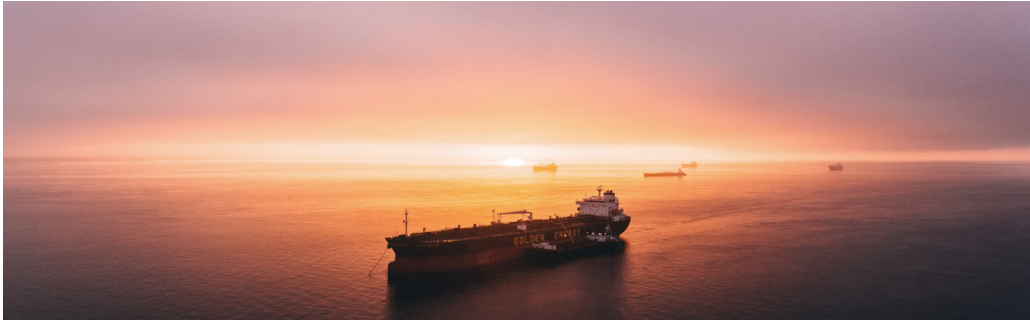


June 15, 2026

Weekly Investment Insights



Written as of 15 June,

After a volatile week, major US equity indices ended higher on Friday, supported by growing optimism around a potential US–Iran de-escalation. Indeed, over the weekend, the two sides reached an interim agreement to pause hostilities and reopen the Strait of Hormuz (as of June 19). Brent crude prices have eased, trading lower at around USD 83 per barrel.

Turning back to US equities, last week, performance broadened beyond the usual suspects, with small caps outpacing their larger counterparts. The widely-watched public debut of SpaceX was completed on Friday, marking the largest IPO on record. The company raised approximately USD 75 billion, implying a valuation of USD 2 trillion.

European equity markets also recorded modest gains over the week, again supported by easing geopolitical concerns. Given the region's reliance on external energy supplies, Europe remains particularly exposed to developments in the Middle East and continues to be caught in the crosshairs of this exogenous shock.

Meanwhile, gold fell to a six-month low on Thursday. Prices have declined by roughly 20% since the onset of the Iran conflict, partly reflecting selling by some central banks, including Turkey and Russia, as they seek to prop up their currencies.

	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	-0.96	-0.96	9.67
Nasdaq Composite	-2.49	-2.49	13.16
EuroStoxx 50	0.49	0.49	4.99
CAC40	0.75	0.75	1.17
DAX	-1.10	-1.10	1.38
CSI 300	-1.54	-1.54	4.04
US 10 Year Yield (%)	2.23	2.23	8.81
Germany 10 Year Yield (%)	3.20	3.20	6.20
Gold Spot (\$/Oz)	-3.87	-3.87	1.05

Source: Bloomberg, BIL as of 15 June

MACRO SNAPSHOT

ECB raises rates by 25 basis points

On Thursday, the ECB raised interest rates by 25 basis points to 2.25%, becoming the first G7 central bank to raise borrowing costs in response to the Middle East energy shock. The move did not come as a surprise as it was in line with expectations and market pricing. In her press conference, ECB President Christine Lagarde stated that the decision to increase rates for the first time since September 2023 was “unanimous without reservations” and no other options (hold or a larger hike) were discussed.

Looking ahead, the ECB did not pre-commit to further hikes, but the tone in both the press release and the press conference suggested more tightening. The only forward guidance provided was that further decisions will be taken on a meeting-by-meeting and data-dependent basis, and that the inflation outlook and the risks surrounding it will be decisive for monetary policy going forward.

In May, consumer prices rose to 3.2%, remaining above the ECB's 2% target for the third consecutive month.

The ECB also revised its quarterly projections, raising its inflation outlook for both this year and next, while lowering its growth forecasts. Inflation is not expected to return to target until the second half of 2027.

While the Iran conflict is weighing on economic activity, when asked whether the hike could prove to be a policy mistake, Lagarde said that the growth forecast has only been revised marginally lower. She also highlighted that strong household balance sheets, continued investment by firms in digital technologies, and government defence spending should help cushion the economic impact of the war.

