

Key events this week: S&P Prelim PMIs July, ECB monetary policy meeting, RBA Minutes

Recap from last week: Tariff echoes in inflation ahead of the FOMC

Last week's US inflation and growth data offered important insights ahead of the upcoming FOMC meeting. Data provided some early insights into how tariff effects may be rippling through inflation figures, who is bearing the burden of those tariffs, and the impact of tariff uncertainty on growth momentum. The focus around the Fed's policy settings has intensified, reflecting both external pressure for rate cuts and internal divisions within the Committee. Notably, Governor Waller's speech last week, delivered following the inflation data, reiterated his argument for a rate cut at the upcoming July meeting.

The key concern for many has revolved around the tariff impacts on inflation, especially at a time when US inflation is not yet back to the 2% target (according to the Fed). Tracking these effects will likely remain tricky, particularly given that the tariff rates and the trade deal landscape continue to shift. Furthermore, it remains unclear what the average pass-through rate will be. Nevertheless, US data released last week provided three distinct perspectives on the inflation impact so far of tariffs on the US domestic economy: the CPI, import prices, and the PPI.

Firstly, the US CPI increased as expected. The CPI, which includes services, imports, and sales taxes, saw headline inflation rise to +2.7% in Jun from +2.4% in May, with the monthly pace accelerating to +0.3% as expected. While tariffs likely played a role, other factors also contributed.

Measures of underlying inflation firmed. The core CPI increased to +2.9%, albeit lower than the expected +3%. Core goods prices have been firming over shorter annualized timeframes, showing an even stronger acceleration in the latest month, likely reflecting some early tariff impacts. Similarly, core services (excluding energy services) inflation increased over the month and accelerated slightly over the year. However, continued shelter price disinflation provided an offset to these increases.

Notably, both the trimmed mean and median CPI measures of underlying inflation accelerated in Jun on both an annual and monthly basis. This suggests that inflation increased within the core of the distribution, rather than due to larger outlier effects, highlighting a broadening effect of inflation among expenditure categories this month.

The second perspective of tariff impacts comes from a more upstream view, helping to answer whether exporters into the US are bearing or sharing the burden of tariffs. Since the import price index data excludes tariffs, exporters absorbing tariffs would show up as a fall in the import price index. While there may be cases where exporters are bearing, or sharing, some part of the tariff burden, on aggregate, the data shows little change in import prices.

Import prices excluding volatile fuel import prices increased by +0.1% in Jun, with the 3-month annualized rate lifting back up to +1.9%. The annual rate has hovered between +1.2% and +1.4% over the last four months. It's still quite early in the process, especially as further trade deals and tariff rates are negotiated or imposed.

The final perspective considers the tariff impacts on domestic producers via the PPI. While the CPI includes imports and sales taxes, the PPI excludes them. However, tariff effects could still be reflected in the PPI through pressures from rising input prices.

So far, pressure from rising input prices has not been broadly reflected in rising selling prices by domestic producers. The headline PPI annual rate slowed to +2.3% in Jun from +2.7% in May. The monthly PPI in Jun was flat at 0%, versus +0.3% in May. However, PPI goods prices have been firming year to date, with the annual rate rising to +1.7% and PPI goods excluding food and energy rising to +2.6% in Jun. This may align more with varying surveys pointing to more widespread increases in input prices. The PPI final demand services prices provided a broader offset in Jun, falling by -0.1% over the month, and slowing to +2.7% over the year in Jun from +3.5% in May.

For the moment, the picture of tariff impacts on inflation suggests; direct impacts via the CPI appear to have firmed in Jun; exporters (in aggregate) do not appear to be bearing the tariff burden; and goods producer prices have been firming, possibly due to tariffs, albeit remaining at a low level. Together, the CPI and PPI data suggest that the Fed-preferred PCE inflation measure firmed in Jun with headline likely increasing to +2.5% and core PCE rising to +2.7%.

While the inflation picture remains murky amid tariff uncertainty, recent activity data reflect that ongoing uncertainty via slower growth momentum. Despite a few bright spots in the data last week, the [Atlanta Fed GDP nowcast](#) for the Q2 growth run-rate slowed further to +2.4%. Although retail sales rebounded in Jun, a downward revision to the retail 'control group' in May resulted in a modest drag on growth from consumer spending. Housing starts firmed only slightly in Jun, while the four-month trend continues to slow. Importantly, the most recent initial claims fell, but continuing claims remained at elevated levels, indicating that "slow hiring, slow firing" persists. Industrial production increased after two months of stalled output growth.

The latest Fed Beige Book survey indicated that activity increased slightly from late May through early Jun, an improvement over the last report. According to the report, "uncertainty remained elevated, contributing to ongoing caution by businesses", especially related to hiring decisions. Tariff-led input pricing pressure remained 'modest to pronounced', especially in manufacturing and construction, while there were mixed reports on the degree of pass-through to customer prices. The report specifically highlighted that;

Contacts in a wide range of industries expected cost pressures to remain elevated in the coming months, increasing the likelihood that consumer prices will start to rise more rapidly by late summer. (Source: [Fed Beige Book – Jul 2025](#))

Against this backdrop of evolving impacts of tariffs on inflation and growth, the US Federal Reserve will meet on monetary policy on 30 July (next week). Recent comments from Fed officials highlight the varied perspectives on the path forward.

Last week, Governor Waller reiterated his case for a rate cut at the next meeting. This was based on the premise that, while the US economy is still growing, momentum has slowed significantly, and the risks to the FOMC's employment mandate have increased. He argued that, based on the current data, policy settings should be around neutral. He advocated for a risk management approach, suggesting a shift in the timing of the two rate cuts that the majority of the Committee projected back in Jun. A cut sooner, in July, he argued, would still keep policy restrictive, even if inflation comes in firmer later in the year. Furthermore, if the economy weakens from here, a July cut would ensure the FOMC doesn't fall behind the curve. For now, markets are pricing rate cuts in Sept and Dec (Source: [CME FedWatch](#)).

