

## Weekly Macro Outlook: Underlying Inflation Risks

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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 15, 2026.

Key Focus This Week:

- *Central banks: FOMC (New Fed Chair Warsh), RBA, BoJ, BoE, SNB meetings*
  - *Major data: US Retail Sales, UK and Japan CPI*
  - *Key themes: Progress on the Iran conflict resolution, UK by-election, G7 meeting*
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### Recap of Last Week

The Middle East conflict has generated a significant energy-led inflation shock.

While recent developments suggest there may now be a pathway towards a more enduring resolution to the conflict, the disruption has persisted for longer than many central bank policymakers initially anticipated. As a result, the key policy question is increasingly becoming whether the inflationary effects of the shock have become embedded more broadly throughout the economy. Last week's US inflation data and policy decisions from the ECB and BoC provided an important update on that question.

#### US Inflation Dynamics (May Update)

There were two important dynamics in the latest US CPI report, ahead of the FOMC meeting this week.

#### Energy-Driven Headline Acceleration

- Headline CPI accelerated to **+4.2% YoY** (from +3.8% in April) as expected, though the monthly rate eased slightly to a still elevated **+0.5%**.
- Energy remained the main contributor to the acceleration in headline inflation in May, with prices increasing by another +3.9% over the month, and to be +23% over the year.

#### Broadening Underlying Core Pressures

The second dynamic poses a greater policy challenge: ***signs that underlying inflation has also been firming.***

- Core CPI came in only slightly below expectations at +2.82% (vs. +2.85% expected), but still up from +2.7% in April. Importantly, annual **core inflation has been trending higher**, increasing from +2.5% in January to +2.8% in May.
- The key question is whether this firming in core inflation reflects a handful of volatile price categories or a broader increase in underlying inflation pressures.
- The median and trimmed mean CPI measures help answer that question by removing the influence of outlier price movements. Both measures have continued to move higher alongside core CPI. Annual trimmed mean CPI increased from +2.6% in March to +2.9% in May, while median CPI rose from +2.7% in March to +2.9% in May. Rather than diverging from core CPI, these measures have converged around the core CPI rate, placing all three metrics in the +2.8% to +2.9% range.

**Key Takeaway:** The convergence of these core measures suggests that inflation pressures are likely becoming more broadly distributed, rather than being driven by a small number of outlier categories. This provides further evidence that underlying inflation risks have been increasing alongside higher headline inflation.

#### PPI Pressures in May

- Headline PPI lifted to +6.4% over the year (slightly below the +6.5% expected, due to a slight revision lower for the prior month), and by a still notable +1.1% over the month.
- Energy prices did contribute notably to the increase in headline PPI, but measures such as 'final demand goods less food & energy' increasing to +5.1% in May (from 4.6% in April) indicate that inflation pressures remain broader than just energy prices.

Together with the CPI data, the PPI report suggests inflation pressures are more widespread than energy prices alone.

#### The PCE Translation

Together, the CPI and PPI map into the Fed-preferred PCE inflation measure. The latest [Cleveland Fed PCE inflation nowcast](#) as of 12 June indicates that headline PCE inflation may lift from +3.8% in April to +4% in May. Core PCE inflation is expected to remain unchanged at +3.3% in May. While shifting energy dynamics remain a volatile short-term variable, the more critical policy question is whether underlying inflation pressures are continuing to firm even as these headline energy effects begin to recede.

#### Implications for the Fed this week

The bigger picture for the Fed is that underlying inflation has been firming against a more constructive growth and labor market backdrop. US growth has remained resilient with AI, capex, and fiscal tailwinds, while payroll growth has begun to strengthen and the unemployment rate has remained stable at 4.3%. This backdrop will make it difficult for policymakers to dismiss higher underlying inflation as a temporary consequence of the energy shock. Recent Fed rhetoric has already pointed to a likely shift in the balance of risks around the dual mandate at this week's meeting.

## ECB and BoC Decisions

Inflation dynamics were central in the ECB and BoC decisions last week – and importantly, how that influenced the domestic policy calculus.

**The BoC Hold:** The BoC pointed out that while headline inflation had increased to nearly 3% (+2.8% in April), there was still "limited evidence" of high energy costs passing through to consumer prices more broadly, allowing them to stay on hold. However, the BoC did acknowledge that it faces a trade-off, noting that "economic weakness combined with rising inflation is a dilemma for monetary policy." The BoC decided that keeping policy on hold at this meeting "balanced those risks".

