

# Weekly Macro and Markets View

15 June 2026



## Highlights and View

### The ECB raised its deposit rate by 25bps to 2.25% on concerns around energy-driven inflation

Economic weakness limits the likelihood of an extended hiking cycle, and we currently expect no further rate moves in upcoming meetings.

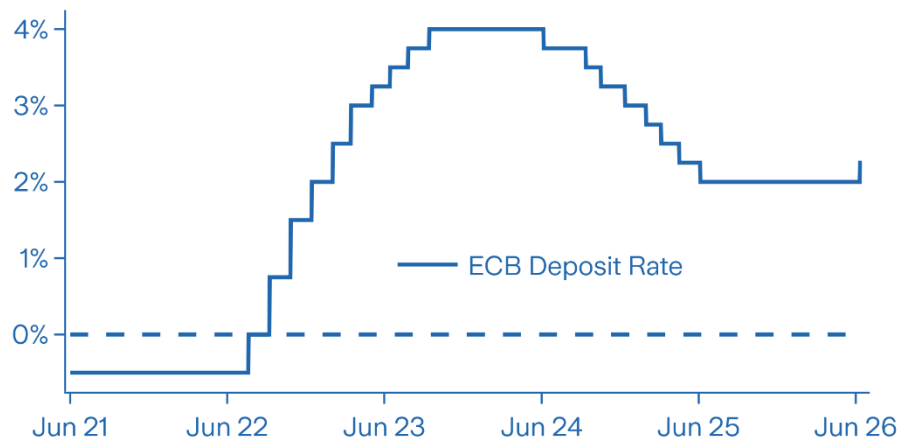
### The US and Iran reach an interim agreement to reopen the Strait of Hormuz

The agreement is yet to be signed, but markets welcomed the announcement with solid gains for both equities and bonds.

### Bank Indonesia delivers a surprise 25bp off-cycle hike to defend a battered rupiah as outflows mount

While the move has triggered a market rebound, a durable recovery will hinge on whether the government steps back from populism and state intervention.

## The ECB hikes interest rates as the US and Iran signal a peace deal



Source: Bloomberg

Last Thursday the ECB raised the deposit rate by 25bps to 2.25%, citing the inflationary impact of rising energy prices. Concurrently, energy prices fell last week in anticipation of a lasting peace agreement between Iran and the US. The universe does enjoy irony. In our view, the ECB's move is driven to avoid a repeat of their belated hiking cycle in 2022. Inflation has risen, with headline HICP at 3.2% YoY and core inflation at 2.5%. Producer prices have risen, and surveys signal increased input costs and consumer inflation expectations. So far, so hawkish. Yet, price increases have thus far been contained within direct energy components, such as fuel prices. The potential peace deal emphasises the volatility and two-sided risks, with oil prices at their lowest since March. Moreover, the economic outlook is distinctly weak. Parallels with 2022 look misplaced, with no additional fiscal stimulus nor pent-up demand from the lockdowns. Labour markets are softening. This is seen through limited labour bargaining power, with employment growth and wage growth both slowing. Market-based inflation expectations show limited concern. We think this environment is consistent with no further ECB hikes. The risks to this call are skewed towards a move to 2.50%, as many ECB members continue to emphasize concerns on rising inflation. Even if it were to be delivered, we do not see it as part of an extended hiking cycle and expect European fixed income to be supported at current yield levels.

## US

Headline inflation accelerates to 4.2% YoY

Headline inflation rose 0.5% MoM in May, slightly less than the month before though pushing up the annual rate to 4.2% YoY, the highest level in more than three years. Core CPI slowed to 0.2% MoM from 0.4% MoM in April. The slowdown was relatively broad-based, with the Cleveland Fed's trimmed mean CPI measure slowing to 0.26% MoM in May from 0.43% MoM in April. Consumer sentiment improved somewhat in June according to the University of Michigan's latest survey but remains close to the lowest on record. While inflation expectations remain

elevated, they have receded both for the near as well as the longer term. Meanwhile, small business optimism ticked down to the lowest since October 2024, right before Donald Trump's election victory boosted confidence amongst smaller firms. Hiring plans dropped to the lowest in a decade, except for a few months during Covid. Capital expenditure plans are at the lowest since 2009, emphasizing the headwinds that many businesses in the US are facing.