Outlook for the week ahead: Tariffs & trade negotiations, S&P Prelim PMIs July, ECB monetary policy meeting, RBA Minutes

It will be a mostly quiet data week.

The latest S&P prelim PMIs for Jul will be released this week, providing the first view of momentum going into Q3. On the central bank front, the ECB will meet this week, and US Fed speeches will be limited ahead of the FOMC meeting next week, though Fed Chair Powell will be giving 'opening

remarks' this week. Pressure has been mounting on the Fed Chair in recent weeks, and threats/posturing around his tenure may be a source of headline risk. Similarly, the latest 1 Aug tariff/trade deal deadline is approaching at the end of next week. The focus this week is likely to be on negotiations with Europe and Japan.

US earnings results remain in focus this week.

Key factors & events to watch this week;

US data will be limited this week, with the remaining housing data and durable goods orders for Jun to be released.

- Durable goods orders for Jun are expected to fall -10.3% after a +16.4% increase in May – this will feed into the almost final Atlanta Fed GDP nowcast for Q2 US growth.
- US existing home sales for Jun are expected to be unchanged at 4.0m (annualized), from 4.03m in May.
- New home sales are expected to increase by 0.65m in Jun, up slightly from 0.623m in May.

Central Banks

- The ECB will meet on monetary policy this week, and is expected to keep its policy rate unchanged at 2%.
- The RBA minutes of the latest meeting will be released. This might hold some further insight into the decision to stay on hold, rather than cut as markets had expected.
- The latest BoC Business Outlook Survey will be released.
- Despite this being the blackout period ahead of the FOMC meeting next week, Fed Chair Powell will give opening remarks at a conference in DC, while Vice Chair (Supervision) Bowman will deliver a speech on innovation at the same conference. Details are [here](#).

S&P Prelim PMIs for the major economies, plus Australia, for Jul will be released. This will provide some insight into growth momentum at the start of Q3, progress on prices, and the impact of renewed tariff threats on sentiment for the outlook.

US Treasury Issuance; 21 - 25 Jul 2025

This week, the US Treasury will auction and/or settle approx. \$470bn in ST Bills raising approx. \$67bn in new money. The US Treasury will also auction the 10-year TIPS and the 20-year Bond this week – both will settle next week.

QT this week: Approx \$9.8bn of ST Bills will mature on the Fed balance sheet and will be reinvested.

Recommended US Treasury Financing Q2 2025 and Est Q3 2025

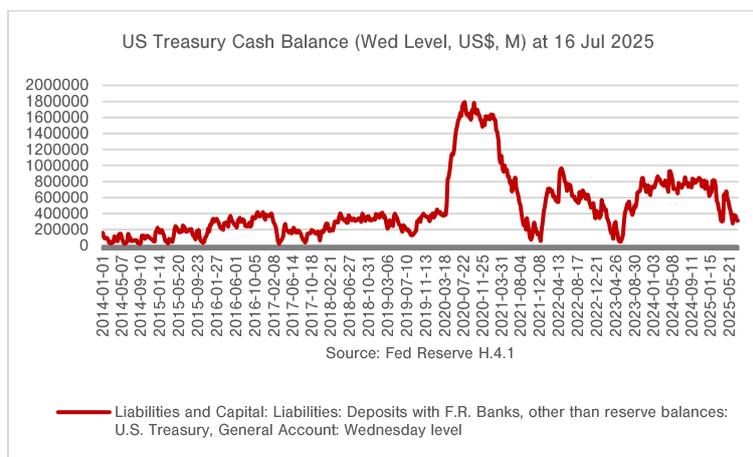
The latest update of the US Treasury borrowing requirements for Q2 and Q3 (estimate) can be found on the US Treasury website [here](#).

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.

The next quarterly refunding update will be released on 28 and 30 July 2025 – next week.

US Treasury Cash Levels (TGA)

As of Wed 16 Jul 2025, the level of the TGA increased to \$312bn (+\$1bn compared to the week prior). The TGA balance is approx. \$454bn *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/ombs_operation_schedule

CALENDAR W/C 12 July 2025

MONDAY 21 JULY (US Eastern Time, unless stated otherwise)

NZ	CPI Q2
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Canada	BoC Business Outlook Survey
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Australia	RBA Meeting Minutes
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TUESDAY 22 JULY

Europe	ECB Bank Lending Survey
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US	Richmond Fed Manufacturing Survey (Jul), US Fed Chair Powell – opening remarks, Vice Chair Bowman (Supervision) speech (Innovation)
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WEDNESDAY 23 JULY

US	MBA Mortgage Applications wk ending 19 Jul, Existing Home Sales (Jun)
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Australia	S&P Prelim Manufacturing & Services PMI (Jul), RBA Governor Bullock speech
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Japan	S&P Prelim Manufacturing & Services PMI (Jul)
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THURSDAY 24 JULY

Europe	S&P Eurozone Prelim Manufacturing & Services PMI (Jul) ECB Monetary Policy Meeting
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UK	S&P Prelim Manufacturing & Services PMI (Jul)
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US	Initial Jobless Claims wk ending 19 Jul, S&P Prelim Manufacturing & Services PMI (Jul), New Home Sales (Jun), Kansas City Fed Manufacturing Survey (Jul)
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Canada	Retail Sales (May)
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Japan	Tokyo CPI (Jul)
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FRIDAY 25 JULY

UK	Retail Sales (Jun)
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US	Durable Goods Orders (Jun)
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