1st - 5th June: Highlights include US ISMs, NFP, EZ HICP & Canadian Jobs

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- **MON**: Global Manufacturing Final PMIs (May), South Korean Balance of Trade (May), German Retail Sales (Apr), Swiss Retail Sales (Apr), GDP (Q1), EZ Unemployment Rate (Apr), US ISM Manufacturing (May)
- **TUE**: NBP Policy Announcement (Jun), South Korean CPI (May), EZ HICP (May), JOLTs Job Openings (Apr), RCM/TIPP Economic Optimism, New Zealand Export/Import Prices (Q1)
- **WED**: Fed Beige Book, Global Final PMIs (May), Australian GDP (Q1), EZ PPI (Apr), US ADP Employment Change (May), ISM Services PMI (May), Factory Orders (Apr)
- **THU**: Australian Balance of Trade (Apr), Swedish CPIF (May), Swiss CPI (May), Spanish Industrial Production (Apr), EZ Construction PMI (May), EZ Retail Sales (Apr), US Challenger Layoffs (May), Jobless Claims (May/30)
- **FRI**: RBI Policy Announcement (Jun), Japanese Household Spending (Apr), French Balance of Trade (Apr), BoE DMP (May), EZ Employment Change Final (Q1), GDP 3rd Estimate (Q1), Italian Retail Sales (Apr), Canadian Jobs Report (May), US NFP (May)

WEEK AHEAD

US ISM MANUFACTURING PMI (MON): As a proxy, S&P Global's flash manufacturing PMI rose to 55.3 in May (from 54.5), a 48-month high, with the output index also firming to 56.2, its strongest reading in 49 months. Under the bonnet, however, the picture was somewhat nuanced. The marked influx of new orders was again driven predominantly by precautionary stock-building by clients rather than end-demand, and order book growth was purely domestically driven, with goods exports falling again, S&P said. Supply chains deteriorated sharply, with supplier delivery times lengthening to the greatest degree since August 2022 as war-related shipping disruptions compounded existing tariff-related constraints; input purchases rose at the steepest rate since April 2022, driving inventories higher. Input cost inflation registered its largest monthly increase since June 2022, with selling prices rising at the fastest pace since September 2022. On the labour front, manufacturing payrolls posted their largest increase in 11 months as factories hired to meet the order upturn. Looking ahead, manufacturer sentiment improved to its most optimistic since February 2025, buoyed by the recent order strength and anticipation of tariff-related reshoring, though the reliance on precautionary stocking as a demand driver remains a key caveat.

EZ HICP (TUE): April's HICP was a little hotter-than-expected at a headline level at 3.0% Y/Y, while the Services figure moderated to 3.0% (prev. 3.2%) and the bulk of price pressures remained confined to energy. No real reaction to the data, which didn't change the narrative into the ECB announcement a few hours later. For May, metrics from France, Germany, Italy and Spain point to a headline figure broadly in-line or slightly cooler than the prior, and pertinently, the transmission of price pressures from energy to broader areas of the economy remains relatively contained. Nonetheless, another 3.0% Y/Y print, or even a slight moderation, will not divert the narrative from an ECB hike in June.

US ISM SERVICES PMI (WED): Using the S&P Global data as a guide, flash services business activity index slipped to 50.9 in May (from 51.0), a two-month low, pointing to a services sector that continues to struggle for traction. New business inflows rose only modestly, improving marginally on the slight decline seen in April but remaining consistent with the weakest quarterly performance since late 2023. S&P said export demand deteriorated sharply, with service exports falling at the sharpest rate in six years, while consumer-facing businesses reported particularly subdued conditions amid rising prices and elevated uncertainty linked to the ongoing Middle East conflict. On inflation, services input prices accelerated to the steepest in a year, contributing to a further rise in composite selling prices to their highest since August 2022, which S&P said was a key drag on demand. The labour picture was notably weak: service sector jobs were cut at the second-fastest pace since May 2020, surpassed only by April 2024. Business optimism deteriorated further, with service sector expectations for the year ahead falling to their weakest since April 2025 and second lowest since October 2022, with firms citing surging prices, higher interest rates, and heightened political uncertainty as the principal headwinds.

SWEDISH CPIF (THU): Swedish CPIF is expected to rise 0.6% M/M (and 1.2% Y/Y) in May, whilst the core metrics are expected to rise 0.4% M/M (and 0.2% Y/Y). For the core metrics, the M/M is expected to rise in-line with the Riksbank's own view, but at a slower pace on a Y/Y basis. Recent surges in energy prices are expected to passthrough into the headline figures, with SEB continuing to expect "some upward pressure on CPIF-XE from the Iran war". The implication on the Riksbank is expected to muted, as the Bank pointed towards a "wait and see" approach. There are two-sided risks for policymakers, with a material rise in inflation potentially bringing a hike to the table, whilst persistently low inflation (should the conflict resolve), could see policymakers begin to weigh a cut. For the time being, the Riksbank will await further inflation developments, as such, this report is unlikely to have a material impact on near-term policy.

