

Weekly Macro and Markets View

8 June 2026



Highlights and View

New US nonfarm payrolls rise by a solid 172'000 in May

While strong payrolls increase the risk of a more hawkish Fed, the underlying picture is more mixed.

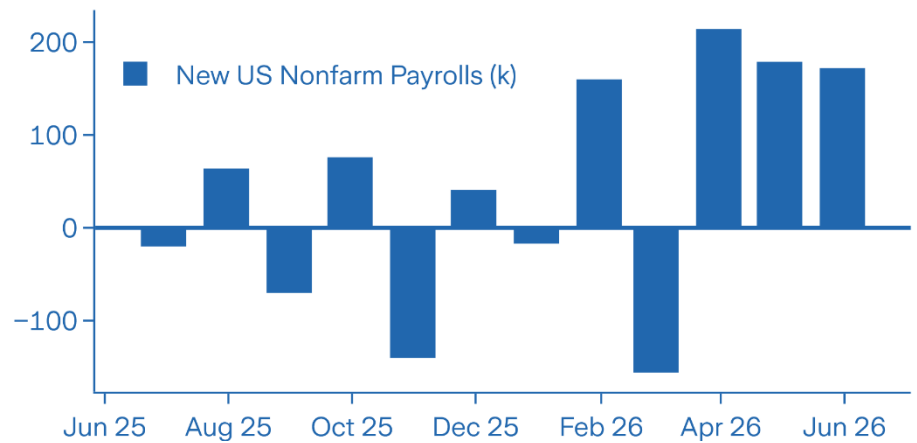
Eurozone HICP rises from 3% YoY in April to 3.2% in May, in line with market estimates

Inflation is likely to continue to rise throughout 2026, with the key focus on whether it broadens out from direct energy measures.

The Reserve Bank of India leaves rates unchanged at 5.25%

Whether FX measures can stabilise the currency remains to be seen, yet rate hikes later this year still appear likely.

Strong payrolls increase the risk of a more hawkish Fed



Source: Bloomberg

Investors were spooked last week as robust economic data and a solid pickup in new nonfarm payrolls increased the risk of a more hawkish Fed. While the FOMC is expected to remain on hold at its meeting next week, futures are now pricing in a full rate hike by the end of the year. Longer-term bond yields have also risen, with 10yr Treasury yields back above 4.5%. While notoriously volatile, payrolls have now risen substantially for three months in a row, indicating that the labour market is holding up despite the pickup in energy prices. In addition, both manufacturing and services activity gained momentum in May according to the latest ISM surveys, with strong new orders in both cases. At the same time, price indicators continue to point at elevated inflation risks, making a Fed rate hike more likely. It remains to be seen whether the regained strength in the labour market is sustainable, however. In contrast to the latest set of labour market data, employment components within the ISM surveys remain weak and initial jobless claims have picked up to the highest since early February. The S&P 500 suffered its worst day this year on Friday, falling 2.6% and ending an eight-week winning streak. The Nasdaq was hit even harder, losing almost 5% last week as Broadcom's modest outlook was an additional drag on the technology sector.

Eurozone

Inflation rises, as does unemployment

May inflation rose to 3.2% YoY in the Eurozone, after beginning the year with a below-target 1.7% in January. The energy shock from Iran is the direct reason, with fuel costs the single largest driver of the increase in consumer prices. Although details are lacking from this latest print, core inflation did rise to 2.5%, while services inflation rose to 3.5%. For now, this looks primarily due to an early Easter holiday period and a weak print in May 2025. However, if sustained this would clearly be concerning. In better news, the ECB's CPI expectations survey saw one- and

three-year expectations fall in April compared to March. Emphasising the weaker economic reality, the Eurozone's unemployment rate rose from 6.2% to 6.3%, while PMI data confirmed a significant slowing of activity in Q2. Lastly, Eurozone Q1 GDP growth was revised down markedly to -0.2% QoQ, from 0.1% beforehand. While we do generally expect weak Eurozone data releases, this revision is entirely owing to hugely volatile Irish data. Looking through, the underlying pace of growth remained at 0.2% for Q1.

