

Weekly Macro and Markets View

22 June 2026



Highlights and View

The Fed keeps rates unchanged, but signals tighter policy ahead

The risk of rate hikes has increased, but mixed signals from the labour market and a struggling housing market may keep the Fed on hold, nonetheless.

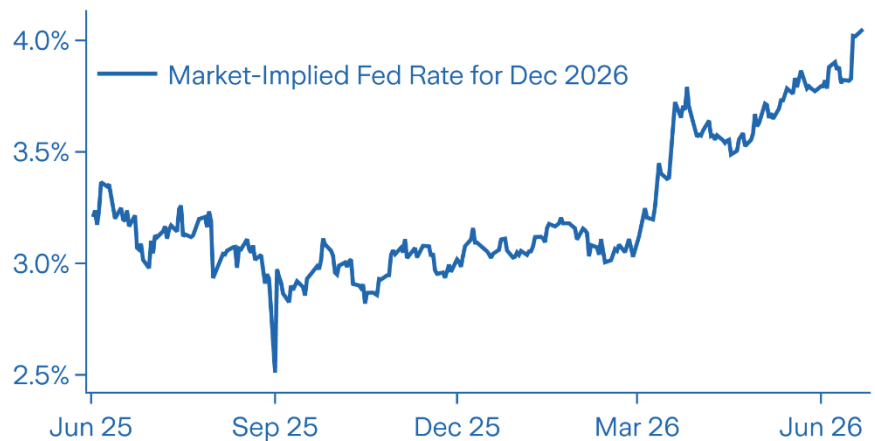
Keir Starmer steps down as Britain's Prime Minister

Starmer's resignation clears the way for Andy Burnham to become Britain's seventh PM in a decade.

The Bank of Japan raises its policy rate to 1%

We expect another BoJ rate hike later this year, with inflation pass-through likely to become more evident in H2.

The new Fed Chair comes with a hawkish message



Source: Bloomberg

As expected, the Fed left rates unchanged at its meeting last week, but the decision came with a hawkish message. In his first speech as the new Chair, Kevin Warsh emphasised the Fed's commitment to price stability, particularly after failing to reach the inflation target for five years in a row. Nine committee members are now expecting rates to be higher by the end of this year—up from none three months ago—and six members even see more than one hike. Warsh declined to provide his own forecasts. The risk of tighter monetary policy has increased, but mixed signals from the labour market and a struggling housing market may keep the Fed from hiking this year, nonetheless, particularly given the substantial fall in energy prices triggered by the de-escalation in the Middle East. By establishing five different taskforces covering a broad range of topics, Mr. Warsh also made it clear that he wants to review several fundamental aspects of how the Fed works and communicates. The Treasury curve has flattened substantially as investors are pricing in a more hawkish Fed, pushing up shorter-term yields. The equity market quickly regained its footing after an initial wobble, with the S&P 500 gaining 0.9% over the course of last week, helped by solid gains in technology stocks.

UK

The BoE keeps the Bank Rate unchanged as inflation slows

Headline CPI inflation slowed from 0.7% MoM in April to 0.2% MoM in May, leaving the annual rate unchanged at 2.8% while core inflation ticked up from 2.5% YoY to 2.6% YoY. Both headline and core are running below the Bank of England's forecasts, easing pressure on the BoE to tighten its policy. As expected, the monetary policy committee kept rates unchanged at its meeting last week, though two members voted for a rate hike. Meanwhile, the unemployment rate ticked down to 4.9% in April, with overall wage growth remaining at

3.4% YoY. Private sector wage growth has slowed to 2.9% YoY, however. Following a dip in April, consumer spending recovered in May, with retail sales growing by 1.2% MoM. On the political front, Greater Manchester Mayor Andy Burnham has emerged as the winner of the Makerfield by-election. In doing so he has once again become a Member of Parliament, putting him in a position to become the next Prime Minister following Keir Starmer's resignation.

