

Weekly Macro Outlook: Retaining Optionality

This Weekly Macro Outlook highlights the key economic data releases, central bank events & speeches, and macro themes shaping global markets for the week of July 6, 2026.

Key Focus This Week:

- *Central banks: FOMC Minutes, RBNZ Monetary Policy Meeting, European System of Central Banks Conference & US Fed Governor Waller panel discussion, BoC Outlook Survey*
 - *Major data: ISM Services PMI, S&P Global Services PMI's, Canada Labour Market*
 - *Key themes: receding geopolitical threats*
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Recap of Last Week

The geopolitical backdrop has remained positive and stable through the last week, allowing markets and policymakers to shift focus back onto domestic economic conditions. Against that backdrop, the key policy input last week was the broad US labor market update for June. The key question was whether the June labour market data would alter the Fed's policy optionality as it assesses whether underlying inflation moderates alongside easing energy prices.

US Labour Market: Resilient, not Accelerating

Heading into the June print, the baseline premise was that the US labor market had remained resilient but was also showing nascent signs of improvement from the "low hire" conditions. The June data confirmed the labor market remained resilient, but did not signal tightening in labor market conditions despite the fall in the unemployment rate. There were two important insights from the report:

1. Labor market fundamentals continued to underpin personal income and domestic demand conditions.
- **Payroll growth:** Headline growth slowed by more than expected to 57k in June, with a notable -43k revision lower in May to +129k. Even though payroll growth was not as strong as previously thought, the 6-month average remains at a solid +92k.
 - The Big Picture: Total payroll growth in the YTD is +555k, a notable turnaround versus a net -46k for the final 6 months of 2025. Payroll diffusion indexes edged down only slightly in June, indicating that job expansion remains similarly broad across industries.
- **Hours worked:** Aggregate hours worked continued to grow, albeit at a slow pace, reaching a new series high level. Annual growth in hours worked has accelerated so far in 2026.

- **Average Hourly Earnings:** Growth picked up slightly over the month to +0.35%, lifting the annual rate slightly to +3.5%, which is still around the lowest pace of growth in this post-pandemic cycle.

2. Household Survey: Pockets of Slack Emerging

While the fall in the unemployment rate to 4.2% suggests tightening labor market conditions, the underlying mechanics tell a different story.

- From a “flows” perspective, the fall in the unemployment rate was the result of fewer people entering the labor force and more unemployed people leaving the labor force (Source: [St Louis Fed](#)). The participation rate fell to 61.5% - the lowest since the pandemic recovery.
- This aligns with the [Conference Board Survey](#) for June, where consumer perceptions that “jobs were hard to get” increased to the highest level since the 2020 shock.
- A notable divergence has been developing between solid payroll growth and falls in the number of “persons employed” from the household survey. In June, the overall employment-to-population ratio fell to a post-pandemic low of 59.0% - a level not seen, outside of the 2020 pandemic shock, since mid-2014.
- **Prime-working-age (25-54 years) Slack Emerging:** For the first time, similar signs of slack emerged in the core working-age demographic. This is highly notable because prime-age metrics have been remarkably stable throughout recent market shocks.
 - The prime-age unemployment rate fell to 3.7%, but this was also the result of a sharp drop in participation from 83.9% to 83.3%.
 - The prime-age employment-to-population ratio also fell sharply from 80.8% in May to 80.2% in June, marking its first distinct deterioration since the post-pandemic recovery phase.
 - These are large one-month shifts in the prime-age metrics, which could be survey noise but warrant close monitoring in the months ahead.

US Growth Dispersion Continues

The ISM manufacturing PMI for June showed that the moderate expansion in activity was maintained and provided little input to the GDP nowcast tracking for Q2. Importantly, sentiment improved, driven by input price relief.

The [Atlanta Fed GDP nowcast for Q2](#) took a notable step lower to a +1.2% annualized growth run rate. This was driven by the Advance Economic Indicators report for May, which reported a larger prelim trade deficit, which subtracted a substantial -1.62% pts from growth so far in Q2. Excluding the volatile external sector, domestic demand is running at a solid +2.8% rate – and so far, still tracking above the +2.2% rate recorded for domestic final demand in Q1.

Fed Implications: Preserving Optionality

The June labor market report and growth backdrop preserves the Fed’s “stable for longer” policy optionality. Domestic demand remains solid, albeit uneven, while moderating energy prices reduce the urgency for tightening.

