

Highlights include: US PCE, Canadian CPI, EZ Flash PMI, Japanese Tokyo CPI and Banxico

- **MON:** CNB Minutes (Jun), Chinese LPR, Canadian Inflation (May)
- **TUE:** BCB Minutes (Jun), Global Flash PMIs (Jun), US ADP Employment Change Weekly, Richmond Fed Index (Jun)
- **WED:** Riksbank Minutes (Jun), BoJ SOO (Jun), BoC Minutes (Jun), Holiday: Canada Provincial Holiday (Quebec), Australian Inflation (May), German Ifo (Jun), Canadian Manufacturing Sales (May)
- **THU:** Banxico Policy Announcement, Australian Jobs (May), German GfK Consumer Confidence (Jul), French Consumer Confidence (Jul), Spanish GDP Final (Q1), PPI (May), US PCE (May), GDP Final (Q1), Jobless Claims (Jun/20)
- **FRI:** Japanese Tokyo CPI (Jun), Swedish PPI (May), Canadian Wholesale Sales (May), US Goods Trade Balance (May), Wholesale Inventories (May), UoM Sentiment Final (Jun)

WEEK AHEAD

CHINESE LPR (MON): The PBoC will announce China's benchmark lending rates on Monday, after keeping them unchanged for 12 consecutive months, with the 1-year Loan Prime Rate at 3.00% and the 5-year Loan Prime Rate at 3.50%. The rates are used as benchmarks for most new loans and mortgages, respectively. The LPRs are likely to be left unchanged again, although the PBoC has significantly stepped up liquidity support since last month's LPR announcement, with daily operations recently topping CNY 400bn, compared with a previous run of small operations of less than CNY 1bn. PBoC Governor Pan said this week the central bank would add overnight reverse repo instruments at an appropriate time and increase overnight reverse repo operations, as it seeks to improve the efficiency of interest rate transmission and ensure the flexible and efficient use of temporary overnight reverse repos and outright repurchase agreements in the open market. This suggests China could continue to refrain from adjusting benchmark LPRs and instead fine-tune financial conditions in the interbank market through shorter-term and more immediate overnight repos. The latest key data from China has been mixed, also supporting a continued pause. Trade data for May topped expectations, with exports rising 19.4% Y/Y (exp. +14.3%), and imports surging 27.4% (exp. +25%). Inflation data was mixed, with CPI Y/Y in May softer than expected at 1.2% (exp. 1.3%), while PPI Y/Y printed at its highest since July 2022 at 3.9% (exp. 3.8%). The latest activity data was also varied, with Industrial Production topping forecasts at 4.5% (exp. 4.2%), but Retail Sales disappointed and showed a surprise contraction for the first time since the pandemic at -0.6%, against expectations for unchanged growth.

CANADIAN INFLATION (MON): The May CPI report is likely to see its significance dampened by the reopening of the Strait of Hormuz and the end of the US blockade. Crude prices fell by more than USD 17/bbl in May and have since extended losses on positive geopolitical developments, leaving BoC money market pricing with a dovish bias and now seeing ~1bps of easing by year-end versus 35bps of hikes before the June meeting. The BoC expects total inflation to hover around 3% in the near term before gradually easing towards 2%. In addition, the BoC sees limited evidence of broad-based pass-through from higher energy prices to other consumer prices. A hotter-than-expected May reading may be looked through given the continued slump in energy prices in June, although any evidence of feed-through into core components could prompt policymakers to give a hawkish skew towards persistent inflation. In April, headline M/M printed 0.4% (exp. 0.6%), headline Y/Y 2.8% (exp. 3.1%), core M/M 0.2% (exp. 0.3%), and core Y/Y 2.1% (exp. 2.6%).

