

Key events this week; US PCE Inflation, Fed Chair Powell testimony, US goods trade balance (prelim), and S&P prelim PMIs Jun

Recap from last week: Central Banks Navigate Trade Uncertainty

Amidst persistent tariff and trade uncertainties, major central banks—including the Fed, BoJ, and the BoE—maintained their cautious "wait and see" approaches last week. The global economic outlook continues to be overshadowed by trade tensions and now, elevated, and potentially, escalating geopolitical risks following the US strikes on Iranian nuclear facilities over the weekend.

Last week, the FOMC kept rates on hold, noting that, with the US economy remaining 'solid', policy remained well positioned to respond in a timely way to economic developments. The decision reflected some easing in tariff-related uncertainty compared to the prior two meetings, with Powell noting that tariff uncertainty peaked in April. There is still a high degree of uncertainty over the "final" version of tariffs and how they might flow through the supply chain into prices and activity; however, Powell noted that "we're going to learn a great deal more over the summer on tariffs". The latest projections showed members revised core PCE inflation higher and growth slower through the end of 2025. The path of rate cuts has become split between members projecting no rate cuts through the end of the year, and members projecting at least two rate cuts through the end of the year. In his press conference, Chair Powell highlighted that one of the Fed's jobs was to "make sure that a one-time increase in inflation doesn't turn into an inflation problem". In contrast, Fed Gov. Waller reiterated his case to "look through" tariff-led inflation, expecting it to be a mostly one-off effect (source: [CNBC interview 20 June](#)). Gov. Waller advocated to restart rate cuts as early as the July meeting given the recent run of more favorable inflation reports allowing for his "good news" rate cuts – but he also highlighted that these cuts would likely need to take a slow, steady path.

The Fed's decision continues to highlight the importance of tracking inflation impacts, the labor market, and activity. The trajectory of growth through this initial tariff & trade shock has been mostly resilient – with distortions creating uncertainty over the near-term path of growth. Other policy items, including immigration, fiscal, and geopolitical events, are now coming into the frame, adding a further layer of uncertainty over the growth and inflation outlook.

US data last week was mostly weaker than expected and growth expectations for Q2 edged lower. The latest [Atlanta Fed GDP nowcast](#) showed growth slowing from +3.7% at the start of the week to +3.4% by the end of the week. The main contributor to the slowdown was the larger-than-expected fall in nominal retail sales in May, driven by the notable fall in motor vehicle sales, as well as the fall in gasoline prices affecting nominal sales growth. The fall in housing starts also contributed to the slower growth run rate for Q2 – as residential investment spending continues to contract slightly through Q2. Manufacturing output was little changed after falling in Apr. Excluding the +5% increase in motor vehicle output, manufacturing output fell by -0.3% in the month. The latest initial claims fell slightly to 245k while the focus remains on continuing claims near this cycle high of 1.945m.

The BoJ kept its policy settings on hold, continuing to cite uncertainty over the outcomes of trade negotiations on output and prices. For now, there has been no trade deal negotiated between the

US and Japan. The BoJ did announce it was slowing the pace of cuts to its Bond buying program, starting next April, as it maintained its overall policy normalization bias.

“We made our decision to ensure we’re not cutting purchases too fast in a way that would cause a negative impact on the economy through abnormal volatility in yields,”
Ueda said at a press briefing after the decision. (Source: [Bloomberg](#))

The latest Japanese inflation data will likely keep the BoJ on edge as food prices (ex-fresh food) continue to rise. The BoJ preferred measure of core CPI ex fresh food increased to +3.7% in May, as the monthly rate eased to +0.4%, but remained elevated. CPI excluding fresh food and energy increased to +3.3% over the year in May, as the monthly pace slowed to +0.3%. The BoJ will continue to monitor impacts from tariffs, as well as impacts on energy prices from geopolitical events.

The BoE kept its policy rate unchanged this month in a 6-3 majority vote. According to the decision, disinflationary progress had continued, but there was not a strong case for a further easing of monetary policy at this meeting. Inflation is expected to stay at around the +3.5% rate for the remainder of the year. Inflation had increased to +3.4% in May from +2.6% in Mar, in line with expectations and due mostly to the rise in regulated prices and energy prices in Apr. At the same time, UK GDP growth may have weakened at the start of Q2, and the labour market has continued to loosen. The latest retail sales (volume) result for May showed a notable fall of -2.7% over the month adding further to concerns of a growth slowdown. Guidance from the BoE continued to cite “heightened unpredictability in the economic environment”.

In contrast, the Swiss National Bank reduced its policy rate back down to zero; after previously signaling it was likely finished with easing. Market turmoil resulting from recent US policy shifts was seen as a catalyst for a strengthening Franc and falling prices;

Speaking to reporters in Zurich on Thursday, President Martin Schlegel said the SNB is attempting to counter “lower inflationary pressure” and stressed that the central bank “will continue to monitor the situation closely and adjust our monetary policy if necessary.” (Source: [Bloomberg](#))

Outlook for the week ahead; US PCE Inflation, Fed Chair Powell testimony, US goods trade balance (prelim), and S&P prelim PMIs Jun

As we look to the week ahead, expect a broad range of economic events, data, and persistent risks. Geopolitical concerns will likely remain elevated with the degree of escalation in the conflict unclear. The data calendar highlights include US inflation and growth, alongside early insights into broader activity momentum from the S&P prelim PMIs for Jun. Furthermore, central bank commentary and the looming July 9 reciprocal tariff deadline will also remain firmly on the radar.

