if inflation continues to come down, that would offer room to lower rates further. As such, the data points to the likelihood of a cut given that Weighted CPI YY in May softened to 2.1% vs. Exp. 2.3% (Prev. 2.4%), while other key releases also support the case for rate cut with Employment Change in May at a surprise contraction of -2.5k vs. Exp. 22.5k (Prev. 89.0k) and after GDP in Q1 disappointed with Real GDP QQ at 0.2% vs. Exp. 0.4% (Prev. 0.6%) and Real GDP YY at 1.3% vs. Exp. 1.5% (Prev. 1.3%).

EU-US TARIFF NEGOTIATION DEADLINE (TUE): US President Trump set a July 8th deadline for a provisional EU-US trade deal or a 50% reciprocal tariff for the bloc. Talks, led by EU Trade Commissioner Sefcovic and USTR Greer, focus on securing a 10% baseline tariff in exchange for immediate relief for key EU exports, including autos, steel, and semiconductors. Brussels is pushing for a UK-style carve-out offering upfront exemptions, which EU diplomats cited by Politico say is essential to secure member state backing. Politico adds that the Commission is also pressing for sector-specific reductions, particularly in pharmaceuticals and aerospace, though officials see limited scope for movement from Washington. Sefcovic is expected to offer conditional acceptance of the 10% tariff in return for near-term concessions, but several details are likely to be ironed out after the deadline. The EU is said to be weighing four possible outcomes in its tariff talks with the US, according to Politico, citing two diplomats. The worst-case scenario is a total breakdown, triggering a jump in tariffs to 50% and new levies on sectors like pharma and semiconductors. A more moderate outcome would see talks continue over the summer with current tariffs in place. The best case is a broader framework deal including cooperation with China, though this would likely involve accepting some US-favoured terms. A near-term “agreement in principle” could delay EU retaliation — currently paused until July 14th — into the medium term. Diplomats view a full breakdown as unlikely, with negotiations expected to carry on past the July 8th deadline if needed. Within the EU, Berlin and Rome support a swift deal even if it requires concessions, while countries like Spain have faced pressure from Trump over defence spending and may be more cautious.

CHINESE INFLATION (WED): China releases its latest inflation data on Wednesday, with headline CPI forecast at 0% Y/Y (prev. -0.1%), -0.1% M/M (prev. -0.2%), and PPI at -3.1% Y/Y (prev. -3.3%). Recent months have seen both CPI and PPI in negative territory, a trend analysts expect to persist in June amid ongoing declines in food prices. On the producer side, PPI is set to remain in deflation for a 33rd consecutive month, reflecting persistent excess capacity and intense price competition across key industries, according to ING. The desk adds, "Extreme price competition, one of the main factors behind deflationary pressure, has recently caught the attention of policymakers, who will aim to crack down on disorderly price competition moving forward."

RBNZ ANNOUNCEMENT (WED): The RBNZ is likely to keep rates unchanged, with money markets pricing around a 75% probability that the Official Cash Rate will be maintained at the current 3.25% level and just about a 25% chance for a 25bps cut. As a reminder, the RBNZ delivered its 6th consecutive cut at the last meeting in May, which was widely expected and noted that inflation is within the target band, core inflation is declining, and that it is well placed to respond to domestic and international developments. The central bank lowered its OCR projections for the entire forecast horizon and cut its June 2026 CPI view at the meeting, while the minutes from the meeting noted the Committee discussed the options of keeping the OCR on hold at 3.50% or reducing it to 3.25% and noted that the full economic effects of cuts in the OCR since August 2024 are yet to be fully realised. Furthermore, it was revealed that the decision was made by a majority of 5 votes to 1 and Governor Hawkesby commented that the decision to hold a vote on rates was a healthy sign and not unusual at turning points, as well as stated that central projections are wide enough not to have a bias regarding what the next step is at the next meeting and the key message is that they have come a long way and are well placed to respond to developments but are not pre-programmed on moves now. This suggests the central bank will like pause in the immediate term, while comments from RBNZ's Assistant Governor Silk also suggest a lack of urgency to continue cutting rates as she noted that interest rates are in the 2.5%-3.5% neutral band with the impact of past cuts yet to flow through and a strong export sector, are arguments for not going below neutral, as well as noted that data will decide when or if they cut further from here. As such, the key data releases since the last meeting would support the case for a pause as New Zealand GDP for Q1 topped forecast with QQ GDP at 0.8% vs. Exp. 0.7% (Prev. 0.7%, Rev. 0.5%) and YY GDP at -0.7% vs. Exp. -0.8% (Prev. -1.1%, Rev. -1.3%).

