

## Highlights include: FOMC Minutes, US ISM Services PMI, RBNZ, OPEC+, ECB Minutes and Chinese Inflation

- **MON:** BoC Business Outlook Survey (Jul), German Factory Orders (May), Swiss Unemployment Rate (Jun), EZ Construction PMI (Jun), Retail Sales (May), PPI (May), US Composite/Services PMI Finals (Jun), ISM Services PMI (Jun)
- **TUE:** EIA STEO (Jul), Japanese Household Spending (May), German Industrial Production (May), French Balance of Trade (May), USADP Weekly Employment Change, Balance of Trade, RCM/TIPP Economic Optimism (Jul), Canadian Balance of Trade (May)
- **WED:** Fed Minutes (Jun), RBNZ Policy Announcement (Jul), Swedish CPI (Jun), GDP (May), NBP Policy Announcement (Jul), US Wholesale Inventories (May)
- **THU:** ECB Minutes (Jun), Banxico Minutes (Jun), Chinese Inflation (Jun), German Balance of Trade (May), Mexican Inflation (Jun), US Jobless Claims, Existing Home Sales (Jun)
- **FRI:** IEA OMR (Jul), Eurogroup Economic and Financial Affairs Council, Japanese PPI (Jun), German/French HICP Final (Jun), Norwegian CPI (Jun), Italian Industrial Production (May), Canadian Jobs Report (Jun)

## WEEK AHEAD

**OPEC+ (SUN):** OPEC+ will meet on Sunday to discuss production policy, and according to sources cited by Reuters, it is widely expected to approve a further hike in oil output for August, increasing supply by around 188K BPD (which would match the level of hikes seen in June and July). Ahead of the meeting, crude prices have returned to pre-war levels after the US-Iran MOU to end the war, alongside a gradual reopening of the Strait of Hormuz; crude is also being pressured by weaker Chinese imports and rising exports from non-Middle East nations. There will be focus on politics within the group, with tensions lingering amid recent reports that Iraq was considering quitting OPEC, and wants to increase its own oil production, which has been restricted by participation in the group; Iraq is expected to continue pushing the group for a reassessment of quotas at the meeting. Ahead, analysts are expecting a phased rollback of the 2023 supply cuts, and at the current pace, the group is on track to fully unwind the cuts by the end of September; following the UAE's exit in April, the remaining seven core producers have around 379K BPD left to return to the market.

**US ISM SERVICES PMI (MON):** As a proxy, S&P Global's June flash services PMI business activity index rose to a four-month high of 51.3 (prev. 50.7). While marking the largest increase since February, partly buoyed by the FIFA World Cup, the sector reported only modest growth in output and new orders. S&P noted an ongoing economic bifurcation, with sluggish services growth contrasting with solid manufacturing expansion. Service providers frequently cited elevated prices, high interest rates, and low confidence among business and consumer customers, while services export demand continued to fall. The data also showed price pressures accelerated in the month; services input cost inflation ticked up to a six-month high, while selling price inflation hit an 11-month high. On the labour market, headcounts suffered a modest decline as companies targeted cost reduction amid high input prices. Ahead, S&P notes that year-ahead business expectations improved to their most optimistic since February, though still remain below long-run averages amid uncertainty over the economic outlook driven by concerns relating to the ongoing impact of the war in the Middle East and government policies such as tariffs.

**FED MINUTES (WED):** Kevin Warsh's debut as Fed Chair delivered a hawkish shift; while rates were held at 3.50-3.75%, as expected, the statement was overhauled, stripping out all forward guidance and reaffirming a strict commitment to price stability. The Fed said that inflation remains elevated, with language updated to cite supply shocks in specific sectors like energy. Driven by strong payrolls, the labour assessment was upgraded to note job gains keeping pace with the workforce. Growth remains solid despite Middle East uncertainty, supported by strong productivity and capital investment. The updated SEPs saw inflation forecasts revised higher, GDP growth views trimmed for this year, though its unemployment view was lowered too. Warsh did not submit any of his own forecasts. Meanwhile, the dot plot shifted hawkishly: the 2026 median is now 3.8% (prev. 3.4%), implying a 25bps hike vs March's view for a cut; the 2027 dot was raised to 3.6% (prev. 3.1%), 2028 to 3.4% (prev. 3.1%); nine participants now forecast hikes (one seeing three, five seeing two, three seeing one) vs zero in the March projections; eight now expect a hold (prev. seven), while only one projects a cut (prev. seven). Analysts said the meeting, press conference and forecasts reinforced the view that officials are prioritising inflation risks over labour market concerns. Since the meeting, Warsh made an appearance at the ECB's Sintra forum, where he reiterated his distaste for forward guidance, and emphasised that interest rates were the primary policy tool. Accordingly he gave no indications of how the Fed may set policy in July. He reiterated the Fed's price stability commitment, noting inflation expectations have eased during his first four weeks, but was clear that above-2% inflation remains unacceptable. On the balance sheet, he again offered no guidance on how far he intends to shrink the Fed's holdings, instead reiterating his preference for a smaller size, and noting that Committees will be appointed to assess the situation, and the FOMC will discuss those findings. Elsewhere, this week we have also seen a weak June jobs report from the US, which resulted in the market paring back hawkish bets on the Fed's future rate trajectory; swap markets now see a sub-20% chance of a July rate hike, down from over 30% earlier in the week, according to CME data.

