July 6, 2026

START THE WEEK

War in the Persian Gulf

US/Iran negotiations: Developments in negotiations between the United States and Iran remained limited last week. Discussions were conducted indirectly through Qatari intermediaries in Doha rather than via direct contact between the two belligerents. Reports from Qatar indicated some progress, although no substantive breakthrough has yet been achieved. The negotiation process was expected to remain on hold until the conclusion of memorial ceremonies for former supreme leader Ali Khamenei, with direct engagement unlikely to resume until later in the week or next week.

Oil market

Despite the absence of significant military activity, conditions in the Persian Gulf remained tense. Shipping activity showed signs of recovery but confidence among vessel operators remained fragile. Reports indicated that some ships attempted to transit the Strait of Hormuz before reversing course and returning to Gulf ports, highlighting continued concerns regarding security and navigational risks. The geopolitical backdrop therefore continued to exert influence over energy markets and trade flows.

Oil and fertiliser exports through the Strait of Hormuz were steady last week following the severe disruption experienced during Iran's blockade of the waterway. Approximately 35 vessels per day were reported to be transiting the strait. While substantially above the two to three vessels per day observed during the height of the conflict, this remains well below the pre-war norm of approximately 120–130 ships per day. It will take time for flows to reach previous levels and for depleted strategic and commercial reserves to be rebuilt.

OPEC+ agreed to increase production quotas once again at its latest meeting, by 188'000 barrels per day. Previous decisions had already raised intended production targets by approximately one million barrels per day. However, the practical ability of member countries to export additional crude remained constrained by the limited recovery in shipping capacity through the Strait of Hormuz. Consequently, announced production increases did not necessarily imply equivalent increases in global exports.

Equities	Last	%5D	%1M	%YTD
MSCI World	4 842.48	2.1	-0.1	9.3
S&P 500	7 483.24	1.8	-0.9	9.3
Nasdaq Composite	25 832.67	2.1	-3.8	11.1
Russell 2000	2 996.11	-0.5	3.5	20.7
STOXX 600	652.77	2.7	5.1	10.2
Euro STOXX 50	6 412.68	3.1	5.9	10.7
SMI	14 424.24	1.8	9.1	8.7
Topix	4 064.60	2.6	1.7	19.2
MSCI EM	1 721.50	0.9	-3.7	22.6
China CSI 300	4 842.17	-0.5	-2.0	4.6
VIX	15.81	-14.1	-1.6	5.8
V2X	15.54	-12.9	-19.3	5.6

Fixed Income	Last	5Dbp	1Mbp	YTDbp
US 2Y	4.14	4	5	66
US 10Y	4.48	11	-1	32
German 2Y	2.54	2	-14	42
German 10Y	2.94	8	-10	8
Swiss 2Y	0.04	3	-7	12
Swiss 10Y	0.32	7	-9	4
USD IG Spread	0.82	-2	3	-2
EUR IG Spread	0.68	-2	0	0
USD HY Spread	2.67	-15	4	1
EUR HY Spread	2.88	-1	20	6
EM Sovereign Spread	1.67	-5	3	-16

Currencies	Last	%5D	%1M	%YTD
Dollar index	100.86	-0.5	1.3	2.6
EURUSD	1.144	0.5	-1.4	-2.6
GBPUSD	1.335	1.1	-0.5	-0.9
USDJPY	161.34	-0.2	0.8	3.0
EURCHF	0.919	-0.3	0.0	-1.3
JPM EM FX Spot	46.81	0.3	-1.2	0.5
USDCNY	6.779	-0.3	0.0	-3.0

Commodities	Last	%5D	%1M	%YTD
GSCI Spot	617.12	0.1	-14.4	12.5
Brent Crude Oil	72.12	0.2	-26.3	18.5
Gold	4 176.94	2.2	-5.8	-3.3
Copper	13 366.50	0.1	-3.3	7.6
Bitcoin	62 715.78	5.2	-3.4	-28.4

Source: Bloomberg, 06.07.2026

Oil prices remained relatively stable over the previous week. Brent crude traded around USD 72 per barrel, well below the levels reached during the conflict. Expectations of gradually improving export volumes and reduced concerns regarding immediate supply disruptions helped to support the decline in prices. Nevertheless, ongoing geopolitical uncertainty continues to prevent full normalisation of energy markets.

US Trade War

USMCA review framework: A significant development occurred in North American trade policy when the United States chose not to renew the USMCA agreement for a sixteen-year term. Instead, the administration expressed a preference for managing trade relationships with Canada and Mexico through an annual review process. The agreement itself remains in force until 2036, but future continuation will be reassessed each year.