FOMC MINUTES (WED): At its June meeting, the FOMC kept rates at 4.25-4.50%, as expected, with its 2025 median rate projection left unchanged at 3.9%, signalling 50bps of cuts this year. The 2026 and 2027 dots rose to 3.6% and 3.4% (from 3.4% and 3.1%). Seven members now expect no cuts this year (up from four), two see 25bps of cuts (down from four), eight foresee 50bps (down from nine), and two expect 75bps (unchanged). GDP forecasts were lowered to 1.4% for 2025 (prev. 1.7%) and 1.6% for 2026 (prev. 1.8%), while unemployment forecasts rose, except for the long run. Headline and core PCE inflation forecasts increased, with 2025-end headline inflation at 3.0% (prev. 2.7%) and 2.4% for 2026 (prev. 2.2%). The Committee said uncertainty has "diminished further but remains elevated," removing prior warnings about stagflation risks, though higher inflation and lower growth keep those risks present. At his post-meeting press conference, Fed Chair Powell largely repeated familiar remarks, saying a patient, wait-and-see approach remains appropriate. He emphasised that projections are uncertain and not a fixed plan, recommending a focus on near-term forecasts. Powell said the time will come for more confidence, but cannot specify when. Given the current labour market and falling inflation, holding rates was the right course, he said, and he expects to learn more over the summer and make better decisions after a "couple of months." Powell noted favourable inflation over the past three months but warned of upcoming tariff impacts and higher consumer costs, underscoring the need for patience. He said rates must stay high to bring inflation down fully and described policy as "modestly restrictive," similar to his May comments that policy is "modestly or moderately restrictive." Since then, speakers have generally toed that line; however, the influential Fed Governors Waller and Bowman both suggested that July may be the time to consider adjusting the policy rate, if inflation pressures remain contained. May's core PCE data rose slightly above expectations, but still indicated muted inflation (the monthly rate printed +0.2% M/M vs an expected +0.1%), and while the real consumer spending fell by 0.3% (steepest decline this year), suggesting weakening demand, analysts said the data supports the view that the Fed can remain patient, with limited pressure to tighten policy further amid subdued price pressures. Additionally, stronger-than-expected jobs data for June saw markets scale back their expectations of Fed rate cuts ahead, reinforcing expectations of a prolonged hold. At the time of writing, money markets have virtually priced out any prospects of a July rate reduction, and through to the end of the year, pared pricing back to a little over two rate cuts, aligning with the Fed's view.

US LIBERATION DAY DEADLINE (WED): The 90-day tariff pause on US imports, authorised as part of US President Trump's "Liberation Day" policy, expires Wednesday, with no extension signalled. US President Trump said they will start sending letters regarding tariffs, and 10 to 12 countries will get a letter on Friday, 4th July, with tariffs to range from 10%-20% and 60%-70%, while countries are to start paying the new tariff on August 1st. Meanwhile, US Treasury Secretary Bessent said to expect a flurry of trade deals before July 9th and expect to see about 100 countries get a minimum 10% reciprocal tariff, while he added they are going to be announcing several deals. Analysts at CapEco suggest, "Given the limited progress in concluding trade negotiations since Liberation Day, there is a risk that huge tariffs will be imposed on 9th July after the 90-day pause expires. We suspect that further last-minute concessions will be made to permit extensions for most countries, but a few of the "worst offenders" may be singled out for punitive treatment. Markets seem to be positioned for a fairly benign outcome, implying a risk of some near-term turbulence if that fails to materialise."

