

Key events this week: US - CPI, PPI, Import Prices, & Retail Sales, Global CPI - Canada, Japan, Euro area, & the UK

Recap from last week: FOMC uncertainty over tariff impacts, while tariff threats reignited

The news on tariffs last week was mostly negative. The imposition of higher tariff rates was threatened across a range of trading partners, and several sector-specific tariff rates were floated. Another extension was granted on the implementation of reciprocal tariffs, providing a small window to negotiate leading up to the next deadline of 1 August. With tariff deadlines pushed out for another few weeks, uncertainty remains a significant factor.

Details on deals remain limited. It seems like only the UK framework has been signed off. There are even question marks over the framework agreed to with Vietnam (source: [Politico](#)). Further threats were made against Canada, Mexico, Europe, Brazil, as well as increasing the blanket tariff rate to 15-20% “on most” trading partners (Source: [Bloomberg](#)). Sector-specific tariffs were announced, which included a 50% tariff on copper and pharmaceuticals (which has a longer 1-2year lead time).

This latest episode underscores that uncertainty over the “final” form of tariffs is likely to stay elevated, which has implications for policymakers. Indeed, rather than a definitive 'final' version of tariffs, we may need to accept that tariff threats, uncertainty, and bargaining could be defining features of the current administration's trade policy. Nonetheless, a decision on the blanket tariff increase will be important. The reciprocal tariffs remaining at the lower level make it possible for exporters and importers to share the tariff burden to maintain market share, likely resulting in little consumer inflation impact. For example, data from the BoJ last week indicated that Japanese auto manufacturers have so far appeared to absorb the (albeit much higher) 25% auto tariff to maintain US market share (source: [Bloomberg](#)). More broadly, though, higher blanket tariff rates may make it unprofitable for exporters and importers to absorb. This may lead to larger inflation impacts and a greater demand shock for exporters if US consumers pull back from higher-priced items. This is something the Fed is watching: higher prices and a slower growth backdrop.

This was reflected in the latest FOMC minutes, which highlighted two major themes. The first concerned the impact of tariffs on inflation. Considerable discussion revolved around the persistent uncertainty over the timing, size, and duration of these tariff effects on inflation. This occurred against a backdrop where Fed commentary still acknowledged that the starting point for tariff impacts is from a base where inflation remains “somewhat elevated.” Generally, there was agreement that growth and the labor market were solid, while monetary policy was moderately or modestly restrictive. This left the committee “well-positioned” to wait for more clarity on the outlook for inflation and economic activity.

While all participants viewed it as appropriate to keep policy unchanged at this meeting, there was greater divergence over the outlook for monetary policy, and this was the second major theme of the minutes. Most participants favored some reduction in the target range for the federal funds rate (FFR) this year, noting that upward pressure on inflation from tariffs would be temporary or modest, or that there could be some weakening in economic activity or the labor market. A couple of participants (Waller and Bowman) favored a cut as early as July. Conversely, some participants saw the possibility of no rate cuts in H2 of 2025. These participants noted that recent inflation

readings had continued to exceed targets, that there was still some upside risk to inflation, or that they expected the economy to remain resilient; they also suggested the current target range for the FFR might not be far above its neutral level. Markets continue to price in two rate cuts this year (source: [CME FedWatch](#))

There were two central bank meetings last week – both still focused on their inflation dynamics. The RBA shocked markets by remaining on hold – markets were expecting a 25bp cut. The decision was a 6-3 split in favour of a hold, with 3 voting for a cut. The RBA Governor noted in her press conference that the decision was “about timing rather than direction”. The Board kept rates on hold at this meeting because, although the last two monthly inflation reports had shown good progress, some components suggest that the comprehensive quarterly report for Jun could come in higher than forecast. Furthermore, the key trimmed mean inflation rate had only just moved into the RBA’s target band, so with unemployment remaining low, the Board judged it had time to confirm inflation was on the path to reach the middle of the target range on a sustainable basis.

The RBNZ stayed on hold as expected. However, the easing bias was added back into the statement, noting that if inflation pressures continue to ease as projected, the Committee expects to lower the official cash rate further. The case for keeping the OCR on hold at this meeting highlighted the elevated level of uncertainty and the benefits of waiting until August in light of near-term inflation risks. Some members emphasized that waiting would allow the Committee to assess whether weakness in the domestic economy persists, and how inflation and inflation expectations evolve.

Outlook for the week ahead: US – CPI, PPI, Import Prices, & Retail Sales, Global CPI reports; Canada, Japan, Euro area, & the UK

The main focus of the week ahead will be on inflation, both in the US and in other key economies. US Fed Chair Powell recently noted that despite some benign monthly inflation readings, he expected that tariff-led inflation impacts may begin to appear in the data starting in June or July. Consequently, the US CPI, PPI, and Import Price Index reports for June, due out this week, will be crucial for beginning to identify tariff impacts and understanding changes in the inflation outlook.