EZ FLASH PMI (TUE): May's series was weaker than expected and showed a further deterioration from the prior. Commentary noted that price pressures had intensified to the most worrying levels in three years, and were indicative of 4% inflation in the months ahead. For June, we look for signs of a recovery in the data given the US-Iran MoU, though it may be too soon for a significant shift in business confidence to occur, particularly as the logistics situation around Hormuz will likely remain affected for several weeks following a reopening and firms agreeing to resume transit. Similarly, the pricing commentary will be sought to see how purchasing managers are reacting to the moderation in energy prices and whether it has significantly changed their outlook for the near term.

BOJ SOO (WED): The BoJ will release the Summary of Opinions from its June meeting next week, offering further insight into board members' views after the central bank raised the policy rate by 25bps to 1.00%, its highest level in 31 years. The decision was approved by a 7-1 vote, with board member Asada dissenting. The central bank also decided to pause tapering of monthly bond purchases, keeping them at around JPY 2tn from April 2027, but left its existing JGB tapering plan unchanged through Q1 2027. There was also dissent on the bond-buying decision, as board member Tamura proposed continuing reductions of JPY 200bn per quarter beyond April 2027, although this was rejected by a majority vote. Nonetheless, the BoJ retained a tightening bias, signalling scope for additional rate hikes depending on economic, inflation and financial developments, while reserving the option to adjust bond-buying plans if needed. Deputy Governor Uchida, who stood in for hospitalised Governor Ueda at the press conference, said the economy was recovering moderately, financial conditions were accommodative and there was a risk of underlying inflation rising above the price target. He also noted that economic risks had eased since April.

BOC MINUTES (WED): BoC minutes concern the June rate decision, which saw the central bank hold rates, as expected, at 2.25%. The statement was largely similar to the previous meeting, with the Governing Council reiterating its approach to look "through the war's near-term impact on headline inflation, but will not let higher energy prices become persistent inflation". There was no updated MPR at the meeting, although the central bank revealed it expects total inflation to hover around 3% in the near term before

gradually easing towards 2%. Since the last meeting, Canada has seen stronger-than-expected employment growth in May, driven by a sharp rebound in full-time employment, leaving the unemployment rate at its lowest level since January. Meanwhile, inflation was cooler than expected in April. With lower energy prices since the April CPI report, it potentially obstructs signals from the upcoming May report. Therefore, the minutes are likely to show GC members reiterating that they have scope to remain patient, while cautioning that if oil prices stay high for a prolonged period and fuel inflation, rates would need to rise. Ahead of the 1st USMCA trade deadline, with renewal still an open question - Trump has said he is not looking to maintain it, while Sheinbaum says it will be maintained - the GC is also likely to point to potential rate cuts if the US imposes significant new trade restrictions on Canada to support economic growth.

AUSTRALIAN INFLATION (WED): Inflation is expected to cool in May, with consensus forecasting a 0.3% M/M decline and annual inflation of 4.3% Y/Y, driven by lower fuel prices. The RBA's preferred inflation measure, the trimmed mean, is forecast to rise 0.4% M/M and 3.6% Y/Y, although Westpac cautioned that uncertainty around the strength and speed of price adjustments remained a key downside risk. An ABS survey in May found that 48% of businesses were absorbing cost increases, while only 11% were raising prices because of higher fuel costs, suggesting demand conditions made it difficult for firms to pass through higher input costs. The NAB business survey also indicated that price pressures peaked in April. Overall, a trimmed mean in line with expectations will keep the RBA on hold at its meeting in August, which sees 6bps of tightening priced.

BANXICO POLICY ANNOUNCEMENT (THU): Widely expected to stand pat on rates at 6.50% in the latest confab, with Pantheon Macroeconomics noting that Policy stances are almost neutral in Mexico, as well as Chile and Peru, so expect only 25bp-50bp cuts by the end of 2027. However, Pantheon adds, Mexico's central bank could give in to a more dovish stance as economic underperformance continues. Last time out, Banxico cut rates 25bps to 6.50% in a 3-2 vote split, as Borja and Heath voted in favour of leaving rates unchanged at 6.75%. Within the decision, the board estimated it would be appropriate to maintain the rate at its current level, and that decision concluded the cycle that began in March 2024. In Banxico's updated forecasts, it now sees 2026 GDP growth of 1.1% (prev. 1.6%), and 2027 of 2.1% (prev. 2.0%), while left its average annual headline inflation in Q4 '26 at 3.5% (prev. 3.5%) and core inflation at 3.4% (prev. 3.4%).

