

June 19, 2026

Weekly Investment Insights



Written as of 19 June. Please note that there will be no Weekly Newsletter on 29 June.

At the first FOMC meeting under Chairman Kevin Warsh, the US Federal Reserve left interest rates unchanged at 3.50%–3.75%, but adopted a more hawkish tone. The dot plot, which captures policymakers' rate expectations, was revised quite significantly since its last release in March. Three months ago, no committee members expected a rate hike this year and most still anticipated cuts. Now, nine members project at least one hike, while only one still expects easing, indicating that inflation control, rather than employment, has become the Fed's primary concern within its dual mandate.

Markets were caught off guard. Short-term Treasury yields rose sharply, rate hike expectations were pulled forward to October, and credit spreads widened. Underlying this overhaul, is the inflationary impact of the recent energy shock, which has pushed inflation well above target.

Looking ahead, upcoming inflation data and signals from Chairman Warsh will be critical in shaping expectations, as his policy stance remains a key uncertainty for the US rates outlook. In the meantime, the removal of the Fed's easing bias has allowed the dollar to regain muscle.

After falling sharply at the beginning of the week, oil prices edged higher on Friday when Iran delayed permanent peace talks, which were scheduled to take place in Geneva, citing renewed Israeli strikes in Lebanon. Iran separately moved to assert control over Hormuz by requiring all vessels to register with the Persian Gulf Strait Authority. At the time of writing, Brent was trading at roughly \$79/barrel.

MACRO SNAPSHOT

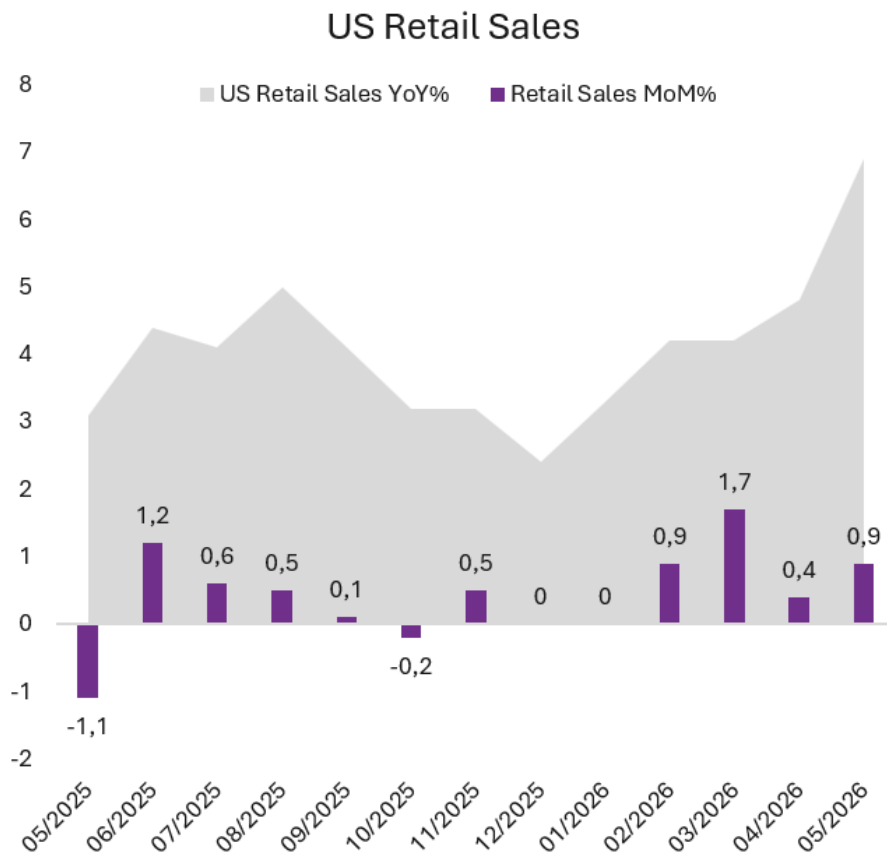
Don't underestimate the US consumer...

