

Weekly Macro Outlook: The Fed's Policy Latitude

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 29, 2026.

Key Focus This Week:

- *Central banks: ECB Forum on Central Banking, Sintra - panel discussion including Fed Chair Warsh, RBA Minutes*
 - *Major data: US labor market update Jun, ISM manufacturing PMI, Euro area CPI prelim Jun*
 - *Key themes: Normalisation in the Strait of Hormuz, USMCA 6th anniversary to trigger renegotiation*
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Recap of Last Week

The closure of the Strait of Hormuz and the resulting surge in energy prices have been a key driver of the near-term macro-outlook and headline inflation volatility since late February. While diplomatic progress towards restoring oil flows has been positive, the path to a more durable resolution remains volatile.

Assuming the Strait remains open, the risk of a renewed energy shock begins to diminish. That should help ease energy-led headline inflation over the coming months, reducing one of the key near-term concerns for central banks. The policy focus, therefore, shifts towards an important question: has the earlier energy shock begun to generate more persistent underlying inflation? While the May inflation data are somewhat backwards-looking, given the recent easing in energy prices, they provide an important assessment of whether broader core inflation pressures have been building alongside higher headline inflation.

US Headline & Core PCE Inflation Accelerated in May

Headline PCE inflation accelerated by more than expected to +4.1% in May, led by higher energy prices and core services inflation. This is likely a peak in higher headline inflation given that gasoline prices began to fall in June, though have not fully retraced the rise since February.

But that leaves the issue around the rising trend of core PCE inflation. Core PCE inflation had already been trending higher before the recent energy shock, increasing from +2.6% back in April 2025 to +3.4% in May 2026. The increase reflects firmer inflation across both core goods and core services inflation, including domestic tariff pass-through and persistent services inflation.

However, other measures of the underlying trend in inflation tell a nuanced story. While core PCE inflation has picked up, both the trimmed mean and median PCE inflation rates have continued to slow. Trimmed mean PCE inflation was little changed at +2.4% in May, while the median PCE inflation rate edged up slightly to +2.8% in May. Both remain below the core PCE inflation rate of +3.4%, and *this indicates that while underlying inflation remains persistent and above target, the breadth of the recent inflationary impulse has not worsened in line with the rise in core PCE inflation*. It's partly good news, suggesting that the recent acceleration in core PCE inflation likely remains concentrated in a relatively smaller number of outlier categories.

FOMC Implications

The key judgement for the FOMC is whether these elevated core readings led by outlier effects will fade over time, or whether they signal more persistent inflation pressures that risk de-anchoring inflation expectations. The latest Summary of Economic Projections suggests the Committee remains divided on that assessment. Markets have gone from actively pricing in a chance of rate hikes, to a lower chance of one hike in September (source: [CME Fed Watch](#))

US Growth: Resilient but Uneven

Final Q1 GDP was revised higher from +1.6% annualized to +2.1% annualized (led mostly by a larger contribution from net exports, as import growth was revised lower). While stronger at a headline level, the underlying drivers reflected uneven pockets of growth; personal spending growth was revised notably lower in Q1, residential investment continued to decline, but was offset by stronger non-residential investment spending. Fed Chair Warsh had assessed policy restrictiveness as "uneven" at the last meeting - "somewhat restrictive" for the housing market, but less restrictive when looking at financial markets. The uneven nature of domestic US growth provides a difficult backdrop for the Fed as it considers how much economic latitude it has to address persistently higher inflation.

The trend of Q2 growth so far shows a continuation of this uneven domestic demand. The latest [Atlanta Fed GDP nowcast](#) for Q2 growth slowed from +3% at the start of the week to +2.5%, led by the revision lower to personal consumption expenditure. Real PCE improved in May to +0.3%, up from +0% in April, while real personal disposable income was flat in May, after falling by -1.1% in April. The smaller saving/surplus in April and May continues to act as the shock absorber amid higher prices. The upcoming labor market report for June will add an important layer, helping to answer whether the labor market is continuing to support the resilience of consumer demand.

The US prelim S&P PMI for June provided an early update on growth momentum for the last month of Q2. Growth momentum remained moderate, led by a rebound in services output after marginal growth in May, while manufacturing output growth continued to expand at a faster pace. Inflation pressures remained widespread, although easing input costs provide an early indication that upstream price pressures may be beginning to moderate.

Inflation data outside of the US provided further insight for central banks.

