

Weekly Macro Outlook: Assessing Labor Market Risks

This Weekly Macro Outlook highlights the key economic data releases, central bank events & speeches, and macro themes shaping global markets for the week of June 1, 2026.

Key Focus This Week:

- *Central banks: BoJ Gov Ueda speech*
 - *Major data: US Non-Farm Payrolls, Beige Book, Factory Orders, and ISM PMIs*
 - *Key themes: Geopolitical/ceasefire developments between US & Iran*
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Recap of Last Week

The Strait of Hormuz remains effectively closed despite news of limited tanker traffic. Markets are largely looking through the diplomatic opacity, supported by the ongoing engagement between both sides and a general assumption that a worst-case escalation will be avoided. Yet, negotiations continue to stall around the same two primary issues. As a result, the focus is increasingly shifting away from the conflicting geopolitical headlines and back toward the structural macro fallout - and last week, specifically, assessing whether underlying inflation risks are broadening just as the Fed prepares for its first meeting under new leadership on June 16-17.

US PCE: Inflation Crosscurrents

While the US PCE inflation for April was in line with expectations, the underlying composition revealed a more complex trend.

- Met expectations: the headline PCE inflation rate increased to +3.8% as expected, and core PCE inflation also increased to +3.3%. The monthly rates eased.
- Crosscurrents: While higher energy prices are lifting headline inflation as expected, the continued acceleration in core PCE since October 2025 reflects persistent underlying pressures, beyond the energy shock. Core goods inflation has increased to +2.8%, where the annual rate was +0.6% a year ago, and core services inflation has been persistent at around +3.4% for the last fourteen months.
- Distribution shift: The annual PCE median (+2.8%) and trimmed mean (+2.4%) inflation rates are lower than the core PCE rate, suggesting that pockets of inflation exist in the economy, but are outlier effects. However, the monthly rates have been rising recently, and are starting to run closer to the monthly core PCE inflation rate now.

Tracking US Growth through Q1 and Q2

Alongside these shifting inflation dynamics, data for April and Q1 GDP revisions provide a picture of a still resilient growth backdrop, but did highlight challenges around the personal income and spending squeeze.

- Lower Starting Point: The second est for Q1 GDP was revised lower from +2% annualized to +1.6%, due mostly to a larger negative contribution from the change in inventories, and slower PCE growth.
- The Income/Spending Squeeze in April: Household budgets were impacted on both sides during the month. On the income side, nominal income was flat and real disposable income declined. On the spending side, nominal expenditures rose +0.5%, with higher gasoline and energy goods prices accounting for a quarter of that nominal increase. This resulted in a sharp drop in the personal savings/surplus rate.
- Overall, the Atlanta Fed Q2 GDP nowcast moderated slightly from a +4.3% run rate to +3.8%, driven by a smaller contribution from personal spending and the change in inventories (both are still positive so far in Q2).

The Inflation Challenge for the FOMC

- The Policy Signal: Inflation dynamics are moving unfavorably outside of energy, compounding the challenge for the FOMC. Persistent core PCE inflation, partially driven by tariff pass-through, makes it increasingly difficult for the Fed to maintain a "look-through" policy posture while the conflict persists. The Fed will need to carefully balance this broadening inflation risk against perceived downside risks to the labor market.
- Market Pricing: At this stage, markets are pricing the Fed to remain on hold for the rest of the year. Much of the outlook will depend on the trajectory of this conflict.
- The Next Catalyst: This week's upcoming labor market data for May and the Beige Book will help to round out the Fed's assessment of economic momentum amid the inflation backdrop, as the FOMC prepares to meet in several weeks.

Global Perspectives: Policy Signals and Subsidy Distortions

RBNZ: Held rates steady in a tight 4-3 vote, but shifted guidance. The decision signalled an OCR hike may be necessary if high-frequency data shows second-round inflation effects overriding weak growth.

Aus, Germany, and Tokyo CPI inflation eased by more than expected as policy and subsidy measures to buffer rising energy prices took effect.

- Australia: Headline CPI slowed slightly more than expected to +4.2% from +4.6%, as the first full month of the halving of the auto fuels excise tax was captured in headline CPI.
- Tokyo CPI for May was slightly lower than expected. The prelim Germany CPI for May was much lower than expected, supported by a reduction in energy taxes on fuels that took effect from 1 May and other policy measures.

The Week Ahead: What We Are Watching

Geopolitical developments in the Middle East remain a key catalyst for the near-term outlook, specifically whether a ceasefire will be agreed to and whether oil flows can resume through the Strait of Hormuz.