Impact on business: The move reduces visibility for manufacturers and exporters operating across North America. Businesses seek long-term certainty regarding trade relations, investment planning and supply chains. The shift towards annual reviews therefore introduces a greater degree of uncertainty for Canadian and Mexican firms. This has potentially negative consequences for business confidence and capital expenditure decisions,

US Macro Data

Job market: The June non-farm payrolls report disappointed relative to expectations. Payroll growth amounted to 57,000 jobs, significantly below the consensus forecast of 113,000 jobs. The previous month's figure was revised down to 129,000 from an earlier estimate of 172,000, continuing a pattern of negative revisions. Although employment continued to expand, growth was considerably weaker than anticipated.

The unemployment rate declined from 4.3% in May to 4.2% in June. However, this apparent improvement reflected a contraction in the labour force rather than stronger employment conditions.

The May JOLTS report provided somewhat more encouraging news. Job openings reached 7.6 million compared with expectations of 7.3 million and exceeded the April reading. Much of the increase appeared concentrated in leisure and hospitality, partly associated with preparations for the World Cup. However, the June non-farm payrolls data suggested that many of these jobs had already begun to disappear during June, with the leisure and hospitality sector losing 61,000 positions

Business confidence: The ISM manufacturing survey for June showed a slight decline relative to May and fell short of expectations. Nevertheless, activity remains in expansion territory. New orders growth slowed but remained substantially stronger than levels observed at the end of last year. The report therefore suggested continued expansion in manufacturing, albeit at a less robust pace.

One notable feature of the ISM report was a sharp decline in the prices-paid survey. The index fell by almost ten points compared with May. Although input-cost inflation remained elevated, the decline indicated that pricing pressures were easing compared with recent months. Lower energy prices were an important contributing factor.

The final June manufacturing PMI was revised higher from the flash estimate and ultimately exceeded the May reading, reaching a four-month high. Some of the improvement was attributed to front-running activity linked to previous concerns regarding supply disruptions and higher input costs.

Consumer confidence: The Conference Board's consumer confidence measure improved modestly compared with May but remained below market expectations. Confidence regarding current conditions weakened, while future expectations improved. Lower oil prices and the possibility of reduced petrol costs may have supported household optimism regarding the future. Nevertheless, respondents increasingly reported difficulty finding employment. The proportion of respondents indicating that jobs were hard to find rose to the highest level in five years,

Factory orders: Headline factory orders declined by -1.3% month-on-month (MoM) in May following an increase of 5.3% in April. However, the headline figure was heavily influenced by the volatile transportation component. Excluding transportation, factory orders increased by 1.9% MoM after rising 1.3% MoM in April, indicating continued strength in underlying demand.

Activity data: Economic surprise indicators remained firmly positive with data continuing to outperform expectations. However, the Atlanta Fed GDPNow model recorded a substantial downgrade. Forecast growth for the second quarter declined from 2.5% annualised to 1.2% annualised, suggesting some moderation in economic momentum heading towards the publication of official Q2 GDP data.

Eurozone Macro Data

Inflation: June flash inflation estimates generally provided encouraging news for the European Central Bank. At the Eurozone level, consumer prices fell by -0.1% MoM, compared with expectations for a 0.1% increase. Headline inflation eased to 2.8% year-on-year (YoY) from 3.2% YoY in May. Lower energy costs played a significant role, with energy prices declining by -1.7% MoM.

Core inflation, which excludes food and energy, declined to 2.4% YoY from 2.6% YoY in May. This represented a return to the same level observed before the onset of the conflict with Iran and suggested that underlying inflation pressures were moderating.

Germany recorded inflation of -0.2% MoM during June, while France recorded -0.3% MoM. Italy experienced a small increase of 0.1% MoM, an improvement from 0.3% MoM in May. On a YoY basis, Germany's inflation rate stood at 2.4%, France returned to the ECB's target level at 2.0%, while Italy remained higher at 3.1%.

Italian producer price inflation also showed improvement. Producer prices declined by -0.5% MoM in May, supporting the view that pipeline inflation pressures continued to moderate.

Business confidence: The final June manufacturing PMI for the Eurozone came in at 51.4, slightly above expectations and marking a fifth consecutive month in expansion territory. Germany and France both experienced upward revisions from the flash estimates and recorded improvements compared with May. Italy remains in expansion territory although results were softer than expected. Spain represented the principal disappointment, slipping back into contraction territory.

Services activity also improved. The final services PMI exceeded the flash estimate and increased compared with May. Germany and France both recorded stronger readings than in the previous month. Spain achieved a particularly strong outcome and Italy returned to expansion territory.

At the composite level, the Eurozone economy improved to the neutral 50.0 level, indicating stabilisation following the disruption associated with the conflict in the Middle East.