Aussie Core Inflation Accelerated in May

While headline CPI came in lower than expected at +4%, the trimmed mean CPI accelerated to +3.6%, up from +3.4%. The trend of the monthly trimmed mean has been rising further over the

last three months of this energy price shock. The median rate shows a similar trend, accelerating to +3.6% in May from +3.4% in April. In better news, Aussie labour market conditions stabilized in May as employment growth rebounded and the unemployment rate edged back down to 4.3%. Overall, the inflation backdrop will remain a concern for the RBA, which has increased rates three times this year. The RBA stayed on hold in June to assess the lagged effects of these rate increases.

Core Inflation in Canada Remained Subdued in May

While headline inflation accelerated to +3.2%, led by higher energy prices, core CPI measures remained little changed. Core CPI ex food & energy was +1.6% in May, while the BoC measures of trimmed and median inflation both remained unchanged at +2% and +2.1%, respectively. The BoC stayed on hold at the last meeting, noting that there was "limited evidence" of high energy costs passing through to consumer prices more broadly, and the May CPI data continued to confirm that assessment.

The Week Ahead: What We Are Watching

It will be a short week with the US Independence Day Holiday on Friday. There are several important events and data points we are watching this week.

Firstly, we continue to monitor the geopolitical backdrop. The Strait of Hormuz remaining open and the process of normalizing energy flows further reduce the risk of inflation volatility for central banks and markets. This would keep attention focused on whether underlying inflation pressures remain persistent even as the external energy shock eases.

The annual ECB Forum on Central Banking takes place at Sintra this week. While this is an ECB policy platform, there will be increased focus on Fed Chair Warsh in the key panel discussion and whether he provides any signal on a Fed 'reaction function'. It's unlikely he will, but it will be a closely scrutinized discussion.

Finally, the June US labour market report will provide the week's most important policy inputs. If payroll growth and wage gains remain resilient, they will reinforce the view that the Fed retains some policy latitude to keep rates higher for longer while assessing whether firmer core inflation proves temporary or more persistent.

Central Banks

There will be several central bank events this week.

ECB Forum on Central Banking – Sintra

- Starts on 29 June – 1st July. The full schedule can be found [here](#).
- This is a European-focused policy forum and not usually a forum for US policy announcements, unlike Jackson Hole.
- The key panel to watch will be on Wednesday, 1st July and will include ECB President Lagarde, BoC Governor Macklem, BoE Governor Bailey, and Fed Chair Warsh in a discussion and moderated Q&A.

RBA Minutes for the June meeting will be released. The RBA remained on hold at the June meeting.

US Labor Market Update – June

US labor market conditions are expected to moderate somewhat in June.

- Non-farm payrolls are expected to increase by 114k in June, down from the much stronger +172k in May. The direction and size of revisions remain important.
- The unemployment rate is expected to stay unchanged at 4.3% in June.
- Average weekly hours are expected to be unchanged at 34.3hrs/week.
- Average hourly earnings are expected to increase by +0.3% over the month and remain at +3.5% over the year.
- JOLTS survey for May: job openings are expected to ease back to 7.28m in May, after the notable and unexpected increase to 7.62m in April.
- Challenger Job Cut Announcements will provide some anecdotes around the pace of layoff announcements – last month was higher at 97k.

Other US data:

- ISM manufacturing PMI for June will provide a further reading of manufacturing momentum into the final month of Q2. We will continue to watch the prices paid index, as well as the reported breadth of commodities, both up and down in price, to gauge the degree of easing in input price inflation through June. The ISM services PMI for Jun will be released next week.
- Factor Orders (May) are expected to increase by +2.1% in May, down from the +4.8% pace in April.

Euro Area CPI – Prelim for June

- This will be an important reading, providing one of the first views of inflation since global oil prices began to recede.
- Headline CPI is expected to slow to +3% in June, from +3.2% in May.
- Core CPI is expected to be unchanged at +2.6% in June.

S&P Global PMIs - June

The full suite of S&P Global PMIs will begin to be released this week, providing a broader global view of growth momentum amid the improvement in the geopolitical backdrop.

Tariffs & Trade Agreements

The USMCA comes up for review on 1st July this week. The US, Canada, and Mexico need to decide whether to renegotiate or renew the current terms of the agreement.

