

Highlights include Trade talks and deadlines, Fed, BoJ, BoC, US NFP, Mfg PMI, PCE, QRA, EZ CPI & GDP and Aussie CPI

- **MON:** US Dallas Fed (Jul), German GfK (Aug)
- **TUE:** US Consumer Confidence (Jul), JOLTS (Jun)
- **WED:** FOMC & BoC Policy Announcements; ECB Wage Tracker, Australian CPI (Jun/Q2), German Retail Sales (Jun), Swiss KOF (Jul), EZ Flash Prelim. GDP (Q2), US ADP (Jul), GDP Advance (Q2), PCE Advance (Q2), Pending Home Sales (Jun)
- **THU:** BoJ & SARB Policy Announcements; Chinese NBS PMIs (Jul), Australian Retail Sales (Jun), Export/Import Prices (Q2), German Unemployment (Jul), French & German Flash CPI (Jul), US PCE (Jun), Weekly Claims, Canadian GDP (May)
- **FRI:** EZ Manufacturing PMI Finals (Jul), EZ CPI (Jul), US Jobs Report (Jul), ISM Manufacturing PMI (Jul), University of Michigan Survey (Jul), Swiss holiday, US Tariff Deadline

US-CHINA TRADE TALKS (MON/TUE): Chinese Vice Premier He Lifeng will lead talks with US Treasury Secretary Bessent in Stockholm on Monday and Tuesday to seek an extension of the 90-day US-China tariff truce that expires August 12th. Since the Geneva and London meetings earlier this year, the truce has lowered triple-digit duties; without a deal, tariffs would revert to 145% on US imports and 125% on Chinese goods. Bessent, who said overnight that trade with China is in a "very good place," wants Beijing to curb excess manufacturing, boost consumer demand and discuss Chinese purchases of sanctioned Russian oil. In earlier talks, China agreed to lift export bans on rare earths and magnets while the US restarted shipments of semiconductor design software and aircraft parts. Beijing has signalled cooperation by suspending an antitrust probe into DuPont China earlier this week and emphasising "mutual respect and win-win cooperation". Bessent earlier this week, suggested they could do a rolling 90-day deadline when asked about a deadline with China – such an outcome will likely boost sentiment, allowing more time for talks with no escalations.

QUARTERLY FINANCING ESTIMATES/REFUNDING (MON/WED): The Quarterly Financing estimates will be released on Monday at 20:00 BST / 15:00 EDT. The prior financing estimates showed that the Treasury expects to borrow USD 554bln in privately-held net marketable debt during the July-September 2025 quarter, assuming an end-of-September cash balance of USD 850bln. This compares to Q2's (April-June) USD 514bln expected. The Quarterly Refunding will be announced on Wednesday at 13:30BST/08:30 EDT. The prior guidance was left unchanged to suggest the "Treasury anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters.". As always, any change to this would be key, but Wells Fargo expects this to be left unchanged. Given the distaste for the current high long-end rates from the Trump administration, Bessent has previously said it makes no sense to term out the debt at these rate levels. Instead, the Treasury has been boosting bill issuance to cover funding needs in recent weeks. Wells Fargo expects bill supply to continue to ramp up in the near term, projecting net T-bill issuance of USD 475bln in Q3, USD 142bln in Q4 and USD 416bln in Q1-26. The desk also estimates T-bills as a share of the Treasury market will climb to 22.5% by year-end 2027 vs 21.9% by the end of 2024. Looking ahead, Wells Fargo's new base case is that coupon auction size increases will come in February 2027.