Domestically, the focus shifts to a comprehensive update on the US labor market in May. This week's data will be an important input for the Fed's assessment of its dual-mandate risks at the upcoming meeting on 16-17 June. With inflation pressures elevated, the May labor update is important to whether it shifts the balance of risks for the FOMC. While recent Fed commentary has suggested the labor market is continuing to stabilize, a continuation of the volatile headline trends seen so far this year could test that outlook.

It will be a quiet week for Fed communications, as this marks the final window for official speeches ahead of the media blackout period next week. Other domestic data of note will be the Fed Beige Book, US ISM PMIs for May, and Factory Orders.

Outside of the US, the prelim Euro area CPI for May, Aus GDP for Q1, Canada Labour Market update for May, and the full suite of S&P Global PMIs will be in focus.

US Labor Market - May

There will be a broad update on the US labor market through this week.

- Non-Farm Payrolls are expected to ease slightly to +96k, from +115k in April. The direction and scale of revision will be important.
- The unemployment rate is expected to be unchanged at 4.3% in May.
- The participation rate is expected to be little changed at 61.8%.
- Average weekly hours are expected to be unchanged at 34.3 hours in May.
- Average weekly earnings are expected to slow to +3.5% over the year, from +3.6% in April.
- JOLTS report: Job openings in May are expected to be little changed at 6.87m.
- Challenger Job Cut Announcements survey for May: last month, job cut announcements jumped to 83k.

US Q2 growth Update: Factory Orders, Construction Spending, and ISM PMIs

- US Factory Orders for April are expected to increase by +4.6% from +1.5% in March.
- Construction spending is expected to increase by +0.3% in April, from +0.6% in March.
- The ISM Manufacturing PMI for May is expected to edge slightly lower to 52.6, while the ISM Services PMI is expected to be unchanged at 53.6. Several metrics to watch will be the price indexes, employment, and demand/orders.

Central Banks

US Federal Reserve

- Beige Book: the latest Beige Book for the last six weeks will provide key anecdotes on growth, the labor market, and inflation conditions from Fed districts.
- It will be a quiet week for speeches. This will be the final week of speeches ahead of the blackout period next week as the Fed prepares to meet on 16-17 June.

BoJ Governor Ueda is expected to give a speech this week and may provide signalling on policy guidance ahead of the BoJ meeting on 15-16 June.

Euro Area

This week, the focus will be on inflation and growth data ahead of the ECB meeting next week.

- CPI – prelim for May: The broader prelim Euro area CPI for May is expected to show some firming in inflation: headline CPI is expected to increase to +3.3% in May from +3% in April. Core CPI is expected to increase to +2.4% in May, from +2.2% in April.
- GDP for Q1 is expected to confirm growth at +0.1% over the quarter in Q1, and +0.8% over the year.

Australia – GDP Q1

- GDP in Q1 is expected to slow to +0.5% over the quarter, from +0.8% in Q4 2025.

Canada Labour Market Update – May

This will be an important update ahead of the next BoC meeting next week.

- Net employment growth is expected to rebound to +10k after unexpectedly falling by -17k in April.
- The unemployment rate is still expected to be unchanged at an elevated 6.9%.

S&P Global PMIs for May will provide an early look at growth momentum in Q2.

US Treasury Issuance: 1-5 June 2026

This week, the US Treasury will auction and settle approx. \$674bn in ST Bills, Notes, and Bonds, raising approx. \$94bn in new money.

Approx \$54bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet and be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B	Amount Maturing \$B	New Money or (Paydown) \$B	Actual	Prior Auction High Rate %
1-5 Jun	28-May	02-Jun	4 week bill	85			Actual 3.630%	3.610%
	28-May	02-Jun	8 week bill	80			Actual 3.615%	3.600%
	27-May	02-Jun	17 Week Bill	69			Actual 3.630%	3.590%
				234	218	16		
	01-Jun	04-Jun	13 week bill	89			Announced	3.595%
	01-Jun	04-Jun	26 week bill	77			Announced	3.650%
	02-Jun	04-Jun	6-week Bill	75			Announced	3.620%
				241	231	10		
	20-May	01-Jun	20yr Bond	16			Actual 5.122%	4.883%
	26-May	01-Jun	2yr Note	69			Actual 4.071%	3.812%
	27-May	01-Jun	5yr Note	70			Actual 4.182%	3.955%
	28-May	01-Jun	7yr Note	44			Actual 4.290%	4.175%
				199	131	68		
			Total - securities settling this week	674	580	94		
			Net New Cash Raised Qtr to Date	5142	4967	175		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			<i>189</i>		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
	31-May		Notes & Bonds	29.4				
	02-Jun		ST Bills	9.2				
	04-Jun		ST Bills	15.3				
				53.8				

Reserve Management Purchase (RMP) Operations

Operations began on 12 Dec 2025. See announcement [here](#). See operation details and announcements [here](#) and [here](#).

