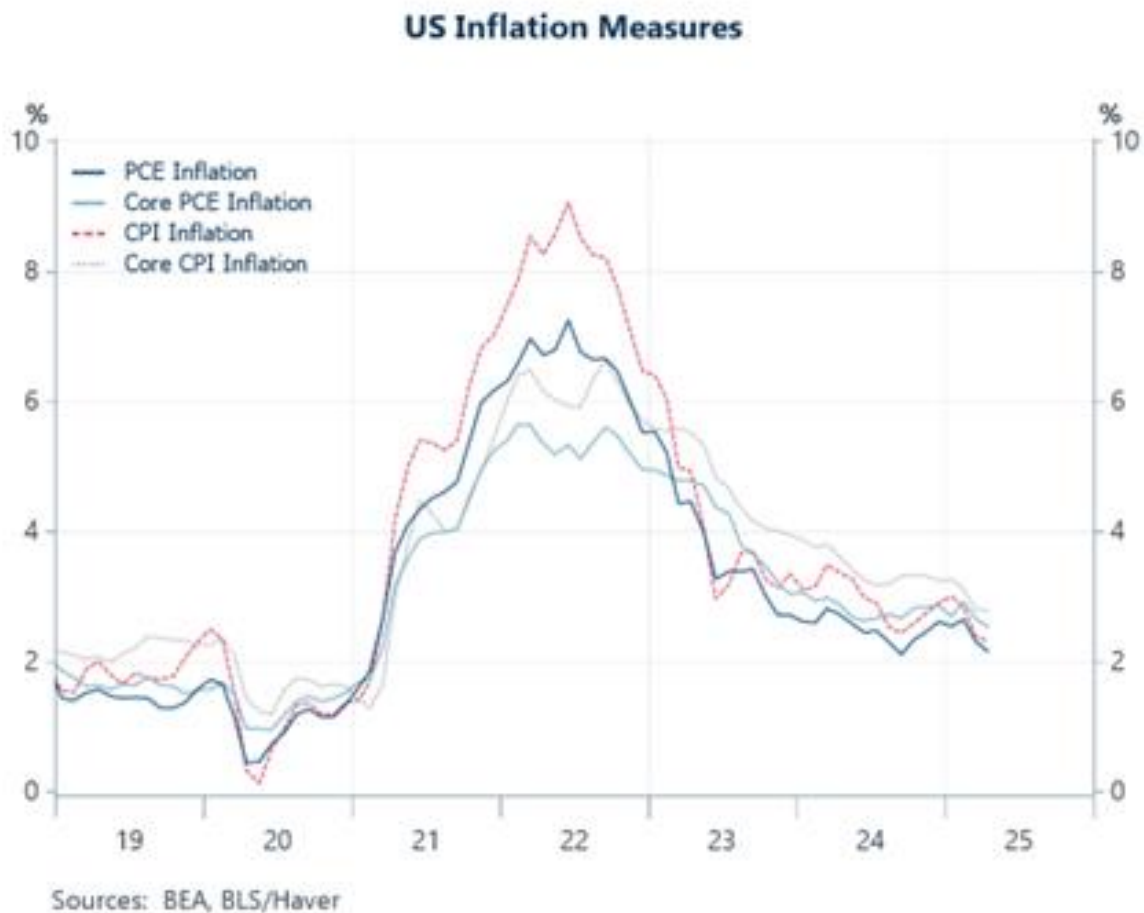
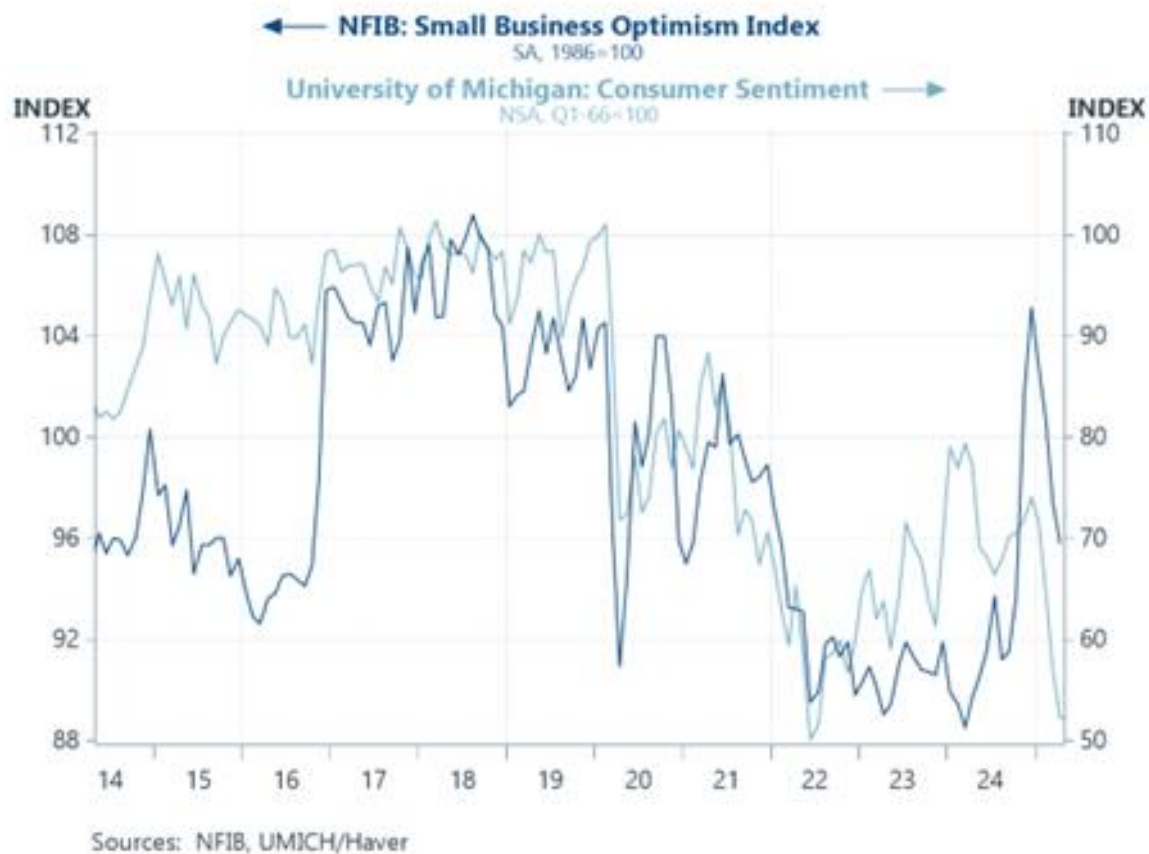