Consumer spending: Consumer spending data were encouraging. Italian retail sales increased by 0.2% MoM in May, while French consumer spending increased by 0.5% MoM, reversing the previous month's decline.

Activity data: Overall economic surprises remained negative but continued moving closer to neutral territory.

Switzerland Macro Data

Inflation: Swiss inflation remained very subdued. Consumer prices increased by 0.5% YoY in June, matching expectations and easing slightly from 0.6% YoY in May. Inflation therefore remained well contained which provides comfort for the Swiss National Bank ahead of its September policy meeting.

Business confidence: Business confidence indicators remained encouraging. The manufacturing PMI registered 54.3 in June. Although lower than the May reading, it is the second-highest level seen since late 2022, signalling continued strength in industrial activity.

The services PMI rose sharply to 59.8 from 56.0 in May. Given the dominant role of services within the Swiss economy, this improvement suggested a significant acceleration in business confidence and economic momentum.

Japan Macro Data

Business confidence: Japan's quarterly Tankan survey produced encouraging results. Large manufacturers reported a notable improvement in business sentiment during the second quarter, while large non-manufacturers also experienced an increase in confidence. Levels of confidence remained higher among non-manufacturers, but improvement was broad-based across sectors.

The final June PMI reports reinforced the positive message from the Tankan survey. Manufacturing activity improved modestly while remaining in expansion territory. Services activity strengthened more significantly, pushing further into expansion territory and boosting the composite PMI reading. The overall picture indicated an economy benefiting from improving business conditions across multiple sectors.

China Macro Data

Business confidence: China's RatingDog private-sector manufacturing PMI eased only slightly during June, declining by 0.1 points to 51.7. The reading remained comfortably above the expansion threshold of 50, indicating that domestic manufacturing activity continued to grow despite ongoing external uncertainties.

The RatingDog services PMI also remained resilient. Although activity softened modestly during June, the index held at 54.1, remaining firmly in expansion territory and exceeding expectations. These figures suggested continued strength among smaller and domestically-focused businesses across the Chinese economy.

Central Banks and Monetary Policy

Federal Reserve: Attention focused on remarks delivered at the ECB's central bank policy forum in Portugal by incoming Federal Reserve Chair Kevin Warsh. The chair emphasised that the independence of the Federal Reserve remained intact and reiterated the institution's commitment to price stability and inflation control. The comments were interpreted as relatively hawkish.

Forthcoming meetings: Market expectations for a rate increase at the Federal Open Market Committee meeting on 29 July declined during the week. The probability priced by markets fell to approximately 24%, down from around 30% previously. Investors are becoming less convinced that additional tightening will be required in the near term.

For the European Central Bank, Bank of England and Bank of Japan, markets continued to expect no immediate change in interest rates at their meetings in late July. Monetary policy expectations therefore remained relatively stable outside the United States.

Fund flows

Global fund flow data revealed a significant shift towards defensive positioning. Equity funds experienced approximately USD 14 billion of outflows during the week. Gold funds recorded their seventh consecutive week of withdrawals, the longest sequence of outflows since March 2024. In contrast, investors allocated approximately USD 55 billion to money-market funds and USD 29 billion to bond funds.

US equity funds experienced their second consecutive week of outflows and the largest withdrawal since March. European equity funds recorded a twelfth consecutive week of outflows, while emerging market funds experienced a third straight week of redemptions. Japan was the only major region attracting inflows, recording its strongest weekly intake in seven weeks and extending an inflow streak to four weeks.

Within the US market, all major investment styles recorded outflows. Value funds experienced withdrawals of USD 15.8 billion, while Growth funds saw outflows of USD 13.3 billion. Sector flows remained dominated by technology. Technology funds attracted USD 14.4 billion during the week, lifting year-to-date inflows to USD 152 billion. Should this pace continue through the second half of the year, technology funds would see their strongest year for inflows on record.

THE WEEK AHEAD

Monday The Eurozone will publish producer price inflation data for May. In the United States, the final June services PMI and composite PMI surveys will be released alongside the June ISM services survey. Germany will also publish factory orders data for May.

Tuesday The United States, Japan and France will all publish trade balance figures for May. These releases will provide additional insight into global trade trends following recent disruptions linked to geopolitical developments and tariff uncertainty.

Wednesday Minutes from the most recent Federal Open Market Committee meeting will be published. These will be the first minutes from a meeting chaired by Kevin Warsh and will be scrutinised closely for indications regarding future monetary policy and the Federal Reserve's assessment of inflation risks.

Thursday China will release both consumer price inflation and producer price inflation data for June. The European Central Bank will publish minutes.

Friday Germany and France will publish final consumer price inflation figures for June. Japan will release producer price inflation data for June. These reports will offer further evidence regarding inflation trends across major developed economies and will help shape expectations for future central bank decisions.