**RBNZ POLICY ANNOUNCEMENT (WED):** Markets assign an 80% chance of a 25bps hike at the July meeting, lifting the OCR to 2.50% from 2.25%, in line with ANZ analysts. However, Westpac expects rates to remain unchanged while maintaining its tightening

bias. Inflation has been rising since Q3 2024, yet the RBNZ has not raised the OCR. Instead, the Bank has cut rates during that period. Q1 inflation held steady at 3.1%, above the expected 2.9%. However, the data were released before the May policy meeting, meaning no new hard inflation data have been published since then, leaving the Bank to rely on softer data to guide its decision. At the last meeting, the decision to keep rates unchanged was split 3-3, with Governor Breman casting the deciding vote. In the post-policy press conference, the governor gave hawkish guidance, saying rate hikes were likely at upcoming meetings and would depend on the data. In addition, the Bank's own OCR projections place the rate at 2.51% in September, pointing to a hike in either July or September. However, Westpac said substantially more data would be available between the July and September meetings, adding that the hawkish MPC members would want to assess that data following the sharp fall in energy prices. Overall, markets expect a 25bps hike by the RBNZ, although there are reasons for the Bank to remain on hold. The focus will be on the Bank's assessment following the US-Iran MoU and any forward guidance.

**SWEDISH CPIF (WED):** June's CPIF is expected to cool from the prior, given the recent fall in energy prices following the signing of the US-Iran MoU. Nordea expects CPIF Y/Y to print at 1.3% (prev. 1.5%), which would be in-line with the Riksbank's own view; core CPIF Y/Y is seen at 0.4% (prev. 0.5%), but above the Riksbank view of 0.2%. This follows a slightly hotter-than-expected inflation report in May, which prompted policymakers to keep rates unchanged at the last meeting. Within that, the Riksbank said the "probability of a hike in 2026 has increased relative to the March assessment". However, the accompanying forecasts did not account for the signing of the MoU. Overall, Nordea expects the Riksbank to remain on hold for the rest of the year, while highlighting risks linked to a weaker SEK.

**ECB MINUTES (THU):** In June, the ECB was largely as expected, delivering a 25bps hike and taking the Deposit Facility rate to 2.25%. With the statement, forecasts and commentary from President Lagarde keeping the door open to further tightening, but not committing the ECB to anything at this stage. The decision itself saw a very slight hawkish reaction, given the hike and upgrades to the HICP forecasts, while growth was only revised marginally lower. Thereafter, the press conference from Lagarde saw a modest dovish reaction as she outlined confidence that they are not currently seeing second round effects. Since, the energy price pullback following the MoU signing and commentary from Lagarde herself has seen near-term expectations moderate, taking a back-to-back July move off the table and instead placing the focus firmly on September. From the minutes, we look for any insight into how the committee viewed the July vs September argument at the time; however, the MoU signing and associated market action mean the minutes are more stale than typical.

**CHINESE INFLATION (THU):** June inflation is expected to be released. As a reminder, the previous figures for May were mixed as CPI held steady but slightly missed expectations at 1.2% vs. Exp. 1.3% (Prev. 1.2%), and PPI accelerated to 3.9% vs. Exp. 3.8% (Prev. 2.8%), which was the fastest pace of increase since July 2022. Consumer inflation was contained as the impact of earlier energy price rises faded, with NBS statistician Dong Lijuan noting that price moves were "mainly due to changes in energy and service prices". Dong cited firmer domestic industry demand, commodity price pass-through and higher prices in computing-related sectors amid electrification, wider AI adoption and increased demand for computing power for the rise in factory gate prices.