BOK ANNOUNCEMENT (THU): Market participants will be eyeing to see if the central bank pauses and keeps the 7-day Repo Rate at the current 2.50% level, or continues to lower rates following a 25bps cut at the last meeting in May. The prior decision to cut rates was made unanimously, and the BoK said it would maintain its rate cut stance to mitigate downside risks to economic growth, as well as adjust the timing and pace of any further base rate cuts, while it is to closely monitor changes in domestic and external policy environments. The central bank also noted that South Korean exports are seen continuing to slowdown and that a high degree of uncertainty in the trade environment is a risk to growth, while Governor Rhee said following the meeting that they saw bigger room for further cuts given the downside risks to growth and that four board members saw room for further cuts for the next three months. The language clearly points to further rate reductions in the near term, although the central bank may prefer to hold off on an immediate cut next week, given the proximity to its last cut and to assess the impact of past action. Furthermore, the ongoing global trade uncertainty and the recent change of leadership with President Lee Jae-myung marking his first 30 days in office this week, could also influence the central bank to pause, given that Lee had pledged a 'bold' economic policy. Additionally, key data releases also favour the argument for a pause with firmer than expected CPI Y/Y in June at 2.2% (exp. 2.1%), although the central bank had attributed the June CPI acceleration as mainly due to base effects and noted the CPI gain is to ease if the oil and

FX trend continues.

NORWEGIAN CPI (THU): In May, CPI-ATE printed at 2.8% Y/Y, cooler than the 2.9% the market forecast and continuing the recent moderation in the series. A moderation that was behind the surprise 25bps cut by the Norges Bank in June to 4.25%; explicitly, the MPR stated "the committee gave special attention to the fact that underlying inflation has declined...". Alongside that, the Norges Bank forecasts lower inflation for the remainder of 2025 than previously expected, resulting in a cut to the forecast within the MPR. Specifically, for June, the Norges Bank now expects CPI-ATE at 3.1% vs the 3.2% they forecast in the Q1 MPR. For inflation itself, they look for 3.1% (prev. forecast 2.9%) from 3.0% in May, an uptick that is due to elevated energy prices in the period. For the Norges Bank, given their guidance for as many as two more 2025 cuts (skewed to just one), the series will come under greater scrutiny in the event of an upward rather than a downward surprise vs consensus.

UK GDP (FRI): Expectations are for M/M growth in May to pick up to 0.1% from the 0.3% contraction seen in April. As a reminder, the prior release saw a larger-than-expected contraction in growth on account of payback from the solid showing in Q1, which was boosted by the front-running of exports ahead of US tariffs. Pantheon Macro holds a consensus view and expects growth to be underpinned by "a rebound in legal and real estate activity", boosting services output. That being said, the consultancy concedes that its projection for 0.2% Q/Q growth looks "increasingly ambitious", given that GDP would need to rise by 0.3% M/M in June. Holding a more pessimistic view for this month's report is Investec, which expects growth to contract by 0.2% M/M. The desk notes that retail sales metrics and car production data point to contractions in the services and manufacturing sectors. Looking beyond the upcoming releases, Investec notes that it expects the can to be kicked down the road when it comes to global tariffs, and the current 10% baseline tariff remains in place. Under such a scenario, it expects "economic momentum to pick up in H2, helped by further rate cuts". However, there are clearly huge risks around this call. From a policy perspective, a soft outturn could heighten expectations for an August cut. However, greater concern by the MPC is currently being placed on the softening labour market and elevated inflation.

CANADIAN JOBS REPORT (FRI): With the BoC on pause and avoiding forward guidance, the central bank is taking it meeting-by-meeting due to economic uncertainty. The upcoming jobs report will help shape expectations for BoC easing. Money markets are only pricing in one further rate cut by the end of the year. However, a particularly weak report may start to see two rate cuts priced in with more certainty. The BoC highlighted that the labour market has weakened, particularly in trade-intensive sectors, with unemployment rising to 6.9%. It also warns that the economy is expected to be considerably weaker in Q2. BoC Governor Macklem noted that what happens to the labour market next will depend critically on what happens with the Canada-US trade relationship. It will also depend on how much Canada can expand trade within our country and overseas. Macklem also warned that export-oriented businesses quickly cut their hiring plans significantly in response to US tariffs. And with a lag, other businesses have scaled back their hiring intentions. "If these cutbacks materialize, we can expect overall employment to weaken further. We are watching closely for signs that weakness in the job market is broadening."

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