There will also be a range of US data out this week, providing further insight into spending and housing activity at the end of Q2, providing an important update on the growth backdrop.

Tariff headline risk is likely to remain elevated. Also, US earnings results for Q2 will pick up this week.

Key factors & events to watch this week;

US CPI, PPI, and Import/Export price inflation data for June

- Headline CPI is expected to increase by +0.3% in Jun, up from +0.1% in May. The annual rate is expected to increase by +2.7% in Jun, up from +2.4% in May.
- Core CPI is also expected to increase by +0.3% in Jun, up from +0.1% in May. This could result in the annual rate increasing to +3.1% in Jun, up from +2.8% in May.
- Headline PPI is expected to increase by +0.3% in Jun, up from +0.1% in May.
- Core PPI is expected to increase by +0.2% in Jun, up from +0.1% in May.
- US import prices are expected to increase by +0.2% in Jun, up from 0% in May.

Key US spending and activity data for June

- US retail sales for Jun are expected to increase by +0.2% in Jun after falling by -0.9% in May. Slowing consumer spending has evolved as a key feature of the US growth backdrop recently, with a smaller contribution from consumer spending contributing to moderating growth so far in the Q2 GDP tracking.

- US industrial production is expected to increase by +0.1% in Jun, after falling by -0.2% in May.
- US housing data is expected to reflect ongoing subdued conditions in the housing market. New permits are expected to be little changed at 1.39m (annualized) in Jun versus 1.394m in May. Housing starts are expected to firm slightly to 1.29m (annualized) in Jun from 1.256m in May.
- US initial jobless claims have been edging lower recently, but are expected to increase by 234k last week, after slowing to 227k in the prior week. The trend of continuing claims will be important, as they remain elevated at 1.965m.

US Federal Reserve

- The latest Fed Beige Book will be released this week, providing a range of insights and anecdotes on business and household activity.
- There will be a range of Fed speeches this week. A notable speech will be Fed Governor Waller speaking on the Economic Outlook on Thursday. Governor Waller has been a proponent of restarting rate cuts in July, so this speech will be important as it will likely incorporate his assessment of the latest inflation data for Jun into his outlook.

Global inflation reports

- Canada headline CPI for Jun is expected to increase by +0.2% over the month, after increasing by +0.6% in May. The annual rate remained at +1.7% in May, with downward pressure from energy prices. The BoC preferred core measures of trimmed mean and median inflation are both expected to be unchanged at +3% over the year.
- UK inflation is expected to be little changed. Headline inflation is expected to remain at +3.4% in Jun versus +3.4% in May. Core CPI is expected to be unchanged at 3.5% over the year in Jun.
- The Euro area final CPI report for Jun is expected to confirm headline inflation at +2% and core inflation at +2.3%.
- The BoJ preferred measure of inflation is expected to ease to +3.3% over the year in Jun, from +3.7% in May.

China and Japan's trade data for Jun will be interesting for tracking any tariff-related impacts.

Finally, the Aussie labour market report for Jun is expected to show a rebound in employment growth this month. The unemployment rate is expected to be unchanged at 4.1%.

US Treasury Issuance; 14 - 18 Jul 2025

This week, the US Treasury will auction and/or settle approx. \$559bn in ST Bills, Notes, and Bonds raising approx. \$63bn in new money.

QT this week: Approx \$24bn of ST Bills, Notes, Bonds, and TIPS will mature on the Fed balance sheet and will be reinvested. Approx \$2.3bn in Notes, Bonds, and TIPS will mature on the Fed balance sheet and be redeemed.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
14 - 18 Jul	10-Jul	15-Jul	4 week bill	80			Actual 4.235%
	10-Jul	15-Jul	8 week bill	70			Actual 4.275%
	09-Jul	15-Jul	17-Week Bill	65			Actual 4.230%
				215	200	15	
	14-Jul	17-Jul	13 week bill	82			Announced
	14-Jul	17-Jul	26 week bill	73			Announced
	15-Jul	17-Jul	6-week Bill	70			Announced
				225	208	17	
	08-Jul	15-Jul	3yr Note	58			Actual 3.891%
	09-Jul	15-Jul	10yr Note	39			Actual 4.362%
	10-Jul	15-Jul	30yr Bond	22			Actual 4.889%
				119	87,567	31	
			Total - securities settling this week	559	496	63	
			Net New Cash Raised Qtr to Date	1472	1388	84	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			554	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		15-Jul	Notes, Bonds, and TIPS	14.1			
		16-Jul	ST Bills	0.7			
		18-Jul	ST Bills	9.2			
				24.0			
			Maturing & redemption (balance sheet roll-off)				
		15-Jul	Notes, Bonds, and TIPS	2.3			
				2.3			