**NORWEGIAN CPI (FRI):** The June inflation report will be vital in shaping views before Norges Bank's next meeting in August. The May series showed a mild upward surprise in CPI-ATE, though not enough for policymakers to deliver a rate hike at the last meeting. The previous report, coupled with another set of strong inflation metrics, could prompt policymakers to consider a hike at the next meeting. Risks to the inflation outlook are two-sided. Energy prices are well off recent highs following the signing of the US-Iran MoU, but this could be offset by pressure in the NOK, which raises the risk of imported inflation. After the last meeting, SEB analysts 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.

**CANADIAN JOBS (FRI):** The June report will be watched to see if volatility continues within the labour market since late 2025, with last month's reading seeing +88k growth following 112k losses from January to April. BoC Minutes showed that members agreed that the economy was weak; it was still operating in excess supply, and there was slack in the labour market. But the economy was not clearly in recession. Despite the retreat in oil prices amid the signing of the US-Iran MoU and reopening of the Strait of Hormuz, money markets continue to fully price a 25bps hike by year-end, with inflation still above target. A softer-than-expected jobs reading, led by a reversal in full-time employment, may result in hawkish expectations being dialled back to place greater significance on the labour market, albeit with current policy at the low end of the neutral range estimate (2.25-3.25%); that shift may prove limited.

# WEEK IN REVIEW

**RBA MINUTES (TUE):** Minutes from the June meeting continued to affirm a hawkish stance as it stated that policy needed to remain restrictive and the RBA will do what is needed to achieve price stability, including raising rates if necessary. The Board saw merit in using the room created by earlier hikes to assess how the economy was faring and noted that leaving rates unchanged would best balance inflation and jobs objectives. Furthermore, it said the economy was operating with excess demand and broad-based price pressure, as well as stated that the Middle East conflict still posed material upside risks to inflation and downside risks to activity. Economists viewed the minutes as hawkish as the central bank also acknowledged that inflation remained materially above the board's target. Members noted that the staff's May forecasts envisaged that it would be a further two years before inflation returned sustainably to target, although Commonwealth Bank said there was little indication another rate hike was imminent and it expects the RBA to remain on hold through the rest of 2026, but cannot rule out another increase later this year. Elsewhere, NAB viewed the minutes as a sign that the cash rate may have peaked, despite the RBA's further hawkish tone.

**JAPANESE TANKAN INDEX (WED):** The Bank of Japan's Q2 Tankan survey exceeded expectations across most key measures, with large manufacturers' sentiment rising to 22 (exp. 16, prev. 17), marking a fifth consecutive quarterly improvement and the strongest reading since 2018. The large manufacturing outlook rose to 17 (exp. 13, prev. 14), the large non-manufacturing index increased to 37 (exp. 35, prev. 36), while the non-manufacturing outlook eased to 28 (exp. 30, prev. 29). Large all-industry capital expenditure plans climbed to 11.5% (exp. 11.0%, prev. 3.3%), highlighting robust investment intentions. The stronger-than-expected results defied expectations for a deterioration, as markets had anticipated a greater hit from the Iran conflict, while a BoJ official noted that most survey responses were submitted before the June 15th US-Iran peace agreement, meaning its impact is largely absent from the data, which suggests scope for a further improvement in sentiment. Overall, the data does support the case for the BoJ to continue gradually normalising monetary policy.

**EZ FLASH CPI (WED):** The available contributing nations to the EZ figure had a dovish skew, a bias that was reflected in the Flash HICP print where Y/Y came in at 2.8% (exp. 3.0%, prev. 3.2%), the core components saw a welcome but surprising moderation from the prior. Overall, the series underscores the view that the ECB will not conduct a back-to-back hike and will maintain rates in June. Instead, the focus remains firmly on September. On which, the June PMIs showed a "near-unprecedented" cooling of cost pressures. If this is also seen in upcoming survey data and reflected in the hard data due before September, then the ECB's macroeconomic projections may well reflect that for 2026 and more pertinently 2027 around inflation, and thus further reduce the odds of tightening ahead. Albeit, significant uncertainty remains and inflation remains well above the 2.0% target level, and as such further action cannot be ruled out.