Retail sales in the US increased 0.9% MoM in May, up from 0.4% in April and above forecasts of 0.5%. This latest data release signals that consumer spending has not followed the downward trajectory of consumer confidence.

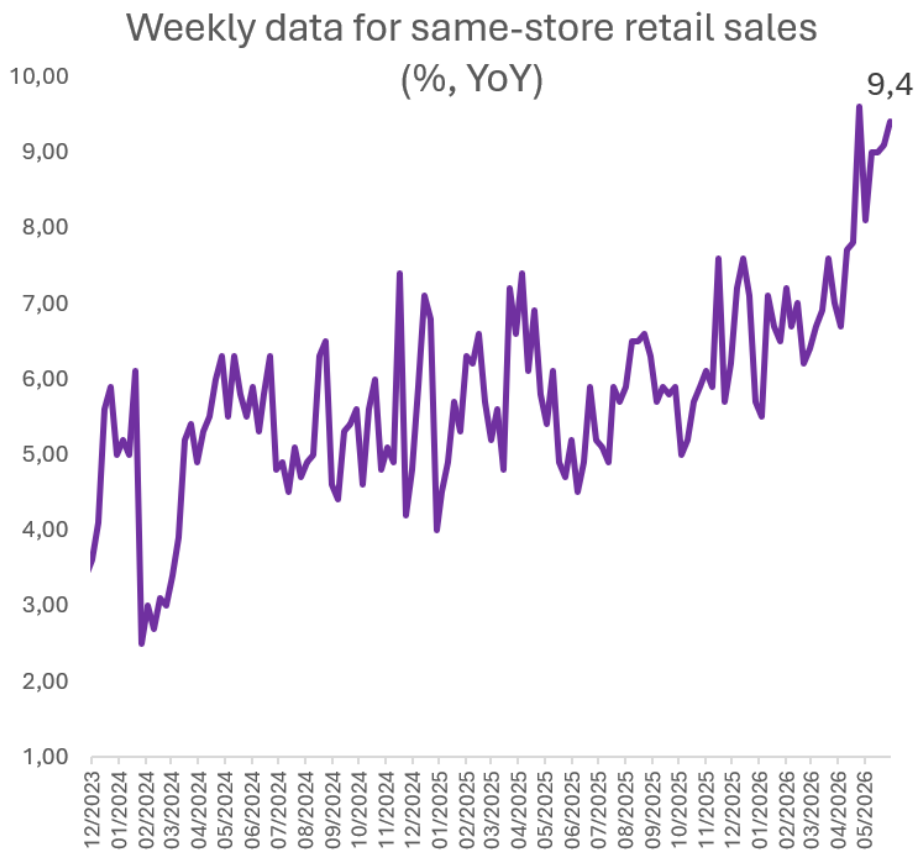
The data is not adjusted for inflation, so intuitively, gasoline stations accounted for the biggest rise in sales (+3.4% MoM), with prices at the pump pushed up by the ongoing global energy shock.

But even when we exclude this category, core sales, which are used to calculate GDP, were up 0.7%, after a 0.5% gain in April.

The CPI price index rose 0.5% MoM in May.



Source: Bloomberg, BIL



Source: Redbook, Bloomberg, BIL (nominal)