At the Sintra conference last week, Chair Warsh reaffirmed the commitment to returning US inflation to 2%, but also noted that inflation risks have eased;

"Inflation risks have come down again in our business, we don't want to over determine things.... If there were people in households or the business sector in the financial markets who thought that this central bank was going to be comfortable with an inflation objective above 2%, well, I guess they'd be disappointed. We're going to deliver price stability in the US." ([Sintra Panel](#), 1 Jul 2026)

At the time of writing, markets have pushed out the timing for rate hikes. While the Sintra rhetoric keeps the Fed's tightening bias intact, the softer headline payroll expansion and broadly lower energy prices have removed some 'urgency' from near-term rate hike pricing. The pricing for a September hike has come down close to a 50/50 probability. This leaves the Fed with more time to assess the recovery from the energy price shock and its impact on underlying inflation trends.

Euro Area CPI – Early Signs of Falling Inflation

The flash reading for June provided some early positive news on inflation and falling energy prices.

- Euro area headline inflation fell sharper than expected to +2.8% in June (expecting +3%) from +3.2% in May.
- Core inflation similarly fell more than expected to +2.4% (expected to be unchanged at +2.6%).

As energy prices fell in earnest throughout the latter half of June, there is likely a continued tailwind to come in the July inflation prints. For global central banks, including the Fed, the European data is an encouraging early signal that the broader energy shock is beginning to wane.

The Week Ahead: What We Are Watching

It will be a significantly quieter week on the data front, with the focus shifting towards central bank communication and ongoing geopolitical developments.

We continue to watch geopolitical developments in the Middle East and remain within the 60-day window for the broader negotiations of "peace" terms. Continued progress in the recovery of tanker traffic and energy flows would reinforce the recent improvement in the inflation backdrop.

Central bank communication will be in focus this week. The FOMC minutes will be highly scrutinized, not just for baseline economic assessments, but for insights into Chair Warsh's proposed structural reforms. US Fed Governor Waller will take part in a panel discussion at the Conference of the European System of Central Banks Research Network. Plus, the RBNZ will meet this week, and there is a chance for a 25bps rate hike, although market sentiment appears divided.

Finally, while the upcoming US macroeconomic calendar offers fewer tier-one policy inputs, it will refine the assessment of US domestic demand. Releases will include existing home sales, the ISM non-manufacturing PMI, and the final international trade data for May that will feed into the Q2

growth nowcast. The S&P Global Services PMIs round out the view of growth momentum at the end of Q2.

Central Banks

US Federal Reserve

- FOMC Minutes of the June meeting: This will be important as it covers the first meeting of the new Fed Chair, Kevin Warsh, and significant reforms were proposed. Chair Warsh has repeatedly emphasised the value of having a “good family fight” over issues and elevating the importance of a real dialectic among committee members. It will be instructive to see the degree to which debate is reflected in the minutes. Key focus areas include the distribution of economic assessments, immediate changes to the minutes' format itself, and deeper insights into the proposed operational reforms, specifically the elimination of forward guidance and the establishment of task forces.
- Fed Governor Waller panel discussion: Governor Waller will participate in a panel on "Challenges for Monetary Policy Transmission in a Changing World" at the Conference of the European System of Central Banks Research Network. While this is unlikely to be a platform for his current economic outlook for the US, Fed Governor Waller has been an important barometer for institutional thinking.

RBNZ

- The RBNZ will meet this week and is expected to lift rates by 25bps, though it could be a close call.

US Growth Tracking – Q2

- ISM non-manufacturing PMI for June is expected to ease only slightly to 54.2 from 54.5 in May. Again, we will watch the prices paid index, as well as the reported breadth of commodities, both up and down in price, to gauge the initial degree of easing in input price inflation through June.
- Existing Home Sales in May are expected to accelerate slightly to 4.2m annualized, from 4.17m in April.
- US International Trade in Goods & Services for May (BEA) will be released this week and will further refine the net export picture mid-way through Q2.

Canada – Labour Market & BoC Survey Inputs for the BoC

- Employment growth is expected to slow back to +10k in Jun from +87k in May. The unemployment rate is expected to be unchanged at 6.6% in Jun.
- The broader BoC Business Outlook survey will be released early in the week and will provide anecdotes about spending, employment, and prices feeding into BoC policy deliberations.

Inflation Data for June

There are two indicators to be released this week – China's CPI & PPI and Japan's PPI for June. We'll be looking for any notable upside or downside surprises given the context of falling energy prices and what it might mean for the outlook.

- China's CPI for Jun is expected to ease to +1.1% over the year, from +1.2% in May. PPI is expected to increase to +4.2% in Jun, up from +3.9% in May.

- Japan's PPI for June is expected to increase to +6.8%, up from +6.3%.

S&P Global PMIs - June

The remaining S&P Global PMIs for the services sector will be released this week, rounding out the view of private sector growth against the improving geopolitical backdrop.