**US ISM MANUFACTURING PMI (THU):** The Headline Manufacturing PMI fell to 53.3 from 54.0, below the 53.8 consensus. New Orders fell to 56.0 from 56.8, the production index fell to 52.2 from 54.3, and the backlog of orders also dropped to 50.5 from 52.2. Although all metrics remain above 50, it indicates growth in the latest month, but not as fast as what was seen in May. Pantheon Macroeconomics explains that the rush of activity aimed at getting ahead of supply-chain disruptions linked to the Middle East showed signs of fading in June. The desk also highlights that the drop in the headline was led by the drop in supplier delivery times to 57.4 from 60.6, and partly reflects supply side improvements rather than weaker demand alone. Meanwhile, the pricing and labour metrics were encouraging, with the Prices Index dropping to 73 from 82.1. Meanwhile, employment rose to 49.7 from 48.6, albeit still below the 50 level. Pantheon writes that the big picture is that the manufacturing sector still seems to be in relatively good health.

**SWISS CPI (THU):** CPI in June came in at 0.0% M/M, cooler than the expected 0.1% and falling from the 0.2% prior. The Y/Y was 0.5% as expected and moderating from the 0.6% prior. As has been the case, the data continues to show that Switzerland is at a headline level not feeling the impact of the Middle East conflict too significantly, with the headline pressured on a monthly basis by the energy & fuels component printing at -1.6% M/M, which, alongside transport and household energy, contributed the most to the monthly rate falling to 0.0%. The annual figure at 0.5% leaves the Q2 average at around 0.57%, near-enough in-line with the SNB's 0.6% view. June's inflation does not change the narrative for the SNB, with a hike not merited given inflation remains well within the bottom half of the 0-2% target band. Equally, there are enough inflationary pressures and prices are close enough to the conditional forecasts that a return to negative territory from the current ZLB is unlikely.

**US NFP:** The June employment report was softer than expected, with nonfarm payrolls rising by 57k, below the 110k consensus and down from the prior 172k, although May was revised lower to 129k. April was also revised down by 31k to 148k, leaving the two-month net revision at -74k, a notable deterioration from the +93k net upward revisions seen in the previous report.

Going into the release, many analysts had expected the FIFA World Cup to continue supporting employment, with some desks estimating a boost of around 40k jobs. Instead, leisure and hospitality employment fell by 61k in June, reflecting weaker-than-usual seasonal hiring and largely reversing May's unusually strong 70k increase. Pantheon Macroeconomics argues the weakness is likely temporary, attributing it to the unwind of an unusually generous seasonal adjustment that boosted May payrolls. Outside of leisure and hospitality, employment continued to trend higher in professional and business services, social assistance, and health care.

Private payrolls increased by just 49k, below the 115k consensus and down from 120k previously, while government payrolls rose by 8k after increasing 52k in May.

Elsewhere in the report, the unemployment rate declined to 4.2% from 4.3%, although the improvement was largely driven by a fall in the labour force participation rate to 61.5% from 61.8%, suggesting the lower unemployment rate overstated the underlying strength of the labour market. Wage growth was in line with expectations, with average hourly earnings rising 0.3% M/M and 3.5% Y/Y.

Despite the softer headline, payroll growth remains within the St. Louis Fed's estimated breakeven range of 15k-87k jobs per month, while Governor Waller suggested in April that employment growth around zero could be the labour market breakeven. As such, one softer report is unlikely to materially alter the Fed's policy outlook, particularly given inflation remains above target.

Pantheon Macroeconomics described the report as a "reality check", arguing that business surveys continue to point towards a weaker payroll trend in the second half of the year. The desk highlighted the sharp decline in hiring intentions within the NFIB survey,

softer regional Fed surveys and continued weakness in the Indeed and LinkUp measures of job openings. Pantheon expects initial payroll estimates to average around 75k per month in H2 2026, which it believes could ultimately prove consistent with near-zero employment growth after revisions. The BLS's preliminary annual benchmark revisions are due on August 28th, 2026.

From a policy perspective, one softer payroll report is unlikely to significantly reduce expectations for further Fed tightening. However, should this evolve into a broader trend of weaker employment growth, it would make additional rate hikes increasingly difficult to justify. With Chair Warsh having emphasised inflation over employment since taking office, markets will now be watching closely to see whether future Fed communication begins to place greater weight on signs of labour market cooling.

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