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## Indonesia

Rate hikes alone won't save the day

Bank Indonesia (BI) delivered an 25bp off-cycle hike last week, following an already unexpected 50bp rate increase in May to defend the rupiah amid heavy YTD outflows. Indonesian equities are down over a third year-to-date and 10yr yields have risen 140bps, reflecting concerns over policy drift towards populism and interventionism. Free school meals and fuel subsidies, against a backdrop of rising oil prices, are likely to breach the 3% fiscal deficit ceiling. Meanwhile, a new state-owned export monopoly on key commodities and

proposals to broaden BI's mandate to support 'the real sector' has raised concerns about government intervention and central bank independence. Although equities rebounded on renewed inflows, we think monetary tightening alone is unlikely to restore confidence. With credibility and governance at stake, only a credible shift in the policy stance away from populism and state intervention can drive a durable recovery.

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## LatAm

Mixed inflation dynamics

May CPI prints highlighted differentiated dynamics across major LatAm economies. Brazil's CPI came in above expectations, pushing inflation to 4.7% YoY, above the BCB's target range. The upside was driven by food and electricity while fuel pressures eased on subsidies. Core inflation showed some moderation but remained above headline, particularly in services. While we still expect an additional 25bp rate cut at the upcoming meeting, resilient domestic demand and rising inflation expectations increase the likelihood of a pause in the

easing cycle earlier than expected. Mexico's inflation came in below expectations at 3.9% YoY, returning below Banxico's upper bound. The decline was largely driven by non-core and seasonal factors while core pressures remain above target. In this context, we expect Banxico to maintain a cautious hold stance. Chile's CPI also surprised on the downside at 0.2% MoM (from 1.3%), confirming limited second-round effects from the oil shock, with core inflation near target. This supports our view of the Central Bank remaining on hold throughout the year.

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## Equities

A volatile week ends with liftoff

Several factors weighed on investor sentiment last week, resulting in choppy trading that eventually saw the MSCI World Equity Index eke out a modest gain of 0.7%. After skirmishes early in the week, the prospect of a US-Iran deal, which gained traction ahead of the weekend agreement, and the slump in oil prices helped to improve shaky market sentiment. The tech sector was also volatile, with Korea's Kospi index off 9% before clawing almost all of that back while in the US a further rise in CapEx commitments from Oracle saw the stock down 14% on the

week. Equities generally have pulled back a little over the past week or so from stretched levels, which we see as healthy, but sentiment and liquidity are expected to remain supportive. This was exemplified on Friday as the much-anticipated launch of SpaceX blasted off, with the largest ever IPO closing up 19%. With at least an interim agreement reached on opening the Strait of Hormuz and a quiet corporate earnings calendar over the next few weeks, we see further upside for stocks.

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## US Municipals

Hyperscaler debut marks a new beginning

In what may mark a new trend in the US municipal market, Alphabet made its municipal market debut through a USD 1.2bn prepaid electricity deal issued by the California Community Choice Financing Authority, marking the first entry of a hyperscaler into the tax-exempt prepaid energy market. In the deal, Alphabet participates as the funding recipient while Pioneer Community Energy secures long-term electricity supply. Prepaid energy municipal bonds are not new, but the involvement of a hyperscaler is notable. If

replicated by other tech giants, this template could become a significant new source of AI-related municipal issuance. Meanwhile, US tax-exempt municipals have outperformed Treasuries and corporate peers so far in June, although total returns have moderated further since May. Municipals remain ahead year-to-date, supported by perceived safe-haven characteristics. We expect the constructive tone to persist but soften in the coming weeks as inflows have slowed, supply remains elevated, and valuations versus Treasuries look stretched.

## What to Watch

- In the US, investors' focus will be on the first Fed meeting under the new chair Kevin Warsh.
- In the UK, labour market and inflation data will provide insights into the state of the economy and potential next steps by the BoE.
- This week we will receive ZEW investor expectations surveys for Germany and the Eurozone.
- The Swiss National Bank is expected to keep rates at zero in this week's policy meeting.
- In Asia, the Bank of Japan is expected to hike to 1% and the Philippine central bank to deliver a 25bp increase, while the RBA likely stays on hold. China's May activity data will also be in focus.
- In LatAm, the focus is on central bank decisions, with the BCB set to deliver a cautious 25bp cut while Chile remains on hold.

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