Switzerland

The SNB leaves rates unchanged while the 10 million initiative is rejected

The SNB left rates unchanged in the June policy meeting, as widely expected. The inflation forecast was nudged up due to higher energy prices, but medium-term inflation pressure was considered virtually unchanged. The statement around the SNB's increased willingness to intervene in the foreign exchange market was maintained, though it was made more conditional, by adding 'if necessary'. The franc has weakened since the last policy meeting, helped by progress on a US-Iran peace deal and the ECB's relatively hawkish policy

stance. It remains relatively highly valued, however, and continues to be a headwind for the economy. This was also reflected in last week's PPI data, which showed that core producer prices continue to fall, with pricing on products destined for exports particularly weak. Last weekend, Swiss voters rejected the initiative to cap the population at 10 million. By reducing risk around the long-term relationship between Switzerland and the EU, the outcome was significant, though with little market reaction.

Japan

The BoJ delivers on rate hike expectations

The Bank of Japan (BoJ) delivered a widely anticipated 25bp rate hike, lifting the policy rate to 1.0% via a 7-1 vote. Given that the move was fully priced in, with near-unanimous consensus and OIS markets already pointing to a hike, the increase had little impact on markets. The BoJ's commentary pivoted from growth concerns to inflation risks, highlighting upside pressures as higher energy costs increasingly pass through to broader prices, even though direct energy costs remain cushioned by government subsidies. However, the signal

was mixed: the hike was paired with a pause in bond tapering earlier next year, diluting the hawkish tone. The yen weakened on the announcement, reflecting market expectations that policy will remain behind the curve. We expect the BoJ to hike again in December as its policy normalisation continues at a measured pace.

China

Growth is becoming increasingly narrow

China's May activity data reflect a further broad-based loss of momentum, with exuberant exports doing the heavy lifting. Both investment and consumption saw sharp negative surprises, with property investment remaining the major drag. Notably, retail sales fell YoY, the weakest print since Covid. Part of the softness reflects base effects as last year's boost to auto and durable goods consumption from trade-in programs have faded. That said, the weak consumption also reflects still-depressed consumer sentiment. Meanwhile, industrial production was the

bright spot, buoyed by exports and high-tech sectors. Growth is becoming increasingly narrow and export-led, making the economy very lopsided. Despite China's Five-Year Plan emphasising the need to boost consumption, it was insufficient fiscal support in Q2 that was the key driver of the slowdown, raising expectations for stronger stimulus later this year. With domestic demand fragile, policy easing is now critical to stabilisation.

LatAm

Divergent central bank signals

Last week was centred on monetary policy decisions, with outcomes broadly in line with expectations but offering important forward guidance. In Brazil, the BCB delivered another 25bp rate cut, taking the Selic to 14.25% and cumulative easing by 75bps since the cycle began last March. While the Board continued to describe policy as restrictive, the statement turned more hawkish, shifting the focus from external risks to domestic inflationary pressures, including strong demand, tight labour markets, and further de-anchoring of inflation expectations.

In our view, this increases the risk of an early pause in the easing cycle in the second half of the year. In Chile, the Central Bank kept the policy rate at 4.5%, maintaining its cautious stance while adopting a more dovish tone versus the previous meeting. The statement highlighted receding Middle East risks, anchored inflation expectations over the policy horizon, and weaker-than-expected activity so far this year. We continue to expect rates to remain on hold through 2026, though acknowledge the possibility of an early resumption of easing by Q4.

What to Watch

- In the US, investors' focus will be on PCE inflation and spending figures as well as the latest set of PMI data.
- This week we will receive sentiment data for the Eurozone, including PMIs, consumer confidence, and the German ifo.
- Tokyo's CPI, Australia's CPI and employment data, flash PMIs in Japan, Australia and India, and the Bank of Thailand are key to watch.
- Mexico's April activity data and Banxico's rate decision will be in the spotlight, with no changes expected to the policy rate.

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