US Treasury Issuance: 6 – 10 July 2026

This week, the US Treasury will auction and settle approx. \$555bn in ST Bills, raising approx. \$29bn in new money. The US Treasury will also auction the 3-year and 10-year Notes and the 30-year Bond this week – to settle next week. Approx \$25.7bn 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 %
6 - 10 Jul	02-Jul	07-Jul	4 week bill	85			Actual 3.605%	3.610%
	02-Jul	07-Jul	8 week bill	85			Actual 3.650%	3.660%
	01-Jul	07-Jul	17-week Bill	72			Actual 3.795%	3.770%
				242	225	17		
	06-Jul	09-Jul	13 week bill	92			Announced	3.740%
	06-Jul	09-Jul	26 week bill	79			Announced	3.840%
	07-Jul	09-Jul	52 week bill	52			Announced	3.750%
	07-Jul	09-Jul	6-week Bill	90			Announced	3.655%
				313	301	12		
			Total - securities settling this week	555	526	29		
			Net New Cash Raised Qtr to Date	806	775	31		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>671</i>		
			QT: Face value of SOMA securities maturing	\$B				
			Maturing & reinvestment					
		07-Jul	ST Bills	9.1				
		09-Jul	ST Bills	16.6				
				25.7				
			Upcoming Auctions	\$B				
	07-Jul	15-Jul	3yr Note	58				
	08-Jul	15-Jul	10yr Note	39				
	09-Jul	15-Jul	30yr Bond	22				
				119				

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

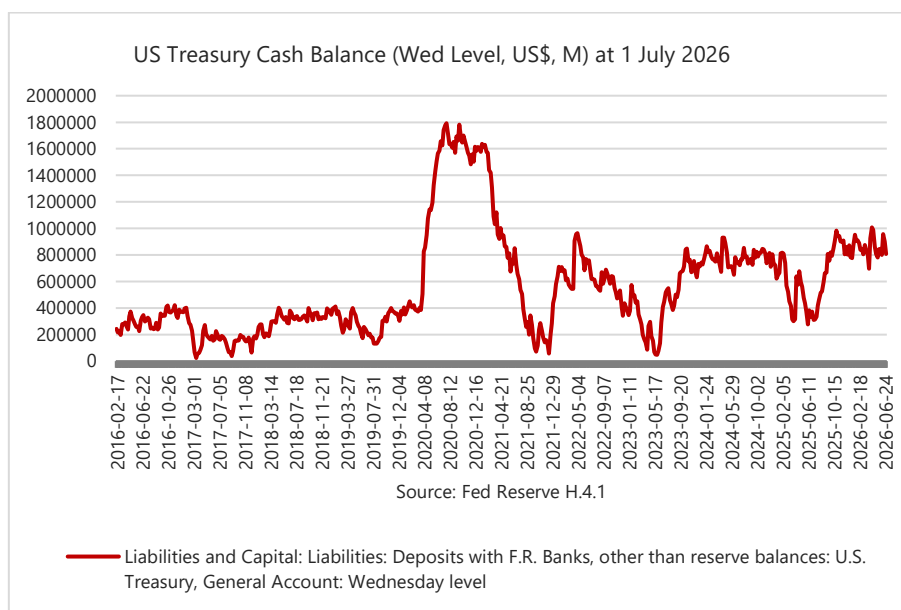
The latest update of the US Treasury borrowing requirements for Q2 (final) and Q3 2026 (estimate) can be found on the US Treasury website [here](#). The next update will be w/c 3 Aug 2026.

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.

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.

US Treasury Cash Levels (TGA)

As of Wed 1 July 2026, the level of the TGA decreased to \$807bn (-\$94bn compared to the week prior). The expected end of June cash balance was \$900bn. The TGA balance is now approx. \$435bn *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 6 JULY 2026

MONDAY 6 JULY (US Eastern Time, unless stated otherwise)

Europe	Retail Sales (May), Germany Factory Orders (May)
US	ISM Non-Manufacturing PMI (Jun), S&P Services PMI – Final (Jun), CB Employment Trends Index (Jun), Fed speeches: Gov Waller
Canada	BoC Business Outlook Survey

TUESDAY 7 JULY

Europe	Germany Industrial Production (May)
US	International Trade Balance – Final est (May)
Australia	Building Approvals (May)
NZ	RBNZ Monetary Policy Meeting & Decision

WEDNESDAY 8 JULY

US	MBA Mortgage Applications wk ending 4 Jul, Consumer Credit Change (May), FOMC Minutes
China	CPI & PPI (Jun)

THURSDAY 9 JULY

US	Initial Jobless Claims wk ending 4 Jul, Existing Home Sales (Jun), Fed speeches: Williams, Logan
Japan	PPI (Jun)

FRIDAY 10 JULY

Europe	Germany CPI – final (Jun)
Canada	Labour Market Survey (Jun)