SOMA Reinvestment – June 2026

The program of Quantitative Tightening (QT), or balance sheet roll-off, ended as of 1 December 2025. See note [here](#). All principal payments from the Fed's holdings of Treasury securities will be rolled over, and all principal payments from the Fed's holdings of agency securities will be reinvested into Treasury bills through secondary market purchases.

Recommended US Treasury Financing: Est Q2 & Q3 2026

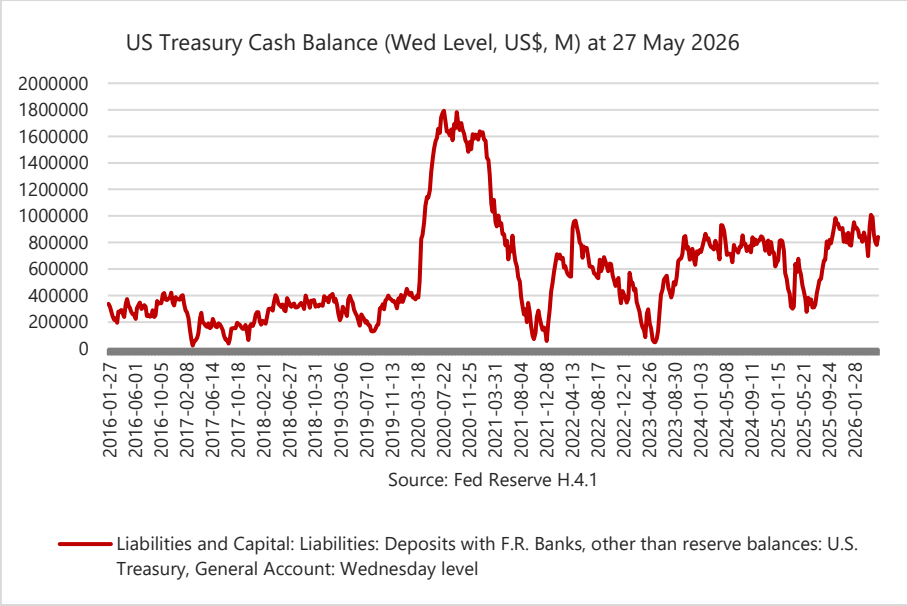
The latest update of the US Treasury borrowing requirements for Q2 (final) and Q3 2026 (estimate) can be found on the US Treasury website [here](#). The next update will be w/c 3 Aug 2026.

Updated Q2 estimates: Treasury expects to borrow \$189 billion in privately held net marketable debt (+\$79bn higher than initial estimates), assuming an end-of-Jun cash balance of \$900 billion.

Estimated Q3 borrowing requirement: Treasury expects to borrow \$671 billion in privately-held net marketable debt, assuming an end-of-September cash balance of \$950 billion.

US Treasury Cash Levels (TGA)

As of Wed 27 May 2026, the level of the TGA increased to \$842bn (+\$60bn compared to the week prior). The TGA balance is now approx. \$406bn *higher* than the same week a year ago.



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

CALENDAR W/C 1 JUNE 2026

MONDAY 1 JUNE (US Eastern Time, unless stated otherwise)

US	S&P Manufacturing PMI – Final (May), ISM Manufacturing PMI (May), Construction Spending (Apr)
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TUESDAY 2 JUNE

Europe	Euro area CPI – Prelim (May)
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US	JOLTS (Apr), Total Vehicle Sales (May)- tbc
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Australia	GDP Q1
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WEDNESDAY 3 JUNE

Japan	BoJ Governor Ueda speech
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Europe	Eurozone PPI (Apr)
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US	MBA Mortgage Applications wk ending 30 May, ADP Employment Change (May), S&P Services PMI – Final (May), ISM Services PMI (May), Factory Orders (Apr), Fed Beige Book
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THURSDAY 4 JUNE

Europe	ECB President Lagarde Speech
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US	Initial Jobless Claims wk ending 30 May, Challenger Job Cut Announcements (May), Non-Farm Productivity & Unit Labor Costs Q1
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FRIDAY 5 JUNE

Europe	Euro area GDP – Final Q1
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Canada	Labour Market Survey (May)
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US	Labour Market Survey & Non-Farm Payrolls (May), Consumer Credit Change (Apr)
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