**The ECB Hike:** Conversely, the ECB hiked rates by 25bps as expected. The ECB determined that it could no longer wait to hike, observing that inflation pressures were actively "broadening throughout the economy" across direct and indirect costs. The decision was explicitly framed as a "sensible monetary policy decision" rather than an "insurance decision," a "pre-emptive rate decision," or a move driven by "credibility purposes". This language indicated a bias toward a more active policy response.

## **The Week Ahead: What We Are Watching**

There are now more constructive signs of an emerging diplomatic resolution with Iran.. The progress towards the resumption/normalisation of oil flows remains the key issue to watch.

We head into another important round of central bank meetings this week. The focus will increasingly shift towards how policymakers assess the risks around underlying inflation, especially now at this critical juncture of a potential resolution to the energy shock, and the implications for their broader policy outlook and settings.

The key events this week will be the decisions from the RBA, BoJ, BoE and FOMC.

There will also be a range of global CPI data out this week, together with further inputs into the US growth outlook so far through Q2.

### FOMC meeting

This will be an historic meeting under the new leadership of Fed Chair Warsh. Every detail of this decision, press conference, and the updated SEP will be heavily scrutinised to determine key changes under his leadership, as well as for policy signals.

- The FOMC is expected to keep policy settings on hold at this meeting.
- That said, the FOMC is expected to shift its policy bias from easing to neutral, given the persistence of underlying inflation, recent stronger labor market outcomes, and a resilient growth backdrop.
- The latest SEP update will be released – and this will be an important update on the Fed's outlook on inflation, growth, and the labor market. Chair Warsh has previously made comments around the use of the trimmed mean as a measure of underlying inflation as well as potentially retiring the 'dot plot'.

## RBA

- The RBA is expected to stay on hold at this meeting.
- Recent softer activity and housing data have suggested that the recent rate hikes have begun to impact activity. But commentary around the inflation outlook will be important.

## BoJ

- The BoJ is expected to continue on its slow normalisation path and hike by 25bps at this meeting, raising the policy rate to 1%.
- While underlying inflation looks benign, fiscal measures continue to keep a lid on rising consumer prices.
- The latest National CPI for May will be released at the end of the week, and core CPI ex fresh food is expected to stay unchanged at +1.4%.

## BoE

- The BoE is also expected to stay on hold at this meeting.
- Previous underlying CPI was softer than expected, slowing from +3.1% in March to +2.5% in April as higher gasoline prices were offset by changes in various utilities pricing, vehicle excise, and fiscal offsets. The May CPI report will be released just before the BoE meeting and is expected to show core CPI rising to +2.7% in May.

## US Growth Inputs for May

There will be a range of key US data including retail sales, housing starts, and industrial production for May that will feed into a more robust view of Q2 growth. Currently, the [Atlanta Fed GDP nowcast](#) has Q2 growth running at +3.3%.

- US nominal retail sales for May are expected to increase by +0.5% in May, in line with +0.5% for April. The retail control group, which feeds into the GDP calculation, increased by +0.5% in April.
- New housing starts are expected to ease slightly to 1.44m annualized in May, from 1.46m in April.
- Industrial production for May is expected to increase by +0.2% in May, down from +0.7% in April.

## Other key events:

- It will be the Juneteenth Holiday on 19 June in the US.
- The interim “agreement” between the US and Iran is expected to be signed later this week, after the G7 meeting in France, leading to the reopening of the Strait of Hormuz. However, details on the mechanics of the reopening are yet to be addressed. Broader negotiations around the key issues will then take place over the next 60-days.
- UK: The Makerfield by-election will be held on 18 Jun. A win by Labour candidate, Andy Burnham, is expected to set in motion a potential PM leadership challenge.

## **US Treasury Issuance: 15-19 June 2026**

This week, the US Treasury will auction and settle approx. \$564bn in ST Bills, Notes, and Bonds, raising approx. \$28bn in new money. The US Treasury will auction the 20-year Bond and 5-year

TIPS this week also. Approx \$34bn in ST Bills 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 %
<b>19 Jun - Juneteenth Holiday</b>								
15-19 Jun	11-Jun	16-Jun	4 week bill	70			Actual 3.595%	3.615%
	11-Jun	16-Jun	8 week bill	75			Actual 3.610%	3.610%
	10-Jun	16-Jun	17 Week Bill	69			Actual 3.665%	3.635%
				214	235	-21		
	15-Jun	18-Jun	13 week bill	89			Announced	3.640%
	15-Jun	18-Jun	26 week bill	77			Announced	3.690%
	16-Jun	18-Jun	6-week Bill	65			Announced	3.600%
				231	261	-30		
	09-Jun	15-Jun	3yr Note	58			Actual 4.192%	3.965%
	10-Jun	15-Jun	10yr Note	39			Actual 4.538%	4.468%
	11-Jun	15-Jun	30yr Bond	22			Actual 5.020%	5.046%
				119	40	79		
			<b>Total - securities settling this week</b>	564	536	28		
			<b>Net New Cash Raised Qtr to Date</b>	<b>6206</b>	<b>6007</b>	<b>199</b>		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			189		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		16-Jun	ST Bills	14.3				
		18-Jun	ST Bills	19.4				
				33.7				
			<b>Upcoming Auctions</b>	<b>\$B</b>				
	16-Jun	22-Jun	20 yr Bond	13				
	18-Jun	30-Jun	5yr TIPS	24				