SWISS CPI (THU): April's release was in-line at 0.6% Y/Y, and while the M/M ticked up to 0.3% (prev. 0.2%), it was cooler than the 0.4% consensus. Unsurprisingly, the relative pressures were driven by elevated prices for petrol, diesel and heating oil. For May, the narrative will likely remain the same, and while the SNB will be attentive to any further upside, the inflation level remains in the lower half of the 0-2% target band, and the SNB continues to make clear that inflation meets their medium-term stability objective. As such, policy is expected to remain at the ZLB for the foreseeable.

RBI POLICY ANNOUNCEMENT (FRI): Expected to maintain rates at 5.25%, though there are some outside calls for a hike. The April decision to maintain policy was unanimous, with a neutral stance also maintained; note, we saw external member Singh switch view from accommodative to neutral, falling in-line with the rest of the MPC. During the last address, Governor Malhotra said that global growth faces downside risk and the global economy is facing unprecedented challenges. April's CPI came in cooler-than-expected but did tick up slightly from the prior, but crucially, it remained shy of the target rate.

CANADIAN JOBS REPORT (FRI): In the last report, April, employment unexpectedly contracted by 17.7k (exp. 5.1k, prev. 14.1k). The negative reading was driven by a 46.7k drop in full-time employment (prev. -1.1k) whilst a gain in part-time employment had some offsetting impact, +29.0k (prev. 15.2k). As a consequence, the u/e rate jumped higher to 6.7% despite expectations to remain firm, with the uptick in the participation rate to 65.0% (prev. 64.9%), explaining some of the jump. With uncertainty still high on the inflation subject amid the Middle East conflict, the central bank is likely to keep its options open in a data-dependent environment. BoC Deputy Governor Vincent recently said labour market shifts complicate policy and the BoC are the central bank is exploring more granular data to better understand what is happening in the job market. Vincent described the labour market as being marked by low turnover, rising long-term unemployment and persistently high youth unemployment. Despite the latest inflation and jobs reports coming in beneath expectations, money markets continue to price in one full 25bps hike by year-end (~36bps).

US NFP (FRI): Headline nonfarm payrolls are expected to print 95k in May (prev. 115k), with the unemployment rate seen unchanged at 4.3%, while average hourly earnings are likely to rise +0.3% M/M (prev. 0.2%). Barclays are below consensus, forecasting 75k gains for headline payrolls; the bank says that if its forecast is realised, the 3-month moving average would be at +125k, and the 4-month moving average (which it reckons is a better gauge of the underlying trend) at just 55k. Barclays flags unusually wide uncertainty around its projection, noting that its standard models and alternative indicators are sending mixed signals. The bank's standard claims-based models point to strong gains, inferring momentum from April's solid print and the subdued pace of initial claims since April's reference week, though alternative models point to a more modest recovery given the limited run of hard data available; weekly ADP figures are cited separately as a further support for the stronger standard-model view. The bank is in line with consensus on average hourly earnings, which it says is broadly in line with the trend of the past year, and also is in line with the consensus on the unemployment rate, noting that April's reading edged up from 4.256% to 4.337%; it estimates the current breakeven pace of job creation is no higher than 10k per month, meaning even a modest print should be sufficient to keep the rate from rising further. The bank's baseline is for unemployment to drift lower through the course of 2026.

WEEK IN REVIEW

US-IRAN: The week was marked by a sharp flare-up followed by renewed optimism around diplomacy. Early in the week, the US conducted strikes against Iranian targets it said were involved in mine-laying activity in the Strait of Hormuz, prompting Iranian retaliation alongside reports of explosions in Kuwait. However, sentiment shifted on Thursday after reports emerged that US and Iranian negotiators had agreed on a draft Memorandum of Understanding, pending political approval. The reported framework includes a 60-day ceasefire extension, unrestricted passage through the Strait of Hormuz, the phased removal of the US naval blockade, limited sanctions relief, and the launch of formal nuclear talks. Meanwhile, Iran’s Tasnim reported that the text of the possible memorandum of understanding between the US and Iran had not been finalised or confirmed. Uncertainty remains over whether Trump will sign off on the proposal and whether Tehran will formally endorse the reported terms.