Following the announcement, the euro remained stable. Market participants are currently expecting at least one additional quarter-point rate increase by the ECB before the end of the year.

ECB economic projections						
	GDP Growth		Inflation		Core Inflation	
	June Forecast	March Forecast	June Forecast	March Forecast	June Forecast	March Forecast
2026	0.8%	0.9%	3.0%	2.6%	2.5%	2.3%
2027	1.2%	1.3%	2.3%	2.0%	2.5%	2.2%
2028	1.5%	1.4%	2.0%	2.1%	2.2%	2.1%

Source: ECB, BIL

US inflation hits a three-year high on energy market disruptions

US inflation rose to 4.2% YoY in May, the highest level since April 2023, from 3.8% in April and in line with consensus expectations. This is the third consecutive monthly acceleration in headline inflation, with energy costs jumping 23.5% (up from 17.9% in April), as a consequence of events in the Middle East. Gasoline prices increased by an eye-watering 40.5%, after a 28.4% gain. But this was not the only driver - inflation accelerated again for shelter (3.4% vs 3.3%) and food (3.1% vs 2.3%).

Looking on a monthly basis, the CPI was up 0.5%, a bit less than 0.6% in April, and in line with forecasts. Energy prices rose 3.9% and accounted for over 60% of the monthly gain.

Interestingly, transportation services fell 0.6%, a potential indicator that high energy costs were not filtering into other areas.

Stripping out food and energy, the annual core inflation rate went up to 2.9%, a new high since September 2025, compared to 2.8% in April and matching forecasts. Month-on-month, however, the core CPI rose 0.2%, less than 0.4% in April.

The good news is that inflation expectations remain broadly anchored for now - a crucial factor, as a sudden rise in expectations can become self-reinforcing, prompting higher spending in the present, and further upward pressure on prices. Recent data from the New York Fed shows that median one-year-ahead inflation expectations in the US edged down to 3.5% in May from 3.6% in April. Notably, expectations for price increases eased across several categories, including gasoline (down 0.1 percentage points to 5%).

We are also observing a broader trend of adjustment across global energy markets. The United States and Venezuela have both ramped up exports and, in the same vein, a major US oil company applied last week to expand operations in Argentina's Vaca Muerta, one of the world's largest shale oil and gas formations, highlighting growing interest in alternative supply sources.

Key Middle Eastern producers have also been accelerating efforts to reduce their reliance on the Strait of Hormuz. Iraq and the UAE are fast-tracking the development of alternative export routes to bypass the chokepoint. For Iraq, where oil accounts for more than half of GDP, this shift is particularly critical. The government has recently approved plans to scale up crude

exports via a pipeline running through the Kurdistan region into Turkey, potentially boosting capacity from 220,000 barrels per day to around 770,000 barrels per day.

Meanwhile, Abu Dhabi is advancing construction of a new west-east pipeline to Fujairah. Expected to come online in 2027, the project will significantly enhance the Abu Dhabi National Oil Company's (ADNOC) export capacity and further reduce dependence on the Strait, in another sign of a broader strategic realignment of global energy flows.

The fruits of diversification efforts will take some time to show up in the inflation data and won't provide immediate relief to US households that are being squeezed by high prices. Inflation has outpaced wage growth in the US for a second month in a row (4.2% versus average hourly earnings of 3.4%).

Following the report, futures markets indicated that the Fed is still likely to stay on hold through much of the year. For now, they see a likelihood that the next move will be a hike in December.