AUSTRALIAN JOBS (THU): Westpac forecasts employment change to rebound to 45k from a decline of 18.6k previously, with the unemployment rate falling to 4.4% from 4.5% and the participation rate edging up to 66.8% from 66.7%. April's employment report surprised on the downside, with the weakness potentially linked to abnormal seasonality as it captured the full Easter long weekend. Analysts at Westpac said that, if the data match their forecast, employment would have risen by an average of about 13k a month across April and May, down from the 30k-a-month pace seen at the start of the year. However, the RBA appears less concerned about the labour market than inflation, with Governor Bullock stating that "the labour market is still a bit tight at the current unemployment rate". Markets are currently pricing a 64% chance of a 25bps hike by year-end.

US PCE (THU): WSJ's Timiraos highlights that with the May PPI and CPI in hand, forecasters expect core PCE to print around 0.35% in May. This would raise the Y/Y rate to 3.4%. The six-month annualised rate would climb to 4.1%, the highest since June 2023. Recent CPI and PPI data was hot on the headlines, although the core measures were more contained, but there were some areas of broadening price pressures outside of energy. Nonetheless, the data is for May and may be deemed as stale given the sharp weakness seen in energy prices in June so far, as the US and Iran came to an agreement to end the war. There are still risks ahead, however, particularly if the stage two talks about the nuclear issue do not go to plan and the war resumes, or if the return of oil through the Hormuz is slower than expected. Meanwhile, after the latest Fed rate decision, there has been added focus on inflation from the FOMC. The statement was completely rewritten to avoid forward guidance, but it did stress that it "will deliver price stability". Meanwhile, the dot plots saw a strong hawkish shift, with the median now pencilling in one rate hike vs one rate cut previously. Also, Chair Warsh stressed several times the commitment to bring inflation to target. The clear hawkishness of the Fed and the enhanced focus on price stability will make inflation even more important ahead. Oxford Economics writes that their translation of the CPI, PPI, and import price data points to a strong 0.5% rise in headline PCE prices and a 0.4% increase in core prices. But with gas prices now falling back, May should represent the peak in inflation this year.

JAPANESE TOKYO CPI (FRI): The region's CPI report is expected to tick higher from the prior, driven largely by higher energy prices and the weaker JPY. However, government subsidies have been effective over the past few months; as such, Tokyo CPI is expected to remain beneath the 2% mark. ING forecasts that both the headline and core Y/Y figures to rise to 1.7%, from 1.4% and 1.3% respectively.

WEEK IN REVIEW

BOJ POLICY ANNOUNCEMENT (TUE): The BoJ raised its short-term policy rate by 25bps to 1.00%, as widely expected, taking it to its highest level in 31 years. The decision was approved by a 7-1 vote, with board member Asada dissenting. The BoJ also decided to pause further tapering of bond purchases, keeping monthly JGB buying at around JPY 2tn from April 2027. However, it left unchanged its current plan to reduce monthly JGB purchases by JPY 200bln each quarter through January-March 2027. Board member Tamura proposed reducing bond purchases by JPY 200bln per quarter from April 2027 onwards, but the proposal was rejected by a majority vote. The BoJ maintained a tightening bias, stating it will continue to raise the policy rate in line with developments in economic activity, prices and financial conditions. It added that it will assess the likelihood of its baseline scenario materialising, along with associated risks, when considering the timing and pace of policy adjustments. The central bank also said it stands ready to amend its bond-tapering plan at future policy meetings if necessary, but will discontinue interim assessments of the plan. It added that it would respond flexibly, including through increased JGB purchases and fixed-rate purchase operations, in the event of a sharp rise in long-term interest rates. Speaking at the post-meeting press conference, BoJ Deputy Governor Uchida said Japan's economy had recovered moderately, although some weakness remained in certain areas. He said financial conditions were accommodative and warned that underlying inflation could rise above the price target. Uchida also said the key difference between April and June was the reduced risk to the economy, adding that the pace of JGB purchases could change depending on how readily market participants replace the BoJ as the primary buyer. He added that he did not view the rate increase and bond policy as contradictory.