FOMC ANNOUNCEMENT (WED): The consensus looks for the FOMC to hold rates at between 4.25-4.50% on July 30th, an outcome predicted by all 105 economists surveyed by Reuters. Some policymakers, including Governors Waller and Bowman, have advocated for a rate cut (the former cited evidence of labour market weakening, and argued that the Fed should cut now instead of waiting), and that raises the possibility of some dissent at the meeting. Analysts at Morgan Stanley look for both to dissent at the meeting, favouring a 25bps rate reduction. Other policymakers have remained cautious and data-dependent in the face of potential inflation linked to tariffs, as well as political pressure from US President Trump to reduce rates. Ahead, the majority of economists surveyed see possible rate cuts in September, though expectations for cuts this year have slightly diminished. Most expect one or two cuts in 2025. Factors that will influence the Fed's decision-making include trade uncertainty, inflation risks from tariffs and increased fiscal spending; additionally, the central bank may make efforts to assert its independence amid increasing political interference. At the post-meeting press conference, Chair Powell will likely be heavily quizzed on his role; President Trump has already suggested that he will be nominating a new Fed Chair before Powell's term expires in May 2026, though has seemingly backed away from the idea of firing him before it ends. Leading candidates to replace Powell are said to include former Fed Governor Kevin Warsh (who recently heavily criticised the Fed, and argued that rates should be lower), Governor Waller, as well as White House Advisor Hasset and Treasury Secretary Bessent. Powell will also be asked about whether he intends to serve his term as Governor after his term as Chair expires -- traditionally, Fed Chairs have stepped down from the role after the term as Chair expires; however, some suggest that Powell may wish to serve his remaining Governor term in order to assert the central bank's independence. Morgan Stanley expects Powell's message to be in line with a 'wait-and-see' approach, emphasising that monetary policy is 'well positioned' to see how the economy evolves. It says that "it's a long way to September. The Fed needs more time to determine how the economy is evolving versus its goals." The bank itself sees the US economy will be further away from the Fed's price stability mandate than full employment and expects no rate cuts this year, in contrast to the consensus view, where money markets are pricing in a decent chance of two cuts this year.

US GDP (WED): The advance reading of GDP in Q2 is expected to show growth of 2.5% (from the prior -0.5%), according to Reuters. At the time of writing, the Atlanta Fed's GDPnow tracking estimate for the quarter is modelling growth of 2.4%. In June (end of Q2), S&P Global's PMI data suggested that the US service sector reported sustained growth, and viewed alongside an

improvement in manufacturing growth, indicates that the economy grew at a reasonable annualised rate in Q2, with momentum having improved following April's lull. That said, S&P Global said it was "seeing some worrying signs of weakness below the headline numbers," and points out exports and falling activity among consumer-facing service providers, which has curbed the overall pace of economic expansion. "Concerns over government policies have meanwhile created uncertainty and dampened spending on services more broadly, while also ensuring confidence in the outlook remains subdued compared to the optimism seen at the start of the year." The July PMI report noted the Q2 data was consistent with a 1.3% annualised growth rate.

AUSTRALIAN CPI (WED): Aussie CPI for Q2 is expected at 0.8% Q/Q (prev. 0.9%), with the Trimmed Mean forecast unchanged at 0.7% Q/Q. Analysts at Westpac also pencil in a 0.9% Q/Q print for headline CPI, noting upside contributions from rents, electricity, garments, and fruit & vegetables, while falling fuel and household gas provide partial offsets. Despite May's Monthly CPI Indicator falling -0.4%—larger than expected—Westpac's review of the data led them to reaffirm their 0.9% quarterly call, albeit with recognised downside risks. For core inflation, Westpac's nearcast model for the Trimmed Mean sits at 0.66%, implying a greater likelihood of a 0.6% than a 0.8% print, versus the RBA's 0.55% forecast. The annual Trimmed Mean is seen easing to 2.7% Y/Y (prev. 2.9%), still slightly above the RBA's implied annual target of +2.6%. Markets currently price an 86% chance of a 25bps cut following the hold in July, with above 57bps of cuts currently priced in till year-end.

EZ Q2 GDP (WED): Expectations are for Q2 Q/Q growth to come in flat vs. the Q1 expansion of 0.6%. The Y/Y rate is expected to slow to 1.2% from 1.6%. As a reminder, the Q1 release showed Q/Q growth of 0.4% vs. the Q4 2024 outturn of 0.2%. However, the uptick in growth was largely attributed to front-loading of purchases in the US ahead of expected tariff announcements from the Trump administration. This time around, analysts at Investec are of the view that Q1's buoyant performance is unlikely to persist into Q2. The desk holds a below-consensus view of -0.3% Q/Q, stating that "monthly data for April and May have already pointed to some payback". Adding that, as with the Q1 release, the Q2 report will be subject to trade-related distortions. As such, the expected soft outturn is unlikely to represent the "start of a period of persistent weakness" – the desk looks for a return to growth in Q3 and a gradual strengthening thereafter. From a policy perspective, a soft print will likely be largely overlooked given the aforementioned trade distortions and with greater focus on the outcome of EU-US trade talks ahead of the August 1st negotiation deadline.