Quantitative Tightening Overview – July 2025

The cap on US Treasury redemptions was lowered to \$5bn effective Apr 2025. In Jul, the face value of Coupons maturing on the Fed balance sheet is approx. \$36bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$36bn of Coupons maturing in Jul, \$5bn will roll off the Fed balance sheet (redeemed) and \$31bn will be reinvested. It also means that all ST Bills maturing in Jul will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - Jul				
			\$5	
			Redeem \$Bn	Reinvest \$ Bn
15-Jul-25	Notes, Bonds, and TIPS		2.3	14.1
31-Jul-25	Notes and Bonds		2.7	16.8
	ST Bills		0.0	64.0
	Total Notes & Bonds		5	95

July 2025 ST Bill maturity schedule;

Bill Maturity Schedule - Jul	Par Value of Bills Maturing	% Maturity by Wk	Weekly Totals \$Bn	
			Bill Redemption	Bill Reinvestment
2025/07/01	0.72	1%	0.00	0.72
2025/07/03	13.49	21%	0.00	13.49
2025/07/08	0.72	1%	0.00	0.72
2025/07/10	14.68	23%	0.00	14.68
2025/07/15	0.70	1%	0.00	0.70
2025/07/17	9.18	14%	0.00	9.18
2025/07/22	0.70	1%	0.00	0.70
2025/07/24	9.05	14%	0.00	9.05
2025/07/29	0.69	1%	0.00	0.69
2025/07/31	14.04	22%	0.00	14.04
	64.0	100%	0.0	64.0

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

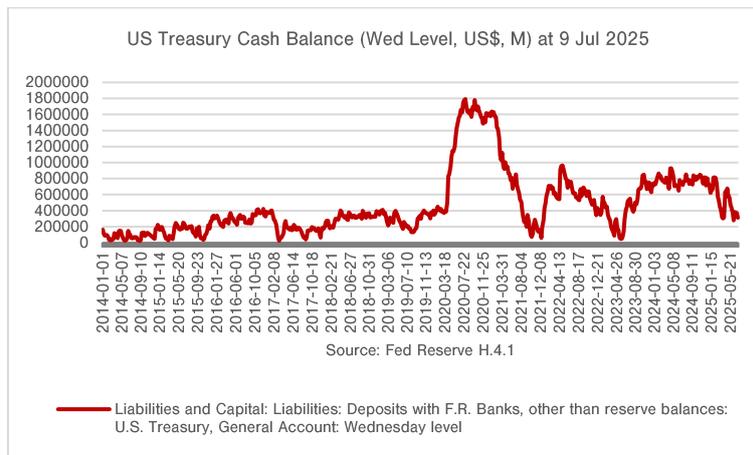
Recommended US Treasury Financing Q2 2025 and Est Q3 2025

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

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 9 Jul 2025, the level of the TGA decreased to \$311bn (-\$61bn compared to the week prior). The TGA balance is approx. \$411bn *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/ams_operation_schedule

CALENDAR W/C 14 July 2025

MONDAY 14 JULY (US Eastern Time, unless stated otherwise)

China	Trade Balance, Exports, & Imports (Jun) - Sun night tbc, House Price Index, Fixed Asset Investment, Industrial Production, New Loans, & Retail Sales (Jun), GDP Q2
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TUESDAY 15 JULY

Europe	Eurozone Industrial Production (May)
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Canada	CPI (Jun)
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US	CPI (Jun), NY Empire State Manufacturing Index (Jul), Fed speeches; Logan, Bowman, Barr, Barkin, Collins, OPEC monthly report
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WEDNESDAY 16 JULY

UK	CPI (Jun)
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US	MBA Mortgage Applications wk ending 12 Jul, PPI (Jun), Industrial Production (Jun), Fed Beige Book, Fed speeches; Barr, Williams, Hammack
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Japan	Merchandise Trade Balance, Exports, & Imports (Jun)
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Australia	Labour Market (Jun)
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THURSDAY 17 JULY

UK	Labour Market (3mth May)
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Europe	Euro area CPI – Final (Jun)
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US	Initial Jobless Claims wk ending 12 Jul, Export & Import Price Index (Jun), Philadelphia Fed Manufacturing Index (Jul), Retail Sales (Jun), Business Inventories (Jun), NAHB Housing Market Index (Jul), Fed speeches: Kugler (housing market), Cook (AI & innovation), Waller (Economic Outlook)
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Japan	National CPI (Jun)
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FRIDAY 18 JULY

US	Building Permits & Housing Starts (Jun) Michigan Consumer Sentiment – Prelim (Jul)
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