Key factors & events to watch this week;

The Fed-preferred PCE inflation data for May will be released this week.

- Headline PCE inflation is expected to increase by +0.1% over the month, unchanged from +0.1% in Apr. Annual headline PCE inflation is expected to increase by +2.3% in May, up from 2.15% in Apr.
- Core PCE inflation is expected to increase by +0.1% in May, in line with +0.1% in Apr. The annual core PCE inflation rate is expected to increase from +2.5% in Apr to +2.6% in May.

US consumption and activity data will feature heavily this week. This includes the advance economic indicators showing how the trade balance in goods is evolving amid the tariff agenda and how it's likely to affect growth in Q2.

- US Personal spending growth is expected to be unchanged in May at +0.2% from +0.2% in Apr.
- US Personal income growth is also expected to slow in May to +0.2% from +0.8% in Apr.
- The latest prelim goods trade balance for May is expected to widen slightly to -\$91.9bn. The Apr goods trade balance narrowed notably to -\$87bn after sharp falls in imports. This resulted in a positive impact on Q2 growth – so the degree to which this trend continues will be important for Q2 growth.
- US Q1 GDP is expected to be confirmed at -0.2% (annualized).
- US durable goods orders are expected to increase by +0.1% in May after a -6% fall in Apr.
- US new home sales are expected to ease further to 0.692m (annualized) in May from 0.743m in Apr. Existing home sales are expected to remain weaker at 3.96m annualized in May, down from 4.0m in Apr.
- Both the Conference Board and Michigan consumer sentiment surveys for Jun will be released this week – both providing a view of changes in consumer expectations in the outlook.
- US initial claims are expected to be unchanged at 247k in the week ending 21 Jun 2025.

Central bank speeches and testimony will feature this week.

- US Fed Chair Powell will give two days of testimony this week – Semi-annual Monetary Policy Report to Congress. The main topics are likely to be questioning over the timing of rate cuts and inflation progress.
- Other Fed speeches this week include Fed Gov. Waller giving opening remarks at the International Journal of Central Banking Conference. The full calendar of speaking events can be found [here](#).
- BoE Governor Bailey will also provide testimony this week to the Lords Economic Affairs Committee.
- The EU leaders summit will take place this week on 26-27 Jun.

Canada CPI for May will be released this week. Firming inflation had been noted by the BoC as it held its policy settings unchanged at its last meeting. The fall in inflation in Apr was the result of a fall in energy prices from the removal of the consumer carbon price.

- Headline CPI is expected to rebound to +0.5% over the month, from -0.1% in Apr. Headline CPI is expected to increase from +1.7% in Apr.
- The BoC core measures of inflation are expected to stay elevated at +3.1% for the trimmed mean and +3.2% for the median rate.

S&P Prelim PMI's for Jun will be released at the start of the week. This will provide some insight into growth momentum in the final month of Q2 amid the onset of the new trade and tariff regime.

US Treasury Issuance; 23-27 Jun 2025

This week, the US Treasury will auction and/or settle approx. \$407bn in ST Bills and 2-year FRNs with a paydown of approx. \$31bn. The US Treasury will also auction the 2-year, 5-year, and 7-year Notes this week – and will settle on 30 Jun, together with the 20-year Bond and 5-year TIPs.

QT this week: Approx \$9.1bn of ST Bills will mature on the Fed balance sheet and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
23-27 Jun	18-Jun	24-Jun	4 week bill	65			Actual 4.060%	4.080%
	18-Jun	24-Jun	8 week bill	55			Actual 4.470%	4.380%
	18-Jun	24-Jun	17 Week Bill	60			Actual 4.235%	4.220%
				180	220	-40		
	23-Jun	26-Jun	13 week bill	76			Announced	4.240%
	23-Jun	26-Jun	26 week bill	68			Announced	4.155%
	24-Jun	26-Jun	6-week Bill	55			Announced	4.180%
				199	218	-19		
	25-Jun	27-Jun	2yr FRN	28			Announced	0.144% (disc margin)
				28	0	28		
			Total - securities settling this week	407	438	-31		
			Net New Cash Raised Qtr to Date	6588	6570	18		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			514		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		24-Jun	ST Bills	0.7				
		26-Jun	ST Bills	8.4				
				9.1				
			Maturing & redemption (balance sheet roll-off)					
			Nil					
				0.0				
			Upcoming Auctions	\$B				
	24-Jun	30-Jun	2yr Note	69				
	25-Jun	30-Jun	5yr Note	70				
	26-Jun	30-Jun	7yr Note	44				
				183				