RBA POLICY ANNOUNCEMENT (TUE): The RBA kept the cash rate unchanged at 4.35%, as widely expected, after three consecutive rate hikes. The decision was unanimous, but the language remained hawkish as it warned of further rate increases if necessary, citing persistent inflation and oil supply disruptions. The RBA also said the latest data showed headline and underlying inflation remained too high, and the board would monitor incoming data and its evolving assessment of the outlook and risks to guide its decisions. It noted that short-term inflation expectations had eased but remained above levels seen earlier this year. The central bank said monetary policy was well placed to respond to developments and that the board was focused on its mandate to deliver price stability and full employment. It said it would do what it considered necessary to achieve that outcome, including raising the cash rate target further if required. RBA Governor Bullock maintained the hawkish tone at the press conference, saying inflation remained too high and that the board was still concerned about inflation, though in a better position. She said it was too early to say whether the cooling housing market would help with policy. She added that policymakers did not consider raising rates at the meeting, but acknowledged risks remained tilted to the upside and said they could not rule out doing more on rates.

CHINESE ACTIVITY DATA (TUE): Chinese activity data for May was mixed and highlighted a widening split in the economy. Industrial Production rose 4.5% Y/Y from 4.1%, above the 4.2% forecast, supported by robust growth in high-tech manufacturing, +15.1%, and equipment manufacturing, +9.5%. Output of 3D printers, lithium-ion batteries and industrial robots rose 54.4%, 40.0% and 27.9%, respectively. By contrast, Retail Sales fell 0.6% Y/Y, the first contraction since the pandemic and below expectations for unchanged growth, while YTD Fixed Asset Investment declined 4.1%, steeper than the expected 2.0% fall. China's NBS spokesperson said after the release that the economic recovery remained uneven, citing weak consumer demand, pressure on some businesses and a challenging external backdrop. The statistics bureau also said China had ample policy space, reserves and flexible tools to ensure stable economic growth, but acknowledged that foreign trade faced some pressure from external uncertainties.

FED POLICY ANNOUNCEMENT (WED): Overall, the statement and dot plots were more hawkish than expected. The Fed kept rates on hold as widely expected, but completely changed the statement in a unanimous decision. The committee agreed to remove forward guidance completely, while it also updated its descriptions of the economy, adding more factors to the statement. Reiterated that inflation remains elevated, but updated its language to note that inflation is running above its 2% goal "in part reflecting supply shocks that have driven price increases in certain sectors, including energy" (prev. "in part reflecting the recent increase in global energy prices"). The statement also explicitly reaffirmed the Committee's commitment to achieving price stability. The labour market assessment was upgraded and now states that "job gains have kept pace with the workforce, and the unemployment rate has changed little" (prev. "job gains have remained low, on average, and the unemployment rate has been little changed in recent months"), reflecting the recent run of stronger payroll reports. Noted economic activity is "expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East" (prev. "economic activity has been expanding at a solid pace"). It also added a new line stating that "productivity growth and capital investment are strong." Updated SEPs were notably hawkish. Chair Warsh did not submit forecasts, given his well-known scepticism towards forward guidance. The median FFR projection for 2026 rose to 3.8% (prev. 3.4%), implying one 25bps rate hike vs. one 25bps rate cut in the March projections. The 2027 median rose to 3.6% (prev. 3.1%), implying rates are expected to remain on hold through the end of 2027. The 2028 median increased to 3.4% (prev. 3.1%), while the longer-run rate remained unchanged at 3.1%. The economic projections also reflected a more stagflationary outlook. Inflation forecasts were revised higher, unemployment projections were revised slightly lower in 2026, and real GDP growth forecasts were downgraded. The distribution of dots was equally notable. While the median projects one hike in 2026, one participant forecasts three hikes, five project two hikes, and three project one hike. In March, no participants projected rate hikes. Meanwhile, eight participants expect rates to remain unchanged through 2026 (prev. seven), while only one projects a rate cut (prev. seven). The shift in the distribution highlights a significant hawkish turn within the Committee and suggests policymakers are increasingly focused on inflation risks rather than labour market concerns.