Switzerland

Inflation is benign while a manufacturing recovery is tentatively gaining traction

CPI inflation was unchanged at 0.6% YoY in May, slightly below market expectations, with falling prices on imported non-energy goods contributing to the downside surprise. While headline inflation is now tracking slightly above the SNB's latest forecast, core inflation is notably weak, moving sideways at 0.3% YoY, with little evidence of broader spillover from higher oil prices. Elsewhere, sport adjusted GDP rose 0.4% QoQ in Q1. This marked an acceleration compared to previous quarters, but the details were soft, with falling investment and subdued private

consumption. That said, manufacturing (ex chemicals and pharma) reportedly contributed to growth after a period of stagnation, likely reflecting reduced US tariffs at the end of 2025 and a solid global capex cycle. PMI data for May confirmed the manufacturing recovery that appears to be building, with rising output and gradually improving employment intentions. Looking forward, we expect the SNB to leave rates unchanged in the June meeting, given the backdrop of benign inflation and still subdued economic activity and sentiment.

Asia PMIs

AI hardware powers through while supply bottlenecks ease

May PMIs remained strong and in expansionary territory across Asia, barring Malaysia's manufacturing and Australia's composite, with three themes standing out. First, supply disruptions still bite, but the worst may be behind us. Three months into the Middle East conflict, delivery times, input prices and order backlogs remain stretched. Margins are being squeezed as input costs outpace output prices, yet both eased slightly in May, potentially hinting at a peak in impact. Second, output strength reflects precautionary stockpiling. New orders are

outpacing inventories, with the gap widening to its highest since Covid, most notably in Korea, Japan, Taiwan and Vietnam, which often signals a restocking cycle. Third, AI remains the key engine. Gains reflect the ongoing boom in AI and IT hardware, evident in strong export data across the region, moving beyond Korea and Taiwan to Japan and China, led by semiconductors. All told, momentum looks fragile, but supply stress is stabilising while AI continues to power Asia's manufacturing strength.

India

The RBI holds its fire, but pressure is building

The Reserve Bank of India held rates at 5.25% even as foreign outflows battered the INR, down more than 6% YTD, making it one of Asia's worst-performing currencies. Markets remain unconvinced by the pause, still pricing in 50bps of hikes by year-end and further tightening into 2027. To address FX issues, the RBI introduced a calibrated set of measures aimed at attracting capital inflows: allowing foreigners to buy Indian equities via a portfolio route, expanding access to government securities, and granting tax breaks on specified sovereign bonds among

others. The policy signals a preference for addressing balance of payments pressures through FX measures rather than monetary tightening. On the macro front, Q1 GDP impressed at 7.8% YoY, powered by resilient consumption and investment. But peak growth may be behind us: the RBI trimmed the FY27 growth forecast to 6.6% and lifted CPI to 5.1% amid the oil shock. Whether the FX measures will be sufficient to stabilise the currency remains to be seen. Given the current outlook, however, we suspect rate hikes later this year remain likely.

Credit

Investors look through stock market jitters

Credit markets were resilient last week despite a pickup in stock market volatility, implying that credit investors saw Friday's sell-off in US stocks as an overdue correction rather than fundamental in nature. AI-related deals continue to dominate the supply pipeline, headlined by Apollo and Blackstone finalising a record USD 35bn package to finance chips for Anthropic, structured across three tranches with Broadcom backstopping the largest senior tranches. However, sentiment continues to be fragile in private credit, where redemptions are ramping up

once again as Blackstone and Monroe moved to cap withdrawals. Partners Group gated one of its evergreen private equity funds, suggesting that the stress is spilling over into private equity. Despite last week's resilience, current low spreads offer little room for further tightening and limited risk premium to cushion investors against the building downside risks, be it from the private credit strains, the increasingly complex structures underpinning the AI financing wave, or the prospect of higher rates.

What to Watch

- In the US, investors will focus on the latest set of inflation data, particularly following last week's solid employment numbers.
- The ECB is highly likely to raise interest rates by 25bps to 2.25% on Thursday.
- China's exports and inflation data, India's inflation, and Australia's business and consumer confidence are key to watch.
- In LatAm, May CPI will be in focus, with attention on oil shock second-round effects.

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