## 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

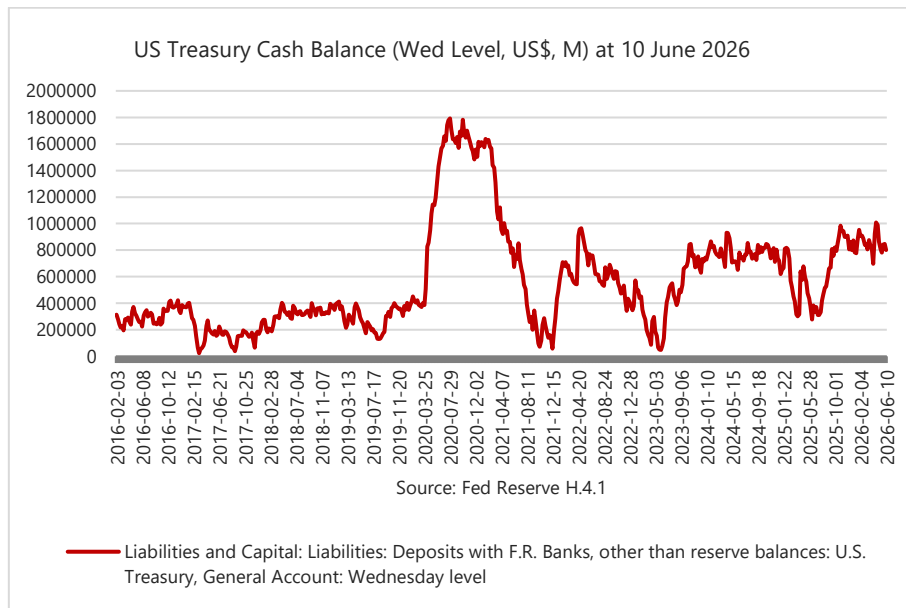
The latest update of the US Treasury borrowing requirements for Q2 (final) and Q3 2026 (estimate) can be found on the US Treasury website [here](#). The next update will be w/c 3 Aug 2026.

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 10 Jun 2026, the level of the TGA decreased to \$801bn (-\$44bn compared to the week prior). The TGA balance is now approx. \$524bn *higher* 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>

## CALENDAR W/C 15 JUNE 2026

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### MONDAY 15 JUNE (US Eastern Time, unless stated otherwise)

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Europe	Eurozone Industrial Production (Apr), ECB President Lagarde speech
US	Empire State Manufacturing Index (Jun), Industrial Production (May), NAHB Housing Market Index (Jun)
China	F/A Investment, Industrial Production, and Retail Sales (May)
Japan	<b>BoJ Monetary Policy Meeting &amp; Decision</b>

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### TUESDAY 16 JUNE

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Australia	<b>RBA Monetary Policy Meeting &amp; Decision</b>
Europe	Labor Cost Survey Q1
US	Building Permits & Housing Starts (May), Export & Import Price Index (May)
Japan	Merchandise Trade, Exports, and Imports (May)

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### WEDNESDAY 17 JUNE

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UK	CPI (May)
Europe	Euro Area CPI – Final (May)
US	MBA Mortgage Applications wk ending 13 Jun, Retail Sales (May), Pending Home Sales (May), <b>FOMC Monetary Policy Meeting &amp; Decision</b>
NZ	GDP Q1

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### THURSDAY 18 JUNE

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UK	Labour Market (3mth May), <b>BoE Monetary Policy Meeting &amp; Decision</b>
Switzerland	<b>SNB Monetary Policy Meeting &amp; Decision</b>
US	Initial Jobless Claims wk ending 13 Jun, Philadelphia Fed Manufacturing Index (Jun)
Japan	National CPI (May)

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### FRIDAY 19 JUNE

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US	Juneteenth Holiday
UK	Retail Sales (May)
Canada	Retail Sales (Apr)

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