FED CHAIR WARSH PRESS CONFERENCE (WED): Warsh's first press conference largely echoed the hawkish statement given his strong emphasis on returning inflation to the target. When asked about employment, he said the committee thought the labour market was stable, but some thought it was trending better than that, adding that trends matter more than data points. He was also asked about how restrictive he views policy, in which he gave a hawkish response; said it is "uneven", noting the only place you could see it as restrictive is in the housing market. Warsh also confirmed it was him who did not submit a dot plot forecast, as he does not see it as helpful on how to conduct policy. Regarding the hawkish shift in his colleagues' dot plots, he said they did not feel bound by their dots, and he did not hear a lot of conviction about them. On SEPs, Warsh added that the FOMC made a commitment to deliver projections and expects them to live up to that, but by the end of the year, would not be surprised if there is a new communications framework and changes to SEPs. When asked about whether a rate cut was discussed, said there was one proposal on the table, very little discussion on it, no discussion on any other proposals - he didn't specify the direction of the

proposal. The new Fed Chair also announced he will put five task forces together to review certain topics: 1) Communication: Expects to propose changes, including to SEPs. 2) Balance sheet: Review the benefits and risks of an ample reserve regime, and the composition of the balance sheet. 3) Use of data sources: Consider new data sources and methodological changes. 4) Productivity and Jobs: Will survey the reach of AI and other general-purpose tech. 5) Fed's inflation frameworks: Will examine drivers of inflation.

RIKSBANK POLICY ANNOUNCEMENT (WED): Riksbank kept rates on hold at 1.75%, as expected. Accompanying commentary was hawkish, noting that the probability of a rate hike in 2026 had increased relative to the March assessment. In the MPR, the policy rate forecast was raised slightly across the horizon, while the CPIF forecast was lowered for 2026 and raised for both 2027 and 2028. Despite the overall hawkish tone of the commentary and projections, the SEK weakened on a net basis after the announcement. This may have reflected the fact that the updated projections did not account for the latest US-Iran developments and the related decline in oil prices, as the cut-off date was 11th June. Following the announcement, SEB and Nordea maintained their view that the bank would remain on hold for the rest of the year.

BCB POLICY ANNOUNCEMENT (WED): Cut the Selic rate by 25bps to 14.25%, as expected, in a unanimous decision. Copom noted that the degree of restriction accumulated by monetary policy allows different trajectories of the policy rate consistent with inflation convergence to the target. Regarding the domestic scenario, added that the set of indicators shows economic activity acceleration during Q1 (prev. a trajectory of moderation on economic growth), and maintained the language that the labour market still shows signals of resilience. Also added that headline inflation and measures of underlying inflation accelerated, moving further away from the inflation target, surpassing the upper limit in the latest figure. Copom reiterated that risks to inflation, both to the upside and to the downside, remain higher than usual. As such, in the current scenario, marked by heightened uncertainty, the Committee reaffirmed serenity and cautiousness in the conduct of monetary policy. Looking at the inflation expectations for 2026 and 2027, they remained above the inflation target at 5.3% and 4.1%, respectively. Copom's inflation projections for Q4 '27, currently the relevant horizon for monetary policy, stand at 3.7% (prev. 3.5%). Ahead, Pantheon Macroeconomics continue to expect further cuts, but the path ahead is likely to be gradual. A further 25bps reduction remains possible at the August meeting, though it is no longer assured and will require evidence that inflation expectations are stabilising and that recent inflation pressures are not broadening. Overall, Pantheon continue to look for additional easing in September and Q4, with 13.50% still their central scenario.