US Treasury Issuance: 29 June – 3 July 2026

This week, the US Treasury will auction and settle approx. \$672bn in ST Bills, Notes, and TIPS, raising approx. \$61bn in new money. Approx \$64bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will 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 %
Fri 3rd July - Independence Day Holiday (US)								
29 Jun - 3 Jul	25-Jun	30-Jun	4 Week Bill	70			Actual 3.610%	3.580%
	25-Jun	30-Jun	8 Week Bill	75			Actual 3.660%	3.640%
	24-Jun	30-Jun	17-Week Bill	69			Actual 3.770%	3.670%
				214	219	-5		
	29-Jun	02-Jul	13 week bill	92			Announced	3.695%
	29-Jun	02-Jul	26 week bill	79			Announced	3.840%
	30-Jun	02-Jul	6-week Bill	80			Announced	3.620%
				251	249	2		
	18-Jun	30-Jun	5yr TIPS	24			Actual (high yield) 1.955%	1.367%
	23-Jun	30-Jun	2yr Note	69			Actual 4.189%	4.071%
	24-Jun	30-Jun	5yr Note	70			Actual 4.200%	4.182%
	25-Jun	30-Jun	7yr Note	44			Actual 4.260%	4.290%
				207	143	64		
			Total - securities settling this week	672	611	61		
			Net New Cash Raised Qtr to Date	251	249	2		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			671		
			Face value of SOMA securities maturing	\$B				
			Maturing & reinvestment					
		30-Jun	Notes & Bonds	31.0				
		30-Jun	ST Bills	16.8				
		02-Jul	ST Bills	16.3				
				64.0				

Reserve Management Purchase (RMP) Operations

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

SOMA Reinvestment – July 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 Q3 2026

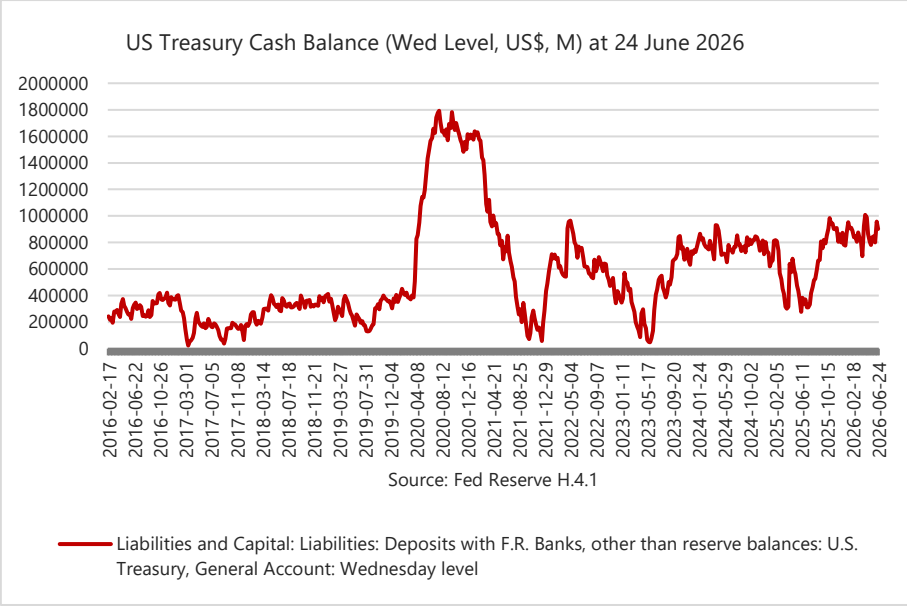
The latest update of the US Treasury borrowing requirements for Q2 (final) and Q3 2026 (estimate) can be found on the US Treasury website [here](#). The next update will be w/c 3 Aug 2026.

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 24 Jun 2026, the level of the TGA decreased to \$901bn (-\$54bn compared to the week prior). The TGA balance is now approx. \$567bn *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 29 JUNE 2026

MONDAY 29 JUNE (US Eastern Time, unless stated otherwise)

Japan	Retail Sales (May), Unemployment Rate (May), Industrial Production – Prelim (May)
US	Dallas Fed Manufacturing Index (Jun)
Australia	RBA Minutes , Private Sector Credit (May)
China	NBS Manufacturing and Non-Manufacturing PMI (Jun)
Europe	ECB Forum on Central Banking – Sintra (29 Jun – 1 Jul)

TUESDAY 30 JUNE

UK	GDP Q1 – final
US	S&P/Case-Shiller House Price Index (Apr), CB Consumer Confidence (Jun), JOLTS (May)

WEDNESDAY 1 JULY

Europe	Euro area CPI – Prelim (Jun) Sintra Panel: Fed Chair Warsh, BoE Gov Bailey, ECB President Lagarde, BoC Gov Macklem
US	MBA Mortgage Applications wk ending 27 Jun, Challenger Job Cut Announcements (Jun), ADP Employment Change (Jun), ISM Manufacturing PMI (Jun) , S&P Manufacturing PMI – Final (Jun)

THURSDAY 2 JULY

US	Initial Jobless Claims wk ending 27 Jun, Non-farm Payrolls & Labor Market Survey (Jun) , Factory Orders (May), Vehicle Sales (Jun)
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FRIDAY 3 JULY

US	Independence Day Holiday
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