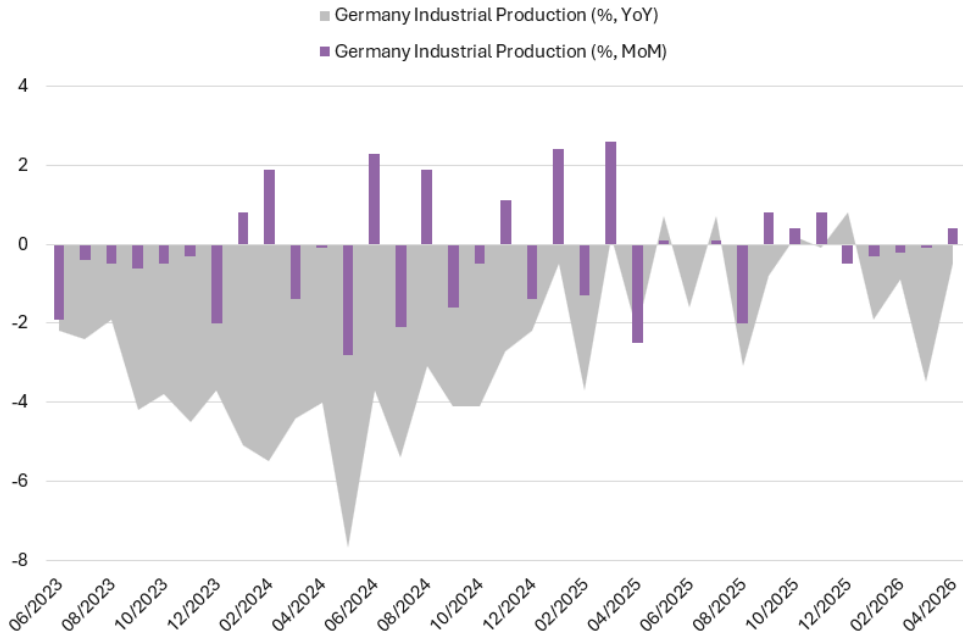
German industrial production edges up for the first time since the onset of the conflict in the Middle East

German industrial production showed very slight improvement in April, rising by 0.4% MoM in line with expectations and marking its first increase since the escalation of tensions in the Middle East. Despite this uptick, output remains more than 10% below pre-pandemic levels, underscoring the sector's ongoing fragility.

The monthly gain was driven by stronger activity in construction (+2.4%), chemicals (+2.1%), and fabricated metal products (+1.7%), while output in the auto sector declined sharply by 4.7%. By category, production of intermediate goods rose by 1.4% and consumer goods by 1.9%, but capital goods output fell by 1.5%, highlighting persistent weakness in investment-related activity.

Looking beyond the volatile monthly data, the broader trend remains subdued: industrial production declined by 0.5% over the February–April period compared with the previous three months. Production was down 0.5% year-on-year, following a steeper 3.4% drop in March. Moreover, factory orders dropped 3.8% mom in April, reflecting weaker demand in the automotive industry (-5.3%), electrical equipment (-16.3%), and mechanical engineering (-7.4%).

Germany industrial production rises for first time in four months



Source: Bloomberg, BIL

US small businesses feeling the strain of higher energy prices

While larger companies in the US have been weathering ongoing geopolitical storms relatively well and producing strong earnings, sentiment amongst smaller firms is dwindling. The NFIB index of small business optimism fell to 95.3 in May, its lowest level since October 2024. Owners are struggling with significant hikes in fuel prices, especially since they have less pricing power than their larger counterparts. 18% cited inflation as their single most important business problem. 70% reported that supply chain disruptions affected their business to some extent and only 16% plan to make capital outlays in the next three to six months, the lowest since 2009.

US small business optimism falls to lowest level since October 2024



Source: Bloomberg, BIL

CALENDAR FOR THE WEEK AHEAD

Monday – Eurozone Industrial Production. US Industrial Production, NAHB Housing Market Index.

Tuesday – China Industrial Production, Retail Sales, Fixed Asset Investment, Unemployment Rate. Italy Inflation Rate. Eurozone ZEW Economic Sentiment Index, Labour Cost Index and Wage Growth. Germany ZEW Economic Sentiment Index. US Housing Starts and Building Permits.

Wednesday – Japan Balance of Trade. UK Inflation. Eurozone Inflation (Final, May). US Retail Sales, Business Inventories, Pending Home Sales, **Federal Reserve Monetary Policy Meeting**.

Thursday –US Weekly Jobless Claims. UK Unemployment Rate and Bank of England Monetary Policy Committee.

Friday – UK Gfk Consumer Confidence and Retail Sales. Japan Inflation Rate.

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