UK INFLATION (WED): May's inflation report was cooler-than-expected on both a headline and core level. However, the as-expected/slightly hotter (depending on the consensus provider) services figure will remain a point of concern for policymakers. The breakdown showed the primary inflationary drivers came from transport, with airfares and petrol prices lifting inflation. Points that should begin to ease in the months ahead if the US-Iran deal holds and the pullback in energy prices sticks.

US RETAIL SALES (WED): US retail sales rose 0.9% M/M in May (exp. 0.5%, prev. 0.4% revised from 0.5%), exceeding the top end of the forecast range and pointing to resilient consumer demand. The details were also firm, with retail sales ex-autos rising 0.8% M/M (exp. 0.5%, prev. 0.7%), retail sales ex-autos and gas increasing 0.5% M/M (prev. 0.5%), and the closely watched control group advancing 0.7% M/M (exp. 0.4%, prev. 0.5%), matching the top end of forecasts. The broad-based gain was led by gasoline stations (+3.4%), nonstore retailers (+1.5%), motor vehicle and parts dealers (+1.2%), and miscellaneous retailers (+2.3%), while food services and drinking places (-0.1%) and electronics and appliance stores (-0.5%) declined. On an annual basis, headline retail sales rose 6.9% Y/Y, with nonstore retailers up 12.2% Y/Y and gasoline stations up 26.5% Y/Y. Oxford Economics notes that the stronger-than-expected report is consistent with real consumer spending growth running just above 2% annualised in Q2, above its baseline forecast. While Oxford believes tax refunds continued to support spending in May and higher gasoline prices could weigh on consumption in the coming months, it argues that the US consumer remains resilient.

UK BY-ELECTION IN MAKERFIELD (THU): A convincing win for Labour's Andy Burnham in the Makerfield by-election. Burnham secured a majority of around 9.2k votes, markedly clear of the 5.4k majority Labour had in the seat in the 2024 General Election. Additionally, the tally eclipsed the combined votes for Reform and Restore. Results can arguably be seen as evidence of a public mandate for Burnham to become PM, with the strength of his victory potentially enough to persuade some of the undecided Labour MPs that Burnham can improve the electorate's perception of the Labour Party. Burnham is now firmly on course to become PM. The process for that largely depends on incumbent PM Starmer. Starmer may, given the strength of Burnham's victory and in the context of public and internal Labour perception of himself, concede that he would not win a leadership contest and such he may agree to progress an orderly transition of power to Burnham; an update on this is unlikely until next week, Sky's Coates reported. However, in recent days and weeks Starmer has stuck to the line that he would fight any leadership challenge. Furthermore, the likes of Streeter could call a leadership contest against Starmer in the interim. Irrespective of how it occurs, the direction of travel is firmly toward Burnham becoming PM. Burnham is left of Starmer on the political spectrum and his premiership would add 7-14bps of additional political premia to the UK 10yr yield, according to Pantheon Macroeconomics; on that, we remain attentive to his Chancellor selection, reports suggest Ed Miliband is the frontrunner. An appointment that could enhance the soft-left assessment of and reaction to a Burnham government.

BOE POLICY ANNOUNCEMENT (THU): Held the Bank Rate at 3.75% in a 7-2 decision. Chief Economist Pill once again dissented, citing familiar arguments, and was joined by Greene who argued that a more proactive hike now should help to anchor inflation expectations, and insure against the possibility of larger second-round effects. Mann voted with the majority, but her statement implied that the only reason she didn't dissent was out of concern of rapid policy transmission. On the other hand, Bailey expressed greater confidence that gradual underlying disinflation was occurring and acknowledged "some" further labour market softening & signs of "demand weakness". Further known-dove Taylor wrote, "If the conflict resolution holds, and risks diminish, lower rates could be preferred", a remark that potentially opens the door to three-way splits ahead. Overall, the announcement keeps the on-hold for the foreseeable future narrative in play for the BoE. Albeit, risks at this stage are skewed to tightening depending on how the upside risks to energy, and by extension inflation, evolve and factor into policymakers balancing act against signs of economic weakness.