RBNZ POLICY ANNOUNCEMENT (WED): RBNZ delivered a hawkish hold in which it kept the OCR unchanged at 2.25% for the third consecutive meeting, but noted the committee remains focused on ensuring that increased costs do not lead to elevated inflation over the medium term. On balance, the board outlined that the OCR will most likely need to increase sooner and by more than envisaged in February. Evidenced by the OCR projection lifting to 2.51% for September 2026 (prev. 2.28%). In the presser, Governor Breman said the decision on the path was unanimous, and the differences among the members were with respect to the timing of action. In terms of currently policy, Breman described it as still being a little bit on the accommodative side.

AUSTRALIAN CPI (WED): Australia’s April CPI cooled to 4.2% Y/Y from 4.6%, below expectations of 4.4%, with the downside surprise largely driven by the government’s fuel tax cut. However, the key detail was underlying inflation, with trimmed-mean CPI rising to 3.4% from 3.3%, remaining firmly above the RBA’s 2-3% target range and highlighting persistent domestic price pressures. Markets viewed the data as slightly dovish at the headline level but still hawkish underneath. Following the release, markets scaled back some tightening expectations, and the AUD softened modestly. Major banks generally see the RBA holding in June, though several still expect one final 25bps hike later in the year, given sticky core inflation and the temporary nature of fuel-tax-related disinflation.

BOK POLICY ANNOUNCEMENT (THU): Held rates at 2.50%, as expected. However, the decision was subject to dissent, with Ryoo and Chang calling for a rate hike. Accompanying dot plots pointed to hikes, and while the board is in agreement that the path is to tighten, the presser made clear that the timing of any move is yet to be determined. Dot plot projects varied between 2.50% and 3.25% in six months, with most between 2.75% and 3.00%.

ECB MINUTES (THU): April’s Minutes passed without significant reaction. However, the account implies that the meeting was perhaps more hawkish than Lagarde let on at the time, as while the President acknowledged in April that a hike was discussed, she did not go as far as to outline that a number of members viewed the ultimately unanimous decision to hold as a close call, and that those individuals would not have opposed tightening. Minutes that do not change the narrative, but underscore that the ECB is likely to hike in June.

SARB POLICY ANNOUNCEMENT (THU): Hiked by 25bps to 7.00% as expected, in a 4-2 vote split, while two members favoured keeping rates unchanged. A larger 50bps hike was discussed, but Governor Kganyago said the committee was "still looking for more information" and would act cautiously. In its statement, the Bank highlighted three possible scenarios, all pointing to higher inflation, lower growth and further policy tightening. The ZAR softened after the announcement, seemingly on the less hawkish vote split.

US PCE (THU): Core PCE prices rose by 0.2% M/M in April (exp. 0.3%, prev. 0.3%), though the annual rate ticked up to the highest since November 2023, at 3.3% Y/Y (exp. 3.3%, prev. 3.2%); the headline rate rose 0.4% M/M (exp. 0.5%), and the annual rate rose to 3.8% Y/Y (exp. 3.8%, prev. 3.5%). Pantheon Macroeconomics said the downside surprise was spread across several components, including financial services and foreign travel, which are partially derived from non-CPI/PPI data. The consultancy expects inflation to hover around current levels before ticking lower towards the end of the year, noting that while retailers will pass on higher prices for goods to consumers, the slower growth in wages will weigh on services inflation. “We doubt the FOMC will choose to make policy more restrictive later this year, at a time when the labour market remains weak, and the overall economy lacks momentum.”

JAPANESE UNEMPLOYMENT RATE (FRI): April labour data delivered a strong surprise, with unemployment falling to 2.5% from 2.7%, as employment rose by 610k and the number of unemployed fell by 70k to 1.79mln. The jobs-to-applicants ratio held at 1.18, indicating labour market conditions remain tight. The release adds to a run of firmer activity data, alongside stronger industrial production and retail sales, reinforcing the view that underlying economic conditions remain resilient despite softer inflation readings. For the BoJ, the data gives room for tightening.

JAPANESE TOKYO CPI (FRI): Tokyo CPI softened across the board in May, with core CPI slowing to 1.3% Y/Y from 1.5%, below expectations of 1.5%, headline CPI easing to 1.4% from 1.5%, and "super-core" CPI falling sharply to 1.6% from 1.9%, below expectations of 1.9%. The downside was largely driven by government subsidies on utilities and education costs. The release marks a fourth consecutive month of Tokyo core inflation running below the BoJ’s 2% target and contrasts with stronger activity data elsewhere in the economy. For the BoJ, the print provides ammunition for doves arguing for patience.