BOC ANNOUNCEMENT (WED): The BoC is expected to leave rates unchanged at the upcoming meeting, with the BoC likely to leave out forward guidance again given uncertainties to the economy. The Monetary Policy report will be eyed to see how the bank expects Trump's tariffs to impact the Canadian economy based on the current trade environment. The policy rate of 2.75% remains at the midpoint of the BoC's nominal neutral rate estimate (between 2.25-3.25%). This limits room for more rate cuts, unless the economy were to deteriorate in the face of trade tensions. Macklem, in June, had suggested that rate cuts would be needed if the effects of tariffs and uncertainty continued to spread through the economy and cost pressures were contained. However, recent data saw inflation remain towards the top-end of the BoC's target, while the labour market situation improved – dimming the prospects for near-term rate cuts. Money markets are only pricing in 14bps of further easing by year-end, implying a 56% probability of one more rate cut this year, but any deterioration in trade relations may see a rate cut priced with more certainty and vice versa, depending on how the economy unfolds. The recent outlook surveys showed signs of optimism and improvement; however, despite the ongoing uncertainties, with the worst-case scenarios from Q1 less likely to occur, while business expectations on short-term inflation have returned to levels seen at the end of 2024. However, the consumer survey declined as spending intentions weakened further due to the persistent threats of tariffs and related uncertainty. Consumers' short-term inflation expectations have changed little since increasing markedly in Q1 2025.

US PCE (THU): Both headline and core PCE are expected to rise by +0.3% M/M in June (from 0.1% M/M and 0.2% M/M, respectively, in May). Writing after the June CPI and PPI reports, Pantheon Macroeconomics forecast that headline PCE will have increased by +0.32% M/M, while core PCE will have risen by 0.30% M/M. "This would represent an acceleration relative to May, with the majority of the underlying components showing accelerated prints, and in particular, we expect a drag from energy prices to be offset by firming in food inflation and the core." Its economists say that the soft trajectory of monthly core inflation going into June is poised for further firming in the coming months. "Although airfares and lodging prices remain on downward trajectories, we doubt that this can be a sustained source of disinflation in the coming months," adding that "meanwhile, financial services prices have now firmed following the post-Liberation Day swoon." Crucially, Pantheon expects cost-push pressures from tariffs to intensify in the coming months, which should push core goods PCE higher. The Fed's June forecasts estimate a rise in headline PCE inflation to 3.0% this year, while the core rate is seen rising to 3.1%, before cooling in 2026. Most Fed officials, except for Governors Waller and Bowman, have taken a cautious line on rate reductions, arguing that the tariff impact on inflation remains uncertain, but has the potential to push up consumer prices. Waller, however, has been arguing for rate cuts, based on evidence of a weakening in the labour market.

BOJ ANNOUNCEMENT (THU): The Bank of Japan will hold a two-day policy on July 30th-31st, where the central bank is expected to maintain its short-term interest rate at 0.50%. A recent Reuters poll showed 60 out of 72 economists surveyed forecast the BoJ to refrain from any rate adjustments for the next two meetings through to September, while money market rates are pricing a 99% likelihood the central bank keeps rates unchanged. The BoJ will also release its latest Outlook Report containing board members' median forecasts for Real GDP and Core CPI. The Bank of Japan have refrained from any rate adjustments since it last hiked rates in January, although it announced at the prior meeting in June it is to reduce the amount of monthly JGB purchases by about JPY 200bln each quarter from April 2026 onward. It noted this decision was made to improve the functioning of the JGB markets in a manner that supports stability in the markets. Furthermore, Governor Ueda stated following the meeting that they will continue to hike rates if the economy and prices improve, with the central bank to be guided from the viewpoint of sustainably and stably meeting the price target. He also stated that a further hike is dependent on the likelihood of attaining the BoJ's outlook, and the timing of such a move is dependent on the certainty of the outlook, but added it is not appropriate to comment on near-term hike possibilities, and a rate hike decision would need to be based on lots of data and considerations. Since then, there have been recent major developments concerning Japan, which policymakers would need to consider when deciding on rates: 1) The upper house election, where the ruling coalition suffered a scathing loss and failed to achieve a majority. This raises political uncertainty and pressure for the government to listen to opposition parties' calls for fiscal loosening, although PM Ishiba is seemingly looking to remain in position and denies reports of a possible resignation. 2) Trade developments have provided optimism after the US and Japan reached a trade deal involving a 15% tariff on Japanese exports to the US, which is lower than the previous threat of a 25% tariff rate. Nonetheless, these developments are unlikely to spur any immediate policy reaction from the central bank and a source report via Bloomberg noted the BoJ sees little impact from the election on the rate stance but sees upward price risks if there is large fiscal loosening and was watching for trade talk impact before any hikes. Further sources (via Bloomberg) on Friday suggested