SNB POLICY ANNOUNCEMENT (THU): SNB kept rates on hold at 0.00%, as expected. The accompanying statement suggested that monetary policy was appropriate to keep inflation within the range consistent with price stability. It also reiterated that medium-term inflationary pressure was virtually unchanged from the previous month. On inflation, the bank raised its forecast for the remaining three quarters of the year. Following the announcement, the CHF came under mild pressure, with focus on the unchanged medium-term inflation view and only incremental increases to the inflation forecast. The commentary around energy prices and raw

materials also potentially suggests the new forecasts do not account for the sharp moderation in Brent over the past week. That moderation could arguably see concerns return over the medium term about inflation being too low in Switzerland, a factor that may also be behind the modest CHF weakness. As for intervention, the SNB reiterated that it "has an increased willingness to intervene in the foreign exchange market".

NORGES BANK POLICY ANNOUNCEMENT (THU): The Norges Bank left rates unchanged at 4.25%, as expected. The Bank guided that "it will likely be necessary to raise the policy rate further at one of the forthcoming monetary policy meetings". Governor Bache said in the release that policymakers expect "a somewhat tighter monetary policy stance will be needed to bring inflation down to target within a reasonable time horizon". SEB noted of similar language at the March meeting, which preceded the rate hike in May. The Bank shifted its MPR in a hawkish direction, now expecting the policy rate to peak at 4.55% by September, up from a previous guide of 4.35%. This fully prices in a 25bps hike in the third quarter, with roughly equal odds for August or September, and implies about a 20% probability of a further move between Q4 2026 and Q1 2027. Core inflation remains a concern for policymakers, who said "inflation is too high and the rapid rise in business costs in recent years will contribute to keeping inflation elevated ahead". Overall, the meeting was as expected, with a near-term rate hike anticipated. Analysts at SEB forecast a hike in September, but flagged the possibility of an August move if the data come in line with Norges Bank's expectations. By contrast, Nordea and ING expect the bank to deliver its next rate hike in August.

UK JOBS REPORT (THU): April's series was modestly better than expected on a headline level, with the unemployment rate dipping from 5% to 4.9%. However, the breakdown shows continued softening in places and stability in others. Particularly, vacancies continue to fall, the total payroll number also fell and the level of new recruitment hit a five year low. Wages were sticky, remaining at the prior level and defining consensus for a pullback at both a headline and ex-bonus level. However, some of this is due to elevated bonus payments and base effects on the public sector data. Overall, the data does not change the narrative from the BoE and was neatly surmised by Governor Bailey's statement in the June policy announcement, "Labour market data show some further softening...".

JAPANESE CPI (FRI): A broadly in-line May inflation report out of Japan, with the headline printing at 1.5% (exp. 1.5%), and ticking a little higher from the prior; the core metric remained steady at 1.4%. The headline M/M figure edged higher to 0.4% (prev. 0.1%), but in-line with ING's own forecast. Ultimately, a steady report, largely thanks to government subsidies, which have kept energy costs down for a few months now. From a monetary policy perspective, nothing in the report will push policymakers away from the gradual course that the Bank is on, with board members generally expecting a re-acceleration of inflation in the coming months. As it stands, money markets fully assign a 25bps hike by October.

UK RETAIL SALES (FRI): A strong May report and a convincing rebound from the pressure seen in April. The breakdown shows the strength came from favourable weather, promotions and the continued impact of tech-related product launches earlier in the year. The series will be welcome and potentially offsets some of the concern around signs of "demand weakness" highlighted by BoE Governor Bailey alongside the June policy announcement. We now look to see if activity continues to improve in the months ahead, as the energy pullback seen in recent sessions filters through to the economy.

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