Quantitative Tightening Overview – June 2025

The cap on US Treasury redemptions was lowered to \$5bn effective Apr 2025. In Jun, the face value of Coupons maturing on the Fed balance sheet is approx. \$28.9bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$28.9bn of Coupons maturing in Jun, \$5bn will roll off the Fed balance sheet (redeemed) and \$23.9bn will be reinvested. It also means that all ST Bills maturing in Jun will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - June				
			\$5	
			Redeem \$Bn	Reinvest \$ Bn
15-Jun-25	Notes & Bonds		0.4	2.1
30-Jun-25	Notes & Bonds		4.6	21.8
Jun	ST Bills		0.0	28.5
	Total Notes & Bonds		5.0	52.5

June 2025 ST Bill maturity schedule;

Bill Maturity Schedule - JUNE			Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2025/06/03	0.73	3%	0.00	0.73	
2025/06/05	4.43	16%	0.00	4.43	
2025/06/10	0.72	3%	0.00	0.72	
2025/06/12	8.07	28%	0.00	8.07	
2025/06/17	0.70	2%	0.00	0.70	
2025/06/20	4.74	17%	0.00	4.74	
2025/06/24	0.71	2%	0.00	0.71	
2025/06/26	8.44	30%	0.00	8.44	
	28.53	100%	0.00	28.53	

<https://www.newyorkfed.org/markets/treasury-rollover-faq>

Recommended US Treasury Financing Q2 2025 and Est Q3 2025

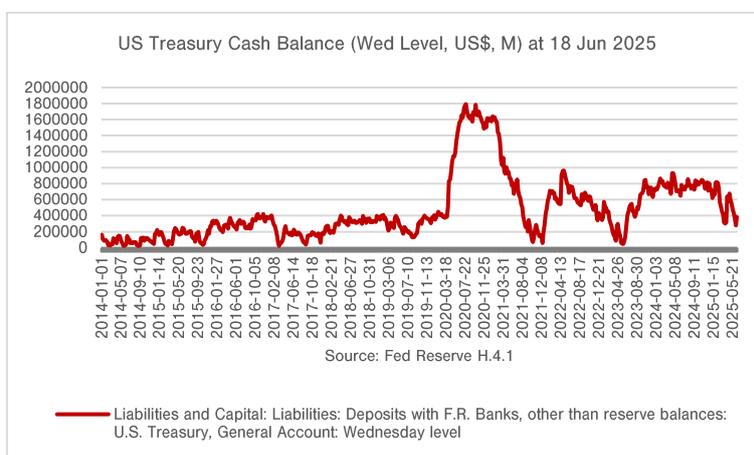
The latest update of the US Treasury borrowing requirements for Q2 and Q3 (estimate) can be found on the US Treasury website [here](#).

The Q2 net borrowing requirement was revised sharply higher from an estimated \$123bn to \$514bn. The increase of \$391bn was due to a lower end of Q1 cash balance (expecting \$850bn, actual \$406bn) and projected lower net cash flows. The estimated cash balance at the end of Q2 is expected to be \$850bn.

In Q3, the US Treasury is expected to borrow \$554bn in privately held net marketable debt, assuming an end-of-Q3 cash balance of \$850bn. The end-of-June and end-of-September cash balances assume the enactment of a debt limit suspension or increase.

US Treasury Cash Levels (TGA)

As of Wed 18 Jun 2025, the level of the TGA increased to \$384bn (+\$107bn compared to the week prior). The TGA balance is approx. \$398bn lower than the same week a year ago.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021>

QE Program

There are no Treasury or MBS purchase operations scheduled at this time. Links to historical operation schedules; - <https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details>

https://www.newyorkfed.org/markets/amb/operation_schedule

CALENDAR W/C 23 June 2025

MONDAY 23 JUNE (US Eastern Time, unless stated otherwise)

Europe	S&P Eurozone Manufacturing & Services PMI Prelim (Jun)
US	S&P Manufacturing & Services PMI Prelim (Jun), Existing Home Sales (May), Fed speeches; Waller, Bowman, Goolsbee, Kugler

TUESDAY 24 JUNE

Canada	CPI (May)
UK	BoE Gov, Bailey – testimony
US	Case-Shiller House Price Index (Apr), Conf Board Consumer Confidence (Jun), Richmond Fed Manufacturing Activity (Jun), Fed speeches; Williams, Collins, Barr Fed Chair Powell Testimony - day one
Australia	Monthly CPI series (May)

WEDNESDAY 25 JUNE

US	MBA Mortgage Applications wk ending 21 Jun, New Home Sales (May) Fed Chair Powell Testimony - day two
Europe	EU Leaders Summit

THURSDAY 26 JUNE

US	Initial Jobless Claims wk ending 21 Jun, Durable Goods Orders (May), Advance Economic Indicators - goods trade balance & wholesale inventories (May), GDP – Final Q1, Pending Home Sales (May), Kansas City Fed Manufacturing Index (Jun), Fed speeches: Barkin, Barr, Hammack
Japan	Tokyo CPI (Jun), Retail Trade (May)

FRIDAY 27 JUNE

Canada	Monthly GDP (May)
US	PCE Price Inflation (May), Personal Spending & Income (May), Michigan Consumer Sentiment – final (Jun), Fed speeches; Cook, Williams