The Week Ahead

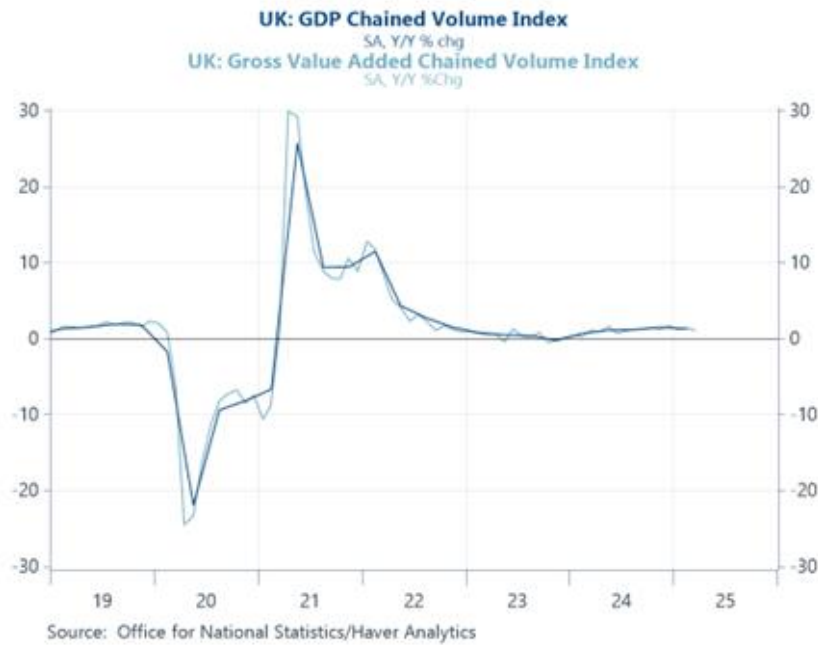
The spotlight returns to US inflation as the May CPI report is set for release. While recent readings have yet to show a significant buildup in price pressures, concerns about tariff-induced inflation remain elevated. It is possible that producers had not yet fully passed higher input costs on to consumers in April, when US tariffs on imports escalated rapidly. May data may provide a clearer view of how tariffs are filtering through to prices. That said, the recent interim rollback of US-China tariffs—bringing them closer to pre-"Liberation Day" baseline levels—could help ease some of those concerns.



Beyond the CPI, investors will also be monitoring the NFIB Small Business Optimism Index and the University of Michigan Consumer Sentiment Survey for additional insights into economic sentiment. Understandably, both small business and consumer confidence have declined in the wake of President Trump's post-"Liberation Day" tariffs. The University of Michigan's consumer sentiment reading has dropped to its lowest level since mid-2022, while small business optimism has retreated sharply from the highs seen after Trump's election victory last year, as concerns over tariffs take hold.



In Europe, attention will be focused on the UK as a slate of key data is due, including April GDP, industrial production, and the latest labour market figures. The UK economy surprised to the upside with stronger-than-expected growth in Q1, but concerns are mounting over how ongoing US-China tariff tensions could weigh on global demand—and, by extension, UK growth. These external risks, combined with rising labour costs, have already led to signs of strain in the UK labour market, raising investor concerns about a possible continuation of that trend. Beyond the UK, markets will also be watching the Euro area's June Sentix investor confidence reading, final CPI prints for any revisions, and a series of trade-related data releases throughout the week.



Asia faces a packed economic calendar this week, with CPI readings from China and India taking center stage. China continues to struggle with sustaining positive inflation, weighed down by falling property prices, weak domestic demand, and persistent deflationary pressures from excess capacity on the supply side. These structural issues are unlikely to be resolved quickly, suggesting that subdued inflation may persist for some time. In addition to inflation data, investors will be watching trade figures from China, India, and Taiwan, all of which are scheduled for release this week. On the sentiment front, consumer confidence surveys are due from Australia, Indonesia, and Thailand, offering further insight into regional economic conditions.