that the BoJ reportedly sees a potential "rate hike environment" this year. Sources added that the BoJ expects to have enough data by end-2025 to consider a move, whilst there is no requirement to make a significant change to the outlook. Sources added that the US deal reduces uncertainty, in line with commentary from officials. Looking further ahead, markets do not price in a full 25bps hike this year (at the time of writing), with only 20.6bps of tightening priced by year-end. Analysts at JPM are of the view that the US trade deal paves the way for the BoJ to raise rates and revise up forecasts, as the desk pencils in a rate hike in October.

SARB PREVIEW (THU): South African Central Bank expectations next Thursday are split, with the latest Reuters poll showing 17 out of 27 surveyed seeing a 25bps cut, while the other 10 see rates being left unchanged at 7.25%. This follows the decision to cut by 25bps, as expected, to 7.25% in its prior confab. As a reminder, five members favoured the decision, while one preferred a 50bps reduction. No change was made on the inflation objective, but members touched upon it, considering a 3% inflation target, marking the low end of the target range (4.5% is the baseline). The MPC would like to see inflation expectations move lower, towards the bottom end of their target range. In expectations, 2025 and 2026, GDP, CPI, and Core CPI projections were all slashed. Ahead of SARB, analysts pointed towards a pivotal inflation print on July 23rd, which many said the central bank's decision on July 31st would hinge on. CPI Y/Y for June rose to 3.0% from 2.8%, but was in line with expectations. Desks noted a weaker-than-expected CPI reading could pave the way for another 25bps rate cut, but any figure above 3% - the lower end of the central bank's inflation target - would likely compel the SARB to hold rates. On the trade footing, on 7th July, US President Trump sent a letter to South Africa noting from August 1st US will charge SA a tariff of 30% on all products sent to the US, separate from all Sectoral Tariffs, and as such participants will be cognizant to any reference to this, especially given they are due to take effect the day after the meeting.

CHINESE OFFICIAL PMIS (THU): There are currently no expectations for the official PMI data, due to be released on Thursday. The PMIs come in the week of the US-China trade talks in Sweden, although no further progress is expected, with eyes set on the August 12th US trade truce expiry and any potential extension. In terms of last month's release, the official Manufacturing PMI improved marginally to 49.7 (prev. 49.5), remaining in contraction territory for a third straight month, while the Non-Manufacturing PMI edged up to 50.5 (prev. 50.3), supported by construction strength but a softening services index. Desks remain cautious on H2 momentum - Capital Economics noted that fading fiscal support, weakening export growth, and a deepening price war were weighing on the sector. China on Friday reiterated that it will implement a proactive fiscal policy to promote economic recovery.

AUSTRALIAN RETAIL SALES (THU): Westpac highlights that the June Retail Sales release will mark the final update under the ABS retail trade survey, with future data to be discontinued and replaced by the Household Spending Indicator. Westpac forecasts a 1.0% M/M gain (prev. 0.2% prior, street forecast 0.5%), citing a likely "last hurrah" for the series. If realised, this would mark the strongest monthly gain since January 2024. However, the sharp rise is seen as a technical rebound following a slew of soft prints—flat in April and just +0.2% in both March and May—distorted in part by Cyclone Alfred and the timing of Easter. Westpac's DataX Card Tracker signals a lift in retail momentum through late Q2, though underlying trends remain subdued.

EZ CPI (FRI): Expectations are for Y/Y HICP inflation to pullback to 1.9% from 2.0% with the super-core metric set to decline to 2.2% from 2.3%. As a reminder, the prior release saw inflation in June tick marginally higher to 2.0% from 1.9%, super core held steady at 2.3% and services rose to 3.3% from 3.2%. It wasn't as sharp of a bounce back as some had been expecting after an "unusually low reading in May", as opined by ING. This time around, Investec sees "little reason for inflation to have moved away from where it stood in June". The desk adds that "there may have been a tad more upward pressure from service price inflation, but the firmer euro could have provided offsetting downward impetus to goods price inflation". Looking ahead, the inflation outlook will remain at the hands of the EUR and trade frictions. From a policy perspective, the messaging from the July ECB policy announcement was clearly one of "wait-and-see" as policymakers look to assess the impact of whatever trade deal ends up getting agreed between the EU and US. Additionally, Lagarde also emphasised in her most recent press conference that any potential undershoots in inflation are likely to be looked through with greater focus on expectations that inflation will stabilise at target over the medium term. Accordingly, markets scaled back expectations of year-end easing from circa 21bps to 14bps.