BoJ lifts rates to highest level since 1995

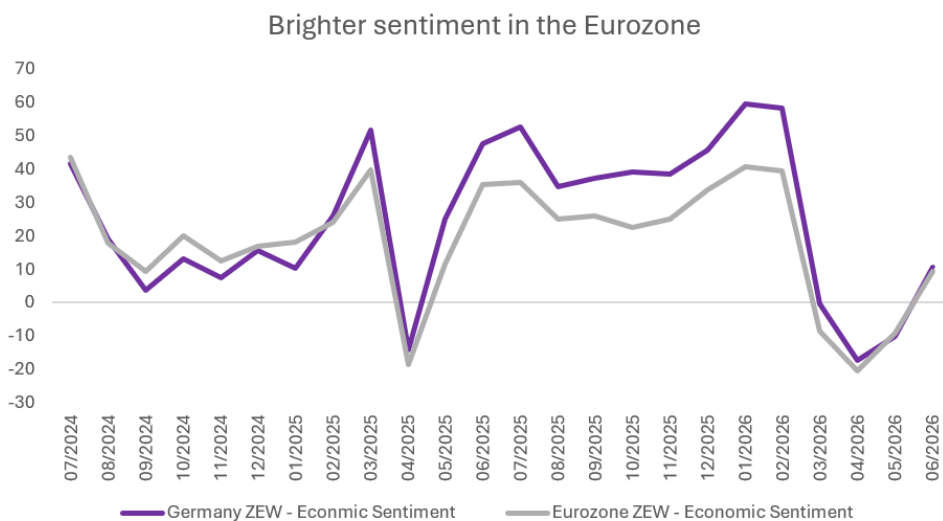
The Bank of Japan raised its policy rate from 0.75% to 1%, as widely expected, marking its highest level since 1995. The decision was approved by a 7–1 vote, with board member Asada—appointed by Prime Minister Takaichi—dissenting in favour of maintaining the current rate. Governor Ueda did not participate in the vote due to hospitalization. In its statement, the BoJ indicated it will continue to gradually increase the policy rate and adjust the level of monetary accommodation.

ZEW: Financial analysts become more optimistic on the Eurozone

The latest **ZEW Survey** - a monthly poll of up to 350 financial analysts and institutional investors - showed improving expectations surrounding both the German economy, and the Eurozone as a whole.

The German Indicator of Economic Sentiment rose 20.7 points to 10.5 in June, trouncing market expectations of -6.0. It marks the first positive reading since the outbreak of war in the Middle

East. Improving sentiment was most notable in the auto sector, chemicals & pharmaceuticals, mechanical engineering and private consumption - though all remain sub-zero. The construction saw further declines in its index, falling 15.2 points to -12, most likely as a result of the ECB's rate hike on June 11.



Source: Bloomberg, BIL

Zooming out to look at the Eurozone as a whole, the index climbed by 18.6 points to 9.5. Economists had expected a much lower -7.2.

57.7% of analysts expected no change in economic activity, while 25.9% anticipated improvement and 16.4% expected deterioration. The index measuring inflation expectations declined by 19.5 points to 45.8.

UK politics rattle markets as BoE holds rates steady

The dominant story in the UK this week was political: Greater Manchester Mayor Andy Burnham won the Makerfield by-election with 55% of the vote, opening a direct path to challenge PM Keir Starmer for the Labour leadership. Starmer said a contest would send "the country into chaos", but has vowed to stand if there is one. Against that backdrop, the BoE held rates at 3.75% for a fourth consecutive meeting (7-2 vote), with two dissenters pushing for a hike, while May's budget deficit came in at a post-pandemic high of £23.3 billion – up 30% YoY, with much of the surge driven by higher debt interest costs. Gilts sold off on the political risk, with the 10-year yield rising roughly 7 basis points to 4.83%.

CALENDAR FOR THE WEEK AHEAD

Monday – Eurozone Consumer Confidence. China Loan Prime Rate.

Tuesday – US, Eurozone, UK, Japan Composite PMI (Flash, June). France Business Confidence.

Wednesday – Germany IFO Business Climate. US Building Permits and New Home Sales. US Fed Bank Stress Test Results.

Thursday – Germany Gfk Consumer Confidence. France Consumer Confidence. US PCE Inflation, GDP Growth (Final, Q1), Personal Income and Spending, Weekly Jobless Claims

Friday – Fed Goolsbee Speech. France Unemployment Data. US Michigan Consumer Sentiment (Final, June)

Saturday – China Industrial Profits

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