US JOBS REPORT (FRI): The consensus looks for the US economy to add 102k nonfarm payrolls in July (prev. 147k; vs 3mth avg of 150k, 6mth avg of 130k, 12mth avg of 151k). The unemployment rate is expected to rise by one-tenth, taking it to 4.2% (note: the Fed forecasts the jobless rate will rise to 4.5% this year). Average hourly earnings are expected to rise +0.3% M/M, picking up from the +0.2% rate in June, while average workweek hours are seen remaining at 34.2hrs. Analysts at Barclays are below consensus, and expect only 75k nonfarm payrolls, driven by a projected 25k decline in government jobs; they see private payrolls mildly accelerating, however, to 100k. The headline slowdown mainly reflects a reversal of June's 63k jump in state and local employment, which Barclays sees as idiosyncratic. The bank notes that underlying data are being distorted by seasonal adjustment issues, particularly related to post-COVID dynamics and end-of-school-year timing in education hiring. Ahead, it expects a gradual deceleration, with job gains slowing to around 75k by Q4 2025. However, this should be matched by slower labour force growth due to reduced immigration, keeping unemployment broadly steady at 4.2% with a flat participation rate. It sees the labour market remaining broadly stable, with sideways movement in unemployment. It says that while near-term data could surprise to the upside, this could potentially be exaggerated by seasonal distortions, implying limited implications for a shift in Fed policy stance at this stage. Recently, most Fed officials have viewed the labour market as in 'a good place' (Williams), but notes that job growth and labour supply are both slowing. But officials like the dovish Governor Waller have warned that there is mounting evidence that the labour market is becoming weaker, even though he sees conditions as "solid" for now; Waller made the case that the Fed should not wait to cut rates until the labour market hits any trouble.

US ISM MANUFACTURING PMI (FRI) : The headline is expected to rise a touch to 49.6 in July, from 49.0 in June. As a basis of comparison, S&P Global's July flash PMI data showed the manufacturing PMI falling to a seven-month low of 49.5 (from 52.9), while the manufacturing output index fell to a two-month low of 51.2 (from 53.1). S&P said manufacturing business conditions deteriorated in contrast to a strengthening services economy, the latter being fuelled by rising domestic demand. "Growth was worryingly uneven and overly reliant on the services economy as manufacturing business conditions deteriorated for the first time this year, the latter linked to a fading boost from tariff front-running," the survey compiler said. "Business confidence about the year ahead has also deteriorated in both manufacturing and services to one of the lowest levels seen over the past two-and-a-half years," it added, "companies cite ongoing concerns over the impact of government policies, notably in terms of both tariffs and cuts to federal spending." It is worth noting that on the day of release, the US jobs data is also due, as well as the US tariff deadline, and accordingly, these events may overshadow the ISM release.

AUGUST 1ST TARIFF DEADLINE (FRI) : The White House has set an August 1st deadline for countries to sign "reciprocal" trade deals

or face steep tariffs. These rates would come on top of a 50% duty on steel and aluminium and 25% auto tariffs (which could be negotiated during talks); letters sent in July spelt out the country-specific rates. US Commerce Secretary Lutnick called the date a “hard” deadline, though Treasury Secretary Bessent has hinted at possible extensions. Several deals have been struck. The US–Japan agreement sets a 15% tariff on Japanese exports, above the 10% baseline but below earlier threats. Pacts with Indonesia and the Philippines impose 19% tariffs on their shipments and eliminate duties on US goods; both include commitments to buy US products. A temporary truce with China (set to expire August 12th) lowered triple-digit duties, and both sides will meet in Stockholm next week for a continuation of talks. Europe remains a big risk, although EU diplomats signalled a 15% tariff is within reach, avoiding the 30% levy the US threatened from August 1st. The proposed rate could cover cars and pharmaceuticals and would not be added to existing tariffs, although Washington refuses to cut its 50% duty on steel. If talks collapse, the EU plans to vote on counter-tariffs covering EUR 93bln of US goods, effective August 7th.

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